Industry in Focus

Risk profile of NHS Trusts

Managing risk in the NHS

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Contents

Introduction

Since our last risk profile publication, the NHS has continued to battle the challenges presented by the Covid-19 pandemic, most recently the Omicron variant. The pandemic is continuing to put significant pressure on the NHS and our analysis is showing that this is resulting in a number of significant risks for the sector. The last 12 months has also seen regulatory and structural changes within the NHS, most notably the establishment of Integrated Care Systems (ICS's). ICSs are requiring NHS organisations to work more closely amongst themselves, local authorities and third sector bodies.

Covid-19 has now been with us for two years, disrupting both daily life and activity across the NHS. With each Covid-19 wave the NHS has either had to pause or reduce routine activities to create capacity within the system. Two years of this has resulted in significant waiting list increases across the NHS. NHS monthly performance statistics show that around six million people are waiting for hospital treatment in England, with the National Audit Office warning this figure is likely to grow to between seven and 12 million by 2025.

Demand on hospital services has also increased due to disruption to GP services, community-based services, and social care. The Government's Health and Care bill aims to address some of these problems through the establishment of ICS's. The aim of ICSs is to integrate care between hospital and community-based services, health and social care and mental health. ICS's will therefore depend on collaboration between organisations, moving away from decades of autonomy and competition. This will undoubtedly pose challenges, including at a data and governance level, especially as many organisations use different and ageing systems.

In our 2020/21 risk publication Workforce was flagged as our second highest risk with trust's noting difficulties filling staff vacancies. The impact of Covid-19 is continuing to put the NHS workforce under pressure, with sickness absence rates their highest on record, while demand for services has also increased significantly. In addition, the upcoming impact on workforce due to the government's stance on vaccinations for staff working in the NHS. Within the workforce risk this year, we have also seen trust's flagging their concerns around leadership. This is both in terms of whether they have the necessary leaders within their organisations, after a large number of senior staff retired during the pandemic, and also if they have the right tone at the top, in terms of culture. Last year we noted that trusts had adopted differing approaches to updating their BAF's. However, this year with the pandemic still ongoing we have noted that the approach the majority of trusts are taking is to update the likelihood of risks materialising instead of having specific Covid BAFs.

How this document should be used by NHS trusts:

This report should be used by NHS Trusts as part of their process for regularly refreshing their BAF's. For NHS Trust's that are still developing their BAF's this report can be used as a starting point for areas for inclusion. NHS Trusts should use this document to:

- Consider the risks identified within this document and cross reference them to those included within their own BAF's;
- Where differences arise or where a risk is not deemed applicable by an NHS Trust, organisations should make sure this rationale is documented and understood; and
- NHS Trusts should use the 'Where next for healthcare' section of the document to consider how this might create both opportunities and risks for their organisations.

Our sample, scope and methodology

We reviewed the BAF's of 50 NHS trusts to develop this analysis. For each trust, we reviewed all the risks in each BAF and categorised them in a number of ways:

- At an individual risk level, we identified all those risks that were similar in nature, and gave them all a generic risk title, therefore allowing us to identify those risks common to a number of risk registers, for example Financial Performance, Workforce, etc.
- The average residual scores for impact and likelihood were calculated along with the proportion of the population citing each risk. This then allowed us to rank the risks in order of magnitude based upon those values.
- We identified the type of risk as one of ten broad categories as set out in Appendix 1: Patient Care; Financial Performance; Workforce; IT Infrastructure; Partnerships; Covid-19; Estates Infrastructure; Regulatory Actions; Sustainable Services; and Strategic Objectives.

The detailed findings of our analysis are set out in the remainder of this document, including the top risk themes and top individual risks within these themes.

