

MENTAL HEALTH FUNDING AND INVESTMENT

A digest of issues

Key messages

- Great strides have been made to increase investment in mental health services and deliver on aspirations to improve quality and access, following a decade of campaigning. Mental health services have received a substantial cash injection in recent years and the sector has a fully costed programme for mental health delivery with *The five year forward view for mental health*. This has been significantly built upon by *The NHS long term plan*, which makes further progress on improving people's mental health and wellbeing a priority for the next decade.
- More people than ever are receiving treatment and care for mental health conditions and the majority of NHS services are providing good care, with 71% of core services rated as good and 10% as outstanding by Care Quality Commission in 2019. The sector has also been a trailblazer for innovation and work to deliver new integrated models of service delivery in partnership with health and care partners across systems, and mental health leaders are thinking positively about how changes to commissioning and increased system working will help them be more efficient and strategic.
- Despite this progress and promise for the future, there are significant, specific challenges facing mental health provision and those trusts providing mental health services that need to be addressed. Many of these challenges are rooted in the fact that the sector has suffered a historical, structural disadvantage compared to physical health provision.
- The stigma surrounding mental illness and mental health sits at the heart of the sector's disadvantage. There is a lack of equity of treatment that is reflected in how we view, support and deliver mental health services. While aspirations are growing, supported by politicians and senior healthcare leaders, the healthcare system is still operating in the context of a 'care deficit' where we accept that not all those that need help and treatment will seek or be able to access support. It also means the provision of mental health services is not prioritised across the whole of the NHS.
- How mental health services are commissioned and paid for also translates into the mental health sector's historical and structural disadvantage. Unlike physical health care, the majority of mental health services are delivered through block contracts which are inflexible and do not reflect changes in demand once they have been agreed. The commissioning of mental health care and wider services supporting mental health service users, at a local and national level, is also severely fractured, impacting on the efficiency of service delivery and continuity of people's care.

- The transparency and governance of funding flows is a further key issue. Despite the mental health investment standard (MHIS), there continue to be concerns raised that funding for the mental health sector is not always making its way to the frontline services that need it most. The standard is seen in some cases as a maximum limit based on affordability, rather than a minimum based on need.
- Mental health trusts also need capital investment. Only three mental health trusts were allocated funding in the waves of capital investment for trusts announced by the government in September 2019. The under prioritisation of investment in the mental health estate is having a real impact on patients and mental health trust leaders have expressed their concerns that lack of capital investment places their patients at increased risk. Greater capital investment in services would not only make a huge difference to patient and service users' recovery, but also improve the morale of staff.
- There are other issues trust leaders have told us are contributing to financial pressures for the sector this year. These include growing demand for inpatient care, which is leading to high use of out-of-area placements and delayed transfers of care, and the need for trusts to recruit more staff. Trusts are facing the increasing costs of staff recruitment and retention, including the Agenda for Change pay uplift. Combined mental health and community trusts also continue to be affected by cash reductions in local authority public health contracts. The frequency of re-tendering for services in the mental health and community sectors, which means there is less financial security over the longer term, is a further key issue.
- In order to address these challenges and deliver on the ambitions for supporting people's mental health and wellbeing over the next decade, there are a number of priorities and challenges that both mental health trusts and the national bodies will need to consider. These include:
 - improved and transparent mechanisms that guarantee that mental health funding reaches the frontline services that need it most
 - clear expectations around delivering on national investment and initiatives for clinical commissioners and systems to deliver against, tightly monitored and enforced
 - meeting providers capital investment needs so that urgent improvements can be made to estates
 - further progress on data collection and data quality to give a better understanding of mental health activity, access and outcomes to enable better commissioning
 - greater understanding within systems of the mental health and wellbeing needs of local populations to ensure mental health service delivery is prioritised accordingly
 - to overcome the demand challenge facing mental health services, and derive full value out of investment committed to the sector, national policy must focus on increased support for both mental health and public health
 - less fragmented approaches to commissioning and a reduction in the frequency of retendering
 - expansion and roll out of mental health new care models that are adequately funded and resourced.

