

NHS REALITY CHECK

**The financial and performance ask
for trusts in 2022/23**



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CONTENTS

Key points	4
1 The financial context for 2022/23	6
2 Performance and recovery	8
3 The financial task	14
4 Efficiency	19
Conclusion	26

KEY POINTS

- **The pressures facing the NHS now can be traced back over the last decade as four long-term fault lines, all of which have been exacerbated by the pandemic:**

- the longest and deepest financial squeeze in NHS history
- a growing mismatch in capacity and demand resulting in pressure on national performance standards pre-pandemic
- staff vacancies and the need for better workforce planning
- an underfunded social care system in need of reform.

Our survey shows how the pandemic has deepened these existing fault lines, leaving trusts facing a tough task in 2022/23 to meet patient need within the financial envelope and to deliver stretching efficiency targets.

- **Trusts are ambitious about reducing care backlogs and they are caring for more patients, but some targets will be challenging to deliver.** The majority of respondents are confident they will eliminate long waits of over 52 weeks by March 2025, and that their trust will ensure 75% of patients who have been urgently referred by their GP for suspected cancer are diagnosed or have cancer ruled out within 28 days. However, only 37% of respondents are confident that their trust will be able to deliver 104% of pre-pandemic elective activity by the end of 2022/23.

- **Staff shortages, burnout, capacity constraints, challenges in patient flow and increasing clinical complexity will limit trusts' ability to make activity gains during 2022/23.** The biggest barriers reported are operational pressures coupled with major staffing shortages.

- **Trust leaders have welcomed the recent announcement by NHS England and NHS Improvement (NHSE/I) to allocate an additional £1.5bn to systems to alleviate inflationary cost pressure.**¹ While this will help, there will still be a need to continue to monitor and address inflationary pressure over 2022/23. Trust leaders will also want reassurance from government and national bodies that the additional funding to address inflationary pressure will not put other national health and care budgets under pressure.

- **The financial ask of 2022/23 remains challenging for the vast majority of trusts.** 85% of respondents said they are not confident that their system will reach financial balance in 2022/23, while 91% said they are not confident that their trust will end 2022/23 in a better financial position than it ended in 2021/22.

¹ This survey was carried out before the announcement from NHSE on 19 May 2022 about the additional £1.5bn funding injection.

- **Trust leaders strongly support an uplift in staff pay but this must be appropriately funded.** 94% of trusts are not confident that they would have sufficient revenue funding for additional pay costs if the pay review body's recommendations exceed budgeted allocations.
- **Trusts are working as hard as they can to drive cost improvement programmes. However, they are unlikely to deliver efficiency savings at the level expected by government and NHSE in 2022/23.** Among respondents, the average estimated required efficiency savings rate for 2022/23 is 4.04% but 73% of respondents told us that a realistic and achievable efficiency savings target would be between 1% and 2.5%.

About our research

Our report is based on evidence collated from trusts across England. We took a mixed methods approach, conducting a survey and in-depth interviews.

In April 2022 we carried out an online survey of chief executives and finance directors of all trusts and all trust types: acute, acute specialist, ambulance, community and mental health and learning disability. The survey was focused on trusts' views on meeting the combined financial and operational ask of them for 2022/23.

We received 106 responses to the survey. This accounts for 50% of the provider sector (212 trusts in England). All trust types and regions were represented in the survey. We supplemented the quantitative findings with 12 in-depth qualitative interviews with a set of finance directors covering a range of sectors and trust types

THE FINANCIAL CONTEXT FOR 2022/23

Historic trends in NHS funding – informing the present

In the 2010s the NHS went through the most prolonged financial squeeze in its history. The average annual increase in funding for healthcare between **1949/50 and 2019/20 was 3.7%**. However, between 2009/10 and 2019/20, the **average real-terms growth in the UK government's health spending was 1.6%** – lower than any other decade since the NHS was founded in 1948. This led to growing workforce shortages, under investment in a deteriorating NHS estate and a growing mismatch between the need for greater capacity and changing demand for patient care. It was in this context that the NHS entered the pandemic.

Pressures on the NHS are amplified by the continued financial squeeze on social care and public health services. Funding for local authorities has **fallen in real terms by over 50% between 2010/11 and 2020/21**, despite a rise in demand for key services such as social care, leaving **hundreds of thousands of people with unmet and under-met care needs**. The lack of a long-term settlement for social care exacerbates pressures on the service, often leaving the NHS, particularly general practice and emergency pathways, as a key source of support for marginalised and vulnerable people.

NHS funding since the pandemic began

At the beginning of the pandemic, the government made a welcome and much needed commitment to giving the NHS 'whatever it needs' to respond to COVID-19. This led to significant investment in frontline health services in 2020/21.² The October 2021 Spending Review (SR21) later set out a multi-year revenue and capital settlement for the NHS.

The SR21 funding uplift was generous relative to other public services. As the Institute for Fiscal Studies (IFS) has pointed out, whereas most departments saw significant cuts in core 'day-to-day' revenue spending between 2009/10 and 2021/22, the **Department of Health and Social Care (DHSC) budget continued to rise in real terms**. However, while any increase in NHS funding will always be welcome, there is still a fundamental mismatch between demand for timely patient care and capacity to deliver.³

2 **The King's Fund** illustrates how in 2020/21 an additional £47.1bn of COVID funding – real terms in 2021/22 prices – was spent on top of the Department of Health and Social Care's core budget of £143.9bn.

3 For example the **Health Foundation** estimates that by 2030/31, up to an extra 488,000 health care staff would be needed to meet demand pressures and recover from the pandemic – the equivalent of a 40% increase in the workforce, double the growth seen in the last decade.