Top 10 sector risks

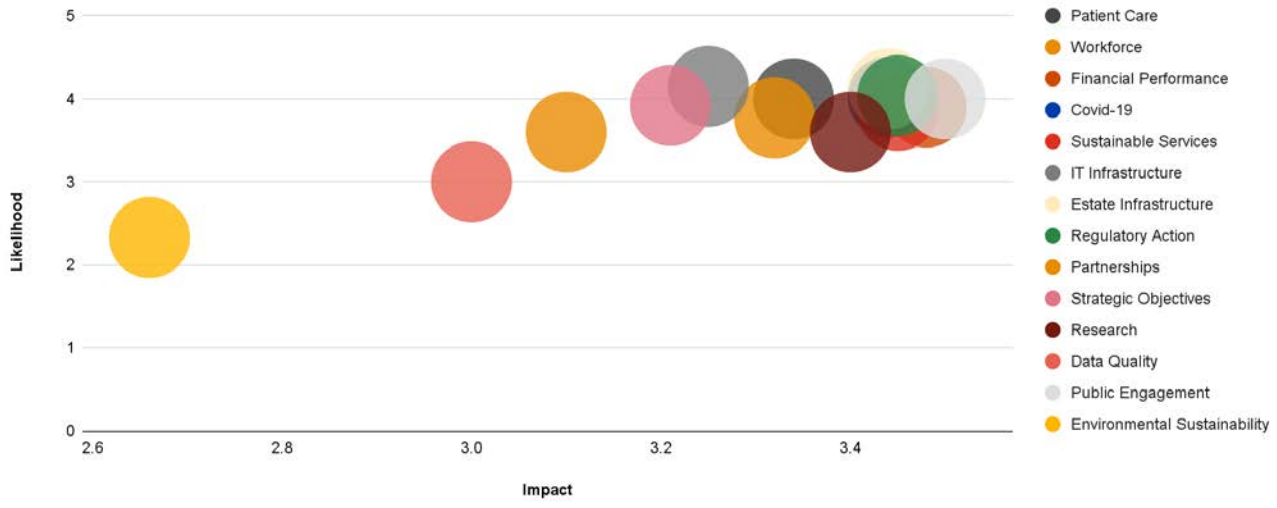
We analysed all the risks in the 50 BAFs in our sample and identified the top 10 risks by calculating the average residual impact and likelihood scores and multiplying these by the number of times each risk is cited.

The top 10 risks are:

Rank	Risk area	Average impact	Average likelihood	Proportion of the population citing the risk	2020-21 rank	Direction of travel
1	Patient care	4	3.34	100%	1	
2	Financial performance	3.9	3.48	93%	3	
3	Workforce	3.77	3.32	100%	2	
4	IT infrastructure	4.15	3.25	81%	6	
5	Partnerships	3.6	3.1	95%	7	
6	Covid-19	4.02	3.44	76%	4	
7	Estates infrastructure	4.12	3.44	69%	8	
8	Regulatory action	4.04	3.45	43%	9	
9	Sustainable services	3.86	3.45	38%	5	
10	Strategic objectives	3.92	3.21	29%	10	

NHS Trust Risk Profile:

The scatter graph here details the likelihood and impact of all 14 risk themes identified from our analysis:



Current and emerging risk

1 Patient care

Unsurprisingly patient care continues to be the top risk we are seeing on NHS trusts BAF's. The impact of Covid-19, both on patient demand and the NHS workforce, is putting huge pressure on NHS services, which in turn is impacting patient care.

NHS England/ Improvement is expecting waiting lists to continue to grow until 2025 as the NHS works through the backlog caused by the pandemic. The pressure and disruption to NHS services outside of hospitals is also resulting in increased demand within hospitals. Data from NHS England has shown that at the end of 2021 up to 10,500 patients a day were waiting to be discharged from hospitals but couldn't be due to pressures on other services.

Effective partnerships and collaborative working between NHS bodies and wider public services is vital in the long run to reduce demand on front line NHS services. However, as we detail below, there are a number of risks around partnership working, which ranks sixth in our report this year.

Trusts also need to consider covid pathways and how long they are applicable. In the recent omicron wave the number of patients admitted for something else and then subsequently tested positive for Covid-19 were between 30-40% of patients. The requirement for Covid-19 pathways is therefore delaying treatment for other health issues and increasing waiting lists.

2 Financial performance

Financial performance has moved from the third highest risk in our 2020/21 publication to second this year. Despite increased funding for the NHS since the pandemic started, long term financial sustainability is still seen as a key risk for the sector. Looking at some of the other top ten risks we have identified this year it can be seen why this is the case.

A number of risks, such as increased patient demand, workforce, estates, and IT all require significant funding in order to address the risk. Workforce costs account for around 70% of the NHS's budget, but with significant staff vacancies across the NHS additional costs are going to be incurred by NHS trusts if they are going to manage to successfully fill these vacancies. NHS Trusts still operate a number of ageing IT systems, along with being reliant on paper records in a number of areas. To address these risks, and benefit from the long-term efficiencies, significant investment in IT and digitalisation is required. Estates costs are also increasing, with NHS Digital reporting as part of the 2020/21 Estates Return Information Collection (ERIC) that estate costs had increased 4.8% to £10.2bn annually.

