NHS Providers

STRETCHED TO THE LIMIT

Tackling the NHS productivity challenge

JULY 2023

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CONTENTS

KEY POINTS

- The NHS is facing a significant productivity challenge. The service must contain costs and use existing resources to increase activity, within a context of significant operational and financial pressure.
- To improve productivity, trusts are improving patient flow and internal discharge procedures, delivering different delivery models for care (including virtual wards), focusing on staff wellbeing, harnessing provider collaboratives to inform joint working across pathways, and utilising analytics to inform clinical and operational decision making.
- National data shows good early progress toward achieving the interim recovery targets for urgent and emergency care, while in elective services trusts have successfully reduced the number of long waits. However, substantial care backlogs still exist across mental health, community, and children and young people's services. Despite sustained efforts by trusts, our survey shows that it will be very difficult for the NHS to deliver the government's overall performance ask, protect quality of care, and deliver unprecedented efficiencies.
- Trust leaders are significantly concerned about capacity to meet demand for services, and about staff morale and burnout. While there has been an increase in overall workforce numbers, this has not kept pace with growing and changing demand, and there is a shortage of key skill sets.
- Prolonged industrial action poses a major operational constraint to recovering performance, and a significant financial risk to trusts, given the loss of elective activity income, and increasing costs due to agency spend and the impact of consultant rate cards.
- Trusts continue to carry significant levels of risk across their estate. 73% of trusts surveyed strongly disagreed or disagreed that they have access to sufficient capital funding over 2023/24 to address capital maintenance backlogs.
- Increased patient acuity, higher average lengths of stay, and the need for investment both in beds and in community and social care services are limiting the timely discharge of patients, and impeding trusts' and systems' ability to improve patient flow.
- 89% of trust leaders responding to our survey said the scale of the efficiency ask this year is more challenging than last year. Trust leaders are concerned about the deliverability of the efficiency targets expected of systems and about what financial pressures may mean for the quality and scale of service provision in 2023/24.

- While some productivity constraints are within trusts' gift to address, there are wider barriers relating to workforce, bed and service capacity, patient acuity, social care capacity and industrial action that require support from government to address. In the short and medium term this will require:
  - expanding capacity in community settings
  - delivering the long-term workforce plan
  - resolving industrial action in negotiation with unions
  - enabling fully digitally connected estates
  - improving the coverage and quality of productivity data.
- In the long term, the government must:
  - enable a step change in operational and strategic capital investment to enable material improvements in productivity growth
  - enable the NHS to invest in management capacity alongside the clinical workforce to help deliver operational efficiencies
  - provide a sustainable solution to social care capacity.

About our research

Our report is based on evidence from trusts across England and supplementary research. We took a mixed methods approach, conducting a survey and in-depth interviews. In April and May 2023 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. We received 110 responses to the survey. This accounts for over half of the provider sector, from all regions and sectors in England.

We supplemented the quantitative and qualitative findings of the survey with in-depth interviews and roundtables with finance directors covering a range of sectors and trust types, and additional desk research and analysis.

1 INTRODUCTION

Trusts are making great strides in recovering services, including carrying out more diagnostic tests than ever before and bringing down the number of people experiencing the longest waits. Figures show the efforts of frontline staff to treat high numbers of patients and to tackle long waiting lists. The number of patients waiting more than 78 weeks has decreased by 79% since December 2022 (NHSE, 2023a).

However, a challenging picture remains across all services. In mental health, recently published data shows continued high demand and referrals up by 15% in March 2023 from the month before, an increase of nearly 60% from before the pandemic (NHS Digital, 2023a). May was the busiest on record for emergency care, with over 2.2 million A&E attendances, representing the third highest total since records began.

Intense pressure on an overstretched workforce exacerbates the operational and financial pressures trusts are dealing with. The NHS continues to have persistently high levels of staff vacancies – currently sitting at 112,000 with a recent marked increase in the number of more qualified staff leaving the service or retiring early (GMC, 2022). While NHS staff numbers have increased, they have not kept pace with the scale of demand the service is facing or demographic changes. And while the NHS Staff Council has accepted a revised pay offer for staff on Agenda for Change, this was not accepted by all the relevant unions, and there remains uncertainty about the impact of industrial action by junior doctors and consultants. The challenges of an underfunded and overstretched social care system also continue to have serious consequences.

It is in this context that the NHS is tasked with recovering performance to pre-pandemic levels which will require major improvements in productivity. The Chancellor has recently announced the Chief Secretary to the Treasury will undertake "the most ambitious public sector productivity review ever undertaken by a government" (Parker and Fisher, 2023). So what might this mean for the NHS?

Despite performance gains to date, the NHS is tasked with delivering yet more activity within existing resources as well as taking further costs out of the system without impacting on patient care. This will present a major challenge for providers and staff, already stretched to the limit.

In this report we explore the main barriers trusts are facing as they seek to recover performance and improve productivity. We also consider the financial impact of current pressures and the scale of the efficiency ask, which is even more stretching than in 2022/23.

We look at what trusts are already doing, both within their own organisations and in collaboration with system partners, to improve patient flow, reduce costs, deliver operational efficiencies, and improve productivity.

We also highlight what is needed from government and national bodies, in the short term and long term, to enable NHS providers to deliver the level and quality of healthcare the public expects and deserves.

WHAT HAS THE NHS BEEN TASKED WITH AND WHAT IS BEING DELIVERED?

2

Trusts are delivering activity gains in some areas that exceed pre-pandemic levels

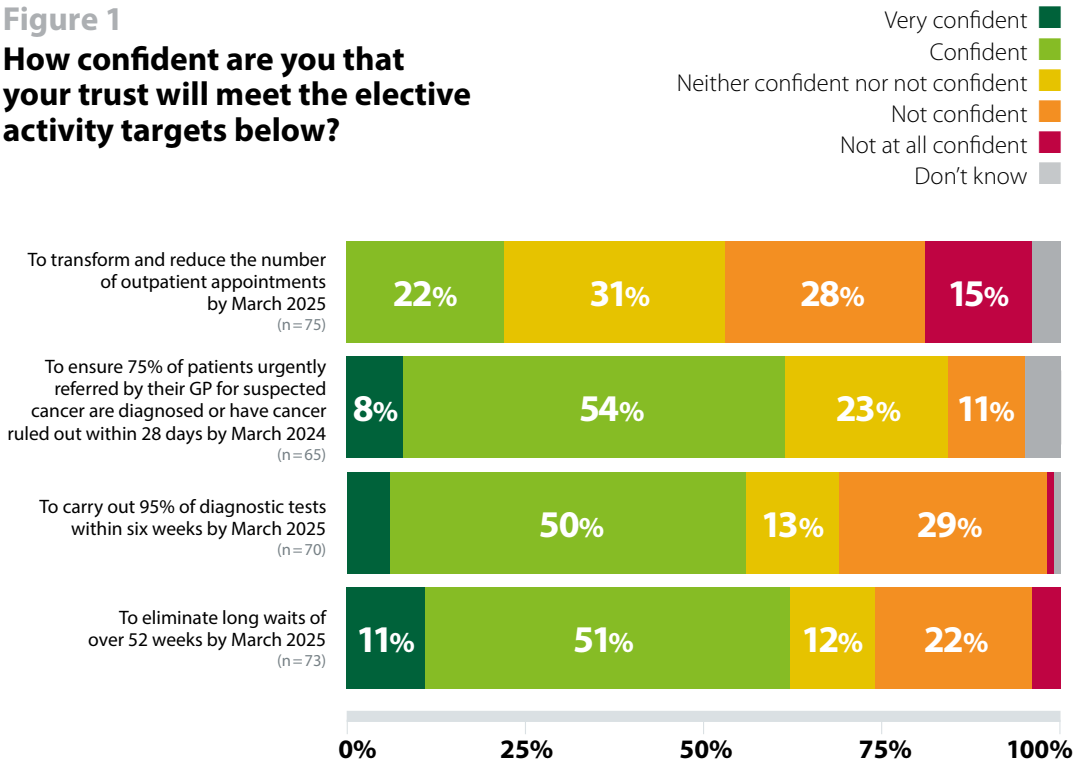
The operational asks set out in the planning guidance, the delivery plan for recovering urgent and emergency care, and the elective recovery plan set a number of challenging targets for trusts.