Introduction

This briefing looks at the financial and investment challenges facing mental health providers. It digests the financial and funding issues facing mental health trusts, including their current financial position, the impact of stigma on investment in mental health provision, how mental health services are commissioned, contracted and paid for, the transparency and governance of funding flows, as well as setting out a number of solutions to financial problems mental health trusts face.

Mental health services have had a substantial cash injection in recent years. Following a decade of significant campaigning from the mental health sector, the tide of political and public opinion has turned and there is widespread support for greater investment in mental health services. In recent years aspirations to improve quality and access to services has taken shape with the development of a fully costed programme for mental health delivery with *The five year forward view for mental health*.¹ *The NHS long term plan*, published since, is clear that making further progress on improving people's mental health and wellbeing is a priority for the next decade.² These are substantial and welcome steps forward by national policy makers.

In terms of progress on aspirations to improve quality and access, more people than ever are now receiving treatment and care for mental health conditions and the majority of NHS mental health services are providing good care, with 71% of core services rated as good and 10% as outstanding by Care Quality Commission in 2019.³ The sector has also been a trailblazer for innovation and work to deliver new integrated models of service delivery in partnership with health and care partners across systems, and mental health leaders are thinking positively about how changes to commissioning and increased system working will help them be more efficient and strategic.

There are a number of finance and funding challenges facing the whole provider sector, as set out in our report, *The state of the NHS provider sector 2019*.⁴ Depressed funding growth overall since 2010, restricted capital investment, and funding constraints and uncertainty for key services outside of the core NHS budget, such as social care and public health, are three of the biggest issues. Increasing demand for care, upward pressure on workforce costs and capacity pressures in primary care are other key issues contributing to funding and financial pressures for all trusts. The financial position of the provider sector has deteriorated considerably in recent years in the face of these numerous challenges.

Over the years mental health trusts have usually ended the financial year in surplus, with trust deficits having largely concentrated in the acute sector.⁵ Indeed, the mental health

1 The independent Mental Health Taskforce to the NHS in England, *The five year forward view for mental health*, February 2016. www.england.nhs.uk/wp-content/uploads/2016/02/Mental-Health-Taskforce-FYFV-final.pdf

2 NHS England and NHS Improvement, *The NHS long term plan*, January 2019.

www.longtermplan.nhs.uk/wp-content/uploads/2019/08/nhs-long-term-plan-version-1.2.pdf

3 Care Quality Commission, *State of care 2018/19*, October 2019.

www.cqc.org.uk/publications/major-report/state-care

4 NHS Providers, *The state of the NHS provider sector*, October 2019.

nhsproviders.org/the-state-of-the-nhs-provider-sector-october-2019

5 NHS England and NHS Improvement, Financial performance reports.

www.england.nhs.uk/publications/financial-performance-reports

sector has held an increasing surplus position since 2016/17. Mental health trusts ran a surplus of £416m in 2018/19, with 13 out of 54 mental health trusts in deficit. The latest data on the NHS provider sector's financial performance shows the mental health sector is currently running a deficit of £20.9m.⁶ This is £43m off plan, though the sector's overspend is largely being driven by an incomplete land and building disposal at a single trust and NHS England and Improvement still forecasts the mental health sector to exceed its plan and run a surplus of £135m by the end of the year.

Resolving trust deficits across the provider sector will take time and the current rate of cost reduction is simply unsustainable, not least because those efficiency improvements capable of generating the largest financial savings with lowest impact on service delivery will already have been made, early in trusts' efficiency programmes. Despite the greater prevalence of surplus year end positions across mental health trusts, they are still required to make substantial cost improvement savings. This can be particularly challenging as workforce is a greater proportion of a mental health trust's budget, which means it is, arguably, particularly hard to make the required cost savings particularly alongside transforming care to deliver the aspirations of the long term plan.

