

# Hospitals to cut services by 3% to pay for VAT increase...

arch.org.uk/Blog/2011/04/29/hospitals-to-cut-services-by-3-to-pay-for-vat-increases-blame-the-tories

Published: January 12, 2026, 8:18 pm

---

The [FT has reported](#):

*At the end of last year, the health department asked hospitals to make efficiency savings of 4 per cent a year as the first step towards £20bn of productivity improvements. But Monitor, the foundation trust regulator, calculates that hospitals must make savings of 6-7 per cent a year to be certain of balancing their books.*

*Monitor told hospitals applying to become foundation trusts that the bigger efficiency challenge resulted from higher-than-expected inflation and changes to the way hospitals are paid.*

Let's not beat about the bush. Health experts have said saving 4% a year is nigh on impossible: the pace of change is too high. Now it is to increase.

And it's to increase for purely financial reasons. Most importantly inflation is not going to be covered. I should be explicit about what this means when uncoded.

The unanticipated inflation is the result of an increase in VAT. Unlike most businesses hospitals pay VAT, and quite a lot of it, because what they supply is VAT exempt but what they buy still has in many cases (including on agency staff) VAT charged on it.

So what has happened is that the VAT paid by hospitals has increased and as a result frontline healthcare in the UK is going to be cut, significantly, to the point of reducing hospitals to a state that experts predict will be chaotic .

Blame the Tories when people die as a result, as they will. There's no one else at fault.