National data shows good early progress towards achieving the interim recovery targets for urgent and emergency care, while in elective services trusts have successfully reduced the number of long waits. However, substantial care backlogs persist across mental health, community, and children and young people's services.

Trust leaders report variable levels of confidence in sustaining progress, as highlighted in the chart below.

Figure 1

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



Cancer

NHS England's elective recovery plan set two central targets for cancer care: for 75% of people urgently referred with suspected cancer by their GP to have cancer ruled out or confirmed within 28 days by March 2024; and for the backlog of people waiting over 62 days to start treatment from referral to be brought down to pre-pandemic levels by March 2023.

Our survey results show that nearly two thirds (62%) of trusts were confident they would meet the 28-day diagnosis standard by March 2024. Trusts actually achieved the 28-day standard in February 2023 (NHS England, 2023b). However, the 62-day backlog is still substantially above pre-pandemic levels.

The pandemic severely impacted cancer screening, diagnosis and treatment rates (NHS Digital, 2023b). As a result, demand has increased, and trusts are delivering more tests and treatments than ever. Demand is likely to remain very high, which means it may be difficult to sustain progress.

Diagnostics

Trusts are currently working towards a target of carrying out 95% of diagnostic tests within six weeks by March 2025. Over half (56%) of respondents said they were confident or very confident they would meet the target.

Trusts have delivered record monthly numbers of diagnostic tests in 2023 to date, substantially above pre-pandemic levels. This has been supported by greater investment in community diagnostic centres and new diagnostic equipment.

However, very high levels of demand mean that while trusts have increased activity, progress in working through the backlog has been limited and in March 2023 a quarter (25%) of patients waited over six weeks for a diagnostic test (NHS England, 2023c).

Inpatient and outpatient elective recovery and transformation

In 2022, trusts successfully hit the first elective recovery plan milestone of virtually eliminating all two-year waits for elective care. In the context of historic winter pressures and widespread industrial action, trusts also made strong progress toward the target of eliminating 78-week waits by April 2023.

Integrated care systems (ICSs) are also working with trusts toward a target of increasing elective activity to 130% of pre-pandemic levels by 2024/25. However, as we flag in the following section, a range of factors have limited progress. As such, the overall size of the elective backlog has not decreased – as more people join the list, the overall size has exceeded seven million since September 2022 (NHS England, 2023d).

The next milestone in the elective recovery plan is to virtually eliminate 52-week waits by March 2025. Two thirds (62%) of respondents to our survey said they were confident or very confident of hitting this target.

Linked to the elective recovery plan is the ongoing work to transform outpatient services and reduce avoidable follow-up appointments. This is seen as a way to increase capacity and improve productivity in planned care. Trusts are working to reduce outpatient follow-up appointments by 25% compared to 2019/20, though data suggests progress has been very limited (NHS Digital, 2022a). This is reflected in our survey findings, with just over one in five (22%) respondents saying they were confident of achieving the outpatient transformation target.

Urgent and emergency care

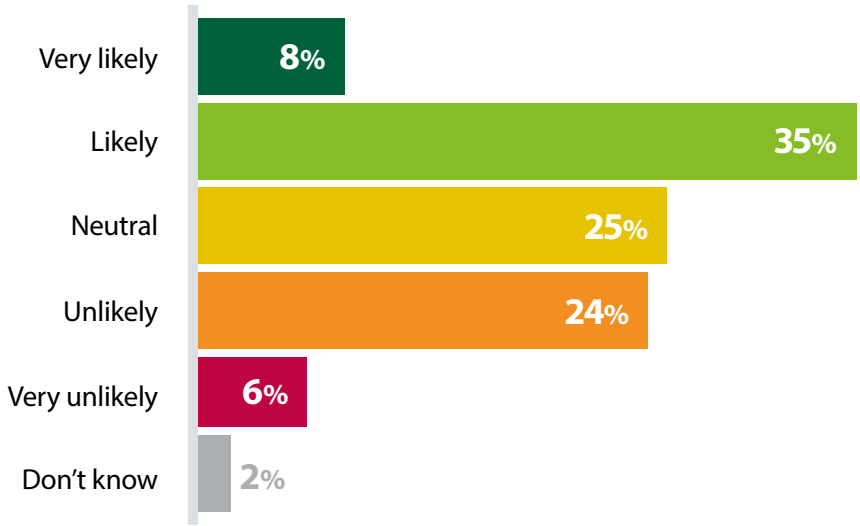
In January 2023, NHS England published the delivery plan for recovering urgent and emergency care services. It set an interim recovery target of 76% of A&E attendances to be seen within four hours over 2023/24 – with further improvements toward the constitutional standard of 95% the following year.

During the winter of 2022/23 performance against the four-hour target hit a record low of 65% (NHS England, 2023e). While the first months of 2023 saw performance improve, this will be a challenging target to achieve, as demand remains high and capacity too low. This is reflected in the fact that fewer than half (43%) of our survey respondents were confident of achieving the target.

Figure 2

How likely is it that your trust will meet the target to see 76% of A&E attendees within four hours?

(n=63)



One of the key enablers for recovering urgent and emergency care (UEC) performance, highlighted in the recovery plan, is to improve patient flow by increasing capacity across the pathway. The plan set an ambition of reducing average bed capacity to below 92% by creating 5,000 more staffed beds. For context, average bed occupancy across the service was 89.8% in the quarter ending 31 March 2023.

The ambulance sector is also working towards very challenging recovery targets, to improve category two call response times to 30-minutes over the current year, then deliver further improvements the following year. Initial data shows promising early signs but sustaining these gains through the coming months and into winter 2023/24 will be dependent on ensuring extra capacity across UEC pathways.

Mental health and community services

Between 2016/17 and 2021/22 the number of people using NHS mental health services increased from 3.6 million to 4.5 million (NHS Digital, 2023c). Trusts are exploring how best to deliver more mental health care provision in community settings, and the numbers of people accessing treatment has increased. However, the pandemic saw the prevalence of mental health conditions increase, disruption to services and a care backlog develop. There are now an estimated 1.2 million people on waiting lists for community-based NHS mental health services (NAO, 2023).

These pressures are reflected in our survey findings, as nearly two thirds (61%) of respondents said they were not confident their system would achieve targets to reduce long waits for mental health care.

Overall, trust leaders across all sectors are also concerned about making progress in recovering waiting lists for physical health, with over half (53%) of respondents to our survey reporting they were not confident about reducing long waits.

Figure 3

How confident are you that your system(s) will deliver its recovery targets to reduce long waits in 23/24 (mental health)?