Spending review 2021 settlement

	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
NHS funding baseline	133,283	139,990	148,467	151,629
21/22 COVID funding	16,295	–	–	–
SR21 settlement	–	8,989	6,085	8,161
Transfers of funding	–1,815	765	TBC	TBC

Source: Department of Health and Social Care, [2022-23 Financial Directions to NHS England](#), March 2022

The impact of inflationary pressures

The impact of inflation is being felt across the economy.⁴ Rising inflation will erode the SR21 cash settlement for public services in real terms. With the revised inflation forecast at Spring Budget 22 (SB22), NHS revenue funding will increase by 3.6% over 2022/23 to 2024/25, **slightly less than outlined at SR21**. At this point it is unclear the extent to which the expected real terms increase in funding for the NHS provided in SR21 will be eroded by inflationary pressures in 2022/23.

Efficiency

At the beginning of the pandemic, **NHSE helpfully suspended its efficiency requirements of trusts** to enable the NHS to focus on the response to the pandemic. However, as the provider sector withdraws from interim COVID-19 arrangements there has been a renewed focus on efficiency and closing the gap between income and expenditure. The government recently announced an initiative to eliminate waste across public services and has **doubled the NHS efficiency target to 2.2% a year**.⁵ As our survey results show, given current financial and operational pressures, there are a number of factors limiting trusts' ability to recover care backlogs at pace as they want to do, and to close the gap between income and expenditure and deliver efficiency savings.

4 [The Office for Budget Responsibility](#) (OBR) has revised upwards its forecast for growth in CPI and the GDP deflator growth (in market prices) since SR21.

5 This efficiency assumption has already been baked into ICB allocations, once the 1.1% efficiency factor and convergence adjustment are taken into account.

PERFORMANCE AND RECOVERY

2

The operational ask for 2022/23

The operational ask, set out in the planning guidance and subsequent guidance on elective recovery, requires trusts to balance a number of priorities: to continue to respond to COVID-19 pressures, to tackle long waits across all services and to push forward with the next phase of implementing the NHS long-term plan.

Trust leaders know that many people are waiting longer than they should to access mental and physical health services and are working hard with system partners to help mitigate the risks for patients. The national focus on bringing down the elective care waiting list of 6.3 million (April 2022) does not tell the whole story – there are also increasing pressures on the ambulance sector, and care backlogs across community and mental health services.

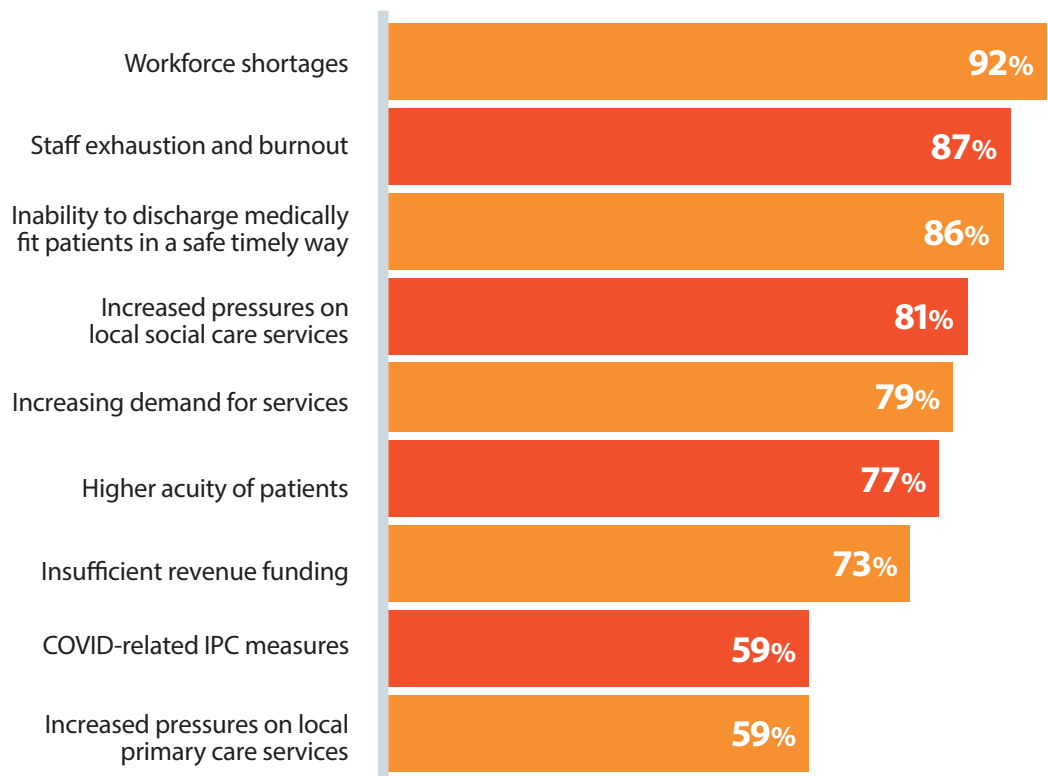
While performance against many of the existing waiting time standards has fallen across nearly all metrics, activity levels across services have improved, exceeding pre-pandemic levels in some specialities including mental health, cancer services and diagnostics. These activity gains are a significant achievement, particularly factoring in the complexities and obstacles trusts are facing.

Barriers to improving performance and expanding activity

As figure 1 shows, trusts report that barriers to further activity gains include workforce shortages, staff exhaustion and burnout, the inability to discharge medically fit patients in a safe timely way, and increased pressures in social care. Increasing demand for services and higher acuity are also impacting services.

Figure 1
What barriers currently exist that will prevent your system(s) from making activity gains during 2022/23?

(n = 106)



Workforce

- **92% of respondents said persistent workforce shortages are the most significant limiting factor on activity gains in 2022/23.**
- **74% of respondents are not confident (42%) or not at all confident (32%) that they will be able to recruit and retain sufficient staff to meet performance and recovery targets in 2022/23. Respondents from mental health and learning disability trusts were most concerned (93% are not confident or not at all confident).**

Workforce shortages were a persistent challenge before the pandemic. Despite a positive impact on attracting prospective health care professionals into education, training new staff takes years, and in **the last quarter of 2021/22 there were 106,000 vacancies** across the NHS, excluding primary care.

