Autumn Statement 2023: submission from NHS Providers

NHS Providers is the membership organisation for the NHS hospital, mental health, community and ambulance services that treat patients and service users in the NHS. We help those NHS foundation trusts and trusts to deliver high-quality, patient-focused care by enabling them to learn from each other, acting as their public voice and helping shape the system in which they operate. NHS Providers has all trusts in England in voluntary membership, collectively accounting for £104bn of annual expenditure and employing 1.4 million staff.

Key points

- Trust and system leaders are committed to managing over-stretched NHS budgets effectively, but it has become increasingly clear that forecasts made at the beginning of the year based on financial and operational assumptions have now been significantly overtaken by events. In order to return them to a sustainable path, trusts will need sufficient support from government to mitigate the financial impact of industrial action.
- The publication of the Long Term Workforce Plan (LTWP) is welcome but its success is dependent on sufficient investment in infrastructure and social care. The plan rightly recognises the vital role played by capital investment in the NHS estate and new technology in order to improve NHS labour productivity.
- HM Treasury should work closely with NHS England (NHSE) and trusts to better understand the NHS productivity challenge, and to ensure that providers have the analytic support to better capture productivity growth in all settings, including acute, ambulance, community and mental health trusts.
- Trust leaders want to see government deliver on much-anticipated reform of the social care system and, ahead of the next spending review, begin to develop and provide a long-term, multiyear settlement to ensure delivery of its key priorities.
- The government must also work with the health and care sector to invest more holistically in prevention and in reducing health inequalities, in primary care, and in intermediate care and rehabilitation, considering the role that primary care, community services and mental health services can all contribute to enabling people to be supported at home, and on discharge from hospital.

- If the government is serious about improving population health and tackling health inequalities, it cannot continue to underinvest in the public health grant. Funnelling more investment into public health will prove to be both cost effective and deliver value for the taxpayer over a longer period of time.

Context: industrial action and systemic financial challenges

The Autumn Statement is set against the backdrop of a prolonged period of industrial action by numerous NHS staff groups, exacerbating the operational and financial pressures trusts are dealing with. Despite performance gains to date, the NHS is tasked with delivering yet more activity within existing resources as well as facing ongoing inflationary pressures and the financial impact of industrial action. Trust leaders recognise they are expected to improve productivity levels, deliver efficiency savings and work collaboratively across systems to increase activity levels and bring down waiting lists. However, the context within which they are striving to deliver this is becoming increasingly challenging.

The LTWP, published earlier this year, maps out the workforce needs of the NHS in order to meet demand projections in future years. However, much of the success of the LTWP is predicated on a number of assumptions being met over the coming years including: labour productivity growing by 1.5%-2% each year; a significant proportion of care being shifted to 'out of hospital' settings; and large scale investment to transform the NHS estate and improve digital operability. It remains clear that to maximise the benefits of the LTWP, improvements in productivity will be needed to keep pace with the demands of the future.

Trust and system leaders are committed to managing over-stretched NHS budgets effectively, but it has become increasingly clear that forecasts made at the beginning of the year based on financial and operational assumptions have now been significantly overtaken by events.

It is concerning that we are seeing this pressure play out across all trusts and systems so early in the financial year, with so many already reporting deficit positions. It is also important to recognise that many trusts are working to deliver historically challenging and recurrent efficiency savings in the context of eleven months of industrial action and inflationary pressures, which are putting an extra strain on NHS budgets and exacerbating the financial risk being borne by trusts and systems.

While we understand that some systems have entered recovery support programmes to help get their finances back on track, questions remain about the best approach to helping trusts improve their underlying run rate given the systemic challenges we are currently seeing.

The NHS productivity challenge – barriers to productivity growth

Workforce pressures: staff sickness, burnout and low morale

Trust leaders report that one of the biggest and most concerning challenges for the NHS 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.[1] While trust leaders recognise the need to limit increases in the overall staffing base to deliver activity gains, 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 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. 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 temporary staff cover to plug workforce gaps. 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 spending on temporary staff cover.