(n = 74)

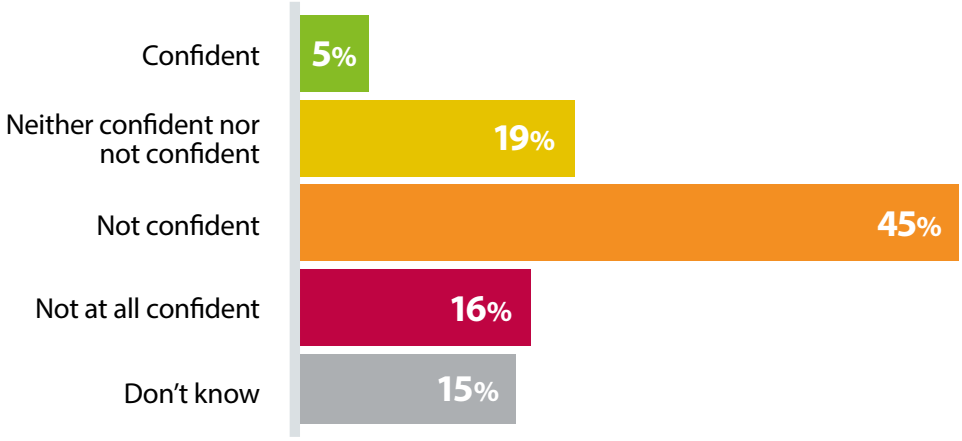
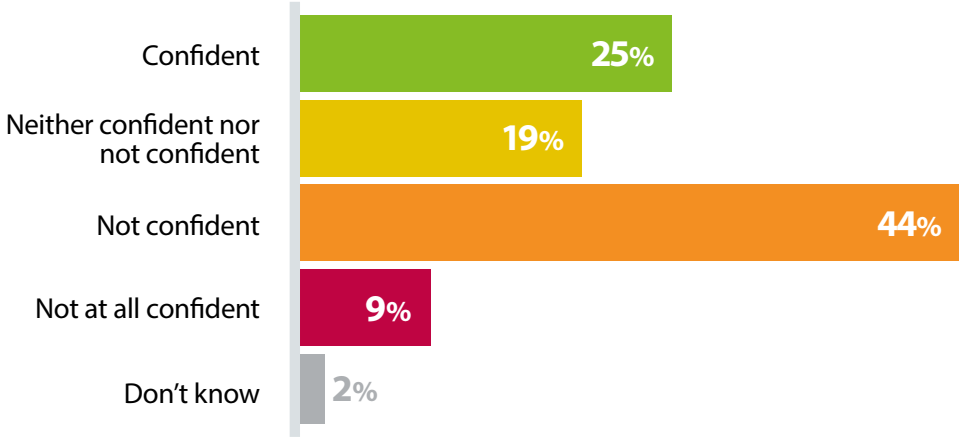


Figure 4

How confident are you that your system(s) will deliver its recovery targets to reduce long waits in 23/24 (physical health)?

(n = 99)



Community service providers are similarly delivering an increasing level of care and taking more referrals. Community providers received 1.5 million referrals in January 2023, a 19% increase on the previous year. In the same month there were 860,000 people waiting to receive community care, a substantial and rising backlog.

WHAT ARE THE BARRIERS TO IMPROVING PERFORMANCE AND PRODUCTIVITY?

3

Trusts are working as hard as they can to deliver more activity using the resources they already have. In this section we consider the main barriers to improving operational performance and productivity which have emerged since the pandemic.

Measuring productivity and the impact of the pandemic

Productivity metrics used by government, NHS England, health economists and trusts can vary in scope. However, all these measures broadly aim to capture growth in inputs (including staff, facilities, and equipment) against growth in outputs produced (including activities delivered for patients and the quality of care provided).

The University of York's Centre for Health Economics compiles annual reports about NHS productivity. Prior to the pandemic its research highlighted how NHS productivity increased two and a half times in comparison to the rest of the UK economy between 2004/05 -2016/17 (Castelli et al, 2019). While using different metrics, data from the Office of National Statistics tells a similar story – public service healthcare (quality adjusted) productivity increased steadily over the 2010s (ONS, 2023). Yet as The King's Fund notes, major productivity gains since 2010/11 were achieved through wage restraint and limiting growth in staffing costs (Maguire, 2019).

Recently published research from the Centre for Health Economics suggests that NHS productivity fell by 23% between 2019/20 and 2020/21 (Arabadzhyan, 2023). This was not just due to major operational disruptions to elective and emergency care, but also because of limits to the scope of productivity measurements (Arabadzhyan, 2023). These calculations did not fully capture providers' need to minimise the risk of Covid-19 infections by limiting elective activity, nor did they highlight the efforts of NHS staff to deliver a comprehensive vaccination programme, or to operationalise test and trace (Castelli, 2023).

Figure 5

Public service healthcare quality and quantity productivity indices, England, financial year ending (FYE) 1996 to FYE 2021

Source: (ONS, 2023)

What is the current productivity challenge?

As per the conditions of the spending review settlement, and the expectations set out in the government's 2023 mandate to NHS England, the NHS is tasked to 'improve productivity back towards pre-pandemic levels', eliminate waste (by delivering an annual efficiency target of 2.2%) and reduce unwarranted variation (DHSC, 2023). The NHS is spending more money and employing more staff, yet across nearly every care setting (except primary care), providers are struggling to improve activity levels.

As recent analysis from the Financial Times shows, even after adjusting for staff sickness and absence, the NHS currently has 11% more nurses, 16% more junior doctors, and 11% more consultants than before the pandemic began (Neville & Cocco, 2023). Yet, while trusts are delivering impressive activity gains in some categories, the NHS carried out fewer outpatient admissions and emergency admissions in March 2023 against the equivalent period in 2019 (Neville & Cocco, 2023).

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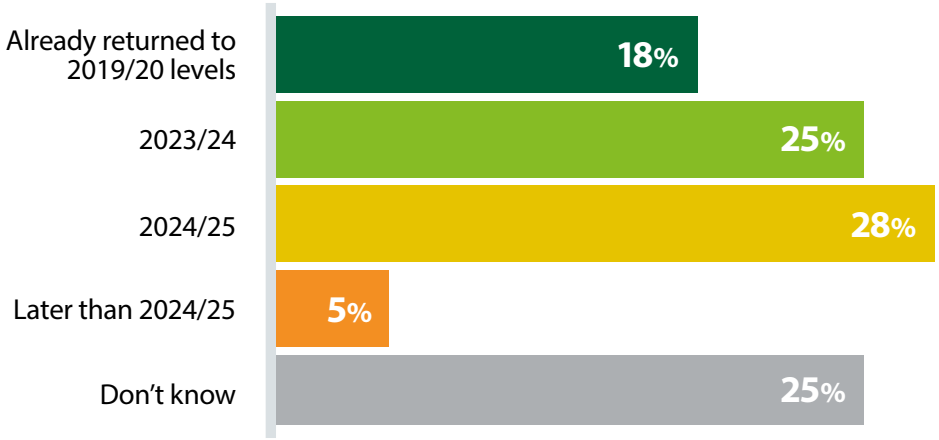
Figure 6

When does your trust expect to return to pre-pandemic productivity levels?

(n = 101)



As our survey results suggest, nearly a fifth of trusts have already returned to pre-pandemic productivity levels, and over half expect to return to pre-pandemic levels by the end of 2024/25 in addition to making impressive performance gains in certain areas as set out in the previous section. However, despite providers continuing to drive up activity levels, productivity is below pre-pandemic levels.

As we explore below, the obstacles to improving productivity are multifaceted and vary across systems. There is also not a definitive view of the size of the productivity gap.

3

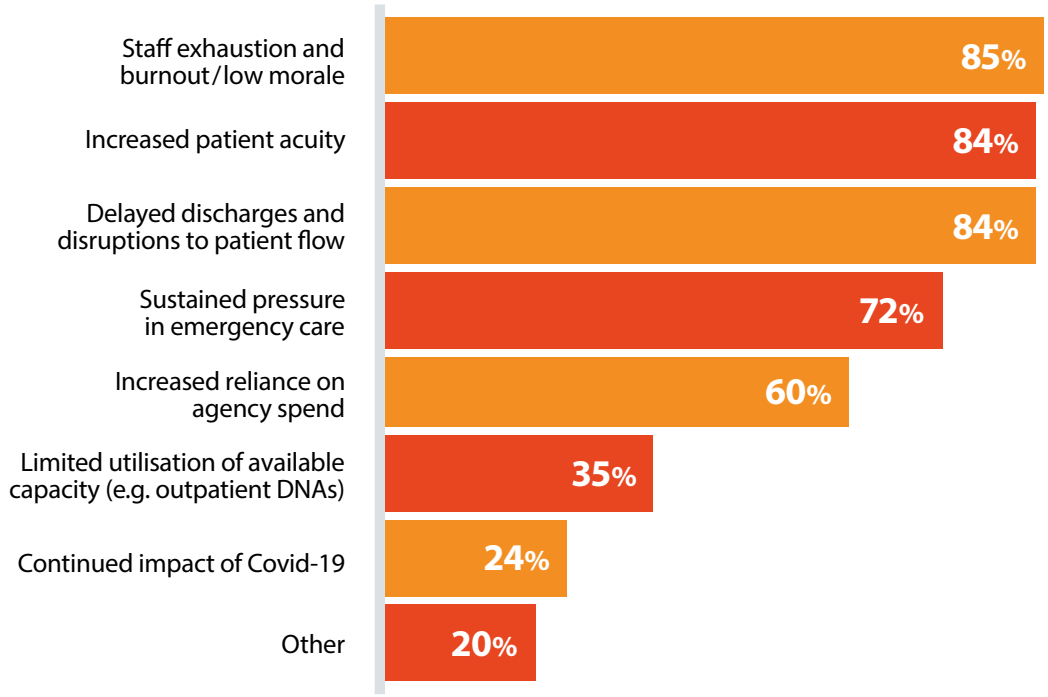
What are the constraints limiting trusts' ability to return to pre-pandemic levels of productivity?

