Industry in Focus

Managing Risk in the NHS

Risk Profile of NHS Organisations

July 2023

pwc

Contents

Introduction

Our sample, scope and methodology

We reviewed the Board Assurance Frameworks (BAFs) of 43 NHS organisations (including trusts, foundation trusts and integrated care systems (ICSs)) to develop this analysis. For each organisation, 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, 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 10 broad categories as set out in Appendix A: 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.

Although the peak of COVID-19 has passed the NHS continues to tackle the impact of the pandemic and our analysis shows this is still resulting in a number of significant risks for the sector.

There have also been regulatory and structural changes within the NHS over the last 12 months, most notably, integrated care boards (ICBs) becoming statutory bodies.

The NHS has also been impacted heavily by strike action over the last year, with numerous strikes over pay conditions by nurses, junior doctors and ambulance staff.

COVID-19 has now been with us for over three years, continuing to disrupt both daily life and activity across the NHS. Prior to the pandemic, health and care systems were grappling with a number of long standing issues. Demographic shifts (for example, an ageing population with complex health needs) has, for a long time, driven demand for health and care services. Systems struggled to meet this demand due to staffing shortages and an ever tightening financial envelope. The pandemic brought new challenges such as increased sickness, staff burnout, growing waiting lists, supply shortages, and reduced capacity due to infection control measures. These have had a compounding effect on existing issues. It is therefore no surprise that patient care remains the top risk in our analysis.

NHS England monthly performance statistics show that in excess of seven million (up from six million in 2022) people are waiting for treatments and referrals in England, with the National Audit Office warning this figure is likely to grow to up to 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 integrate care between hospital and community-based services, health and social care, and mental health. This, however, has not gone without its challenges – with partnership working ranking fifth in our risk analysis.

Workforce continues to be in the top three risks, with continuing difficulties filling staff vacancies. Health and wellbeing also remain a concern with the never-ending pressure and working conditions staff face. Disputes over staff pay and working conditions have also led to strike action over the last 12 months across a number of NHS staffing groups. In June 2023, NHS England published the NHS Long Term Workforce Plan which sets out the need for a robust and effective plan to ensure the NHS has the right number of people, with the right skills and support in place to be able to deliver the kind of care people need.

Sustainable services has seen a drop from 9 to 10 on the list. This is despite the commitment by the NHS to achieve net zero emissions across the health service by 2045. This is likely to be a reflection of the challenging environment that the NHS is facing and the shorter term focus on elective recovery and workforce issues.

Nevertheless, in March 2023 it was reported that the number of people waiting longest for routine care had fallen, despite hospitals having to contend with high levels of winter viruses and strike action – thanks to the hard work of staff, who are continuing to deliver on the most ambitious catch-up programme in NHS history.

As reported by NHS England, the NHS is making significant progress against its elective recovery plan, with the number of people waiting over 18 months, one year and 18 weeks being significantly cut down month by month in 2023 to date. In addition, the NHS has made significant progress on the 62-day cancer backlog – reducing it by around 10,000 from an all-time high of 33,950 last summer to 22,282 for the week ending 26 February 2023, despite record levels of demand on cancer services since March 2021.

NHS England also reported improvements which show the blueprint to recover urgent and emergency care is already paying off, with sustained improvements in ambulance performance, despite continued demand on services.

How this document should be used by NHS organisations

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

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

Top 10 sector risks:

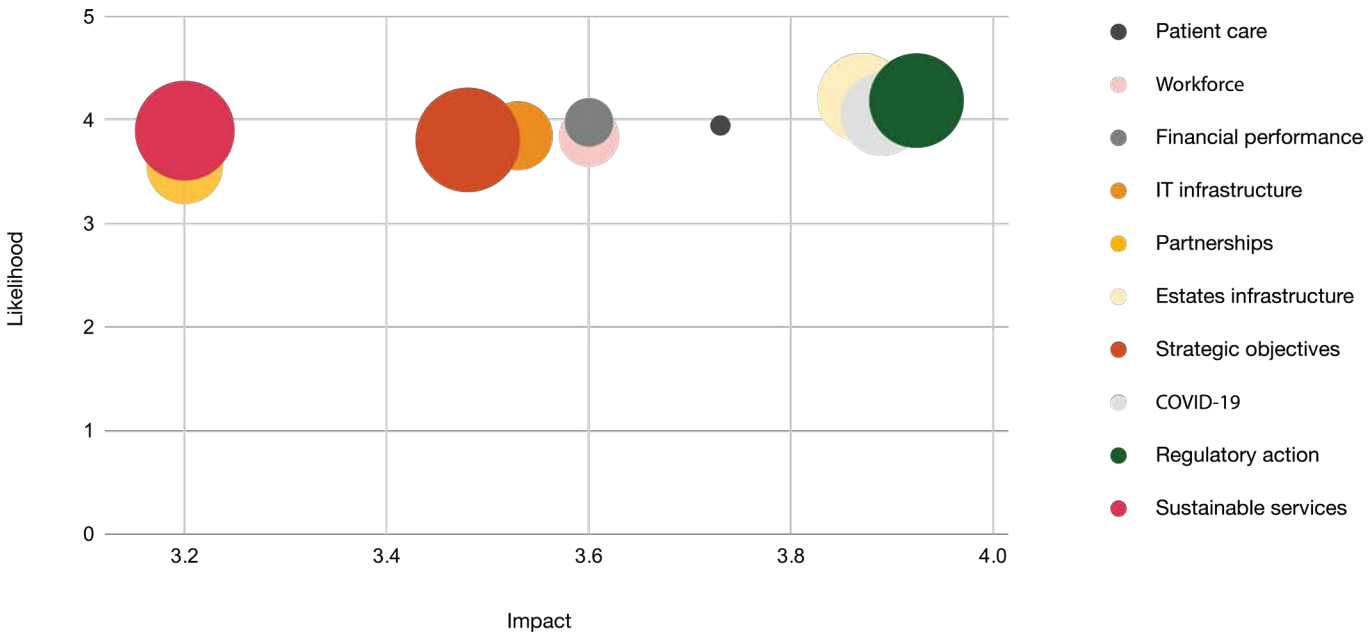
We analysed all the risks in the 43 BAFs in our sample and identified the top 10 risks by calculating the average residual impact and likelihood scores and multiplying these by the number of times each risk is cited.

The top 10 risks are:

Rank	Risk area	Average Impact	Average Likelihood	Proportion of the population citing the risk	2021-22 rank	Direction of travel
1	Patient care	3.73	3.95	88%	1	↔
2	Workforce	3.60	3.84	95%	3	↑
3	Financial performance	3.60	3.98	88%	2	↓
4	IT infrastructure	3.53	3.85	70%	4	↔
5	Partnerships	3.20	3.56	74%	5	↔
6	Estates infrastructure	3.87	4.22	47%	7	↑
7	Strategic objectives	3.48	3.81	51%	10	↑
8	COVID-19	3.89	4.06	37%	6	↓
9	Regulatory action	3.94	4.19	28%	8	↓
10	Sustainable services	3.20	3.90	23%	9	↓

NHS organisation risk profile:

The scatter graph here details the likelihood and impact of all 13 risk themes identified from our analysis:



Current and emerging risk

1 Patient care

Unsurprisingly, with risks 2 and 3 (workforce and financial performance) also impacting this area, patient care continues to be the top risk we are seeing on NHS organisations' BAFs. The impact of pandemic continues to put huge pressure on NHS services with demand far outweighing capacity, 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 in December 2022, an average of 13,440 patients a day remained in hospital despite no longer meeting the criteria to stay. This is 30% more than the daily average for December 2021.

Difficulties in setting up social care for people leaving hospital is one factor contributing to delayed discharges.

Effective partnerships and collaborative working between NHS bodies, wider public services and voluntary services sectors 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 fifth in our report this year (up from sixth in 2022).

2 Workforce

As we noted in our 2021/22 risk paper the NHS had been battling high staff vacancy levels for a number of years prior to the Covid-19 pandemic. Almost every healthcare profession is facing shortages.

The House of Commons Committee report 'Workforce: recruitment, training and retention in health and social care' published in July 2022 outlined the scale of the workforce crisis: with research suggesting the NHS in England being short of 12,000 hospital doctors and more than 50,000 nurses and midwives, and evidence on workforce projections saying an extra 475,000 jobs will be needed in health and an extra 490,000 jobs in social care by the early part of the next decade.