The LTWP, with its focus on training, recruitment and retention of staff, offers a great deal of promise in addressing the pressure experienced by members of staff across the NHS.

Increased patient acuity and longer length of stay

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 often needed to diagnose individuals and deliver quality care over a pathway, impacting productivity overall. Given

[1] Survey Coordination Centre (2023), 'NHS Staff Survey 2022 – National results briefing'

demographic trends, HM Treasury and government colleagues should be mindful that this trend will only increase over time.

Acute trust leaders have also flagged the difficulty of ramping up elective activity because of demand in emergency care. While many trusts have separated urgent and emergency care and elective sites, their bed base is finite. 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.

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.[2] The NHSE delivery plan for Urgent and Emergency Care (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. Trust leaders tell us that more investment is needed to ensure sufficient hospital capacity as well as to invest in community provision.

Impact of industrial action

The current prolonged period of industrial action has had a profound effect on NHS operational performance. Since December 2022, 1.2 million appointments have been postponed as a result of industrial action, severely hindering the service's efforts to recover care backlogs and boost activity levels. Trusts have also lost valuable managerial headspace and time for strategic planning due to 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.

Industrial action has also had a significant financial, as well as operational, impact on the NHS - it is estimated that strikes have financially impacted the NHS by at least £1.4bn so far this year. There are

[2] The King's Fund, 'How does the NHS compare to the health care systems of other countries?'

three key factors which combine to create a substantial financial strain on the NHS during strike action:

- Increased temporary staffing costs to implement cover for those staff members participating in strike action, often paying premium rates to agencies or to staff members working overtime;
- Lost income from rescheduling planned appointments;
- Reduced management bandwidth to deliver waste reduction plans given the need to mitigate the effects of industrial action on patient care.

What are trusts doing to improve productivity?

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. Since the pandemic, trusts are increasingly working with system partners, including housing and community organisations, and local authorities, to expand support in community settings.[3]

Provider collaboratives are partnerships that bring two or more trusts together to maximise economies of scale, improve care and address common problems. Provider collaboratives have also played a significant 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.

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. Earlier this year, NHS England introduced spending caps on the recruitment of agency staff to bring down agency spend to below 3.7% of the total NHS pay bill. As a result of the spending caps, trusts have reviewed their internal processes for recruiting temporary staff to constrain the growth in agency spend. Trust leaders have reflected that tighter spending controls on agency staff are proving effective, despite industrial action challenging the effectiveness of such controls.

[3] NHS Providers, 'Providers Deliver: Patient Flow', May 2023

Long-term enablers to improve productivity

Ensuring the LTWP benefits are fully realised

The publication of the LTWP is promising but its success is dependent on sufficient investment in infrastructure. The LTWP maps out what is needed to ensure the NHS has the staff it requires in order to meet the demands of the future.

The LTWP is based on the assumption that NHS labour productivity will grow between 1.5%-2% per year. This is predicated on stepping care down to less costly settings and developing alternative delivery models (e.g. virtual wards) over the forthcoming years. However, this is particularly challenging given the historic improvements in NHS labour productivity. The Office for National Statistics estimates that quality-adjusted productivity increased by an average 0.8% p.a. between 1995-96 and 2019/20, and 1.2% p.a. between 2009/10 – 2019/20.

NHSE also notes two key long term enablers for achieving improvements in productivity growth. Firstly, a sustained increase in capital investment in the NHS estate, including in primary care, and expanding capacity to meet healthcare demands in an ageing population. Second, it requires investment in digital infrastructure throughout the NHS, including appropriate training and support, to enable staff to utilise new technologies. The plan recognises the vital role that sustained capital investment in the NHS estate and new technology in order to deliver on its ambitions and improve NHS labour productivity.