In this section we cover the main barriers trusts are facing as they seek to recover operational performance and productivity.

Figure 7

Which of the following factors present the biggest challenge in returning to pre-pandemic productivity levels?

(n = 110)



Staff sickness, burnout and low morale

Trust leaders report that one of the biggest and most concerning challenges is staff exhaustion, burnout and low morale. This is borne out by the recent NHS staff survey which shows that all measures relating to burnout have remained persistently high. For example, just under half of staff (46%) often or always feel worn out at the end of their shift, and 34% of staff feel burnt out because of their work (Survey Coordination Centre, 2023). Almost half of ambulance staff reported feeling burnt out due to their work (49%).

Relentless operational pressures also have an adverse impact on discretionary effort from staff. It is difficult to quantify this in relation to productivity growth. However, government and national bodies must be cognisant of the material impact of burnout on individual wellbeing and on the capacity of the service to recover performance and productivity to

pre-pandemic levels. For example, some staff are, understandably, now less willing to work unpaid overtime, or to take on additional paid shifts.

While trust leaders recognise the need to work with their staff to increase activity, there is a limit to what can be appropriately achieved while burnout and vacancy rates remain so high and in a context of sustained operational pressure.

Workforce pressures are increasing agency spend

Workforce pressures have a double-pronged impact on productivity growth. Limited staff availability (due to either sickness, absence, or lack of available staff across the system) leads to increased agency spend and can constrain activity growth.

The NHS continues to have persistently high levels of staff vacancies – currently sitting at 112,000. Although there has been an increase in the overall workforce, it is important to note this growth has not kept up with service demand – the vacancy rate across England in the final quarter of 2022/23 was 27% higher than the same period immediately before the pandemic began (NHS Digital, 2023d). In addition we know that record numbers of experienced staff are leaving the service or retiring early, changing the shape of the workforce and reducing the number of experienced staff available to supervise, support and develop newer recruits (GMC, 2022).

Service demand and workforce pressures, as well as the need to meet minimum staffing and safety requirements, mean trusts are often forced to turn to expensive agencies to cover workforce gaps in the short term. Trusts note the need to purchase additional (and expensive) insourcing and outsourcing capacity given operational pressures, and the need to meet national performance targets.

Trusts have also flagged that the need to resource escalation beds means their staff base can be spread too thinly, driving down operational efficiencies as well as driving up agency spend.

Lack of social care capacity

Trust leaders have made it clear that one the biggest barriers to improving the timely discharge of medically fit patients is a lack of social care capacity. Although some process improvements do lie within the gift of NHS trusts – with just under 25% of patients being delayed due to discharge processes in the hospital – longer delays in hospital are split between waits for care at home (25% of patients are delayed awaiting community health services, social care or both), in care homes (18%) and for intermediate care (22%) (Schlepper et al, 2023). Delays in social care assessments, and difficulties in quickly accessing complex housing packages, are limiting trusts' capacity to free up additional bed capacity. One trust flagged that 20% of their total inpatient beds are occupied by medically fit for discharge patients waiting for care packages.

3

This is a challenge for acute, community and mental health providers. There are currently significant waiting lists for autism services and treatment beds for learning disability services and delays in some areas seeking intermediate care and rehabilitation. Adults with mental health conditions are also facing delays in accessing social care packages.

Like the NHS, social care faces severe staffing shortages. There are major concerns about the lack of qualified social care nursing staff, challenges in recruiting and retaining care workers and a need for better support for unpaid carers. Constrained staffing levels in homecare and in the care home market, as well as chronic underfunding of local government services, are exacerbating these resourcing constraints.

Trust leaders also emphasised the importance of playing their part in a better quality of conversation with patients and families, to support a broader understanding about the benefits of care at home and in the community once people are medically fit to be discharged.

"The majority of our issues are caused by flow and really high numbers of medically fit patients waiting for a package of care."

ACUTE TRUST

"Our biggest productivity hit has come from increased length of stay in beds and community, increased delayed discharges, meaning more resource is being utilised for people who no longer need to be in the current part of the health system."

COMMUNITY TRUST

Increased patient acuity and longer length of stay

The average length of stay (ALOS) for non-elective inpatients has increased over the course of the pandemic. The average patient spent 8.3 days in hospital compared to 7.3 days in 2019 (Cavallaro et al, 2023). For example, between 27 February to 5 March, there were an average of 19,255 patients staying in hospital longer than 21 days (NHS England, 2023f). This is 19.6% higher than the same week in 2019, immediately prior to the pandemic (NHS England, 2019).

A sustained increase in acuity is putting pressure on services, bed capacity and in some cases, increasing theatre time. As some patients accessing services are sicker than they were prior to the pandemic, presenting with later stage diseases, or living longer with multiple long-term conditions, more resources (for example a higher nursing staff to patient ratio) and staff time are needed to deliver quality care over a pathway, impacting productivity overall.

Acute trust leaders also flagged the difficulty of ramping up elective activity because of demand in emergency care. Some trusts are using significant proportions of their bed base for non-elective patients, leaving them with little capacity to significantly ramp up activity levels on elective pathways.

3

"Increased use of agency and overtime to cover higher sickness and vacancies, increased recruitment, training and occupational health costs, higher acuity patients requiring more resource/staff time. All of these factors reduce overall capacity to meet demand."

AMBULANCE TRUST

Clinical and managerial skills shortages

A lack of available staff can present additional challenges for trusts in finding personnel with the required skill mix for certain specialities or care pathways.

While there has been an increase in the overall workforce, it is important to note this growth has not kept up with service demand, and trusts are seeing a particular shortage of key skill sets in specific areas. Trust leaders have told us that these include imaging and diagnostics (with radiographers, ultrasound, and MRI clinicians mentioned specifically), estates, IT and administrative staff, call handlers, allied health professionals (AHPs) and healthcare support workers, and nurses (across the board but particularly bands 2-4 and 6-7 and particularly in mental health, learning disability and district nursing). The Institute of Fiscal Studies also suggests than an insufficient level of managers (both senior and mid-level) might have contributed to sluggish growth in activity levels following the pandemic (Warner & Zaranko, 2022).

Emergency demand pressures and disruptions to patient flow have also increased the need for trusts to staff escalation beds. However, it is often difficult for trusts to resource this appropriately, both in terms of using staff to cover relatively unsuitable areas like corridor care, and in retaining staff who are not undertaking work they are specifically trained for.