Current levels of community prevalence of COVID-19 continue to have a knock-on impact on workforce availability. While staff absences have been decreasing over the spring, they remain high, with an average of 75,226 staff absent from work each day between 7 April and 4 May, **30% of which were COVID-19 related.**

In a **recent workforce survey**, trusts told us that severe workforce shortages, exacerbated by these high sickness absence rates, have resulted in the temporary closure of some wards or services. The results of the **latest NHS staff survey** similarly reflect an increase in the proportion of staff suffering from work related stress, emotional exhaustion and thinking about quitting the NHS.⁶

Capacity constraints and patient flow across systems

- **86% of survey respondents highlighted difficulties discharging medically fit patients in a safe and timely manner.**
- **Over 70% of trusts are not confident about their ability to find local solutions and use existing funding streams to ensure the safe and timely discharge of medically fit patients. Many cited more support for social care and domiciliary care as a key solution.**

Challenges with patient flow manifest in different ways for different services. For acute hospitals, the inability to discharge a significant proportion of medically fit patients to services in the community, at home or with social care support, means that they do not have available beds for patients arriving by ambulance or via A&E. By way of illustration, on 30 April 2022 there were 20,155 patients who no longer met the criteria to reside in hospital. Of these, **62% remained in hospital** on that day.

⁶ The NHS staff survey found 46.8% of staff have felt unwell due to work-related stress in the last 12 months, this is 2.8% higher than 2020 and 8.4% higher than 2017. 38% of staff said work is often or always emotionally exhausting, 34.3% are often or always burnt out due to work, and 31.1% are often or always exhausted at the thought of another day at work.

Consequently, spring 2022 has been one of the most challenging times across the urgent and emergency care pathway. Key indicators such as the length of time it takes to transfer a patient from an ambulance to an emergency department and the number of patients waiting longer than 12 hours in A&E to be admitted following a decision to admit have reached levels never seen before. These blockages at the 'front door' of the NHS are a symptom of system wide capacity constraints across health and social care.

Community trusts and mental health and learning disability trusts also report considerable increases to caseloads and are experiencing similar issues moving patients between services. Capacity constraints have meant that placing mental health patients out of area has also increased, reversing progress made on this issue before the pandemic.

Higher levels of complexity and acuity

- **77% of respondents to our survey said that the higher acuity of patients was impacting their ability to speed up recovery.**

Trust leaders are reporting an increase in the complexity and acuity of patients across both mental and physical healthcare services, including within the community. For example, mental health services tell us that they are seeing far greater numbers of children and young people with eating disorders. So, not only are the numbers greater, many of the patients are also more unwell than the equivalent cohort of patients before the pandemic.

When acuity is higher, patients' care needs are more complex, they need more interventions, and are usually in hospital or in contact with community or mental health services for longer. **Hospital data** from this winter showed increases in the length of stay compared to before the pandemic which trusts have linked anecdotally to increased acuity as well as the challenges with timely discharge explored above.

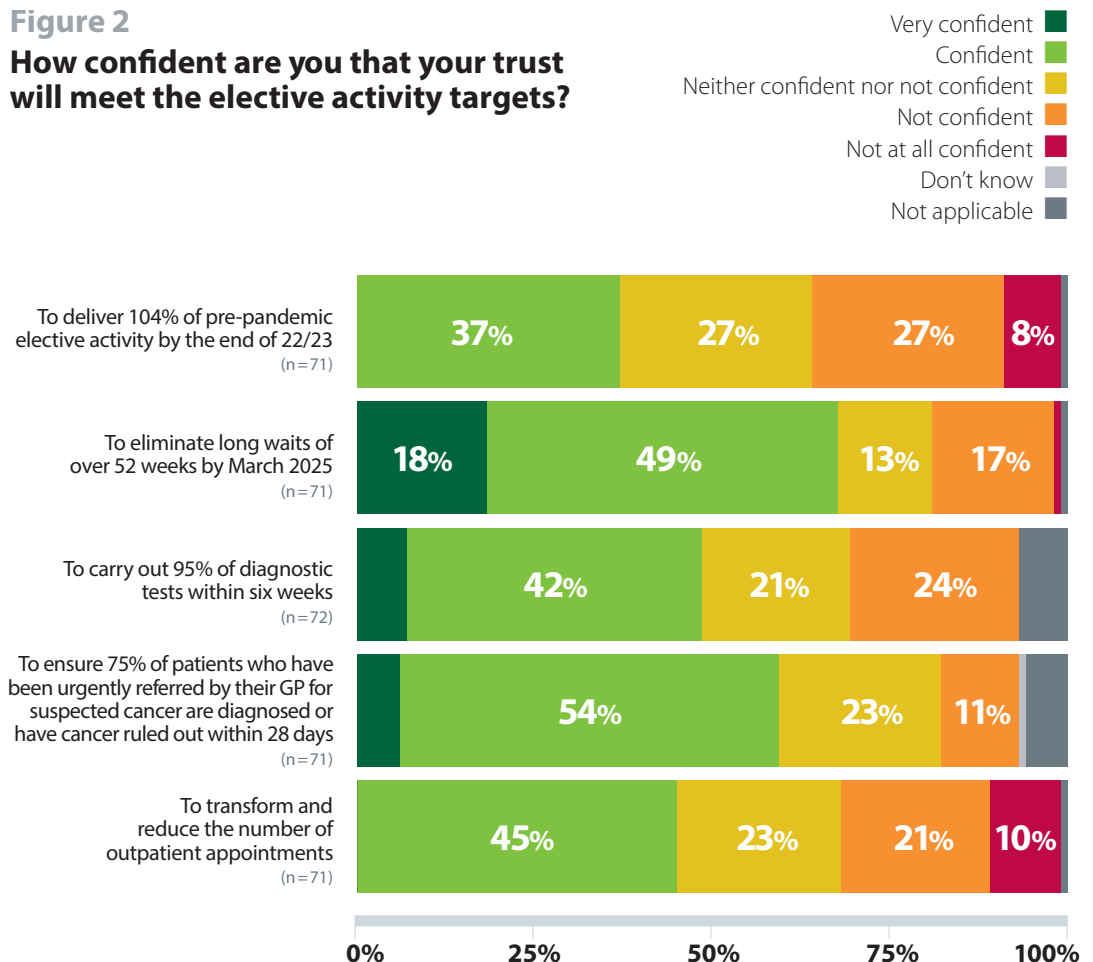
Elective recovery

In April 2022 **NHSE set out new milestones** for delivering the elective recovery plan. The ambitions for improving planned and cancer care hinge on increasing surgical capacity through surgical hubs; transforming diagnostics by creating more community hubs; redesigning outpatient care so it is more personalised; as well as, increasing capacity through workforce initiatives, digital innovation and use of the independent sector.