With 'staff burnout' still a key concern, due to staffing shortages coupled with increased demand, and the ongoing disputes over staff pay and working conditions which has led to strike action over the last 12 months across a number of NHS staffing groups it is no surprise that has risen to be the second highest risk, up from third in the prior year.

A radical review of working conditions is needed to reduce the intensity of work felt by many frontline professionals and boost retention.

In June 2023, NHS England published the NHS Long Term Workforce Plan which sets out an ambitious ongoing programme of strategic workforce planning to 'put staffing on a sustainable footing and improve patient care'. As reflected in PwC's comments on the NHS Workforce Plan, 'The NHS Workforce Plan sets out a clear roadmap to tackle the critical issues facing healthcare provision. Whilst it is a much-needed step forward, it will require commitment at all levels of the workforce to execute the delivery of the plan.'

From our analysis of BAFs this year we are continuing to see a number of organisations highlight the risks around recruitment, retention, training, workforce planning, equality, diversity and inclusion (EDI), staff wellbeing, staff engagement, and leadership.

Equity is also a factor that requires consideration, as explored in the PwC publication A fairer future: how can the NHS tackle health and social inequities?

Underpinning all of this is the culture of NHS organisations. Organisations 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, continues to put this at risk.

3 Financial performance

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 10 risks we have continued to see this year it is clear why this is the case.

A number of risks, such as increased patient demand, workforce, estates, and IT, all require significant funding to address them. 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 organisations if they are going to successfully fill these vacancies. NHS organisations still operate a number of ageing IT systems, along with relying 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.

The challenging financial environment that NHS organisations are operating within requires significant cost improvement plans to bring predicted expenditure in-line with financial allocations. Increasing emphasis is now placed on NHS organisations to work collectively within their system to manage their financial performance to a break even position which needs the development of system-wide project management offices.

Estate costs are also increasing. As part of the 2021/22 Estates Return Information Collection (ERIC) by NHS Digital, estimated costs had increased by 8.8% since 2020/21 to £11.1bn annually.

Our analysis shows that to continue delivering patient services to the required standard, along with long-term investment to achieve the NHS Long Term Plan, organisations view hitting their control totals (their financial target – either a minimum surplus or maximum deficit they have to meet) as a significant risk.

4 IT infrastructure

IT infrastructure remains in fourth place this year (increasing from sixth in our 2020/21 report). From our analysis there are two key factors driving this risk. Firstly, the continued increase of cyber security threats which has materialised in a number of sectors since the pandemic started. And secondly, the transformation of IT services that needs to take place for NHS organisations to meet their future strategic ambitions and work in partnership with others.

As reported by the National Cyber Security Centre (NCSC), over the past year the cyber security threat to the UK has evolved significantly. The threat from ransomware was ever present – and remains a major challenge to businesses and public services in the UK. This year 18 ransomware incidents required a nationally coordinated response, including an attack on a supplier to NHS 111.

Organisations also need to invest in their IT infrastructure 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.

Data sharing across NHS organisations within the same system will also be vital to facilitate the targeted intervention for improving health inequalities.

5 Partnerships

Following several years of locally-led development, recommendations of NHS England and passage of the Health and Care Act (2022), 42 ICSs were established across England on a statutory basis on 1 July 2022.

The purpose of ICSs is to bring partner organisations together to:

- Improve outcomes in population health and healthcare.
- Tackle inequalities in outcomes, experience and access.
- Enhance productivity and value for money.
- Help the NHS support broader social and economic development.

As a result, organisations need to work together and collaborate – thus moving away from decades of autonomy and competition.

Provider collaborations are just one example of how entities are being brought together to revise patient pathways and create more integrated ways of working. Naturally, this has posed a number of challenges at organisation and system level.

As outlined in PwC's Journey towards financial sustainability for Integrated Care Systems report, there are a number of factors that should be considered as organisations work together to identify and implement a programme of change, which include understanding the size and key drivers of the system challenge.

Establishing rigorous governance and strong leadership is also essential in order for all health organisations and systems to develop and deliver financial sustainability plans. Strong clinical, operational and financial leadership will play a vital role in achieving overall system sustainability and ensuring decisions are made in the best interest of patients.

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 reported as part of the 2021/22 ERIC return 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 11% on the prior year to £10.2bn. It is worth highlighting that this also does not include planned maintenance work.