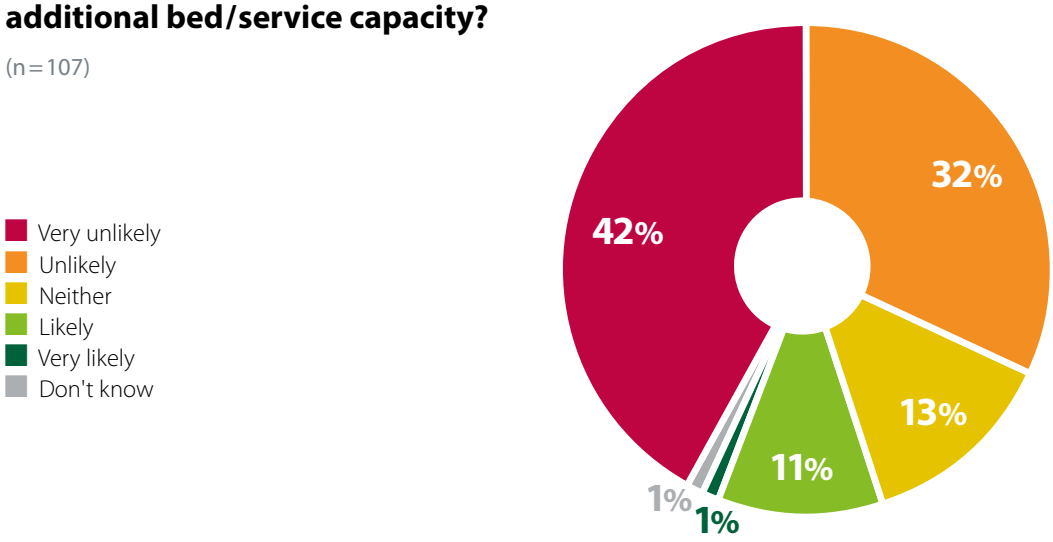
Lack of bed capacity

We know that the NHS has fewer hospital beds per head of population than other OECD countries, and a tendency to run with very high levels of bed occupancy (Anandaciva, 2023). The UEC recovery plan rightly sets out the aim to increase bed capacity (alongside wider investment in community provision). The delivery plan for UEC recovery provided £1bn of additional funding in 2023/24 to help trusts sustain their escalation bed capacity. However, while additional funding injections were welcomed by the sector, and will go some way to mitigating the increased financial costs of sustaining higher capacity levels, trusts remain concerned about their capacity over the medium term to open up a sufficient volume of beds to keep pace with demand.

Figure 8

How likely is it that, over 2023/24, your trust will have access to sufficient revenue funding to fund additional bed/service capacity?

(n = 107)



75% of trusts surveyed said it was either very unlikely or unlikely that they will have access to sufficient revenue funding to fund additional bed/service capacity or meet demand pressures while maintaining quality of care.

"The challenge is that in order to drive up elective activity we need the available beds, and with one third of our bed base taken up with patients who no longer meet the criteria to reside, and a daily bed occupancy of over 100%, this is really challenging."

ACUTE TRUST

Impact of industrial action on elective recovery and strategic planning

To date, over 651,000 appointments have been postponed due to industrial action across the NHS since December 2022 (NHS England, 2023g) compounding existing pressures across the NHS and hindering efforts to recover care backlogs.

It has been vital for trusts to mitigate the risk of patient harm on strike days. Preparation for industrial action requires the highest level of sign off within organisations (as well as reporting to NHS England and ICSs). Trusts have also lost valuable leadership and managerial headspace and time for strategic planning due to the ongoing industrial action. Providers note that planning for the strikes – both in the lead up to action and managing the days of action itself – has been extremely time consuming and has heavily affected management resource, impacting on the delivery of other operational priorities. This will continue until industrial disputes are resolved.

"Real on day risk of patient harm due to lack of available resource to respond."

AMBULANCE TRUST

4 THE FINANCIAL TASK

Trusts are acutely aware of their responsibility to deliver on the NHS' key performance targets within the funding envelope for the year. However, the operational pressures highlighted above mean trusts are carrying significant levels of financial risk. In this section we consider the financial task facing providers, including the deliverability of stretching efficiency targets, and what the implications of these financial constraints might mean for service provision.

Context

Over the course of the last financial year (2022/23), the NHS as a whole lived within its budget by a small margin. Overall, systems overspent against plan by over £534m in aggregate, with 16 systems (38%) finishing the 2022/23 financial year in a deficit position (NHS England, 2023h). The financial planning process for 2023/24 was therefore always going to be challenging. NHS England (NHSE) has issued revenue allocations for both 2023/24 and 2024/25, holding total integrated care board (ICB) allocations "flat" in real terms (NHS England, 2023i), with additional funding available to enable capacity growth. In total, 14 systems are forecasting to finish the 2023/24 financial year in deficit – with an aggregated deficit of £650m.

Our survey results highlight the strength of feeling among trust leaders about the challenge of this year's financial task.

"This is the most challenging financial planning round I've experienced in 37 years in the NHS."
MENTAL HEALTH/COMMUNITY TRUST

Last year, trusts and systems were asked to base their financial plans on a set of underlying assumptions, such as inflation remaining at near 2% and a significant reduction in Covid-19 related demand, which proved to be unrealistic. Trust leaders are concerned that similarly ambitious assumptions will be made in 2023/24.

What challenges are trusts facing in 2023/24 that are inhibiting their ability to deliver balanced financial plans?

Pay cost inflation: agency spend and rate cards

Trusts have relied on using temporary staffing to plug the gaps in their workforce, meet minimum staffing criteria, and ensure they do not compromise safety. NHS England has also introduced spending caps on the recruitment of agency staff to bring down agency spend to below 3.7% of the total NHS pay bill. However, trusts are concerned that the need to live within agency spending limits over 2023/24 could force them into making difficult decisions about service provision due to insufficient numbers of staff. Almost 8 in 10 trusts (78%) surveyed said it would be extremely difficult (37%) or difficult (41%) for their system to live within the agency spend limits for 2023/24.

4

A reduction in agency staffing is not guaranteed to lead to an overall reduction in pay costs over the coming year. The BMA has been encouraging substantively employed doctors to fully adopt their own rate cards for extra-contractual work, which are considerably higher than average payment rates. To preserve patient safety, many more trusts initially agreed to this on a mark-time basis for strike cover, but it has now set a precedent for overtime shift payments. This is likely to continue to cause additional financial pressure this year with no resolution of the junior doctors' dispute in sight, and with consultants having confirmed strike action.

While the NHS Staff Council has now accepted a revised offer on Agenda for Change from the government. The Department of Health and Social Care has stated that frontline services will not be financially impacted by the increased pay offer. However, it is still unclear how this will be centrally funded.

The need for clarity is particularly strong among trust leaders from the community and mental health sectors. The cost base of providers from these sectors is different to the cost base of the acute sector because a higher proportion of their costs relate to pay costs. Due to the way in which pay award funding is distributed to providers, trusts from these sectors must often self-finance a proportion of the pay award, leaving them with a funding shortfall.

Non-pay cost inflation

With inflation (CPI) peaking at 11.1% in October last year, trusts have been grappling with increasing costs across a range of items, notably, energy, utilities and medicine costs. While the OBR predicts that inflation will fall sharply to 2.9% by the end of this calendar year, trust leaders remain concerned about the impact of inflation throughout 2023/24 (OBR, 2023).

As the Institute for Fiscal Studies forecasts, inflation may prove to be "sticky" throughout 2023/24 and remain stubbornly high (Nabarro, 2022). Exceptionally high prices have now been embedded into contracts for their entire duration, especially for energy costs. As trusts continue to be exposed to higher prices, they remain concerned that current national tariff uplifts are insufficient to cover the impact of inflationary cost increases. Indeed, over three quarters (76%) of trusts strongly disagreed or disagreed that inflation of energy and utilities costs has been accurately captured in their 2023/24 allocations.

Lack of funding for prevention

Trusts are increasingly aware of the value they can add as anchor institutions supporting better population health, of their role in systems to address the wider determinants of health and in supporting more preventative activity to keep people well. However tight financial envelopes across public services and severe cuts to local authority public health funding mean funds to invest in new and preventative approaches which could potentially deliver better outcomes and save funds down the line, can be challenging to deliver.