Confidence in meeting targets

- **67% of respondents who provide elective care said they are very confident or confident they will be able to eliminate long waits of over 52 weeks by March 2025.**
- **Only 37% of respondents who provide elective care are confident they will be able to deliver 104% of pre-pandemic elective activity by the end of 22/23.**
- **42% of respondents of trusts providing elective care are not at all confident or not confident they will deliver their recovery targets to reduce long waits in 2022/23.**

Figure 2
How confident are you that your trust will meet the elective activity targets?



With some exceptions due to complexity or patient choice, the majority of trusts are on track to treat all patients waiting over 104 weeks by July 2022. Systems are now turning their focus to eliminating waits over 78 weeks. However, as figure 2 shows, confidence levels in meeting targets for 2022/23 and beyond vary.

Diagnostics and cancer

- **Half of respondents (49%) are very confident or confident that their trust will carry out 95% of diagnostic tests within six weeks by March 2024.**
- **60% of respondents are very confident or confident that their trust will ensure 75% of patients who have been urgently referred by their GP for suspected cancer are diagnosed or have cancer ruled out within 28 days.**

Reducing outpatient appointments

- **45% of respondents are confident that their trust will reduce the number of outpatient appointments.**

Respondents told us they are optimistic that their trust can deliver this over the next three to five years but not at the pace the plan requires. Some trusts highlighted the importance of follow-up appointments in closing off patient pathways, and that the transition to reduced appointments needs to be realistic. Respondents also stressed that the target to reduce outpatient appointments needs to be appropriate to the care pathway, particularly for specialist services where treatments are primarily outpatient based.

Balancing elective recovery with the wider care backlog

- **79% of respondents said that increasing demand for services was preventing their system from making activity gains during 2022/23.**
- **Half of respondents (51%) are not confident or not at all confident that their system will deliver its recovery targets to reduce long waits across mental health services.**

Trust leaders report increasing pressures on mental health providers, with recent data showing there are more people in contact with services than ever before, and a significant level of unmet need. Community trusts are also facing an increasing care backlog with estimates that **almost a million were waiting for care** at the end of 2021. Respondents highlighted the fact that elective recovery targets and pathway changes require support from primary care and community services. Community providers have also asked for similar flexibilities to colleagues in the acute sector, including a support package, and 'air cover' from NHS England to cut waiting lists to tackle health inequalities as well as reduce waiting times.

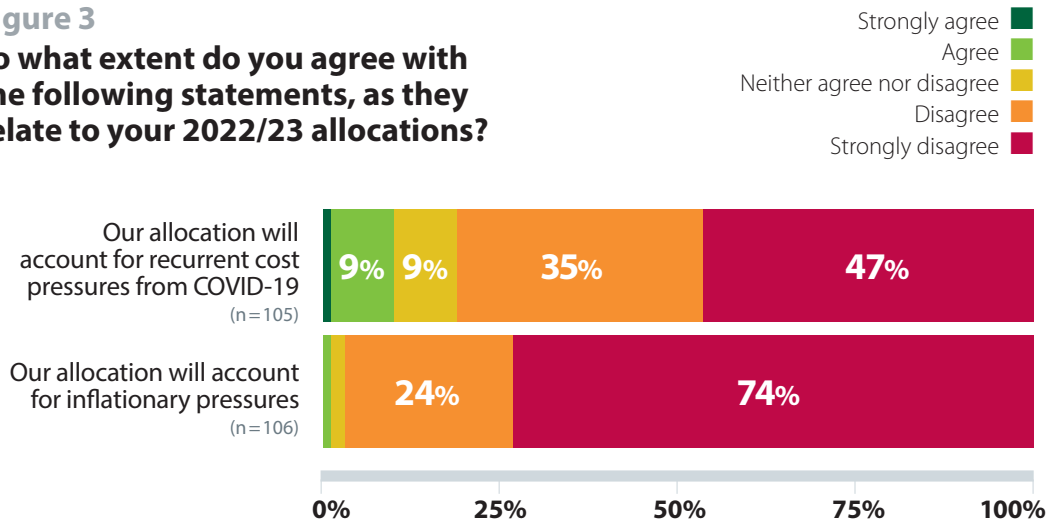
THE FINANCIAL TASK

Trusts understand the need to return to 'business as usual' financial arrangements post pandemic. However, the 2022/23 financial year presents a major challenge for trusts. There are now multifactorial cost pressures making it increasingly challenging for trusts to meet the financial ask of increasing activity in the context of a stretching efficiency target.

To what extent are 2022/23 allocations sufficient to meet the financial ask?

Figure 3

To what extent do you agree with the following statements, as they relate to your 2022/23 allocations?



Inflationary pressure

- **The majority of trusts agree that revenue allocations for this financial year present a demanding financial ask, with 95% of respondents saying the 2022/23 financial task will be 'difficult' or 'extremely difficult'.**

Increases in inflation are being felt across the economy. This widespread inflationary pressure is likely to erode the SR21 cash settlement for the NHS, and trusts are concerned that this year's system revenue allocations will not cover the increasing costs they will face as a result.⁷

Trusts are concerned about the impact of significant rises for energy and fuel prices in 2022/23. Inflationary pressures on NHS partners are also being reflected in contracts and loans. For example, some trusts have told us that independent sector organisations managing placements for mental health and learning disability patients are requesting uplifts commensurate with inflation. Additional cost pressures are also emerging from inflation across private finance initiative repayments.

