



Library Note

NHS: Ability to Meet Present and Future Demand

This Lords Library briefing provides a broad overview of the challenges and pressures on the NHS in England and the proposals presented by NHS England and the Government to address these issues. It also briefly sets out the objectives and ambitions of the NHS. This briefing has been prepared to support the debate in the House of Lords on the ability of the NHS to meet present and future demands on 14 January 2016.

NHS Objectives

The [NHS Constitution](#), which sets out the principles and values of the NHS in England, states that the health service is there to “improve our health and wellbeing, supporting us to keep mentally and physically well, to get better when we are ill and, when we cannot fully recover, to stay as well as we can to the end of our lives”. The Department of Health also publishes an annual mandate for the NHS, which outlines the Government’s objectives. The most recent [mandate](#), published in December 2015, set out seven key areas where the Government expected the NHS to make progress, including the improvement of local and national health outcomes; helping to create the safest, highest quality health and care services seven days a week; and balancing the NHS budget.

NHS England’s Five Year Forward View

In October 2014, NHS England published the report, [Five Year Forward View](#), which set out its vision for the future direction of the NHS; how it would evolve to meet current and future demands; and presented proposals for new models of care. The NHS stated that there were three main facets to its vision for the future direction of the health service. Firstly, it argued that “the future health of millions of children, the sustainability of the NHS, and the economic prosperity” of Britain depended on “a radical upgrade in prevention and public health”. Secondly, it promised that patients would have greater control of their own care, and the third strand of its proposals was for the NHS to take steps to break down the traditional barriers in how care was provided. The NHS argued in the report that an integrated approach to providing NHS services could both improve the quality of care for patients and improve productivity. The document also addressed the estimate that was quoted in the 2013 Monitor report, [Closing the NHS Funding Gap](#), that there could be a funding gap of £30 billion by 2020/21. NHS England considered several scenarios which combined efficiency and funding options, and suggested that £8 billion of additional funding and £22 billion of efficiencies by 2020/21 could meet the gap.

Government Policies

Following the general election in May 2015, the Government set out its “vision for a modern, efficient and sustainable NHS” that provides “high quality for patients seven days a week” by 2020. It has also provided details on the proposals for a new voluntary contract for GPs to deliver seven-day care for all patients by 2020. In the [Spending Review and Autumn Statement 2015](#), the Government announced that between 2014/15 and 2020/21, health spending would increase by £10 billion in real terms.

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21 December 2015
LLN 2015/051

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I. Objectives and Ambitions of the NHS

I.1 NHS Constitution

The NHS Constitution, which was published in March 2013, established the principles and values of the NHS in England, and outlined the rights and values to which patients, the public and members of staff would be entitled.¹

The Constitution set out the broad vision and ambition of the NHS:

It is there to improve our health and wellbeing, supporting us to keep mentally and physically well, to get better when we are ill and, when we cannot fully recover, to stay as well as we can to the end of our lives. It works at the limits of science—bringing the highest levels of human knowledge and skill to save lives and improve health. It touches our lives at times of basic human need, when care and compassion are what matter most. The NHS is founded on a common set of principles and values that bind together the communities and people it serves—patients and public—and the staff who work for it.²

The Constitution also outlined seven guiding principles which were to govern the NHS. In summary the seven principles were:

- The NHS should provide a comprehensive service to all (eg regardless of gender, ethnicity or sexual orientation).
- The NHS should be based on clinical need, not the individual's ability to pay. NHS services should be free of charge, except in limited circumstances sanctioned by Parliament.
- The NHS should aspire to the highest standards of excellence and professionalism.
- The NHS should aspire to put patients at the centre of all that it does. This includes the promotion of patient choice and individuals' differing needs.
- The NHS should work across organisational boundaries and in partnership with other services or public sector bodies.
- The NHS should be committed to providing value for money, efficiency and sustainability.
- The NHS should be accountable to the public, communities and patients (this includes an emphasis on transparency).³

The Constitution will be renewed every ten years, with the involvement of public, patients and staff.⁴

¹ Department of Health, [NHS Constitution for England](#), 26 March 2013, p 2.

² *ibid.*

³ *ibid.*, pp 3–4.

⁴ *ibid.*, p 2.