4

Disruption to elective activity

Historically, acute trusts have managed spikes in demand for non-elective care by reducing elective activity. However, this is no longer as viable an option because of the need to avoid causing further delays to treatment for those patients who have already faced long waits for care, and because recovering the elective backlog remains a political and national priority. In addition, the NHS payment system has reverted back to an activity-based payment model for elective activity. This means a proportion of trusts' income this year is tied to their elective activity performance. Any spikes across the emergency care pathway – which impact the scale of planned elective care – will carry additional financial risk for trusts. In addition to the cost of cover for those striking, industrial action carries financial risk for trusts because of the loss of elective income when appointments are postponed and rescheduled.

Also, unlike the Elective Recovery Fund (ERF) for the acute sector, there is limited money available to fund activity growth for mental health and community trusts.

Efficiency

What is the efficiency challenge for 2023/24?

Trusts must identify cost-reducing 'efficiency' savings to live within their financial envelopes. The NHS is already committed to delivering £12bn of efficiency savings over the current spending review period. To achieve this target, trusts are set an annual efficiency factor baked into their allocations and asked to identify cost savings to bridge the gap between income and expenditure. The financial and operational pressures trusts are facing means that the efficiency savings they must deliver are significantly higher than in previous years.

89% of trust leaders responding to our survey believed that the scale of the efficiency ask this year is more challenging than last year.

On average, respondents said their organisation had delivered a 3% efficiency savings rate in 2022/23. However, on average, trusts said their estimated required efficiency savings rate for 2023/24 is 5.9%.

Why is the challenge harder than 2022/23?

Last year, on average, trusts under-delivered on their cost improvement programmes. Indeed, the National Audit Office (NAO) found that of the £1.6bn of efficiency savings planned by systems last year, over 60% of these were high or medium risk (NAO, 2023). The efficiency savings trusts achieved in 2022/23 were primarily non-recurrent (one-off) as trusts found it increasingly difficult to identify recurrent, cash-releasing efficiency savings.

4

There are two factors at play making the deliverability of efficiency targets more difficult this year. Firstly, as persistent inflation is embedded across a range of contracts, trusts are finding it increasingly difficult to cut costs. Secondly, some trusts have significantly less non-recurrent funding available to them in 2023/24. Some trusts relayed that the 2022/23 financial ask was only deliverable because of available cash balances which topped up their year-end financial positions.

To submit breakeven plans, trusts have signed up to very stretching cost improvement programmes. Trust leaders are concerned that the tougher efficiency challenge this year, combined with significant operational pressures, will make the financial task difficult to achieve.

"National and regional efficiency targets for 23/24 do not reflect the underlying capacity and operational challenge faced by providers of urgent and emergency care."

AMBULANCE TRUST

Will we see services being scaled back?

In order to meet both the financial and performance asks this year, trusts are facing the very real prospect of having to make difficult decisions on either the type or volume of services they provide.

Reflections from our survey suggest that any scaling back of services would be a measure of last resort for trust leaders, and at this stage of the year, it is not something trusts are actively planning for. However, trust leaders shared their concerns about their capacity to meet the performance ask, protect quality of care, and deliver unprecedented efficiencies.

Trusts have acknowledged that should it become necessary to scale back the provision of some services, then they would reassess treatments with a lower clinical priority. Some trust leaders commented they would consider scaling back elective activity, even at the cost of missing out on critical in-year income as a result. However, the most likely area where potential cuts may fall will be longer-term transformational spending, including programmes and investment to prevent poor health.

Trusts are fully aware of the value of investing in prevention. However, given the scale of the operational and financial challenges they are facing, trusts are being forced to consider scaling back spending in areas with lower clinical priority to meet short-term demand pressures.

"There is a likelihood that all services will need to be scaled back to the minimum safety levels which is likely to impact on quality."

ACUTE TRUST

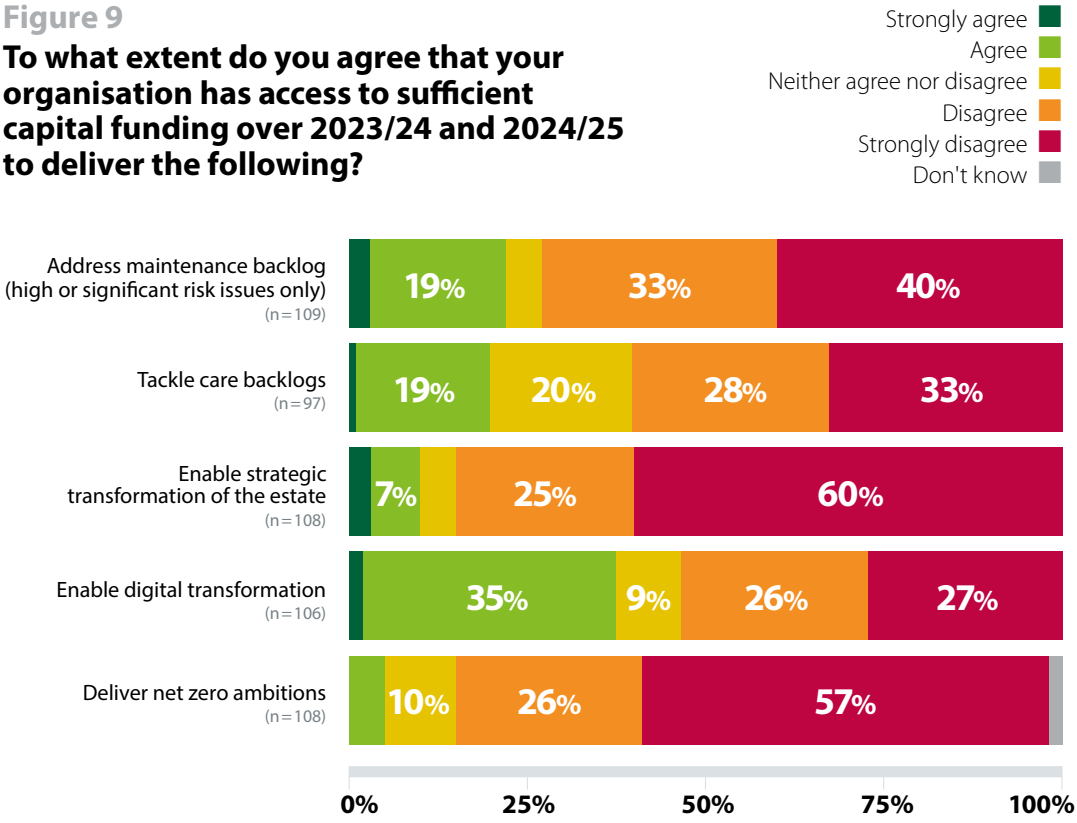
4

Insufficient levels of capital funding to achieve key priorities in 2023/24

The majority of respondents identified insufficient capital funding to address the maintenance backlog, enable strategic transformation of their estates (including digital), deliver net zero ambitions and tackle care backlogs.

Figure 9

To what extent do you agree that your organisation has access to sufficient capital funding over 2023/24 and 2024/25 to deliver the following?



As we flagged in our recent report, *No more sticking plasters,* capital investment can transform the NHS through improvements to productivity and generating long-term efficiency savings (NHS Providers, 2023a). While there has been significant growth in NHS capital budgets over recent years, this followed a sustained period where access to capital was constrained. Inflation has also had a dramatic impact on the value of capital budgets, leaving trusts with less bandwidth to invest in their estate and forcing trusts to scale back or abandon some projects due to spiralling costs.

"We do not have enough capital allocation to deliver safety critical repairs to dilapidated building and very old equipment. Let alone digital transformation or invest-to-save capital investments."

ACUTE TRUST

4

There is little doubt that the NHS estate is in dire need of significant capital investment. The maintenance backlog currently stands at £10.2bn in cash terms, and the total backlog has more than doubled since 2010/11 (NHS Digital, 2022b). Trusts are left with insufficient levels of operational capital funding to address critical safety risk and update antiquated equipment.