⁶ NHS England and NHS Improvement, NHS England and Improvement Financial Performance Report Q2 2019/20, December 2019. www.england.nhs.uk/wp-content/uploads/2017/06/financial-performance-report-q2-2019-20.pdf

The mental health sector challenge

While there are a number of finance and funding challenges facing the whole provider sector, there are significant, specific challenges facing mental health provision and NHS mental health trusts that need to be addressed. Trust leaders have raised the following factors as contributing to financial pressures for the sector this year:

- growing demand for inpatient care, which is leading to both high use of out-of-area placements, particularly where there is no risk share agreement in place with clinical commissioning groups (CCGs), and delayed transfers of care, often from inpatient to community settings or supported housing
- growing demand is also leading to a need for trusts to recruit more staff, and trusts are facing the increasing costs of staff recruitment and retention
- covering the costs of year three of the Agenda for Change pay uplift, as this is being funded through the tariff and as such is based on provider sector averages which assume a lower pay cost base for mental health trusts
- the mental health investment standard that local commissioners must honour is seen in some cases as a maximum limit based on affordability, rather than a minimum based on need
- combined mental health and community trusts continue to be affected by cash reductions in local authority public health contracts which has meant the decommissioning of some services, e.g. substance misuse services
- the frequency of re-tendering for services in the mental health and community sectors, which means there is less financial security over the longer term.

Many of these challenges are rooted in the fact that the mental health sector has suffered a historical, structural disadvantage compared to physical health provision.

One of the key reasons for the sector's disadvantage is the broader societal and historical impact of the stigma surrounding mental illness and mental health. Welcome strides have been made to challenge this stigma and to raise awareness of the need to improve care. However, there is still a considerable level of stigma and a lack of equity of treatment associated with mental health that is reflected in how we view, support and deliver services. As a healthcare system, while our aspirations are growing – supported by politicians and senior healthcare leaders, we are still operating in the context of a 'care deficit' meaning that we accept that not all those that need help and treatment will seek or be able to access support. It also means the provision of mental health services is not prioritised across the whole of the NHS. Alongside this, how mental health services are commissioned, funded and paid for translate into the mental health sector's historical and structural disadvantage.

This briefing explores these challenges in more detail and sets out our view on what needs to change in order for the sector to deliver on the NHS' ambitions for supporting people's mental health and wellbeing over the next decade.

Historic lack of investment and prioritisation

While all trusts and the wider health and care system are operating under severe financial constraints, there has been a particular lack of investment and prioritisation of funding for mental health services over the years. This is an issue that persists despite a growing political focus on mental health care and a welcome number of funding commitments made over recent years to address historic levels of underfunding and improve the quality and accessibility of mental health services in England.

Parity of esteem and *The five year forward view for mental health*

In 2013/14 NHS England developed a programme with a set of commitments to promote parity of esteem between mental and physical health.⁷ In 2016, the government committed to increasing investment in mental health services by at least £1bn (in real terms) by 2021 to deliver *The five year forward view for mental health*.⁸

A number of other mental health funding commitments were made – albeit these were mainly focused on specific programmes as opposed to investment in broad provision – between 2015 and 2017. In January 2015, £1.25bn was pledged to help children and young people, and expectant or new mothers, with mental health problems.⁹ In November 2015, £600m was announced to help significantly more people access talking therapies by 2020.¹⁰ In January 2017, the government committed an extra £15m for community mental health care.¹¹

However, despite the commitment to parity of esteem, analysis by The King's Fund in 2018 found that almost 50% of mental health trusts received a reduction in their budgets in cash terms in 2014/15 - 2015/16, while, just under 75% of acute trusts received increases in their income over the same period. Data for 2016/17 showed the situation for mental health trusts had improved, with 84% of trusts receiving an increase in funding in cash terms. Yet, this was still below the proportion of acute trusts (almost 95%) receiving an increase in income in cash terms.¹²

7 The Health Foundation, *A year of plenty?* March 2017. www.health.org.uk/sites/default/files/YearOfPlenty.pdf

8 The independent Mental Health Taskforce to the NHS in England, *The five year forward view for mental health*, February 2016. www.england.nhs.uk/wp-content/uploads/2016/02/Mental-Health-Taskforce-FYFV-final.pdf

9 HM Treasury, *Budget 2015*, March 2015.

www.gov.uk/government/news/budget-2015-some-of-the-things-weve-announced

10 HM Treasury, *Spending Review and Autumn Statement 2015*, November 2015.

www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents

11 HM Government Prime Minister's speech at the Charity Commission annual meeting, January 2017.

www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents

12 The King's Fund, *Funding and staffing of NHS mental health providers: still waiting for parity*, January 2018.

www.kingsfund.org.uk/publications/funding-staffing-mental-health-providers

According to our analysis of latest NHS figures, 79% of mental health trusts received an increase in turnover in cash terms in 2017/18-2018/19, in comparison to 84% of acute trusts.¹³ We have also found mental health trusts' turnover only increased by 2.1%, whereas acute trusts' turnover increased by 3.4% over the same period. This is significant progress but there is still not the required equity in investment that service users, their carers and families deserve.

