

NHS FINANCE **Chris Ham**

Balance budgets or protect patient safety?

The NHS version of Russian roulette

The NHS is a quarter of the way through what is expected to be a decade of austerity, with funding not increasing other than to cover the costs of inflation. Surveys carried out by the King's Fund show increasing pessimism among finance directors about their ability to deliver the unprecedented savings required under the so called Nicholson challenge.¹ Although the NHS is living within its budget at an aggregate level, the number of providers in deficit is rising.²

NHS funding in England has been protected by the government relative to other areas of spending, which have seen deep cuts. Local authorities have borne the brunt of these cuts, with their grant support from central government cut by at least 30% since 2010. These reductions have affected social care and other services, despite some funds being transferred from the NHS to protect priority areas of social care. The government's spending review in June signalled further cuts in local authority budgets, with a 10% cut in central government grant support in 2015-16. Partly to offset the effects of these cuts on social care, the chancellor of the exchequer announced the establishment of the Integration Transformation Fund with effect from 2015-16. The fund has been created through a further transfer of funds from the NHS's ringfenced budget and will be used by the NHS and councils to fund services that will enable them to respond to growing pressures on emergency departments and discharges from hospitals.

Although the fund's establishment should help support the development of integrated care, it will add significantly to the challenges facing the NHS from 2015-16, as there will be less money to pay for NHS services than had been planned. Allowing for transfers of funds from the NHS to social care and the fund, a small real terms increase in the NHS budget becomes a real terms reduction of 2% in 2015-16.³ Laid on top of a system that is already struggling to cope with

rising demands, the leaders of NHS organisations commissioning and providing care are already wondering out loud whether they will be able to maintain services of acceptable quality and balance their budgets.

In doing so, they are only too well aware of the increasing focus on the quality and safety of care in the wake of the Francis report on Mid Staffordshire. The choice confronting NHS leaders can be likened to an NHS version of Russian roulette. Should they maintain and in some cases increase staffing levels to avoid a repetition of the tragic events that occurred at Mid Staffordshire but in doing so fail to balance their budgets? Should they make cuts in expenditure, including on frontline staff, so as to achieve financial balance, even if this means compromising patient safety and quality? Or should they believe heroically and optimistically that there is a way of protecting patient safety and quality and balancing their budgets—the equivalent of the empty chamber in the gun?

My observation is that many, perhaps most, NHS leaders are now seeing patient safety and quality as a higher priority than financial balance, if they are forced to make this choice. Evidence for this observation can be seen in a recent *Nursing Times* investigation, which found that 73 of the 102 NHS trusts that responded had allocated more money to employing nurses in 2012-13 than in the previous year, notwithstanding the growing financial pressure.⁴ There are, of course, well publicised exceptions, including Barts Health NHS Trust, which recently announced plans to cut staffing to deal with its deficit.

What then might be the consequence of NHS leaders acting to protect safety and quality and not being able to balance their books? The answer depends on whether a few organisations find themselves in this position or many. It also hinges on whether the providers that run into deficits are those with a history



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of financial challenges or include organisations that historically have been in good financial health but are no longer able to make ends meet.

The worry for the government must be the growing number of NHS providers finding themselves in deficit. The contagion now affecting the NHS is unlikely to be amenable to the usual solutions, whether these be replacing chief executives and other senior leaders or parachuting in help from management consultants or turnaround teams. The latest initiative—to buddy failing organisations with those performing well—is also untested.

The inescapable if politically unpalatable conclusion is that ministers may have to find more resources to avoid the contagion having fatal consequences. The difficulty this creates for the government is where to find these resources when the public has been told repeatedly that the public spending cupboard is bare. The government therefore faces its own version of Russian roulette: either put the public finances further at risk by allocating additional resources to the NHS or incur the wrath of the electorate for not exercising effective stewardship of an institution that the public values highly. It is not at all clear that there is an empty chamber in the gun pressing against the heads of ministers.

News that the prime minister has taken personal charge of planning for the winter and ensuring that the NHS continues to deliver the four hour target in emergency departments indicates that the stakes are rising by the day. While the practical effect of Cameron's involvement remains doubtful, its symbolic importance could hardly be clearer. The NHS is now on red alert politically and will remain so at least until the 2015 general election.

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