⁷ This survey was carried out before the announcement from NHSE on 19 May 2022 about the additional £1.5bn funding injection.

The **recent NHSE announcement** of an additional £1.5bn to mitigate excess inflation has therefore been welcomed by trust leaders. However, this funding injection is not an additional uplift on top of the existing NHS settlement and will instead involve redirecting funding from elsewhere across NHSE's budget. This will help offset inflationary pressures, but it is not yet clear whether this will have a material impact on the overall efficiency ask of the provider sector, and whether it will be enough to offset the gap in the financial plans of some trusts and integrated care systems (ICSs).

Withdrawal of COVID-19 funding

- **82% 'disagree' or 'strongly disagree' that their allocation accounts for recurrent COVID-19 cost pressures.**

In line with the SR21 settlement, the NHS is expected to reduce direct and indirect COVID-19 costs. COVID-19 funding allocated to integrated care boards (ICBs) **will fall radically by 57% in 2022/23** compared to 2020/21. As COVID-related operational pressures recede and the service is better able to mitigate against disruption to services, the provider sector expected that the size of the quantum in 22/23 would fall.

However, several respondents to our survey described caring for double or triple the number of COVID-19 positive patients in hospital compared to the first wave of the pandemic. Despite aggregate cases coming down and severity reducing on average, there are pockets of COVID-19 pressures in England which impact trusts in certain locations.

Trust leaders are concerned that the extent of the fall in COVID-19 funding in 22/23 will not enable them to meet additional in-year cost pressures caused by current and potential winter levels of COVID-19 activity and the associated disruptions for non-COVID activity.

Budget allocations for pay

- **The vast majority of respondents (94%) are not confident that they would have sufficient revenue funding for any additional pay costs if pay review bodies' recommendations exceed current budgeted allocations.**

Trust leaders know how hard their staff have worked throughout the pandemic and are mindful of how rising inflation and costs of living are negatively impacting the NHS workforce. Provider leaders believe a meaningful pay award is critical to support staff recruitment and retention this year but they are also clear that this must be adequately and appropriately funded.⁸

⁸ The long-term plan implementation framework from 2019 accounted for an uplift of 2.1% in 22/23. In its recent written evidence to PRB, DHSC proposed a 2-3% pay award for AfC staff. This is comprised of a 2% 'assumed headline' award within DHSC's set budget, with an additional 1% "contingency" which, if used for staff pay, "means that this contingency will not be available for other priorities". Department of Health and Social Care, The **Department of Health and Social Care's written evidence to the NHS Pay Review Body (NHSPRB) for the 2022 to 2023 pay round**, February 2022.

An **NHS Providers survey** – conducted in December 2021, prior to the more recent significant rises in the cost of living – indicated the majority of trusts support a pay award: a large proportion of respondents (28%) supported an uplift of 5% or more. Indeed, the government’s proposed 2-3% rise in 22/23 would represent a significant real-terms pay cut, if implemented, given the consumer prices index (CPI) increased by **9% in the 12 months to April 2022**.

Our survey results indicate that trust leaders are concerned that any shortfall resulting from a partially funded pay uplift would mean reducing the provision of some services to live within budgeted allocations. Other respondents told us they have built in assumptions that if the final pay award is higher than the planning guidance suggested, additional funding will be provided to mitigate against any increased costs.

If the upcoming staff pay award exceeds the allocation already built into the annual uplift, trusts must be given immediate assurances that additional costs will be centrally funded.

Elective recovery funding

In 2022/23, ICBs will be able to earn additional funding via the elective recovery fund (ERF) if they deliver 104% of 2019/20 levels of elective activity.⁹ However, there is a concern among acute trusts that they will not recoup the additional funding allocated in SR21 for elective activity if they underdeliver against the target.¹⁰

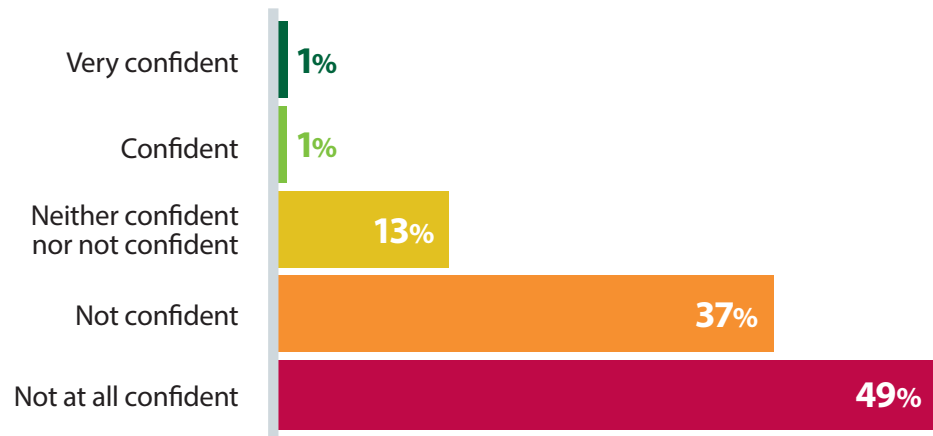
Trusts are concerned about how they can mitigate the additional costs incurred if they underdeliver against activity targets. As highlighted in the previous section, given that many providers are not projecting to deliver at 104% in 2022/23, this could mean much needed funding will be taken out of their baselines, and away from patient care, due to tariff penalties.

⁹ This includes activity across elective ordinary, day case and outpatient procedures.

¹⁰ Trusts that exceed the 104% target will receive additional funding (at 75% of national tariff prices) while providers who fall below this threshold will have the funding recouped (also at 75% of the tariff).

Figure 4
How confident are you that your system will reach financial balance over 2022/23?