1.2 NHS Mandate

The Department of Health also publishes an annual mandate for the NHS, which outlines the overall ambitions of the NHS, identifies a number of specific objectives for NHS England, and sets out its budget.⁵ Following a public consultation, the most recent mandate, [The Government's Mandate to NHS England for 2016–2017](#), was published in December 2015. The mandate set out objectives for NHS England to achieve by 2020, requirements relating to the [Better Care Fund](#),⁶ and set NHS England's budget for five years. The mandate stated that “setting a multi-year mandate with a multi-year budget” would enable the NHS to “plan more effectively to deliver long term aims”.⁷

The mandate is structured around seven key objectives in which the Government expects the NHS to make progress. They are “underpinned by specific deliverables to be achieved in the short term, for 2016–17, and to be achieved in the long term, by 2020 or beyond”. The seven priorities are:

- Through better commissioning, improve local and national health outcomes, particularly by addressing poor outcomes and inequalities.
- To help create the safest, highest quality health and care services seven days a week, including improved early diagnosis, services and outcomes for cancer patients.
- To balance the NHS budget and improve efficiency and productivity.
- To lead a step change in the NHS in preventing ill health and supporting people to live healthier lives.
- To maintain and improve performance against core standards.
- To improve out-of-hospital care, and support the NHS to achieve the Government's aim that health and social care are integrated across the country by 2020, including through the Better Care Fund.
- To support research, innovation and growth.⁸

Detailed information about the overall measurable goal for each objective, and the priority deliverables for 2016–17, is set out in the Annex of the mandate.⁹

⁵ Department of Health, '[NHS Mandate 2016 to 2017](#)', 17 December 2015.

⁶ The Better Care Fund was announced in the June 2013 Spending Round to support the transformation and integration of health and social care services to ensure local people received better care. Further information on the Better Care Fund can be found in the House of Commons Library briefing, [The Structure of the NHS in England](#) (17 September 2015).

⁷ Department of Health, [The Government's Mandate to NHS England for 2016–2017](#), December 2015, p 6.

⁸ *ibid*, pp 8–10.

⁹ *ibid*, pp 12–19.

The mandate also reaffirmed the Government's commitment to maintain an NHS that remained available to all, based on clinical need and not an individual's ability to pay.¹⁰ It further stated that:

In this new mandate to NHS England to 2020, the Government is entrusting NHS England with the NHS budget to help deliver these commitments, and to meet the evolving needs of the population in a way that is sustainable now and into the future.¹¹

2. NHS: Challenges and Pressures

In 2013, NHS England published the report, [The NHS Belongs to the People: A Call to Action](#), which outlined some of the external issues that had the potential to put pressure on the NHS and its ability to “[preserve] the values that underpin a universal health service”.¹² The report identified trends such as: an ageing population; an increase in complex long-term conditions such as heart disease, diabetes and hypertension; and rising expectations in the standard of care, which would include demands from patients for more information and more involvement in the decision making process about their own care.¹³ The document stated that the resulting increase in demand, combined with rising costs “threatened the financial stability and sustainability of the NHS”.¹⁴

It further argued that the NHS needed to:

[...] raise performance across the board, and ensure we always deliver a safe, high quality, value-for-money service. We must place far greater emphasis on keeping people healthy and well in order to lead longer, more illness-free lives: preventing rather than treating illness. We also need to do far more to help those with mental illness.¹⁵

However, the report stressed that “without bold and transformative change” to how services are delivered, a “high quality yet free at the point of use health service would not be available to further generations”.¹⁶ It concluded that not only would the NHS become “financially unsustainable, the safety and quality of patient care would decline”.¹⁷

The potential impact of an ageing population on the NHS was also considered by the House of Lords Committee on Public Services and Demographic Change in its 2013 report, [Ready for Ageing](#).¹⁸ The Committee stated that a “rapidly ageing society” would lead to an increase in the number of people living for longer, “often with one or more chronic long-term health conditions”.¹⁹ It concluded that as “a consequence of this and other pressures” there would be “a large increase in health and social care costs”.

¹⁰ Department of Health, [‘NHS Mandate 2016 to 2017’](#), 17 December 2015.

¹¹ Department of Health, [The Government's Mandate to NHS England for 2016–2017](#), December 2015, p 7.