Our analysis shows that organisations continue to be concerned about their ageing estates, the costs involved in updating them and the competing priorities for funding.

The current status of NHS organisations' 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.

Ageing estates and an inability to carry out work in a timely manner is increasing the risk to health and safety within organisations.

The UK has also been experiencing its highest rates of inflation since 2008 in recent times, having rose by 11.1% in the 12 months to October 2022 before reducing to 8.7% in the 12 months to May 2023. Capital budgets, which are already under significant pressure, are further squeezed making the delivery of transformational capital investments more challenging.

The UK government's pledge to build 40 new hospitals by 2030 has itself been hit by inflation causing delays and uncertainty as to whether these developments will materialise in practice.

Adding to the complexity of estates backlogs is private finance initiative (PFI) schemes, with organisations reliant on their PFI providers. In October 2018, the government announced it would no longer use the PFI model. Existing PFI contracts remain in place and the earliest ones are now starting to expire. There are currently over 700 PFI contracts with the bulk expiring from 2025.

Most PFI contracts result in the assets – whether it's a hospital building or an IT system – being returned to the authority once the contract ends.

PFI assets should be well maintained throughout the contract life and be in a good condition when returned to the authority. However, one of the main risks to value for money in PFI contracts is that they are not, which poses a risk to any public services associated with those assets.

The National Audit Office (NAO) has found that public sector bodies risk underestimating the time, resources and complexity involved in managing the end of PFI contracts, and that there is danger that important infrastructure could return to the public sector in an unsatisfactory condition and services could be disrupted unless a more consistent and strategic approach is taken to ending PFI.

Other common risk areas include:

Regulatory action

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

Sustainable services

Although this risk has fallen down the rankings this year, sustainable services are dependent on NHS organisations achieving their long-term strategic objectives and mitigating the other key risks highlighted in our analysis.

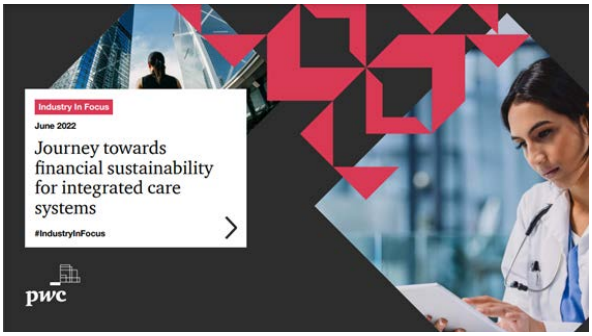
Research

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

Strategic objectives

NHS organisations are highlighting the risk of them achieving their visions and long-term strategic objectives due to the ongoing demand and impact of the pandemic.

Where next for healthcare?



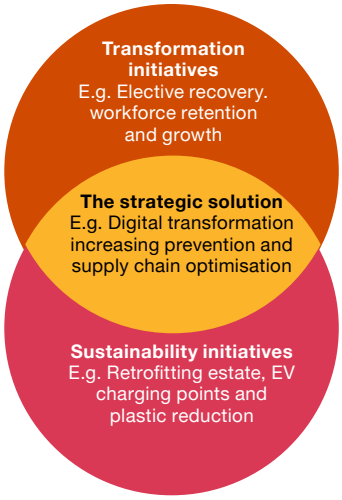
On top of exacerbating issues already faced, the pandemic pandemic will leave a continuing legacy from which health systems will need to overcome. However, there is hope that, relationships built during the pandemic, new funding settlements, and legislative changes could be the key to solving long-standing issues, if harnessed in the right way.

From our experience of working with systems and individual providers and commissioners, we have identified a number of 'key success factors' to achieve efficiencies and ultimately financial sustainability, which provide a robust framework for organisations to work together to identify and implement a programme of change:

- Understanding the size and key drivers of the system challenge
- Building a financial sustainability programme
- Critical enablers
- Leadership and governance

In the aftermath of COVID-19, the NHS faces some of its greatest challenges as it tackles the elective care backlog and unprecedented workforce conditions.
Alongside these and its post-pandemic recovery, the NHS also has a significant demand in the background – achieving net zero emissions across the health service by 2045.
It is only through an alternative strategic lens that the health service can deliver decarbonisation while simultaneously driving improved health outcomes and operational efficiency for all on the road to a post-pandemic recovery.

