BUDGET REPRESENTATION

About NHS Providers and our members

NHS Providers is the membership organisation and trade association for the NHS acute, ambulance, community and mental health services that treat patients and service users in the NHS. NHS Providers has more than 90% of all NHS foundation trusts (FTs) and trusts in its membership.

Together, FTs and trusts employ over a million people – 83% of the NHS workforce¹ – and in 2013/14 they were responsible for approximately £75 billion, 78% of the total NHS budget.² The UK rightly values healthcare as an investment in national wellbeing which creates unparalleled social and economic benefits. NHS providers also play a key role in their local economies as major employers, and in local and national business through procurement, capital investment, and research and development. Foundation trusts alone contribute £30 billion to the economy.³

Sustaining and improving the quality of patient care is at the heart of everything that NHS foundation trusts and trusts do. Each year they transport five million people to A&E by ambulance; manage 20m A&E attendances and 94m outpatient appointments; and provide two and a half million people with district nursing care, and two million service users with specialist mental health services.⁴ The NHS is a prized national institution and consistently rates as the public service that people are most proud of and most want to protect.⁵

In this representation, we urge HM Treasury, together with the Department of Health and Department for Communities and Local Government, to work together and to work with NHS and social care providers to establish and communicate:

• a clear funding profile for the NHS between 2015/16 and 2020/21, reconciled against the Government’s policy imperatives such as seven day services;

• a commitment to multi-year funding allocations and use of the payment system (the national tariff) to enable confidence in investment and greater value for money; and

• assurance that the NHS will receive the pledged real terms funding increases in full, supported by stabilised social care funding as well as transparency on any funding flows between the NHS and social care and how these will be governed.


⁴ Barclays & Foundation Trust Network, ‘Providing value: The economic and social value generated by the foundation trust model’, May 2013 (http://www.foundationtrustnetwork.org/resource-library/providing-value/)


The challenge for the NHS

Current performance and financial pressures

NHS providers delivered high levels of efficiency in the first half of the last Parliament. However, following five years of 4% annual growth in demand and costs set against annual funding increases of just 0.7%6, the NHS provider sector performance and finances are now deteriorating rapidly. An NHS provider sector surplus of £593m in 2012/13 became a £108m deficit in 2013/14. The sector has now reported a 2014/15 year end deficit of £822 million and a £2 to £2.5bn deficit in 2015/16.7

Despite their best efforts, NHS providers are no longer able to meet the acute and ambulance performance targets in the NHS Constitution, with similar pressure on mental health and community sector performance. For example:

- The 18 week elective target for inpatient treatment was missed between May and November 2014, and the outpatient treatment target was missed in November 2014 for the first time in six years.
- The four hour target in A&E was missed nationally every week of winter 2014 with the poorest performance in a decade.8,9
- The target for cancer treatment was missed for the first time in the last quarter of 2013/14, and remained in breach over the next three quarters.10

The secretary of state for health, in his 4 June 2015 speech, recognised the financial and demographic pressures on the NHS. The deterioration is systemic, and the current deficit has been primarily driven by a mismatch between demand and funding, such that maintaining quality standards means providers cannot operate within their budget. It is impacting on well-led local systems including the most highly regarded trusts with long standing and experienced leadership teams. A significant majority of our members tell us they are now no longer capable of delivering their performance targets within current levels of funding, irrespective of how hard they try, and that, on current trajectory, the deterioration in performance and finances will take a further large step down in 2015/16.11

Delivering transformation

At the same time, NHS providers are working towards delivering the Five year forward view (SYFV) and we welcome the Government’s support for this approach, including the announcement of an additional £8 billion a year funding for the NHS by 2020. There is already considerable consensus and momentum behind the leading role which all NHS providers will need to play in partnership with their local health economy colleagues to deliver more integrated

---

10 The King’s Fund, Quarterly Monitoring Report 14, January 2015 (http://qmr.kingsfund.org.uk/2015/14/survey/#/438c0db3-d15a-40be-bad5-069bb565896f)
models of care health and care, and to ensure the clinical and financial viability of services for the medium term over the duration of the next parliament and beyond.

The provider sector is the key engine to ensure the right operational delivery and to work with local health and social care economy partners to drive change. NHS providers across the country are beginning to deliver these changes locally, including those selected for the ‘vanguard programme’ in support of the SFYFV.

However, their progress shows that delivering meaningful change of this scale requires leadership and management time, investment, a system-wide, collaborative and strategic approach across the local health economy, the right balance between operations and transformation and new models of culture and leadership. In addition, there remains a need for the Government to acknowledge the scale and cumulative impact of the challenges set out. It is imperative that they do so realistically and publicly, and work with the sector to ensure the policy, funding and regulatory conditions sufficiently enable and support consistent and rapid progress towards transformation.

