

Paper Title: NHS Productivity update

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Organisation Objective:

NHS Mandate from Government	<input checked="" type="checkbox"/>	Statutory item	<input type="checkbox"/>
NHS Long Term Plan	<input checked="" type="checkbox"/>	Governance	<input type="checkbox"/>
NHS People Plan	<input type="checkbox"/>		

Executive summary:

- Over the last 12 months NHS England has been working to update its measurement of productivity to provide a more timely measure that supports local improvement and aligns to the ONS annual measure of health productivity which they recognise as their gold standard.
- This paper provides an update on the latest estimates of NHS productivity, including non-acute productivity. It also sets out the intention and plan for regular reporting of productivity statistics in 2025/26.
- Headlines:
 - The ONS have today released new estimates of NHS productivity for 2022/23. They show that productivity improved by 1.9% between 2021/22 and 2022/23 and the productivity gap back to 2019/20 stands at 5.4%.
 - The NHS England measure shows acute productivity is estimated to be 2.7% at 2024/25 M9 YTD (compared to 2023/24 M9 YTD).
 - NHS England has also developed measures of productivity for non-acute services (community, mental health and ambulance services). While the data quality is less mature than for acute services, combined these show improvements in 2024/25 of over 2%.

Action required:

The Board are asked to note the latest NHS productivity estimates, note the interventions to improve productivity for this year and next year, and to endorse the plans for continue to improve how productivity is measured, including agreeing to publish productivity data as an official statistic alongside other performance data.

Background

1. Over the last 12 months NHS England has been working to update its measurement of productivity with two aims:
 - To replace the current monthly NHS England calculation of acute implied productivity with a measure that more closely aligns with how ONS measure productivity, including producing estimates of non-acute productivity
 - To work with ONS to improve how we measure NHS productivity to better capture the productivity benefits set out as part of the 2024

Spring Budget

2. This paper provides an update to the NHS England Board on the latest estimates of NHS productivity, including estimates of non-acute productivity for the first time. It also sets out plan for regular reporting of productivity statistics in 2025/26 where we recommend reporting them as official statistics alongside other performance information on a regular basis.

Latest productivity position

NHS England Productivity

3. Over the last few months, NHS England has been developing new productivity metrics for the NHS. These metrics are intended to provide more timely information to support systems and providers, as well as national oversight. The new estimates will include both acute and non-acute settings.
4. The latest acute productivity figures are available for month 9. They show:
 - NHS acute productivity growth is estimated to be 2.7% comparing 2023/24 M9 YTD vs 2024/25 M9 YTD, using new GDP deflators.
 - Output (measured by cost-weighted activity) has grown by 5.8%, while inputs (measured by spending growth) have grown by 3.0%.
 - Over 2% a year average productivity growth over the last three years, with improvement in 2023/24 despite industrial action.
5. NHS England is also developing estimates for non-acute services, including mental health, community and ambulance. The table below sets out our current estimates.
6. The estimates for each sector include all trusts that primarily provide those services e.g. if a trust provides mainly mental health services we will capture its mental health productivity, but not its community productivity.

Non-acute productivity growth, M8 YTD 2024/25 vs same period 2023/24

Sector	Productivity: exc. minor and extreme outliers
Mental health (1)	2.7%
Community (2)	3.0%
Ambulance (3)	1.9%

Notes: (1) Mental health: data from 39 of 45 trusts; (2) Community: data from 13 of 16 trusts; (3) Ambulance: data from 9 of 11 trusts.

7. While the methodology is robust, some of the underlying data is not as robust as for acute services. Many trusts have seen unexpectedly large swings in activity between 2023/24 and 2024/25, both overall and within individual service lines. These figure excludes providers where we are concerned about potential data quality issues which would otherwise suggest a much higher productivity gain.
8. NHS England is working with providers to investigate the issues and is undertaking further work to improve overall data quality.

ONS Productivity

9. The Office for National Statistics have today released their annual publication on Public Service Productivity. This publication includes English NHS productivity performance up to the end of 2022/23.
10. The ONS figures show:
 - NHS productivity continuing to recover in 2022/23, after the sharp rebound in productivity in 2021/22 following the Covid pandemic and the subsequent increase in demand – overall productivity improved by 1.9% between 2021/22 and 2022/23.
 - Overall, by the end of 2022/23, NHS productivity was 5.4% below the level it was in 2019/20, before the sustained improvement as measured by NHS England over the last two years.