Delivering transformation and sustainability together



Have you thought about which parts of your value chain could benefit most from generative artificial intelligence (AI)?

Generative AI has the potential to transform health industry businesses across the whole value chain.

Here are just a small selection of potential generative AI use cases that health industry organisations could consider.

Operational and clinical planning	Support scenario planning by generating simulations and predicting outcomes.
Operational Efficiency	Identify operational efficiency opportunities by reviewing vast quantities of patient and logistical data.
Document management	Manage electronic health records to realise operational efficiencies through information retrieval.

Hailed as 'the first health system in any Western society to offer free medical care to the entire population', the NHS was designed, from inception, to be a universal service, free at the point of use, with access based on clinical need rather than an ability to pay. The NHS constitution states that it has 'a wider social duty to promote equity through the services it provides and to pay particular attention to groups or sections of society where improvements in health and life expectancy are not keeping pace with the rest of the population.

Despite this fundamental commitment to equity, people in the different regions of England experience large variations in health outcomes which are explored in this PwC publication.

Related insights and content

See our website:

Elective recovery vlogs

As the NHS looks to address the elective care backlog, we are sharing a series of elective recovery vlogs from PwC's healthcare experts. We will explore four key areas for the NHS to address the backlog, as well as sharing good practice examples we have delivered with clients.

Appendix A – Risk themes and subcategories

Below we provide examples of the anonymised risks included on institutional risk registers 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	• Risk of demand for services beyond planned and commissioned capacity, which cannot be managed through usual mechanisms, resulting in services not meeting the expectations of our community leading to poorer outcomes for patients and service users and potentially reinforced health inequalities. • The organisation fails to deliver constitutional and other regulatory performance targets which has an adverse impact on patients in terms of timeliness of access to care and/or risk of clinical harm because of delays in access to care. • Due to high activity and acuity of non-elective patients and system capacity constraints reducing our ability to discharge patients, which in turn is impacting on length of stay, in-patient bed capacity and/or a potential lack of capacity created in specialities, there is the risk that elective services (including cancer) will be affected, and patients may not be treated in a timely manner.
Financial performance	• Failure to achieve financial objectives and responsibilities, thereby failing in statutory duties and/or failing to deliver value for money for the public purse. • Capital resources are insufficient to meet organisation requirements resulting in loss of operational capacity and inability to meet strategic aims and priorities, impacting on delivery of financial targets. • Risk of financial unsustainability if the organisation is unable to meet cost saving requirements.
Workforce	• We are unable to consistently ensure the health and wellbeing of colleagues, particularly during periods of exceptional demand. • The organisation does not have a workforce which is adequate (in terms of diversity, numbers, skills, skill mix, training, motivation, health or morale) to provide the levels and quality of care which the organisation needs to provide for its patients. • Transition in the Board at a time of significant system and organisational pressure may impact the Board's leadership of the organisation and the ability to respond effectively and in a focused way to the challenges impacting on organisational operation.
IT infrastructure	• Disruption to critical clinical and operational systems will occur more frequently as a result of failures associated with outdated systems, legacy hardware platforms and/or unsupported Operating Systems, or availability of skilled/experienced staffs, resulting in operational service disruption, potential harm, financial implications and/or reputational damage. • Failure to prevent a successful cyber attack or data breach which is likely to have a detrimental impact on the organisation's ability to deliver operational services. • The organisation may lose sensitive data and/or experience serious disruption of services as a result of a successful cyber-attack on its computer systems or fail to meet the requirements under the General Data Protection Regulations and Data Protection Act.
Partnerships	• The ICS prioritises acute care demand over the demands of 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 and ensure effective patient flow. • If we, along with other system partners, do not engage with operating under principles of system first, there is a risk of not achieving system and organisational objectives and outcomes. • Inability to maintain a co-ordinated, structured and collaborative approach to achieve quality improvement priorities. • If we are not visible and influential within the new system then we will not be able to influence outcomes and address health inequalities in the communities we serve. • Failure to form close and effective partnerships across health and social care.