The benefits to the UK – economically and socially – created by the NHS are clear. For every pound invested, there is a far-reaching positive return. The converse is also true: maintaining the status quo is a false economy, with uncontrolled rising costs and stagnation in productivity, without an associated improvement in efficiency or care quality. NHS providers are determined to move to 21st century models of care which will safeguard both patient interests and the service’s efficiency, but achieving this goal depends on adequate funding and the ability to make better use of funding. A strong NHS does depend on a strong economy; but it is also true that a strong economy depends on a strong NHS.

**A FIVE YEAR FINANCIAL PLAN TO MATCH THE FIVE YEAR FORWARD VIEW**

The challenge for the NHS is to maintain existing care standards in a deteriorating financial context while at the same time investing in new ways of delivering better care. These forces threaten to become contradictory unless carefully managed. To enable the NHS to meet its 21st century challenge, we urge HM Treasury to support the NHS in stabilising performance and finances now, and pursuing a realistic view of what the NHS is capable of achieving over the next five years.

**Stabilising NHS performance and finances in 2015/16 and 2016/17**

We welcome the Government’s commitment to providing an additional £8 billion funding a year for the NHS by 2020. However, there is an urgent need to stabilise NHS finances and performance in 2015/16 and the subsequent financial year. The balance between NHS finances, quality and access targets must be based on an honest and open assessment of what is deliverable within the available financial envelope. Ministers may want to particularly focus on winter 2015 – our members tell us they will be forced to remove capacity available last winter because winter resilience allocations, which have been incorporated into CCG allocations, are not reaching frontline providers due to a mismatch between commissioner and provider activity plans. The incorporation of winter resilience funding into mainstream funding mechanisms is welcome, but unless this additional funding is routed through payments to providers, this makes it hard to fund the additional capacity required at certain times of the year.

In addition, up to 75% of a provider’s budget is spent on its workforce, yet NHS providers have little control over the national terms and conditions which comprise their staffing costs. Support is needed at national levels to ensure providers have access to the right people with the right skills, in order to reduce over reliance on agency spending. We welcome the recent announcement by the Department of Health and arm’s length bodies that action will be
taken to support agency spend but this will take time to embed, and this will not help address the underlying cause, which is principally related to demand pressures and a misalignment between centrally directed staffing requirements and the funding and staff available. Support is also needed to ensure the pay, terms and conditions of the NHS workforce are fair and support more flexible approaches to modern day working, including seven day services.

Simon Stevens, chief executive of NHS England, has signalled to the sector not to expect further funding for the NHS in this financial year at that the service must live within its means. If this is the case, the Government and NHS need to understand how providers can be supported to manage the precarious financial position in which the majority of FTs and trusts find themselves. We estimate that over 60% of all NHS providers will be in deficit this financial year, rising to over 80% for acute trusts. This is coupled with a rapid reduction in FT sector reserves, a growing reliance on interim and planned financial support from the Department of Health, and the fact that the Department had considerable difficulty staying within its limit in 2014/15.

In addition, any new in-year policy requirements need to be fully funded, including acknowledgement of the time and resource requirement of any significant operational change of direction.

Although national initiatives aimed at supporting NHS organisations to become more efficient are welcome, a balance needs to be struck between this and preserving the ability and autonomy of provider boards to deliver effective services for local patients and service users, as they are responsible and accountable for this delivery.

In making these assessments it is vital that, alongside officials and the arm’s length bodies, NHS organisations are fully involved in the creation of any plan to ensure sector ownership and delivery.

**NHS funding and the spending review**

**A clear and realistic projection of NHS funding requirements**

The 5YFV sets out the scale of challenge facing the NHS. Growing demand, will produce a mismatch between NHS resources and patient needs of nearly £30 billion a year by 2020/21 if funding is held flat in real terms, and the NHS continues to improve its productivity in line with historical rates. The Government has made the welcome commitment to investing £8 billion a year into the NHS by 2020. Its legislative programme states that this is to “support the transformation of services across the country, including an increase in the number of GPs, faster access to new drugs and treatments and a greater focus on mental health and healthy living”.

However, there are other pressures the spending review needs to account for, in addition to the 5YFV’s funding gap. These are:

- The cost of investing in the NHS transformation the 5YFV rightly describes as essential – there will be transition and double running costs which will need to be considered, alongside the need to provide financial certainty to recognise that not all transformations will work first time;

---


13 NHS Providers, internal survey of members, May 2015.

14 Prime Minister’s Office, ‘Queen’s Speech 2015’, May 2015
• The cost of any additional service improvements the new Government wishes to make, including the delivery of a seven day NHS;
• The investment required to fund the “invest to save” efficiency programme NHS Providers believes will be essential to realise efficiency savings early in the Parliament; and
• The impact on the NHS of funding levels for social care.