¹² NHS England, [The NHS Belongs to the People: A Call to Action](#), July 2013, p 4.

¹³ *ibid*, pp 11–14.

¹⁴ *ibid*, p 4.

¹⁵ *ibid*.

¹⁶ *ibid*, pp 5–6.

¹⁷ *ibid*, p 6.

¹⁸ House of Lords Select Committee on Public Services and Demographic Change, [Ready for Ageing?](#), 14 March 2013, HL Paper 140 of session 2012–13.

¹⁹ *ibid*, p 11.

The Committee quoted a series of estimates on the numbers of people aged 65 and over in England and Wales likely to have long term health conditions in 2030 compared to 2010. In particular, the projections predicted that the number of people with diabetes would rise by over 45 percent by 2030; the number of people with arthritis, coronary heart disease, or stroke would rise by over 50 percent; the number of people with dementia (moderate or severe cognitive impairment) would be up by over 80 percent; and people with moderate or severe need for social care would increase by 90 percent.²⁰

In October 2013, Monitor, the health sector regulator in England, published the report, [Closing the NHS Funding Gap: How to Get Better Value Health Care for Patients](#). The report also expressed concerns regarding future pressures on the NHS and the impact they could have on its services. It estimated that without appropriate action, the funding gap for NHS England could grow to £30 billion a year by 2020/21.²¹ In order to address the funding gap, Monitor claimed that the NHS needed to provide better value healthcare for patients and to improve its productivity.

In October 2014, the NHS published its [Five Year Forward View](#), which set out its vision for the future of the NHS. The document identified the key challenges that the NHS faced. In the document the NHS argued that:

[The] quality of care can be variable, preventable illness is widespread, health inequalities deep-rooted. Our patients' needs are changing, new treatment options are emerging, and we face particular challenges in areas such as mental health, cancer and support for frail older patients. Service pressures are building.²²

It also explained that:

The NHS needs to adapt to take advantage of the opportunities that science and technology offer patients, carers and those who serve them. But it also needs to evolve to meet new challenges: we live longer, with complex health issues, sometimes of our own making. One in five adults still smoke. A third of us drink too much alcohol. Just under two thirds of us are overweight or obese.²³

Furthermore, the document identified the need to close the £30 million funding gap. It argued that this could be achieved through annual efficiency savings, increased funding and by decreasing demand for NHS services by improving prevention measures and public health.²⁴ The document specifically argued that any attempts to “muddle through” the next few years with short term solutions would not be sustainable, and would widen the gaps in health and wellbeing, care and quality, and funding and efficiency.²⁵ It further suggested that the funding gap could be met with £8 billion of additional funding and £22 billion of efficiencies by 2020/21.²⁶

In July 2015, the House of Commons Health Committee opened its inquiry '[Current Issues in the NHS](#)', with the remit to review the current performance of the NHS and examine how

²⁰ House of Lords Select Committee on Public Services and Demographic Change, [Ready for Ageing?](#), 14 March 2013, HL Paper 140 of session 2012–13.

²¹ Monitor, [Closing the NHS Funding Gap: How to Get Better Value Health Care for Patients](#), October 2013, p 1.

²² NHS England, [Five Year Forward View](#), October 2014, p 3.

²³ *ibid*, p 2.

²⁴ *ibid*, p 5.

²⁵ *ibid*, p 7.

²⁶ *ibid*; and House of Commons Library, [The Structure of the NHS in England](#), 17 September 2015, p 23.

NHS England planned to implement the vision outlined in the *Five Year Forward View*. On 21 July 2015, the chief executive of NHS England, Simon Stevens, gave evidence to the committee. He identified three main challenges which the NHS faced:

First, we have to keep current services running well while also redesigning what a future-proofed health service will look like over the next three to five years on the agenda we set out in the *Five Year Forward View*. How to manage for today while transforming for tomorrow would be the first of them. Secondly, the public and Parliament rightly expect to hold the national health service accountable for the performance that is being delivered, but at the same time we need to create the space for the 1.4 million nurses, doctors, therapists and other staff of the health service to themselves chart the course for the direction that they believe the health service should be taking in their local area. [...] The third thing would be that we have consistently made the argument that the national health service is important in its own right, but it exists as part of a broader ecology of services and communities, so what is happening in social care, what is happening to public health in prevention and broader economic wellbeing, all of that is important to us as well. We have to juxtapose our focus on the National Health Service with our focus on the broader determinants of health and wellbeing.²⁷