Our analysis is showing that to continue delivering patient services to the required standard, along with investing in the long-term in order to achieve the NHS long term plan, NHS trust's view hitting their control totals as a significant risk.

3 Workforce

As we noted in our 2020/21 risk paper the NHS had been battling high staff vacancy levels for a number of years prior to the Covid-19 pandemic commencing. Two years into the pandemic and a third wave of Covid-19 infections, the Royal College of Nursing has cited the risk to staff burnout. NHS Trusts have had to declare critical incidents, with the army called in to support in some areas, due to staffing shortages coupled with increased demand.

From our analysis of BAF's this year we are seeing a number of Trusts flag the risks around leadership, staff retention and training. The Chairman of the Health and Social Care Committee Jeremy Hunt MP has flagged the risk from the increased number of NHS staff retiring early due to the current stress and pressure they are under. Staff retiring early are often in the most senior positions within an NHS trust and this, therefore, has a knock-on impact in terms of leadership. NHS trusts are flagging their concerns around whether they have the leadership resources to achieve their strategic objectives. As new leaders emerge within the NHS, it is also important that they receive the right training and development to be successful in their roles. Due to the current pressures on the NHS, it is unsurprising that trusts are flagging their concerns around delivering training to staff.

Underpinning all of this is the culture of NHS trusts. Trusts are wanting to establish and maintain cultures which promote flexibility, wellbeing, and career development amongst a diverse and inclusive workforce. The current challenges facing the NHS, however, is putting this at risk.

4 IT Infrastructure

IT infrastructure has increased from sixth in our 2020/21 report to fourth this year. From our analysis there are two key factors driving this increased risk; firstly, the increased cyber security threat which has materialised in a number of sectors since the pandemic started and secondly the transformation of IT services that needs to take place in order for NHS trusts to meet their future strategic ambitions.

The cyber security risk has increased dramatically since the start of the covid-19 pandemic, with the National Cyber Security Centre (NCSC) reporting it has dealt with a record number of incidents in 2021, 20% of which related to organisations in the healthcare sector. The NCSC has highlighted ransomware, which is where criminal gangs take control of an organisations systems in order to extort it, as a growing challenge.

Trusts are also needing to invest in their IT infrastructure in order to achieve their long-term strategies, including as part of partnership working (see risk five). The future of health services is going to be reliant on technology and IT systems, with the NHS Long Term plan citing the need for digitally enabled primary and outpatient care to improve both quality and reduce demand on front line services.

5 Partnerships

In the last twelve months we have seen the establishment of ICS's, which are designed to integrate care between hospital and community-based services, health and social care and mental health. Therefore, ICS's are going to depend on collaboration between organisations, moving away from decades of autonomy and competition. This will poses challenges at a governance level, with Management Information (MI) being key to driving the decision-making process. However, getting accurate data at an ICS level will be difficult, especially because many organisations are using different and ageing systems.

There are great benefits to NHS organisations by working more closely together. For example, in Surrey the ICS worked with provider organisations in Guildford and Waverly to identify almost 3,000 patients who were aged over 65 and on four or more elective waiting or follow-up lists. This enabled organisations in the ICS to reduce waiting lists and streamline patient care. This demonstrates how successful co-ordinated care has the ability to alleviate one of the NHS's current biggest challenges, waiting lists.

Nevertheless, if potential challenges in collaboration and partnership working are not overcome this could exacerbate the problems many NHS trusts are experiencing in terms of waiting lists. For example, the Centre for Policy Studies (CPS) announced the results of its review into 13 pilot integration areas and found that delayed transfers of care has increased by an average of 24% between 2016 and 2020.

6 Estates Infrastructure

The challenges around estates continue to be a by-product of both financial challenges and the impact of Covid-19. NHS Digital reporting as part of the 2020/21 ERIC return has shown that backlog maintenance costs, which are a measure of how much money would be needed to restore a building to a certain state, based on a standard risk criterion, has increased by 2.2% on the prior year to £9.2bn.

Our analysis is showing that trusts continue to be concerned about their ageing estates, the costs involved in updating them and the ability to perform work in the current Covid environment.

The current status of NHS trusts estates is interlinked with the patient care risk discussed at the start of this section. Around half of the backlog in estates maintenance is for issues which present a high or significant risk to patients and staff. While the impact of Covid continues to be felt by NHS trusts this figure is likely to grow. Ageing estates and an inability to carry out work on a timely basis is increasing the risk to health and safety within trusts.