(n=104)



Financial balance of providers and systems

- **Of the trusts that responded to our survey, 85% said they are 'not confident' or 'not at all confident' that their system will reach financial balance over 2022/23 and we have been told by some ICBs that they have submitted system plans that will not break even.**
- **At the provider level, over 90% said they are 'not confident' or 'not at all confident' that their trust will end 2022/23 in a better financial position than it ended 2021/22.**

The emerging cost pressures highlighted above will make it more challenging for trusts and systems to reach financial balance. There is concern among some trusts that in order to reach a breakeven position they will need to restrict recovery and service delivery, missing the ambitious targets they are striving for or diminishing the quality of patient care.

Capital funding

Backlog maintenance and operational capital

- **68% of respondents are not confident that they will be able to sufficiently address the backlog within existing operational envelopes.**

The capital maintenance backlog remains a major concern for trusts. At this stage of the planning process, early in the financial year, there are concerns about the adequacy of system capital envelopes to address key operational repairs and enable trusts to manage risks to staff and patient safety.

Trusts are telling us that the limited headroom within system capital envelopes means they carry high levels of risk related to their infrastructure and estates on a day-to-day basis. Without appropriate investment, issues like leaking roofs and broken boilers, ligature points in mental health facilities and outdated technology cannot be fully addressed, compromising both quality of care and patient safety.

Focus of national capital allocations for providers

- **65% of respondents are not confident that they will be able to expand capacity to deliver an increase in non-elective activity.**

Our survey found some providers are concerned that the national priority for elective recovery means that there is a corresponding underinvestment in ambulance, mental health and community services. This is a particular challenge for those trusts aiming to redevelop and improve facilities which serve a population broader than an individual ICS. Respondents also highlighted the need for more clarity and greater flexibility on capital spending for their trusts and services.

EFFICIENCY

The need to deliver efficiency savings

Trusts and systems recognise the importance of an increased focus on efficiency to deliver best value for taxpayers' money.

NHSE sets an annual 'efficiency factor' across the provider sector. This requires trusts to find means of accounting for the disparity between income and expenditure driven by a rise in demand for services and multifactorial cost pressures. **Modelling from NHSE** suggests that, between 2008/09 and 2017/18, providers became on average 0.9% more efficient, though it noted that the level of efficiency savings had slowed in recent years. The efficiency factor of 1.1% set in 22/23 was considered as 'challenging but achievable' by NHSE.

Cost improvement programmes

Cost improvement programmes (CIPs) are efficiency plans adopted by trusts to use their limited resources in a more efficient way – this can include utilising operating theatres more effectively, treating more patients within the same facilities, reducing waste and improving patient flow.

Once income and expenditure are accounted for, as well as planned service improvements, cost-uplifts and inflationary pressures, the national efficiency factor actually translates into a significantly higher efficiency savings rate for trusts. Therefore, while the national efficiency target has doubled to 2.2%, as we show below, trusts will have to deliver efficiency savings above this figure and exceed the levels they managed to achieve prior to the pandemic.

At this time it is unclear what proportion of CIP savings will be recurrent. There is a risk that high efficiency savings targets may compel trusts to deliver undesirable, non-recurrent savings: while these may cut costs in the short term, they do not represent permanent savings to providers' cost bases, and are not conducive to overall recovery and reducing the care backlog.

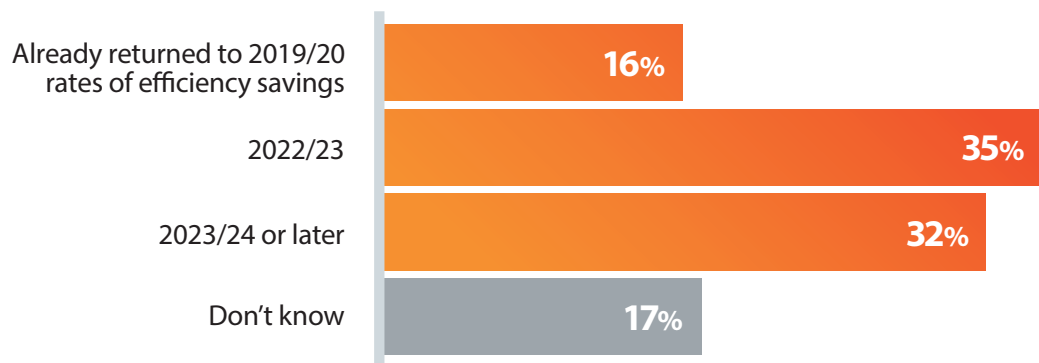
The efficiency challenge can also be compounded when capital funding is allocated to trusts to expand services but there is no additional revenue funding for the capital charges in subsequent financial years. The consequential cost pressure must then be met by additional efficiency savings.

The forecast for efficiency savings

Figure 5

When does your trust expect to return to 2019/20 rates of efficiency savings, as measured by your cost improvement programme?