3. NHS Strategies to Meet the Challenges: Five Year Forward View

NHS England's *Five Year Forward View* set out its vision for how the NHS would evolve to meet current and future demands.²⁸ In the document, the NHS stated that there were three main facets to its arguments and proposals for reform. Firstly, it argued that “the future health of millions of children, the sustainability of the NHS, and the economic prosperity” of Britain depended on “a radical upgrade in prevention and public health”.²⁹ It explained that the NHS would “back hard-hitting national action” on major health risks. Secondly, it promised that patients would have greater control of their own care. Finally, the third strand of its vision was for the NHS to take decisive steps to break down the barriers in how care was provided “between family doctors and hospitals, between physical and mental health, between health and social care”.

3.1 New Models of Care

NHS England argued that the “traditional divide” between primary care, community services, and hospitals was “increasingly a barrier to the personalised and coordinated health services patients need”.³⁰ In the *Five Year Forward View*, NHS England presented several proposals for new models of care to address this issue. The detail of a number of the models proposed in the report are summarised in the following sections.

Emerging Models

The document considered several examples of the way healthcare was being organised in different areas. It referred to a number of projects, and stated that they appeared to

²⁷ House of Commons Health Committee, [NHS Current Issues: Oral Evidence](#), 21 July 2015, HC 323 of session 2015–16, Q 2.

²⁸ NHS England, [Five Year Forward View](#), October 2014, p 2.

²⁹ *ibid*, p 3.

³⁰ *ibid*, p 16.

demonstrate the benefits of increased integration and innovation when supplying a particular NHS service. For instance, the report explained that:

In London, integrated care pioneers that combine NHS, GP and social care services have improved services for patients, with fewer people moving permanently into nursing care homes. They have also shown early promise in reducing emergency admissions. Greenwich has saved nearly £1 million for the local authority and over 5 percent of community health expenditure.³¹

The *Five Year Forward View* argued that the examples presented in the report demonstrated that an integrated approach could both improve the quality of care for patients and deliver “better value for money”.³²

Primary Care Models: General Practice

The document argued that general practice, one of the “great strengths of the NHS”, was under “severe strain”.³³ It claimed that this was in part because primary care services had been under-resourced compared to hospitals, and stated that the NHS would invest more in primary care. In particular, NHS England made a commitment to focus on giving GP-led Clinical Commissioning Groups (CCGs) more influence over the NHS budget, increase investment in training of new GPs and other primary care staff, and would work to build public understanding of how pharmacies and online resources could help deal with “minor ailments”.

The document added that the NHS would also look to introduce two new models of care which centred on primary care. The Multispecialty Community Provider (MCPs) would permit groups of GPs to combine with nurses, other community health services, hospital specialists and potentially mental health and social care to create integrated out-of-hospital-care.³⁴ The report argued that this would enable the majority of patients’ outpatient appointments to be moved out of hospitals and into community settings, and would allow for greater flexibility in how care was funded and organised. In addition, the Primary and Acute Care Systems (PACs) would allow single organisations to provide NHS list-based GP and hospital services, together with mental health and community care services.³⁵ However, the document stated that PACs were complex, and therefore the model would require testing before it was promoted for adoption by the NHS more widely.³⁶

Urgent and Emergency Care Networks

The *Five Year Forward View* stated that the care people received in England’s emergency departments was “one of the yardsticks by which the NHS as a whole will be judged”.³⁷ It explained that:

More and more people are using A&E—with 22 million visits a year. Compared to five years ago, the NHS in England handles around 3,500 extra attendances every single day, and in many places, A&E is running at full stretch. However, the 185 hospital emergency

³¹ NHS England, [Five Year Forward View](#), October 2014, p 16.

³² *ibid.*

³³ *ibid.*, p 18.

³⁴ *ibid.*, p 19.

³⁵ *ibid.*, p 20.

³⁶ *ibid.*, p 21.