Creating a common currency for measuring productivity across all sectors

HM Treasury should work closely with NHSE and trusts to better understand the NHS productivity challenge, and to ensure that providers have the analytic support to better capture productivity growth in all settings, including acute, community and mental health trusts. While outside of our core membership, similar approaches would also prove helpful in primary care.

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 developing the scale and quality of data collection for mental health and community services.

The Carter Report noted the lack of consistent, quality data and metrics that enabled clear measurements of relative performance.[4] 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, building on existing work underway led by NHSE with trusts, and to ensure there are consistent measures of productivity used by the national bodies, trusts and systems. This will help to target solutions effectively.

Reforming the social care system and supporting people in community settings

Relieving pressure on UEC pathways and on hospital admissions requires holistic investment across health and social care. As well as improving discharge pathways, it is important to invest in early intervention and support to help keep people well within the community so that, if at all possible, they avoid reaching crisis point where they require hospital care. Trust leaders want to see government deliver on much-anticipated reform of the social care system and, ahead of the next spending review, begin to develop and provide a long-term, multiyear settlement to place social care on a sustainable footing.

Years of chronic underinvestment in social care continues to have severe knock-on effects for the NHS both in terms of avoidable admissions to hospital and delayed discharge home or to community settings. Both NHS organisations and social care are responsible for delayed discharges however longer delays tend to be due to a lack of appropriate social care provision at home or in care homes. Long stays in a hospital setting offer poorer outcomes for individual patients and are far more costly than the right support within the community.

The government must work with the health and care sector to invest more holistically in tackling health inequalities and in prevention, in primary care, and in intermediate care and rehabilitation, including considering the role that primary care, ambulance, community services and mental health services can all contribute to keeping people supported at home, and on discharge from hospital.

[4] Lord Carter of Coles, 'Operational productivity and performance in English NHS acute hospitals: Unwarranted variations', Department of Health and Social Care, February 2016

Taking a population health approach is key to improving productivity of UK economy

As anchor institutions, trusts play a key role in creating economic and social value for their communities, as a major employer, a provider of key services and often as a supporter of local businesses and voluntary sector organisations. Research shows that every £1 spent on healthcare will deliver a further £4 back in increased productivity and employment. Investment across the life sciences also plays a key role in driving UK economic growth.[5]

With the right funding and support across a range of public services, the NHS can play its part in helping people back into work and improving the health of the UK labour market. As the government identified in the Autumn Statement, there is an increased need to encourage millions of people back into work. Approximately 20% of people aged 50-65 are currently out of work and waiting for NHS treatment.[6] There are also significant numbers of people with long-term health conditions who are economically inactive but would like to return to the labour market.

As government plans for future fiscal events, it should take a holistic approach to public spending and ensure there is sufficient funding across all public services to improve the population's health and economic productivity. Trust leaders support a shift towards allocating more funding to preventing ill health, rather than the treatment of ill health.

In addition, the Health Foundation reports that the public health grant – allocated by government to local authorities each year - has been extensively cut by 24% since 2015/16.[7] If the government is serious about improving population health and tackling health inequalities, then it cannot continue to underinvest in the public health grant. Funnelling more investment into public health will prove to be both cost effective and deliver value for the taxpayer over a longer period of time.

In addition, government policy and pressures on public services more broadly (including housing, education, employment, criminal justice and benefits) all impact very directly on the NHS – particularly those NHS services which offer 24/7 support and are available for the public in times of crisis. We recognise the multifaceted pressures on public finances and that government continues to face tough

[5] NHS Confederation (2022), 'The link between investing in health and economic growth'

[6] Office for National Statistics (2022), 'Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic'

[7] The Health Foundation (2023), 'Public health grant: what it is and why greater investment is needed'

fiscal choices. Nonetheless, we would encourage decision makers to think holistically about the central contribution the NHS plays in our country economically and socially, and the direct impact on NHS services of cuts to other forms of support.