Moreover, the NHS faces considerable immediate financial pressures in 2015/16 and 2016/17 which are greater than anticipated nearly a year ago when the 5YFV was published. The 5YFV figures therefore need to be updated as they will not reflect the latest NHS position. In particular, the productivity assumptions included in the 5YFV have been shown not to be grounded in evidence about what providers have been capable of delivering to date, principally due to the substantial increase in input costs.\(^\text{15}\)

To ensure the NHS can achieve the greatest value for money from additional funding, and the NHS is best able to increase its efficiency, urgent attention is needed to ensure:

• Foundation trusts and trusts are paid for the cost of the care they provide;\(^\text{16}\)
• Agreement across the Government and the NHS on the funding levels required to continue delivering today’s services while the NHS transitions to new care models, and the place of long-term efficiencies therein;
• Agreement as to what funding will be available, and when, in the years from 2015/16 to 2020/21, including the introduction of multi-year settlements to enable NHS organisations to plan effectively across a longer timeframe;
• Support from the Government and the arm’s length bodies within the NHS to ensure pay, terms and conditions for the NHS workforce are fair and enable flexible working, including supporting seven day services and the delivery of more preventative and integrated care models;
• Transparent and upfront protection of social care budgets, alongside that of the NHS, to ensure that each service can plan and resource its services appropriately and cost effectively.

It is key for the NHS’s transformation over the next five years that it has early input into and understanding of the funding it will receive and when during that period. This is the only way it will be able to invest efficiently and effectively and ensure it has firm foundations for ongoing sustainability.

**Scale of NHS efficiency programme**

The 5YFV sets out a best case scenario of the £30 billion gap being filled by £8 billion of extra public funding and £22 billion of NHS efficiencies. However, this level of efficiency savings would exceed what the NHS has ever delivered. There is also a significant timing challenge – savings are likely to be most needed in the early years of the Parliament when the fiscal position is tightest. This implies a reliance on quickly realisable operational savings as opposed to those delivered as a result of longer term transformational change or “getting serious about prevention”.

---

15 Health Foundation, Hospital Finances and Productivity, April 2015
(http://www.health.org.uk/public/cms/75/76/213/5625/HospitalFinancesAndProductivity.pdf?realName=lJsxhE.pdf)

16 In the last parliament, the national payment system (the national tariff) was used to try and force unprecedented levels of efficiency by reducing the price for services so that providers couldn’t cover their costs. This is one of the key reasons a large proportion of providers are now in deficit and this is not a sustainable strategy for this parliament.
NHS providers are ready to work with ministers, the department and the arm’s length bodies to plan efficiency improvements and play their full part in realising the required efficiencies. To do so, they need to co-design and feel full ownership of a realistic plan that recognises the need for a new approach.

Key to this is acceptance that the current approach to realising savings – based on holding down pay and successively squeezing provider prices – is now very largely exhausted. In addition, there must also be recognition that while there are significant potential efficiencies available, realising them requires a new approach based on a shared plan created in partnership with the sector together with upfront investment and appropriate timescales for change.

**Reviewing the NHS’s detailed payment arrangements**

The efficiencies required of the NHS can also be supported by a review of the NHS’s detailed payment arrangements. If implemented, there are a number of steps which would lead to significantly better financial stability in the NHS. These are focussed on moving to multi-year settlements; reviewing the use of non-recurrent funding; developing appropriate payment systems for the non-acute sector; and developing a shared approach to controlling the rapidly growing NHS England specialised commissioning budget.

**Social care funding**

The mutual dependency between the health and social care funding system is widely acknowledged. In any spending review, there needs to be consideration of the adverse impact of local government funding reductions on the NHS. We would urge the protection of social care budgets, alongside that of the NHS, to ensure confidence in their respective abilities to invest in services and ensure appropriate provision is in place.

In addition, the longer term health and social care funding issues set out by the 2014 Barker Commission need to be addressed. In particular, two specific opportunities were highlighted by the Commission:

- The opportunity to build a national consensus on the need for higher overall levels of long term health and social care funding, what these levels should be (the Barker Commission suggested between 11 and 12% of GDP by 2025) and how these might be funded; and
- The opportunity to create a clear, long-term path to integrate health and social entitlements and funding, recognising that this would probably take ten years to complete.

**An evidence based approach to health and social care funding**

NHS Providers believe the Government should create a mechanism for regular assessment of health and social care spending needs and the amount of tax this requires. This would be akin to an Office for Budget Responsibility for Health, and help to generate a better, more transparent, public debate between politicians, the health sector and the public on these issues.