COVID-19	• Due to physical capacity constraints and sub-optimal patient flow, the organisation is not able to sustainably restore services to pre-pandemic levels and reduce waiting lists, while at the same time managing future COVID-19 surges and providing decant capacity to address fire safety and backlog maintenance, which adversely impacts on patient outcomes and experience. • As a result of a reduced ability to identify, review and treat patients in a timely way due to the ongoing impact of Covid-19, there is a risk that the organisation is not able to effectively prioritise those patients in greatest clinical need which results in patient harm and poorer outcomes and experience for patients. • We are unable to consistently meet the health, safety and wellbeing needs of our staff as we recover and restore services in line with COVID-19 restrictions.
Estate infrastructure	• The organisations estate, infrastructure and engineering equipment may be inadequate or at risk of becoming inadequate (through poor quality, safety, obsolescence, scarcity, backlog maintenance requirements or enforcement action) for the provision of high quality care and/or a safe and satisfactory environment for patients, staff and visitors. • Due to the constraints from the treasury Capital Departmental Expenditure Limits (CDEL) and limits on the capital spend, there is a risk that the requirement for capital investment exceeds the system funds available and limits the ability to deliver planned clinical reconfiguration and maintain to an adequate level our equipment, digital systems and estates. • A failure to address fire safety statutory compliance priorities caused by insufficient capital funding and decant capacity impacts on patient and staff safety and continuity of clinical service delivery. • Failure to develop our estate in a sustainable way to support the delivery of high quality, effective and efficient care.
Regulatory actions	• If the organisation fails to put in place the right governance structure, systems and processes to enable staff to comply with national and local guidance, there is the risk that staff will not be adequately equipped to deliver high quality safe care. This may lead to failure to learn, regulatory intervention and reputational damage. • Material breach of clinical and other legal standards leading to regulatory action. • Failure to maintain the organisation's compliance with the Health & Social Care Act and associated legislation, resulting in reputational damage to the organisation.
Sustainable services	• Risk that we will not be able to sustain services in line with national and system requirements because of a potential deficit in 2023/24 leading to further financial instability. • A failure to effectively position the organisation within the external environment. • 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,
Strategic objectives	• Ongoing NHS reorganisations results in diversion of time and energy and changes to priorities meaning the organisation is unable to deliver its long-term plan, strategies and organisational priorities, and that medium term plans may also be delayed. • The leadership of the organisation (from top to bottom, in part or as a whole) will not be adequate to the tasks set out in its strategic objectives, and therefore the Organisation fails to deliver one or more of these strategic objectives. • Failure to deliver a fit for purpose digital and physical estate to deliver the organisation's clinical strategy and strategic objectives through ineffective business planning arrangements and/or inadequate mechanisms to track and control delivery of plans and programmes.

Research	• The organisation and our industry and research partners fail to capitalise on opportunities to improve care for more patients now, generate new treatments for tomorrow and power economic growth in life sciences. • Failure to embrace innovation and service transformation and to deliver our ambitions for research development. • 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.
Business continuity	• The organisation's business continuity arrangements are not adequate to cope without damage to patient care with major external or unpredictable events (e.g. adverse weather, pandemic, data breaches, industrial action, major estate or equipment failure). • A major incident resulting in temporary hospital closure or a prolonged disruption to the continuity of core services across the organisation, which also impacts significantly on the local health service community. • Failure to effectively plan for a further pandemic situation or other significant business interruption event.
Environmental sustainability	• Failure to safeguard our environment and fulfil our responsibilities to the wider community. • The vision to further embed sustainability into the organisation's strategies, policies and reporting processes by engaging stakeholders and assigning responsibility for delivering the actions within our Green Plan may not be achieved or achievable. • A failure to take reasonable steps to minimise the organisation's adverse impact on the environment, maintain and deliver a Green Plan, and maintain improvements in sustainability in line with national targets, the NHS Long Term Plan and 'For a Greener NHS' ambitions.

Contacts

Karen Finlayson
Partner
Email: karen.finlayson@pwc.com
M: +44(0) 7881 805 552

Susan McNair
Director
Email: susan.mcnair@pwc.com
M: +44(0) 7841 567 477

Hayley Ward
Senior Manager
Email: hayley.ward@pwc.com
M: +44(0) 7833 675 450

Thomas Hann
Senior Manager
Email: thomas.o.hann@pwc.com
M: +44(0) 7701 297 180

pwc.com