The long term plan

The NHS long term plan significantly builds on previous mental health funding commitments.¹⁴ The majority of the extra funding is allocated to community based mental health services, with the largest amount going towards adult severe mental illness community care, which is welcome given a previous lack of focus on core community services.¹⁵

However, while the additional money in the long term plan and areas it is being targeted on are welcome, funding for the sector over the next five years will only rise as a share of the NHS budget by 0.5 percentage points – from 7.8% in 2018/19 to 8.3% in 2023/24.¹⁶ We have said this falls far short of the amount needed to close the care deficit in mental health and raises questions over how fast and how many of the numerous ambitions for mental health care in the long term plan can realistically be delivered.¹⁷

Crucially, while the NHS mental health implementation plan provides welcome further detail on when and where the extra £2.3bn funding will be allocated, there remains a lack of detail on baseline spends for a number of mental health service areas which makes accurate evaluation of how significant funding allocations are difficult.¹⁸ The framework also lacks detail on the future budget and number of beds for specialised mental health services.

More broadly, evaluating how much funding mental health should be getting – be it in cash terms or as a proportion of acute sector spend – and how far short current proposals fall is a considerable challenge given fundamental questions concerning what a 21st century population should be able to expect from mental health services – for example in terms of waiting times, eligibility for care and what kind of treatment and support should be available – and what such services would cost to deliver remain unanswered.

13 NHS Improvement, *Trust accounts consolidation data publications 2017/18 and 2018/19*, Last updated August 2019. improvement.nhs.uk/resources/trust-accounts-consolidation-tac-data-publications-background-information

14 NHS England and NHS Improvement, *The NHS long term plan*, January 2019. www.longtermplan.nhs.uk/wp-content/uploads/2019/08/nhs-long-term-plan-version-1.2.pdf

15 NHS England and NHS Improvement, *NHS mental health implementation plan 2019/20-2023/24*, July 2019. www.longtermplan.nhs.uk/wp-content/uploads/2019/07/nhs-mental-health-implementation-plan-2019-20-2023-24.pdf

16 NHS England, *Allocation of resources to NHS England and the commissioning sector for 2019/20 to 2023/24*, April 2019. www.england.nhs.uk/wp-content/uploads/2019/01/04-pb-31-01-2019-ccg-allocations-board-paper.pdf

17 NHS Providers, *Mental health services: addressing the care deficit*, March 2019. nhsproviders.org/mental-health-services-addressing-the-care-deficit

18 NHS England and NHS Improvement, *NHS mental health implementation plan 2019/20-2023/24*, July 2019. www.longtermplan.nhs.uk/wp-content/uploads/2019/07/nhs-mental-health-implementation-plan-2019-20-2023-24.pdf

Diversion of funding

Funding pledged for mental health prior to the funding committed in the long term plan has generally not been ring-fenced, which means that it could have been diverted for purposes other than mental health. This links to wider issues around governance and transparency explored in a subsequent section of this briefing.

The British Medical Association has argued the significant financial pressures in the NHS increases the likelihood of funding being diverted to balance finances, and the tangible improvements made to the provision of perinatal mental health services in England can be largely explained by the funding commitments to these services up until 2020/21 being ring-fenced.¹⁹ The King's Fund has also suggested previously that mental health funding growth may have been restricted as commissioners prioritised support for struggling acute providers.²⁰

Some mental health trust leaders have raised concerns that the requirement for sustainability and transformation partnerships (STPs) and integrated care systems (ICSs) to reach financial balance can mean any extra funding mental health trusts do see could end up being used to offset financial deficits in other system partners. This chimes more generally with broader concerns trust leaders have raised, anecdotally, that some systems are prioritising funding for other areas and seeing the mental health investment standard as discretionary. It is possible that an increase in funding, without a commensurate expansion in provision, would lead to larger surpluses among mental health trusts. While this would result in a balanced position at a system level, it would not bring the improvement in access that the MHIS exists to deliver.