³⁷ *ibid.*

departments in England are only a part of the urgent and emergency care system. The NHS responds to more than 100 million urgent calls or visits every year.³⁸

The document presented a number of proposals to improve the organisation of emergency services in order to cope with the pressures, including: making more use of community care (including the promotion of evening and weekend GP access); new funding arrangements for urgent and emergency services; and the better funding of mental health crisis services.³⁹

‘Specialised Care’

The document argued that the concentration of specialist care services often appeared to increase the efficiency of care and treatment.⁴⁰ For instance, it noted an example in London where 32 stroke units were consolidated into to eight specialist ones, which as a result “achieved a 17 percent reduction in 30-day mortality and a 7 percent reduction in patient length of stay”.⁴¹ The paper suggested that there should be more integration of specialist services around patients. It also highlighted the potential benefits this could bring to certain conditions such as cancer.

Enhanced Health in Care Homes

The report observed that one in six people aged 85 or over permanently resided in a care home. It stated that many people within care homes were not having their health needs regularly assessed, and that this resulted in avoidable admissions to hospital.⁴² The document emphasised the NHS’ commitment to “in-reach support” and investment in local health and care services in order for them to be able to provide medical reviews and rehab services within care homes.

Other Recommendations

The *Five Year Forward View* stressed the need to improve and modernise both maternity services and the use of smaller hospitals.⁴³ It also made recommendations regarding the management of NHS services more generally, calling for greater steps forward in terms of innovations, integration, local leadership and national leadership. Furthermore, the document noted the need to better embrace new technologies when delivering patient services, and to improve the use and recruitment of the NHS workforce. The report stressed the importance of working with Health Education England to improve the recruitment and retention of NHS staff.

3.2 Future Funding and Efficiencies

Addressing the issue of efficiency savings and future funding options, NHS England stated in the *Five Year Forward View* that:

Monitor, NHS England and independent analysts have previously calculated that a combination of growing demand if met by no further annual efficiencies and flat real

³⁸ NHS England, [Five Year Forward View](#), October 2014, p 21.

³⁹ *ibid*, pp 21–2.

⁴⁰ *ibid*, p 23.

⁴¹ *ibid*.

⁴² *ibid*, p 24.

⁴³ *ibid*, pp 28–9.

terms funding would produce a mismatch between resources and patient needs of nearly £30 billion a year by 2020/21. So to sustain a comprehensive high-quality NHS, action will be needed on all three fronts—demand, efficiency and funding. Less impact on any of them will require compensating action on the other two.⁴⁴

The document considered three scenarios which combined efficiency and funding options to “close the £30 billion gap by one third, one half, or all of the way”.⁴⁵ It further explained that:

In scenario three, the NHS gets the needed infrastructure and operating investment to rapidly move to the new care models and ways of working described in this Forward View, which in turn enables demand and efficiency gains worth 2 percent–3 percent net each year. Combined with staged funding increases close to ‘flat real per person’ the £30 billion gap is closed by 2020/21.⁴⁶

NHS England concluded in the report that there were:

[...] viable options for sustaining and improving the NHS over the next five years, provided that the NHS does its part, allied with the support of government, and our other partners, both national and local.⁴⁷

In response to the *Five Year Forward View*, the King’s Fund published the paper, [Implementing the NHS Five Year Forward View: Aligning Policies With the Plan](#), which broadly welcomed the new models of care that had been proposed.⁴⁸ However, it also expressed concerns that the intended outcomes would not be achieved unless “serious attention” was given to the policy changes needed to support local leaders in ensuring the new care models became a reality. The King’s Fund set out a number of its own recommendations on the changes “necessary to avoid reform being both slow and, in many cases, falling well short”.

The British Medical Association (BMA) stated in June 2015 that it would support the successful implementation of the new care models as long as five key criteria were met: relevant stakeholders in primary and secondary care were consulted in its implementation; decisions on the design and development of the new models were informed by patients and the public; collaboration between primary, community and secondary care clinicians in the development and implementation of the plans; a focus on partnership between organisations and not the creation of new organisations; and the focus to be on delivering local services.⁴⁹ However, Mark Porter, the elected BMA council chair, questioned whether the new care models could “make a dent in the looming £22 billion funding gap”.⁵⁰

⁴⁴ NHS England, [Five Year Forward View](#), October 2014, p 5.