Adding to the complexity of estates backlogs is PFI schemes, with trusts reliant on their PFI providers. NHS trusts should continue to engage with their PFI providers to ensure they are meeting their requirements in terms of estates investment.

Other common risk areas include:

1 Regulatory action

Linking to patient care, NHS trusts are aware that deterioration in their services is likely to result in regulatory action.

2 Sustainable services

This was ranked fifth in our 2020/21 risk paper, however, has fallen to tenth in the current year. Sustainable services are dependent on trusts achieving their long-term strategic objectives and mitigating the risks highlighted in the previous section of this paper.

3 Research

A number of trusts are concerned about their ability to deliver innovation and research-excellence due to the competing time on staff and resources.

4 Strategic objectives

NHS trusts are highlighting the risk towards their long-term strategic objectives due to the current demand and short-term focus required by the ongoing pandemic.

Where next for healthcare?

Environmental sustainability

2021 saw the UK host the UN Climate Change Conference (COP 26) with the UK government agreeing to a number of new targets to help reduce CO2 emissions. The UK government is also requiring large UK-registered companies to disclose climate-related financial data from April 2020, with this expected to become more widespread to other organisations in the coming years. NHS trusts are therefore starting to consider how this may impact them and how they can reduce their environmental impact.

Harnessing Data Analytics

Data analytics provides the power to improve care, enhance patient experience and lower costs. The future of healthcare is going to involve leveraging data to target interventions, communications, and outreach strategies to the right patients, which will drive patient engagement, improve outcomes, and lower costs. The adoption of data will help drive regional collaborations and ultimately will be vital in determining the success of the new ICS model.

Supply Chain resiliency

The pandemic has shone a light on global supply chain weaknesses and many organisations around the world, including the NHS are reviewing the resilience of their supply chain, with supplier location becoming a greater consideration. Supply chains are also being reviewed to help organisations achieve both their operational and environmental targets.

Further health thought leadership

See our website:

https://www.pwc.co.uk/industries/healthcare.html

Appendix A

Risk themes and subcategories

Below we provide examples of the anonymised risks included on institutional risk register to give some context for the individual risks within risk themes. This is not an exhaustive list and is included for illustrative purposes.

Patient care	• Failure to deliver safe and effective care; • If capacity cannot be sustained or increased, then there will be a detrimental impact on patients waiting for care; • Increasing demand potentially leading to a reduction in the quality of care; • Non-delivery of the quality strategy may impact on staff experience, patient experience and quality of care; • Unable to deliver quality priorities due to competing time pressure on staff; • Risk of serious harm occurring from known patient safety risks; • Significant deterioration in standards of safety and quality of patient care across the trust resulting in substantial incidents of avoidable harm and poor clinical outcomes; • The trust does not consistently deliver fundamental standards of care and reduce variation across all services, which impacts on patient safety and experience; and • There is a risk that failure to: (i) meet consistent quality standards for care and support, (ii) address variability across quality standards; or (iii) reconcile conflicting guidance on outcomes and standards results in poor patient outcomes.
Financial performance	• Cash flow affects day to day operations of the Trust; • Failure to deliver the Trusts financial recovery plan; • Financial deficit in excess of planned levels; • Risk of financial delivery due to the radical change of the NHS Financial Framework associated with the current Covid pandemic • Risk of financial unsustainability if the Trust is unable to meet cost saving requirements; • There is a risk that our 2020/21 financial settlement is insufficient to allow us to increase our workforce and develop our skill mix appropriately; • There is a risk that due to the new arrangements for allocating capital funding, we will not receive the resources to maintain our estate.
Workforce	• A failure to effectively respond to equality and diversity issues facing the Trust; • Failure to adequately invest in leadership capacity and development at all levels of the organisation; • Absence of leadership capacity • Failure to attract and retain sufficient number s of the clinical and non-clinical we need to meet service demands; • Inability to address the drivers to deliver the People Strategy may result in failure to provide adequate staffing capacity, skill mix and diversity; • Inability to recruit and retain staff within the organisation leading to impaired ability to deliver the Trust plan and increased temporary staffing costs.
IT Infrastructure	• A cyber security attack occurs, which interrupts patient information flow, undermines information governance, and causes delay in treatment; • Failure to deliver the digital strategy would impact the quality and effectiveness of clinical care and financial sustainability; • Out IT infrastructure and digital capability are not adequate to support our ambitions; • Risk that currents IT processes and systems are not fit-for-purpose and/or vulnerable to cyber security breaches.
Partnerships	• The pace of ICS transition is resulting in inconsistent narrative which could impact our ability to progress the strategic aims of the organisation; • The risk that due to demand pressures the ICS continues to be forced to priorities acute demand over Mental Health, Community, Primary Care and Learning Disabilities resulting in under resourcing of non-acute care and restricting the ability to provide joined up care; • Pressures on system partners may compromise their ability to prioritise work streams and actions which support delivery of Trust objectives;

