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02 FINANCIAL PRESSURE
This pressure is deep (significant deficits), wide-ish (spread across many organisations) but also unevenly spread throughout the NHS

03 REGULATION
The regulatory response has been a mixture of control and support, but more emphasis on the control

04 NEW FUNDING DEAL
A new five-year funding deal for the NHS will not solve all these problems – the value and spread of the deal is not enough, and workforce issues remain

05 PRODUCTIVITY AND VALUE
So the focus on improving productivity and the value of services will also remain, but this is a hard leadership and operational challenge
Don’t tell me what your priorities are. Show me where you spend your money and I’ll tell you where they are

James W Frick
NHS Finances

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Over the long-run, health spending grows by approx. 4 per cent on average each year (above inflation)…
Growth flattens to c1 per cent a year since austerity measures in 2010

Better than other departments fared, but still unprecedented challenge

Rising demand, staffing shortages have increased costs of delivering care.

But income has not kept pace. The net result is increasing financial pressure.
Pressure runs deep, with NHS provider trusts still in deficit despite record amounts of central funding support.

Source: NAO and NHS Improvement (2018/19) data
The pressure is wide, with just under half of NHS trusts planning for a financial deficit each year.
At risk of losing our calibration of what good looks like

‘Do I just need to stay in the middle of the peloton to avoid having my head on a spike?’

Task people with an undeliverable task and you can expect a sense of unfairness, internalising failure, risk-aversion, short-termism, and eventually – people give up.
Response from ‘the centre’ a mix of control, support and exhortation

- Hold more funding centrally and dole it out, rather than pushing it through national payment system and commissioner budgets (e.g., provider and commissioner sustainability funds)

- Require local organisations to sign up to challenging financial control totals or targets each year, with significant rewards and penalties for achieving them
Provider finances continued to be incredibly volatile in 2018/19

Changes to how funding flows in the NHS have increased volatility in recent years and made it harder to predict where organisations will end up financially.

1. Cambridge’s £94 million deficit was among the largest, but was very close to what it expected at the start of 2018/19.

2. Kings’ reported the largest deficit at £180 million, which was nearly £60 million worse than planned.

3. Barts final deficit was £84 million, rather than the planned-for £2 million.

4. Some trusts like Tees, Esk & Wear, UCLH and Manchester had much larger surpluses than expected.

5. Whilst others like Leicester, Buckinghamshire and Nottingham reported large deficits despite expecting a surplus at the start of the year.

Source: NHS Improvement
New funding is welcome but not a panacea

Figure 8: NHS Long Term Plan Funding Increases (£billion)

New five year funding deal from 2019/20 to 2023/24 of 3.4% average annual rises.

But this is less than historical growth, it doesn’t include capital, most public health, or social care.

And where are the staff to spend it on?

Source: DHSC accounts 2018/19
<table>
<thead>
<tr>
<th>A. Technical efficiency</th>
<th>Principally through Lord Carter and Getting it Right First Time programmes that seek to reduce unwarranted variation in how care is delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Allocative efficiency</td>
<td>Making best decisions for population on how to use available funding – principally through Integrated Care System investment decisions</td>
</tr>
<tr>
<td>C. Value</td>
<td>Maximising the outcomes you get for a given level of investment. Eliminating waste. Not there yet....but the right discussions starting to take place.</td>
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</tbody>
</table>

New funding deal is not enough to both maintain and transform services. So, as ever, NHS must maximise use of its resources.
Thank you

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