⁴⁵ *ibid.*

⁴⁶ *ibid.*, p 36.

⁴⁷ *ibid.*, p 5.

⁴⁸ *ibid.*, p 2.

⁴⁹ Mark Porter, [‘Five Ways the Five Year Forward View Must Meet Doctors’ Concerns’](#), 9 July 2015.

⁵⁰ *ibid.*

4. Government Strategies to Meet the Challenges: Overview

4.1 Government Policies: Summary

In 2014, the Coalition Government welcomed the *Five Year Forward View*, which it argued “sets out powerfully how the NHS must adapt to meet the changing needs of our population”.⁵¹ It stated that the Department of Health would work with NHS England and others to implement the proposals contained within it.

The Conservative Party’s 2015 general election manifesto made a number of commitments in relation to the NHS, including: free access for everyone to services; seven-day GP and hospital services; integration of health and social care through the Better Care Fund; and the prioritising of cancer treatments and finding a cure for dementia.⁵² It also made a pledge to spend at “least an additional £8 billion by 2020 over and above inflation to fund and support the NHS’s own action plan for the next five years”.

On 18 May 2015, following the general election, the Prime Minister, David Cameron, reiterated the Government’s commitment to seven-day general practice and hospital services by 2020.⁵³ Mr Cameron also provided details on the Government’s proposals for a new voluntary contract for GPs to deliver seven-day care for all patients by 2020. He stated that the Government had:

[...] listened to GPs leaders who say that the time has come for a new, voluntary contract option for general practice, integrated with community nurses and other health and care professionals, to provide more seamless, person-centered care for patients. That approach is embedded in the heart of NHS England’s *Five Year Forward View*.⁵⁴

The Prime Minister also set out a number of broader objectives for the NHS such as an increased focus on mental health and an improved use of technology throughout the health services.⁵⁵

Critics of the proposals set out in the Prime Minister’s speech included the former Health Minister, Norman Lamb (Liberal Democrat MP for North Norfolk), Simon Stevens, the chief executive of NHS England, and several medical bodies (such as the Academy of Medical Royal Colleges) who had reportedly questioned whether the NHS had the resources both in terms of finances and staff to meet the objectives set out by the Prime Minister.⁵⁶ The Labour Party also expressed similar concerns, and suggested that the plans for a seven-day NHS were not “credible without the extra resources and staff” the NHS needed, “particularly in areas like general practice, where the Tories have created a GP workforce crisis”.⁵⁷

⁵¹ Department of Health, [A Mandate from the Government to NHS England: April 2015 to March 2016](#), December 2014, p 3.

⁵² Conservative Party, [The Conservative Party Manifesto 2015](#), April 2015, p 37.

⁵³ Prime Minister’s Office and Department of Health, [Prime Minister Pledges to Deliver 7-day GP Services by 2020](#), 18 May 2015.

⁵⁴ *ibid.*

⁵⁵ *ibid.*

⁵⁶ Denis Campbell, [NHS Lacks Money and Staff for Seven-day Operation, David Cameron Told](#), *Guardian*, 18 May 2015.

⁵⁷ Labour Party, [Press: Cameron’s Plans for a Seven-day NHS are Simply not Credible Without the Extra Resources and Staff the NHS Needs](#), 21 May 2015.

The Cabinet Office briefing notes for the Queen’s Speech 2015, published on 27 May 2015, reiterated the Government’s “vision for a modern, efficient and sustainable NHS that provides high quality for patients seven days a week”. It also restated the Government’s intention to increase investment in the NHS by £8 billion a year by 2020.⁵⁸ In the [Spending Review and Autumn Statement 2015](#), presented to Parliament on 25 November 2015, the Chancellor of the Exchequer, George Osborne, committed to provide the NHS in England £10 billion per annum more in real terms by 2020/21 than in 2014/15, with £6 billion available by the first year.⁵⁹

The *Spending Review* stated that the Government expected the “NHS to deliver £22 billion of the efficiency savings it said it can find in the *Five Year Forward View*”. It set out how this would be achieved through improvements to quality of care and prevention; staff productivity; and better procurement. It further highlighted how savings could be made by adopting the recommendations set out in Lord Carter of Cole’s review into the operational productivity of NHS hospitals, which was set up in order to establish efficiency savings across the NHS.⁶⁰