Improving productivity

Productivity in 2024/25

11. The improvement in NHS productivity during 2024/25 has been supported by a number of measures, in particular:
 - **Reforming care delivery** – There has been a significant increase in elective productivity, with more procedures now having same-day discharge. In October 2024, 84.2% of elective procedures had same-day discharge, up from 81.4% in October 2019.
 - **Reducing hospital stays** – The average length of stay for overnight non-elective admissions has decreased by 2.3% in 2024/25.
 - **Tackling agency spending** – The NHS has made progress in reducing expensive agency spending, bringing it down from £3.5 billion in 2022/23 (4.5% of total pay) to £3.0 billion in 2023/24 (3.7% of total pay), with a forecasted reduction to £2.1 billion by the end of 2024/25
 - **Retention of experienced staff** – The NHS has improved staff retention and reduce sickness absence, supported by the National Retention Programme. In November 2024, leaver rate was at 6.8%, ahead of the Long-Term Workforce Plan ambitions.
 - **Tech & Digital transformation** – Ongoing investment in technology is driving change. For example, 92% of secondary care trusts are on track to have an electronic patient record (EPR) system by March, and the NHS App has already saved millions of hours of staff time.

Plans for 2025/26

12. Building on the plans and progress for this year and next, work is also underway for delivering continued productivity improvement into the next Spending Review period. Over the next two years, the expectation is that the productivity improvement which will be delivered will be through existing operational and clinical productivity improvements.
13. The NHS has committed to improving annual productivity growth by 2% for 2025/26, with plans to continue to drive improvements clinical and operational

activity, to reduce costs and to improve wider efficiency.

14. The key measures for next year are:

- **Improving clinical and operational productivity** – including training 20,000 clinical and operational managers; investing in clinically-led Hospital Improvement Teams to support around 50% of trusts in reducing length of stay and improving flow and improving elective productivity; and continuing the GP Improvement Programme. Taken together the programme of clinical and operational productivity alone is aimed at delivering a 1.3% improvement in productivity for 2025/26.
- **Tech and digital investment** – Specifically through investing in roll-out of EPR systems, increasing coverage of the Federated Data Platform and the development of the NHS App with a view to novel technology is also being explored, including ambient voice" technology, which is expected to improve productivity and both patients and staff experience.
- **Supporting the workforce** – including by continuing to invest in improved staff retention through the National Retention Programme, which has helped to reduce the leaver rate to 6.8% from over 8% in the last two years. Planning Guidance for 2025-26 also sets an expectation that trusts should reduce their agency spend by a minimum of 30% (saving £650m) and bank spend by 10% (saving £620m). In parallel, NHS England is developing a national programme to tackle rostering and rota management which is currently being trialled in North West London.
- **Improving commercial arrangements** – In 2023/24, NHS England used its commercial capabilities to realise close to £500m in medicines savings, and has set an ambition to save the NHS £1bn by 2029. NHS England is also targeting NHS Supply Chain improvements, with further cost saving opportunities of c.£500m cumulative in 2025/26 and up to around £1bn by 2030.
- **Continuing Health Care** – NHS England is implementing a national programme to reduce variation in Continuing Health Care Costs, with potential opportunity identified of over £500m based on benchmarking. The programme has started in the South East and North West regions.

Improving measure and reporting

Improving measurement

15. NHS England's revised in-year productivity methodology for acute sector provides a robust assessment, which aligns to ONS methods. ONS have been closely involved in developing the non-acute productivity reporting.
16. The new measure means that activity better reflects differences in patient complexity, and is in line with ONS and York methodology how outputs are categorised. The way that costs are calculated is also in line with how NHS unit prices are calculated for the NHS Payment Scheme.
17. NHS England and ONS are also working together to improve measurement.

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This work will seek to address the recommendations in the National Statistician's Independent Review of the Measurement of Public Services Productivity (ONS, March 2025) including how to reflect the impact of lower-cost services.

18. Progress has been made on these recommendations. The NHS England measure has been adjusted to take account of lower cost services in certain acute settings, for example day cases instead of overnight stays and outpatients instead of admitted care. This ensures the measure reflects improvements when the same outcome for a patient is delivered in a lower cost setting. However, further work is needed to better reflect the impact of moving from acute to non-acute settings.
19. ONS and NHS England are collaborating closely to ensure productivity measures are understood and can be used appropriately by the relevant stakeholders.

Future Reporting

20. The productivity measures for acute providers are currently available on a monthly basis to provide transparency and enable benchmarking. The intention is to begin reporting and releasing this information to non-acute providers for their April 2025 data, which will be available around the end of Q1 2025/26.
21. All non-acute providers have been given initial view of their productivity numbers in the Productivity and Efficiency opportunity packs which were released as part of planning. The intention is to release both acute and non-acute measures at trust level, with measures available on model health system to help trusts understand variation, benchmarking and drivers.
22. NHS England is planning to publish the new measure of productivity on regular basis, potentially monthly. The intention is to publish productivity data as an official statistic alongside other performance data on a regular basis.

Summary

23. The Board are asked to note the latest NHS productivity estimates, note the interventions to improve productivity for this year and next year, and to endorse the plans for continue to improve how productivity is measured, including agreeing to publish productivity data as an official statistic alongside other performance data.