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Following the Money: Winners and losers from £1.8bn national fund

By Lawrence Dunhill | 2 June 2017

***HSJ's* expert briefing on NHS finances, savings and efforts to get the health service back in the black.**

Two large teaching trusts have been awarded almost £60m of extra central funding after bettering their financial targets.

Analysis of NHS trusts' financial data by *HSJ* shows how the £1.8bn "sustainability" share of the "sustainability and transformation fund" was distributed in 2016-17, revealing wide disparities between the payments made to individual organisations.

The STF rules, which evolved throughout the year, were heavily geared towards incentivising trusts to meet their financial "control totals". Trusts that were able to exceed their targets were offered additional STF to match the improvement delivered.

Some of these trusts that received additional funding have been able to allocate the money for future investment projects, while many of those which missed out on STF altogether will have had to plug the shortfall with interest bearing bailout loans from the Department of Health.

This was seen by national leaders as the best way to improve the overall position of the trust sector, which had reported huge combined deficits for each of the previous two years.

Almost every trust was allocated a share of the fund, which was payable if financial targets were achieved. Trusts were then eligible for extra payments if they exceeded their target.

Two Shelford Group providers received around £60m of extra STF payments between them: University College London Hospitals Foundation Trust and Central Manchester University

Hospitals FT. Royal Surrey County Hospital FT received the largest amount as a proportion of turnover.

Trusts receiving the largest amounts of extra STF as a proportion of turnover

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All numbers in £000s	Control total	Outturn	Core STF	Extra STF	Extra STF (as % of turnover)
Royal Surrey County Hospital NHS Foundation Trust	-8,379	18,150	7,700	15,458	4.8
University College London Hospitals NHS Foundation Trust	-11,000	43,134	14,700	29,154	3.1
Central Manchester University Hospitals NHS Foundation Trust	5,918	56,618	20,200	28,700	3.0
Royal Brompton and Harefield NHS Foundation Trust	-7,493	12,402	4,800	10,738	2.9
Moorfields Eye Hospital NHS Foundation Trust	2,631	12,442	1,100	5,589	2.7
North East Ambulance Service NHS Foundation Trust	-2,989	1,174	710	2,942	2.5
Doncaster And Bassetlaw Hospitals NHS Foundation Trust	-26,468	-10,258	11,800	8,862	2.5
Tees, Esk And Wear Valleys NHS Foundation Trust	10,057	22,417	1,980	7,251	2.3
Colchester Hospital University NHS Foundation Trust	-31,707	-20,712	10,000	5,639	2.1
Wrightington, Wigan And Leigh NHS Foundation Trust	3,724	13,652	7,900	5,593	2.1

Around 20 providers received no STF at all, with around 50 others receiving less than their allocation. Many of these providers will instead have been forced to draw down additional bailout funding from the Department of Health, which rules state must be repaid with interest.

Experts have warned the distribution system “risks creating a hugely disparate hospital landscape where some are becoming cash rich - thanks to extra STF payments - and others are drowning in debt”.

It is also clear that in a number of cases, trusts have managed to meet or exceed their targets through one-off land sales or changes in accounting treatment.

For example, several trusts in London, including UCLH, Royal Brompton and Harefield FT, and Royal Free London FT, were able to improve their position significantly through “profits” booked through land sales.

Sally Gainsbury, senior policy analyst at the Nuffield Trust, said: “It is undeniable that all trusts had to work incredibly hard last financial year to meet their control totals. Where they were exceeded, that was due in part to genuine, recurrent operational efficiencies.

“But in a number of cases, skilled finance professionals were able to eek their organisations over the line and into receiving significant extra STF payments through well-timed asset sales or

changes in accounting practice.

“Those finance professionals did that with the absolute best interests of their organisations and patients at heart. But the upshot is that those with the luck to find those non-recurrent savings now find themselves relatively cash rich, while those who did not find them continue to languish in debt.”

HSJ asked all the trusts in the table above to detail any land sales or one-off accounting transactions that helped improve the position, and also state what the extra funding would be used for.

UCLH indicated there had been around £20m of “one-off benefits” including the sale of surplus assets and a payment from the Royal Free which had been brought forward. A spokesman said the extra STF money would enable the replacement of core infrastructure such as IT equipment and software.

A spokesman for the Royal Brompton referred to several measures including the sale of an “investment property” which delivered a gain on sale of £13.6m. He said the additional funding will be used to support the usual running costs of the trust.

Royal Surrey said there were no non-recurrent, technical accounting or land sale items which had helped boost its position.

Moorfields Eye Hospital and Tees, Esk and Wear Valleys Foundation Trust reported no significant benefits from land sales or accounting measures, and said their extra funding will be allocated to future capital investments.

North East Ambulance Service said it did not receive any additional STF relating to technical accounting adjustments. It said the extra income has helped improve the cash balance after three years of budget deficits.

The other trusts did not respond in time for publication.

Trusts with the largest shortfalls in STF as a proportion of turnover

All numbers in £000s	Control total	Outturn	STF allocation	STF received	Lost STF as % of turnover
Queen Elizabeth Hospital Kings Lynn NHS Foundation Trust	-5,326	-18,158	6,500	0	-3.8
Southport and Ormskirk Hospital NHS Trust	-6,600	-20,700	6,100	0	-3.3
North Middlesex University Hospital NHS Trust	14,100	-10,400	9,800	2,500	-2.9
King's College Hospital NHS Foundation Trust	-1,600	-60,353	30,000	0	-2.8
Plymouth Hospitals NHS Trust	-35,600	-39,900	11,900	0	-2.7
Hinchingbrooke Health Care NHS Trust	-9,800	-20,953	40,00	1,000	-2.7
Norfolk And Norwich University Hospitals NHS Foundation Trust	-24,995	-24,860	14,400	0	-2.7
North Bristol NHS Trust	-48,033	-42,922	14,200	0	-2.6
Kettering General Hospital NHS Foundation Trust	-5,966	-24,551	7,600	1,900	-2.6
Walsall Healthcare NHS Trust	-6,136	-21,392	8,400	2,100	-2.6

Some trusts were able to trigger a share of their STF payment earlier in the year by meeting their year-to-date financial targets, before falling off their plan as the year progressed.

The data used in this article was collected directly from trusts by *HSJ*. We were able to obtain outturn and STF figures from all but 19 of England's 236 NHS trusts, via public board reports and direct requests. Year-end forecasts produced after the 11 months of the year were used for the remaining 19.

HSJ used turnover figures from 2015-16, as last year's figures are not yet available.

NHS Improvement, which managed the £1.8bn sustainability funding, said: "The introduction of the sustainability and transformation fund has meant that £1.8 billion of additional funding has been passed to many providers that met the conditions of the fund.

"The financial objective was to reduce the aggregate provider sector deficit in 2016/17 by asking providers to go further and deliver more than the 2 per cent efficiency included in national tariff... The majority of the providers that signed up to a control total have delivered or exceeded their plans in 2016/17.

"The £1.8 billion of cash released by the Fund is designed to be used by providers to transform services so that they meet the changing needs of patients and use taxpayers' money as efficiently as possible."

Norfolk And Norwich University Hospitals FT said it had a “non-STF” financial plan as part of being in financial special measures, which it delivered against.