4.2 Commentary

Reacting to the measures set out in the Autumn Statement, the Nuffield Trust welcomed the “additional front-loading of investment for the NHS” in the first year.⁶¹ However, it also had a number of concerns. It questioned whether the “additional cuts to other Department of Health budgets, as well as reductions of £600 million to local authority public health grants”, would have “knock-on implications for the NHS”. Furthermore, it argued that clarity was needed on where the cuts would be made. The King’s Fund expressed similar views. It also welcomed the decision to front-load the money, but claimed that a “significant chunk of this will be absorbed by additional pension costs and dealing with provider deficits”.⁶² It further stated that:

The new funding will stabilise services in the short term, but smaller increases later on in the parliament and the requirement to implement seven-day services will leave budgets stretched to the limit. Attention will now shift to the huge challenge of finding £22 billion in efficiency savings by 2020/21, with the onus on the NHS to re-double efforts to improve productivity.⁶³

National Audit Office Report on Financial Sustainability

In December 2015, the National Audit Office (NAO) published the report, [Sustainability and Financial Performance of Acute Hospital Trusts](#), which examined the sustainability and financial performance of NHS trusts and NHS foundation trusts, particularly those providing acute

⁵⁸ Cabinet Office, [Queen’s Speech 2015](#), 27 May 2015, p 43. Information on Government policies on reforming discrete areas of the NHS and on specific issues can be found in the ‘Further Reading’ section.

⁵⁹ HM Treasury, [Spending Review and Autumn Statement 2015](#), November 2015, Cm 9162, p 3; and House of Commons Library, [Spending Review and Autumn Statement 2015: A Summary](#), 30 November 2015, p 8.

⁶⁰ Lord Carter of Coles was appointed by the Secretary of State for Health, Jeremy Hunt, to chair the NHS Procurement and Efficiency Board in June 2014, and to review the operational productivity of NHS hospitals to establish the opportunity for efficiency savings across the NHS. Lord Carter and the review board worked with a group of 22 NHS providers across England, and in June 2015 published the interim report [Review of Operational Productivity in NHS Providers](#). The interim report suggested that the NHS in England could look to make savings of up to £5 billion per annum by 2019/20.

⁶¹ Nuffield Trust, [Spending Review 2015: What it Means for Health and Social Care](#), 3 December 2015, p 1.

⁶² King’s Fund, [The King’s Fund’s Response to the Spending Review](#), 25 November 2015.

⁶³ *ibid.*

healthcare services.⁶⁴ The NAO reported that “overall, the financial position of NHS bodies had worsened in 2014/15”.⁶⁵ It explained that:

NHS commissioners, NHS trusts and NHS foundation trusts together moved from a surplus of £722 million in 2013/14, to a deficit of £471 million [in 2014/15].

It further stated that:

The deterioration in the financial position of NHS trusts and NHS foundation trusts has been severe and worse than expected, with their £843 million deficit in 2014/15 representing a sharp decline from the £91 million deficit reported in 2013/14.⁶⁶

The NAO stated that it was not “yet clear” that the Department of Health (the Department), NHS England, Monitor and the NHS Trust Development Agency (TDA) had a “coherent plan that is needed to get trusts’ finances back on track and to close their estimated £22 billion gap between resources and patients’ needs by 2020/21”.⁶⁷ The NAO cautioned that any response from these bodies “might come too late to improve the 2015/16 position”.⁶⁸ It further argued that expected financial savings from the *Five Year Forward View* would not help the immediate financial position of NHS trusts, as “estimates suggest these would not be realised until nearer the end of the five years”.⁶⁹

The NAO also found that the trusts were “already finding it difficult to make their planned efficiency savings”.⁷⁰ It reported that acute trusts had made significantly fewer efficiencies in 2014/15 than in 2013/14: they had made efficiencies of £2.2 billion in 2014/15, compared with £2.3 billion in 2013/14.⁷¹ Overall, acute trusts had achieved 83 percent of their planned efficiencies in 2014/15. It argued that financial sustainability relied on trusts making efficiencies that were recurrent (year-on-year), rather than non-recurrent (one-off), and it found that in 2014/15, acute trusts had made significantly fewer recurrent cost savings than in previous years, but more non-recurrent savings.⁷² The NAO recommended that the Department of Health, NHS England, Monitor and the NHS TDA should put in place a clear plan for improving financial sustainability.⁷³

The NAO also argued that the new models of care proposed in the *Five Year Forward View* aiming to integrate the services around the needs of patients were “relatively new and untested”.⁷⁴ The NAO suggested that making savings through the redesigned models of healthcare would be “challenging”.