WHAT ARE TRUSTS DOING TO IMPROVE PRODUCTIVITY?

5

In this section we cover the initiatives and programmes trusts are currently delivering to improve productivity, and highlight the policies and investment required from government and national bodies to help drive up activity levels, eliminate waste, and deliver value for money to the taxpayer.

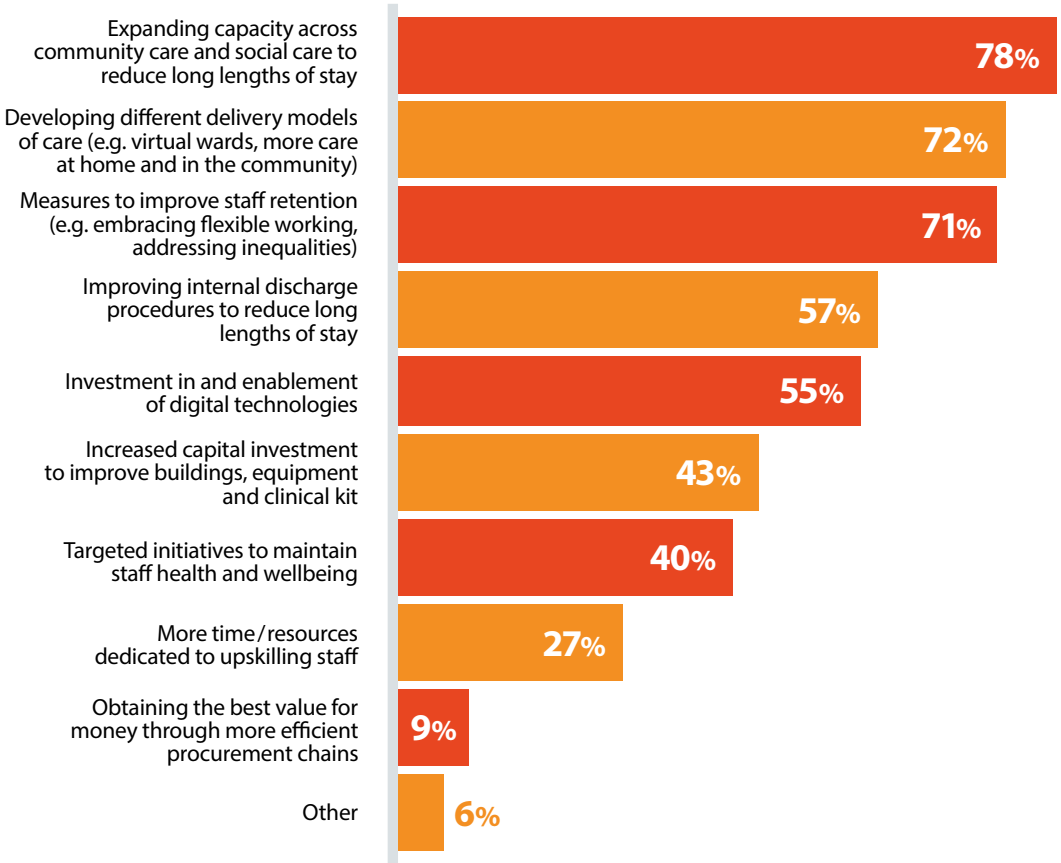
Initiatives to improve productivity

As the graph below shows, trusts have identified a number of initiatives that can help to improve productivity.

Figure 10

Which initiatives do you think will have a major impact on increasing productivity growth in 2023/24?

(n=110)



5

Measures to improve staff retention and reduce sickness levels

Staff are clearly impacted by low morale and pressures in the workplace. Targeted initiatives to improve staff health and wellbeing are therefore a key element to improving retention levels. For example, giving staff more meaningful opportunities for flexible working to suit their needs, the chance to take breaks, the ability to rotate between high and low stress settings, and protected time to undertake professional development and to upskill.

However, there is a limit to the effectiveness of these local interventions in the face of stubbornly high vacancy rates. While national and local wellbeing initiatives are usually targeted at improving personal resilience, the resilience of the system as a whole must be assured for them to work. This requires enough staff not only to fill existing vacancies, but to build flexibility into the system.

"Retention, wellbeing and upskilling staff measures will all contribute to improved morale and reduce staff turnover and sickness, avoiding agency, overtime and recruitment and induction costs for new starters."

AMBULANCE TRUST

Alternative delivery models to improve patient flow and reduce long lengths of stay

Developing different delivery models of care can enable faster discharge by extending care out of acute settings and into the community. This is often better for patients who receive care in the right setting, as well as freeing up hospital capacity for those that need it.

Evidence shows the value and effectiveness of virtual wards in managing risk appropriately in community settings, strengthening intermediate care and reducing the average length of stay of patients in acute settings. As we highlighted in our recent *Providers Deliver* report, virtual wards were initially used at the onset of the pandemic to ensure as many beds as possible were kept open in acute settings (NHS Providers, 2023b). Since the pandemic, trusts are increasingly working with system partners, including housing and community organisations, and local authorities, to continue to expand support in the community.

Provider collaboratives: improving discharge procedures and joint working

Provider collaboratives are partnerships that bring two or more trusts together to maximise economies of scale and improve care. As we highlighted in our report, *Provider Collaboration: realising the benefits of provider collaboratives*, they allow trusts to work together to address common problems, such as delivering and consolidating shared clinical support services, and undertaking joint procurement processes (NHS Providers, 2022).

5

Provider collaboratives can also play a role in delivering material improvements in trusts' internal discharge procedures. For example, some provider collaboratives have implemented single flow management systems, which highlight demand and capacity across the system, and better enable prompt discharges.

In responding to our survey, trust leaders noted the effectiveness of provider collaborative reviews of bed status and flow via engagement with the voluntary and community sectors. Trusts also noted the value of mutual aid – whereby staff are redeployed to other NHS organisations – to meet demand for example for certain referral to treatment (RTT) consultant-led specialties.

Using GIRFT data to inform clinical and operational decision-making

Getting It Right First Time (GIRFT) data is used to improve medical care and deliver efficiencies by reducing unwarranted variation. This data helps identify changes that can be made to care to both improve patient outcomes as well as helping to eliminate inefficiencies.

National GIRFT reviews can inform operational decisions at the trust level, enable comparison of the relative performance of providers, and help material improvements in trusts' productivity. Trust leaders note the value of clinical engagement to develop best practice guidance and identify opportunities for improvement.

While serving as a useful benchmarking tool for clinical staff, it also informs operational decision-making. For example, GIRFT data can provide insights into theatre utilisation and scheduling to help improve productivity across day case work, and help trusts reduce theatre down-time.

"We need the likes of the GIRFT programme to show us where we are inefficient, and we need to have the physical resources available to us – beds and theatres – which are currently being squeezed because of the pressure on the acute care system."

ACUTE TRUST

Improving coverage and quality of productivity data

Ensuring productivity measures accurately capture trusts' improvements

There is a concern among a number of acute trusts that estimates about the national productivity gap have been inflated. It is unclear whether the metrics used to capture acute sector productivity, and the extent to which innovations in delivering same day emergency care, are accurately included in national calculations. In addition, trust leaders note the importance of recognising the year-on-year improvement gains made by trusts, rather than focusing exclusively on 2019/20 as the baseline comparator.

5

Creating a common currency for measuring productivity across all sectors

The Carter Report noted the lack of consistent, quality data and metrics that enabled clear measurements of relative performance (Carter, 2015). The report introduced the 'weighted activity unit' to adjust for differences in case mix between trusts and to provide a common metric to measure hospital output.

There has however been limited national benchmarking for community and mental health trusts' activity and cost base. There is a need to develop a common currency of metrics for community and mental health providers. More work must be done to ensure there are consistent measures of productivity used by the national bodies, trusts and systems.