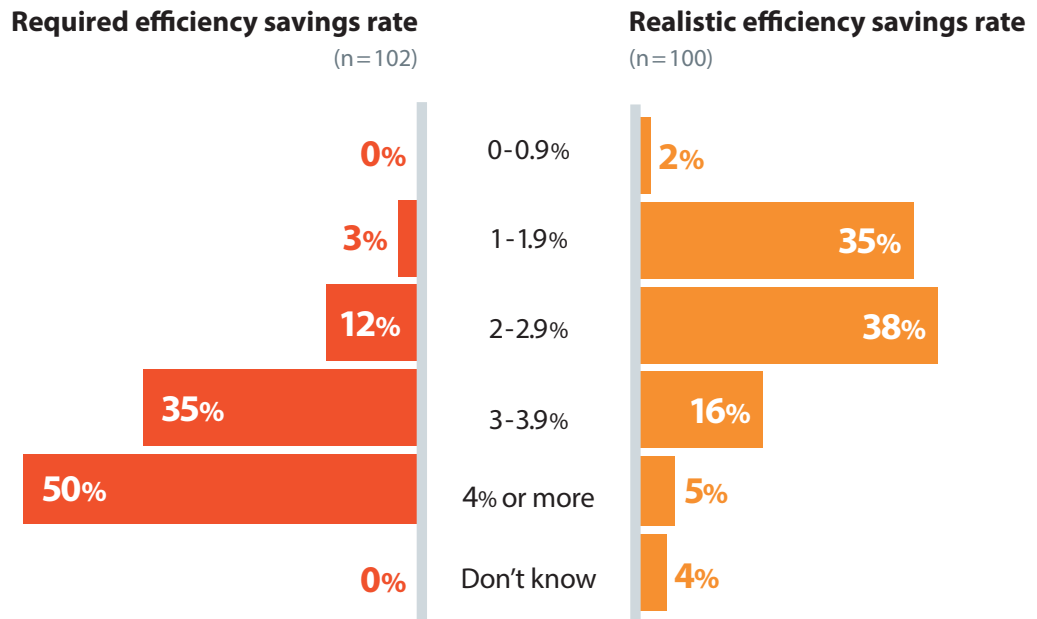
(n = 102)



- **Just over half (51%) of trusts surveyed expected to return to 2019/20 rates of efficiency savings in 2022/23 as measured by their CIPs.**

Our survey results show there is a significant gap between the efficiency ask required by government and NHSE and the level individual trusts consider to be realistic and deliverable in 2022/23. When comparing respondents' realistic efficiency savings target for 2022/23 against their 2019 efficiency savings rate, out of the 91 respondents who provided answers for both questions, almost three out of five respondents (58%) said their realistic efficiency savings target for 2022/23 would be below their 2019/20 efficiency savings rate. 29% said it would be the same and 13% said it would be above.

Figure 6
2022/23 realistic efficiency savings rate and required efficiency savings rate



- The average 2019/20 efficiency savings rate of trusts surveyed was 2.81%. However, the average estimated required efficiency savings rate for 2022/23 is 4.04%, whereas 73% of respondents told us that a realistic and achievable efficiency savings target – as measured by cost improvement programmes – would be between 1% and 2.5%.

Barriers to delivering efficiency savings

Figure 7

What are the biggest barriers to delivering efficiency savings in 2022/23 in your trust?

(n=106)

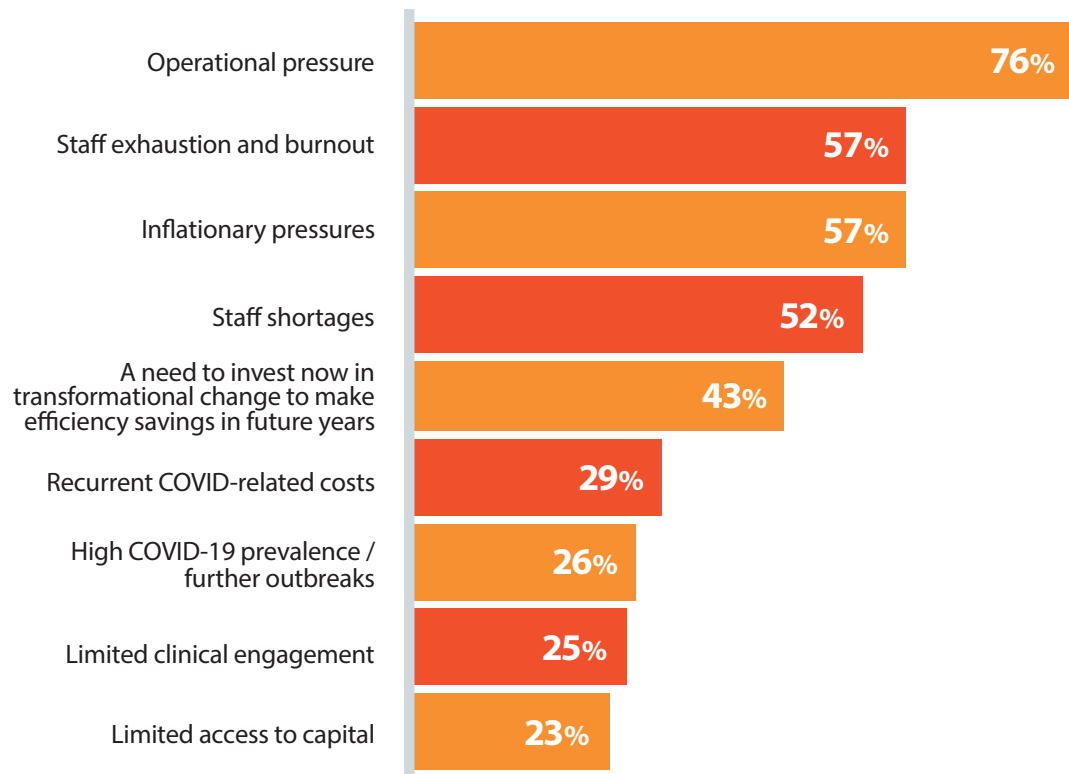
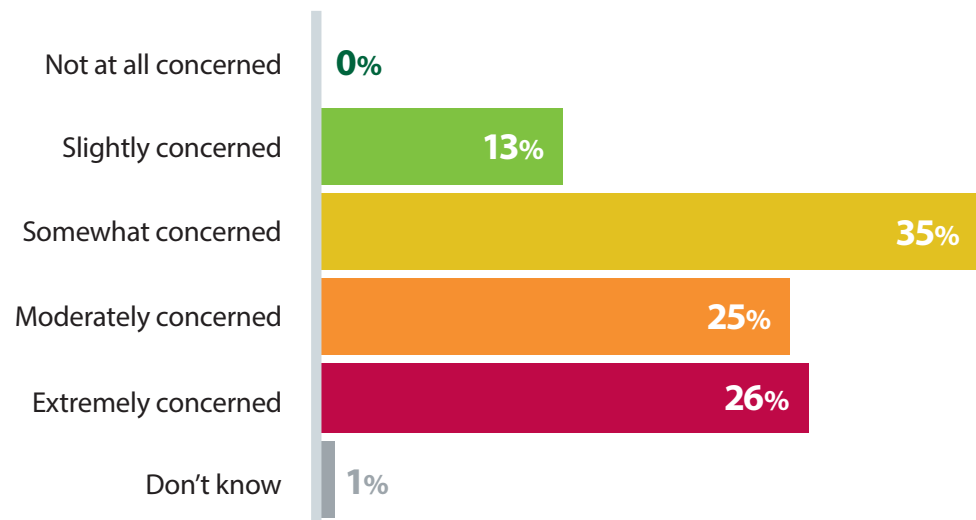


Figure 8
How concerned are you that COVID-19 activity across 2022/23 will limit your ability to deliver your cost improvement programmes?