⁶⁴ National Audit Office, [Sustainability and Financial Performance of Acute Hospital Trusts](#), December 2015, HC 611 of session 2015–16.

⁶⁵ NAO press release, ‘[Sustainability and Financial Performance of Acute Hospital Trusts](#)’, 16 December 2015.

⁶⁶ *ibid.*

⁶⁷ *ibid.*

⁶⁸ National Audit Office, [Sustainability and Financial Performance of Acute Hospital Trusts](#), December 2015, HC 611 of session 2015–16, p 10.

⁶⁹ *ibid.*, p 12.

⁷⁰ *ibid.*, p 47.

⁷¹ *ibid.*, p 10.

⁷² *ibid.*, p 34.

⁷³ *ibid.*, p 14.

⁷⁴ *ibid.*

The NAO concluded that:

[T]here is a risk that poor financial performance is not taken as seriously as poor healthcare provision. This weakens the effectiveness of market-style mechanisms designed to improve hospital productivity and efficiency. The Government's commitment to increase funding for the NHS could be a significant step towards acute trusts achieving financial balance. But this depends on how the funding is used and the impact of wider changes to healthcare services. The Department, NHS England, Monitor and the NHS TDA need to take a more holistic, coordinated approach to tackling trusts' persistent financial problems and move beyond quick fixes to cut trusts' spending. Until there is a clear pathway for trusts to get back to financial stability, we cannot be confident that value for money, defined as financial and service sustainability, will be achieved.⁷⁵

Commenting on the report, the Comptroller and Auditor General of the NAO, Amyas Morse, stated that the Government's commitment to provide more funding to the NHS could be a "significant step towards financial sustainability", if the funding was "devoted to improving the financial position of trusts rather than dealing with new costs".⁷⁶

⁷⁵ National Audit Office, [Sustainability and Financial Performance of Acute Hospital Trusts](#), December 2015, HC 611 of session 2015–16, p 13.

⁷⁶ NAO press release, [Sustainability and Financial Performance of Acute Hospital Trusts](#), 16 December 2015.

5. Further Reading

- Speech by Jeremy Hunt, Secretary of State for Health, on [‘Making Healthcare More Human-centred and not System-centred’](#), 16 July 2015
- NHS England, [Understanding the New NHS](#), June 2014
- House of Commons Library, [The Structure of the NHS in England](#), 17 September 2015
- King’s Fund, [An Alternative Guide to the New NHS in England](#), updated 16 April 2015
- King’s Fund, [Implementing the NHS Five Year Forward View: Aligning Policies with the Plan](#), February 2015
- Health Foundation, [Shaping the Future: A Strategic Framework for the NHS](#), June 2015
- House of Lords Library, [Sustainability of the National Health Service as a Public Service Free at the Point of Need](#), 6 July 2015; and subsequent debate on [‘National Health Service: Sustainability’](#), HL Hansard, 9 July 2015, cols 254–87
- House of Lords Library, [Building a Health-Creating Society](#), 19 November 2015; and subsequent debate on ‘Health’, HL Hansard, 26 November 2015, [cols 885–924](#)
- House of Commons Library, [General Practice in England](#), 5 October 2015
- Royal College of General Practitioners and Nuffield Trust, [Collaboration in General Practice: Surveys of GPs and CCGs](#), November 2015
- House of Commons Library, [Junior Doctor Contracts in England](#), 1 December 2015
- House of Commons Library, [Delayed Transfers of Care in the NHS](#), 2 December 2015
- House of Lords Library, [Residential Care Sector](#), 4 December 2015
- House of Commons Library, [A New Cancer Strategy](#), 18 November 2015
- House of Commons Library, [NHS Indicators: England](#), 19 November 2015