	• Inability to control out of hospital demand and capacity in primary and social care
Covid	• Burden of cost from pandemic, including indirect and direct ongoing and future costs; • Due to the Covid-19 pandemic, there is a risk that the Trust may fail to deliver a high quality of service hence failing to protect patients and staff from infectious disease transmission; • Risk that Covid-19 leads to significant demand for our services (as anxiety and mental health issues increases in our populations) that cannot be met; • Risk that long-term effect and further Covid surges could cause loss of life, impact on quality and service delivery, wellbeing of our people.
Estate infrastructure	• Failure to develop our estate in a sustainable way to support the delivery of high quality, effective and efficient care; • A failure to address estate backlog maintenance and statutory compliance priorities caused by insufficient capital funding; • Current estate, lack of capital investment and infrastructure compromises the ability to consistently deliver safe, caring responsive and efficient patient care; • Failure of estates critical equipment and facilities that prejudices trust operations and increases clinical and safety risks; • Failure to develop our estate in a sustainable way to support the delivery of high quality, effective and efficient care; and • Estate's reconfiguration – Failure to create and sustain an estate fit for the future.
Regulatory actions	• Failure to achieve consistent "Good" rating for CQC in Safe, Caring, Effective and Responsive domains; • Failure to establish effective corporate governance arrangements that enable us to comply with our statutory obligations; • Failure to identify poor compliance with legislative and regulatory requirements • Failure to meet National Framework for NHS Continuing Healthcare and NHS funded Nursing care compliance; and • Material breach of clinical / other legal standards leading to regulatory action.
Sustainable Services	• Risk that a number of our clinical services are not operationally and financially sustainable because of the size of the population we serve and associated financial income, the changing shape of the clinical workforce and preferences for ways of working; • There is a risk that if the current levels of activity and acuity continue or increase, we will be unable to provide a consistently safe service; • There is a risk that we do not develop a long term and sustainable strategy; • We cannot deliver ongoing efficiencies and flex our resources in an agile way resulting in an increasing or unmanaged deficit and inefficient, unaffordable, and unsustainable services.
Strategic objectives	• Failure to optimise the Trust strategy under current and future NHS, financial, political, and social frameworks; • Risk of adverse impact on clinical services if the Trust is unable to achieve the transitions identified in its strategy. • We are unable to align or invest in our workforce, finance, estate, and IM&T infrastructure effectively to support operational resilience, deliver our strategic and operational plans, and improve care for patients. • Risk that the trust has insufficient capacity for change to meet its own and system-wide objectives.
Research	• Failure to embrace innovation and service transformation and to deliver our ambitions for research development; • Research and education: Failure to ensure the Trust has the ability to support and take a leading role in healthcare research and education, today, tomorrow and for the future. • There is a risk that Research and Innovation are not embedded in our ways of working, resulting in failure to develop our local research portfolio and meet our strategic objective.
Public engagement	• If we do not engage effectively with our service users, this will adversely affect our reputation and the quality of service; • Insufficient involvement of people who use our services, careers, and families in our work e.g., transformation and decision making; • Patient and public engagement is insufficient, resulting in failure to fully understand the healthcare needs of the population and loss of confidence in the Trust by the communities it serves.

Business continuity	• A major incident resulting in temporary hospital closure or a prolonged disruption to the continuity of core services across the trust which also has a significant impact on the local health care community; and • Failure to effectively plan for a further pandemic situation or other significant business interruption event; • The risk that the Trust's business continuity arrangements are not adequate to cope without damage to patient care with major external or unpredictable events.
Environmental Sustainability	• Adverse contribution to climate change; • Failure to meet our statutory obligations in carbon emissions; • There is a risk that we may not be able to make the changes we need to meet the Government's requirements regarding carbon emissions.

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