The mental health care deficit

The sector's slow funding growth and low levels of investment historically has had a significant impact on access to mental health services and the extent of variation in mental health care across the country.²¹ Our survey of frontline mental health trust leaders highlighted that there is a substantial care deficit in mental health.²² There is significant unmet need for a number of mental health conditions – particularly community services for adults and children, gender identity services and crisis home treatment teams.

19 British Medical Association, *Lost in transit? Funding mental health services in England*, February 2018. www.bma.org.uk/collective-voice/policy-and-research/public-and-population-health/mental-health/funding-mental-health-services

20 The King's Fund, *Trust finances raise concerns about the future of the Mental Health Taskforce recommendations*, October 2016. www.kingsfund.org.uk/blog/2016/10/trust-finances-mental-health-taskforce

21 The King's Fund, *Mental health under pressure*, November 2015. www.kingsfund.org.uk/publications/mental-health-under-pressure

22 NHS Providers, *Mental health services: addressing the care deficit*, March 2019. nhsproviders.org/mental-health-services-addressing-the-care-deficit

Our survey also found:

- 95% of mental health trust leaders disagreed that overall investment in mental health is adequate to meet current and future demand
- 65% did not think that their trust has the freedom to invest in the areas they identified as a priority
- 60% disagreed with the statement “my trust is able to balance meeting the requirements of national policy priorities while providing core mental health services” while only 15% agreed
- 37% of trust leaders said they had to change or close services as a result of financial pressures.

The Institute for Fiscal Studies and The Health Foundation estimated that mental health spend would need to more than double to make serious inroads into unmet need – that is increasing the proportion of people with mental health care needs being met from 39% to 70%.²³

There is a wider point to be made about the stark difference in the level of aspirations around meeting the needs of those with mental, as opposed to physical, health conditions. No more so is this underlined than by the scale of the ambitions for meeting the significant levels of unmet need in children and young people’s mental health care. The aim since 2015 has been to increase access only to 35% of children and young people with a diagnosable condition by 2020–21.²⁴ Similarly, plans to introduce new mental health support in schools are aiming to cover only up to a quarter of the country by 2022–23.²⁵ As the Royal College of Psychiatrists has highlighted, it is the government’s own expectation that 15% of children will still not be able to access one of these teams a decade after they have been launched.²⁶

The impact of cuts to social care, public health and wider services

The impact of funding constraints beyond the NHS is also important to highlight. We have already said that severe funding constraints and uncertainty for key services outside of the core NHS budget such as social care and public health, risk exacerbating the pressures on the sector, by driving further increases in demand for secondary care which could be better met through appropriate investment in a preventative approach, in primary care, social care and in additional capacity within the community.²⁷

23 Institute for Fiscal Studies and The Health Foundation, *Securing the future: funding health and social care to the 2030s*, May 2018. www.ifs.org.uk/publications/12994

24 The independent Mental Health Taskforce to the NHS in England, *Five year forward view for mental health*, February 2016. www.england.nhs.uk/wp-content/uploads/2016/02/Mental-Health-Taskforce-FYFV-final.pdf

25 Department for Health and Social Care and Department for Education, *Transforming children and young people’s mental health provision: a green paper*, December 2017. www.gov.uk/government/consultations/transforming-children-and-young-peoples-mental-health-provision-a-green-paper

26 Royal College of Psychiatrists, *Children and young people with mental health problems and access to NHS treatments briefing*, January 2019. www.rcpsych.ac.uk/docs/default-source/improving-care/better-mh-policy/parliamentary/rcpsych-briefing---children-and-young-people-with-mental-health-problems-and-access-to-nhs-treatments---copy.pdf?sfvrsn=2e924943_2

27 NHS Providers, *The state of the NHS provider sector*, October 2019. nhsproviders.org/the-state-of-the-nhs-provider-sector-october-2019

The impact of these wider cuts is particularly significant for the mental health sector. In our 2019 mental health report, *Mental health services: addressing the care deficit*, 92% of mental health trusts told us that changes to universal credit and benefits are increasing demand for services, as are loneliness, homelessness and wider deprivation.²⁸

Commissioning

Commissioning is another important reason for the mental health sector's historical, structural disadvantage compared to other sectors. Following the Health and Social Care Act 2012, the commissioning of mental health care by local and national commissioners has been fractured, impacting on the efficiency of service delivery and continuity of care. Compounding this issue is the number of wider services supporting mental health service users, such as substance misuse and public health more generally, now commissioned by local authorities. This has created a much more complicated commissioning landscape, leading on occasions to delays and inefficiencies, and has also meant that investment in those services has decreased as financial pressures on local authorities have risen.