National discussions about productivity have largely been acute focused. However, as the Hewitt Review notes, to fully capture value across entire patient pathways will require significantly improving the scale and quality of data collection for mental health and community services. The role of mental health and community trusts in improving productivity and supporting the delivery of the government's recovery plans should be better understood.

Reconfiguring estates to avoid cancellations and increase activity

Trusts are allocating capital funding to reconfigure their estates to reduce their exposure to demand pressures which disrupt planned elective activity. As we highlighted in our recent *No more sticking plasters* report, separating elective and emergency care supports trusts to cope with Covid-19 waves and seasonal pressures which disrupt planned elective activity. £1.5 billion was apportioned at the October 2021 Spending Review to create surgical hubs and increase bed capacity.

A range of hubs – varying from stand-alone and specialist – can enable surgeons to deliver both low and high-complexity surgery. They provide an opportunity to improve and expand surgical training, ringfence planned treatment, and avoid excessive cancellations due to wider demand pressures.

WHAT DO TRUSTS NEED FROM GOVERNMENT AND NATIONAL BODIES?

6

Support to expand community capacity including in social care

Improving patient flow will reduce the number of costly out of area placements, step down care to the least costly settings, create additional capacity for elective work, and have a positive impact on overall productivity growth.

Expanding community capacity is a key pillar of trusts' clinical strategies. Increasing community capacity can also help manage demand on ambulance services. By improving acute hospital capacity and flow, fewer ambulance hours will be lost to handover delays.

Government must ensure local authorities have the financial and operational capacity to support social care.

Implementation of the long term workforce plan

Providers take seriously their responsibilities as employers and continually learn from each other to provide better working conditions and support for their staff. But much greater support at a national level is required. We welcomed NHS England's recent publication of the NHS long term workforce plan as a good starting point for the national support needed. Government needs to ensure workforce pipelines help providers reduce reliance on agency staff and improve the wellbeing and retention of current staff. Investment in staff development and training will be key. Funding and regular iterative updates will also be crucial to the plan's success, and to the sustainability of the NHS. As highlighted in the plan, "recovering productivity is categorically not about staff working harder"(NHS England, 2023j).

Resolution of industrial action

While it is currently difficult to quantify the impact of industrial action on productivity levels, we know for certain that strikes are disrupting trusts' capacity to reduce the elective care backlog. The strikes are also having a financial impact due to the loss of elective income, additional reliance on agency spend, and the increasing use of BMA rate card payments for strike cover.

The government must work to resolve industrial action as soon as possible to ensure providers can meet national performance targets and mitigate against the financial risk caused by the strikes. The NHS cannot afford for industrial action to become business as usual, and we are clear that both unions and government must keep open dialogue until resolution is reached.

6

Digital investment to improve interoperability

Improving facilities and digital capabilities will better enable staff to focus on key operational and clinical tasks. Frontline digitisation via electronic patient records (EPRs) can transform services to improve outcomes, enhance productivity and contribute to broader social and economic development.

As NHS Providers' Digital Boards programme has evidenced, EPRs can increase productivity by reducing the time spent by staff entering and searching for data, and help inform service transformation to improve population health management (NHS Providers, 2023c). However, limited headroom within operational capital envelopes is crowding out the availability of funding for vital digital investment. There also needs to be a recognition of the revenue needs for digital transformation.

"The next few years will need to be about delivering more for less and this will be reliant on digital technologies, collaboration and partnership and services designed to be effective and efficient."

ACUTE TRUST

Capital investment to expand bed base and transform the estate

Expanding bed capacity

While the focus of this report is on improving productivity growth in the short term, the provider sector will require major additional capital investment to increase its overall general and acute bed capacity over the long term. The NHS bed base is significantly lower than equivalent OECD countries. The number of available beds across the UK fell by 5% while admissions rose by 5%, and The Health Foundation forecasts that up to 39,000 more beds will be needed by 2030 to deliver 2018/19 rates of care (Rachet-Jacquet & Rocks, 2022).

Government must ensure there are funded projections for bed capacity over the course of the next spending review, including general and acute beds, but also intermediate care, rehabilitation beds and step-down mental health support.

Expanding access to strategic capital investment beyond the New Hospital Programme

As we have emphasised in our recent report on NHS capital investment, giving trusts access to adequate strategic capital will deliver the transformation needed to improve patient flow and deliver integrated, high-quality care across the whole system. This requires full consideration of the needs across the acute, ambulance, mental health and community sectors.

6

There was overwhelming demand from trusts to join the New Hospital Programme (NHP). 128 applications from 100 trusts were received by government to access the final places on the scheme. Following the Secretary of State's recent announcement confirming more than £20bn for trusts already on the programme, trust leaders now await further clarity about the government's proposals for a rolling programme of additional capital investment for those trusts whose applications to join the scheme were not successful.

Investing in management

Investment in managers across the health service is vital to help improve productivity growth. As the IPPR has recently flagged, there has been a year-on-year decline in the number of managers and senior managers in the NHS between 2010-19. However, these staff are vital to help enable operational efficiencies, improve patient satisfaction, reduce the frontline administration burden on clinicians, and facilitate innovation. Indeed, the IPPR suggests the NHS is "one of the most undermanaged healthcare systems in the world" (Thomas et al, 2023).

In its recently published report on NHS productivity, the Institute for Government (IfG) argues that insufficient levels of management across the NHS have a significant disruptive impact on the service's ability to improve productivity. For context, the NHS currently only spends 1.4% of its annual health budget on management and administration costs, which is less than half the OECD average (Freedman & Wolf, 2023).

The IfG's report warns that simply increasing the quantity of managers across the NHS, without any other changes to the system, will not be sufficient to drive the required improvement in productivity levels (Freedman & Wolf, 2023). The NHS also needs to empower managers to make decisions that will drive improvements in productivity levels. To enable the NHS to deliver the greatest value for money, and to ensure it continues to deliver cash-releasing efficiency savings, will require a sustained commitment to investment in healthcare managers.

7 CONCLUSION

Despite a challenging context, NHS providers are exceeding pre-pandemic levels of activity in a number of areas. Trusts are delivering more cancer tests and treatments than ever. They have delivered record numbers of diagnostic tests this year well above pre-pandemic levels, and there is increasing confidence that trusts will virtually eliminate 52-week waits by March 2025. Urgent community response services are making a key contribution to UEC pathways as ambulance trusts respond to ever higher numbers of calls. The NHS is striving to offer more mental health care provision in community settings, offering treatment to more people.

However, activity gains vary geographically and while the national policy focus often highlights elective and urgent and emergency care, there is concern about unmet need and whether there is sufficient resourcing to tackle care backlogs in mental health and community services, to invest in prevention and to reduce health inequalities.

In the face of major operational and financial challenges, trusts are doing all they can to improve activity levels and reduce costs, including local initiatives to improve staff wellbeing, joint working across pathways, and employing alternative delivery models like virtual wards. Provider collaboratives are also playing a meaningful role in developing constructive, material solutions to the productivity problem.

However, while some of the barriers to improving operational performance and productivity growth are within trusts' gift to improve, there are additional factors relating to staff morale, bed availability, patient acuity and social care capacity that require collaboration, support and funding from government and system partners to address.

Indeed, while trust leaders recognise the need to utilise their existing capacity and staffing base to increase activity, this is difficult to do in a sustainable way while burnout and vacancy rates remain so high. In line with the ambitions recently set out in the long term workforce plan, supporting staff wellbeing and improving retention will be key. As the plan itself highlights, recovering productivity is categorically not about staff working harder.

In the long term, it will be vital to provide more care closer to home enabled by significant investment and reform of the social care system.

Finally, the government must adopt a step change in capital investment to enable the NHS to expand bed capacity and community provision, deliver digital transformation, provide safe and therapeutic environments and offer care effectively in the right settings.

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Suggested citation

NHS Providers (July 2023),
Stretched to the limit: Tackling the NHS productivity challenge

Interactive version

This report is also available in a digital format via:
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