(n=105)



In addition to the cost pressures eroding the value of the cash settlement – including the withdrawal of COVID-19 funding and significant inflationary pressures – survey responses indicated a number of limitations on trusts' capacity to realise efficiency savings at the level expected by government and NHSE.

Operational pressures and COVID-19 activity

- **Just over three out of four respondents (76%) said that operational pressures are the largest barrier to delivering efficiency savings in 2022/23 in their trust.**
- **Just over half of respondents (51%) are moderately or extremely concerned that their COVID-19 activity across 2022/23 will limit their ability to deliver cost improvement programmes.**

While vaccination and new treatments mean morbidity and the clinical impact of COVID-19 has become less severe for the general population, the need to deliver care to patients presenting with COVID-19 throughout 2022/23 will still impact operational efficiencies, even with the update to the **infection prevention and control (IPC) guidance**. COVID-19 is disruptive as trusts make clinical and operational decisions to separate patients, often impacting their ability to sustain elective activity or recover care backlogs.

Workforce

Survey respondents noted how increased levels of staff absence on wards limits the capacity for trusts to deliver recurrent cost savings by reducing agency spend (which for some is a key element of their CIPs). Consequently, they are often forced to resort to paying a premium for outsourcing recruitment and hiring agency staff at a cost above the pay scales of the Agenda for Change (AfC).

Limited leadership bandwidth to engage with CIPs

To successfully deliver sustainable efficiency savings, trusts must have the buy-in and focus of clinical staff. Usually, trusts would start seeking out opportunities for programmes that can deliver recurrent savings well in advance of the previous financial year. However, since the pandemic started, staff have been focused on the immediate operational pressures. There is now some concern about getting sufficient levels of engagement from staff to deliver CIPs at the speed and scale expected given there was limited bandwidth in Q3 and Q4 of 2021/22 to engage in the usual planning process.

Drivers for efficiency savings

Respondents to the survey identified a number of potential drivers for efficiency savings:

Workforce recruitment /retention and reducing staff absences

A number of trusts said that sufficient staffing levels and supporting the wellbeing of the workforce is essential in enabling staff to work productively, reducing sickness absence and limiting agency and bank spend. Trust leaders are already implementing a range of initiatives to expand staff capacity, including enabling those nearing retirement, or who have recently retired, to stay on in the NHS and offering staff greater flexibility over their working hours.

Improving flow into social care and domiciliary care

Respondents told us that difficulty discharging medically fit patients in a safe and timely manner is a key barrier to making productivity gains. If systems can improve patient flow and effective discharge into social care, this will be better for patients and increase productivity.

Data and digital transformation

In its broadest sense, the use of digital solutions eliminates duplication and automates processes, therefore freeing up staff time and NHS resources. Digital initiatives such as electronic prescribing or electronic patient records can reduce human errors and improve safety, preventing avoidable complications in patient care.

Updated IPC guidance

It is unclear precisely what the productivity implications of IPC measures have been over the course of the pandemic. We do know, however, that while essential for patient and staff safety, IPC measures, and the need for social distancing have had a material impact on trusts' ability to deliver efficiency gains.¹¹ Since the guidance has been updated, trusts have been positive about the relaxation of measures at this point in the pandemic.

System efficiencies

With the statutory establishment of ICBs approaching, there is real potential to deliver system wide efficiencies. Many respondents highlighted collaborative approaches in schemes across ICSs to make best use of collective resource for patients. However, the capacity for systems to implement cash-releasing productivity growth across the system will be dependent on a number of factors including the maturity of relationships.

¹¹ Our survey was carried out before the IPC guidance was updated.

CONCLUSION

Against a backdrop of demographic change increasing and changing demand for care, workforce pressures and an unresolved need for greater investment in social care, there is a need for a greater recognition of the task trusts face to recover care backlogs, sustain quality and deliver financial balance.

Trust leaders are acutely aware that the NHS received a relatively generous multi-year settlement from government in the recent spending review, compared to other public services. They remain ambitious for their staff and patients and fully committed to recovering care backlogs, reflected in the unprecedented numbers of patients being seen for different services, and clear progress against a number of measures.

However, there must now be a shared understanding across government, national NHS bodies and the provider sector that balancing the operational challenges and achieving the financial ask remains challenging for trusts and systems.

This survey demonstrates that there is a significant shortfall between the efficiency ask required by government and NHSE and the level individual trusts consider to be realistic and deliverable in 2022/23 due to a combination of reduced income levels, inflationary pressure, operational demands, and the sustained impact of COVID-19. It is imperative that unrealistic demands are not placed on an already pressured and over stretched NHS workforce, that any uplift in pay awards beyond existing allocations are fully funded centrally, and that the impact of inflation continues to be closely monitored.

Alongside this, the need for greater investment in social care, its infrastructure and workforce remains. Given the interdependence of health and care services, without it we will not make the necessary progress to meet significant challenges of this year and beyond.

Suggested citation

NHS Providers (June 2022),
NHS reality check: the financial and performance ask for trusts in 2022/23

Interactive version

This report is also available in a digital format via:
www.nhsproviders.org/nhs-reality-check

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