Our survey of mental health trust leaders put the commissioning challenges the sector faces into sharp focus.²⁹ Over half of respondents stated they had changed or closed services as a result of commissioning decisions. Commissioning arrangements were also cited as a key reason why trusts are struggling to meet demand. The frequent tendering of services is a further key issue. Mental health trusts have told us that reducing tendering activity would be one of the most effective ways of alleviating pressures on services.

Welcome work is underway to bring together fragmented commissioning arrangements and support more integrated working through new models of care for mental health, and a number of leaders have told us that the consolidation of the CCG landscape and work at a system level should help to improve the effectiveness of commissioning in time.³⁰ However, as this work progresses further it is vital that secondary providers of mental health services are adequately funded and resourced to manage these new care budgets effectively.

28 NHS Providers, *Mental health services: addressing the care deficit*, March 2019. nhsproviders.org/mental-health-services-addressing-the-care-deficit

29 NHS Providers, *Mental health services: addressing the care deficit*, March 2019. nhsproviders.org/mental-health-services-addressing-the-care-deficit

30 NHS Providers, *Mental health services: addressing the care deficit*, March 2019. nhsproviders.org/mental-health-services-addressing-the-care-deficit

Governance and transparency

One of NHS England's key commitments to address historic underinvestment in mental health provision and promote parity of esteem has been the requirement since 2013/14 that CCGs increase their mental health spending in real terms, by at least the same proportion as their overall budget increase. This commitment was introduced as the MHIS in the NHS operational planning and contracting guidance 2016/17.³¹

The 2018/19 financial year was the first in which NHS England's planning guidance was prescriptive that all CCGs had to meet the standard.³² NHS England's planning guidance for 2019/20 included welcome further steps to tighten rules for CCG spending on mental health services and implement stricter controls on those failing to achieve the mental health investment standard.³³ Welcome steps have also been taken to increase transparency in the way mental funding allocated from CCGs to mental health trusts is accounted for.

However, while total local CCG spend on mental health services has increased over recent years and all CCGs were recorded (for the first time) to be meeting the MHIS for 2018/19, there continue to be concerns raised that funding for the mental health sector is not always making its way to the frontline services that need it most.³⁴ In our survey of mental health trust leaders, 60% disagreed with the statement 'the mental health investment standard is being appropriately applied for my trust', while only 15% agreed.³⁵

Furthermore, while the proportion of CCG funding being spent on mental health services does not take into account the management of mental health problems by GPs, it is significant that CCG funding only equates to 13.9% of their total budgets despite mental health being the single largest burden of disease in the UK (28%).³⁶ It is also difficult to get a true picture of how much the recurrent mental health budget has grown by given the total spending figures for mental health include learning disabilities and dementia, as well as one-off transformation funding which are not included in calculations on whether a CCG hits the standard.

31 NHS England and NHS Improvement, *NHS operational planning and contracting guidance*, September 2016. www.england.nhs.uk/wp-content/uploads/2016/09/NHS-operational-planning-guidance-201617-201819.pdf

32 NHS England and NHS Improvement, *Refreshing NHS Plans for 2018/19*, February 2018. www.england.nhs.uk/publication/refreshing-nhs-plans-for-2018-19

33 NHS England and NHS Improvement, *NHS operational planning and contracting guidance 2019/20*, January 2019. www.england.nhs.uk/wp-content/uploads/2018/12/nhs-operational-planning-and-contracting-guidance.pdf

34 NHS Mental Health Dashboard. www.england.nhs.uk/publication/nhs-mental-health-dashboard

35 NHS Providers, *Mental health services: addressing the care deficit*, March 2019. nhsproviders.org/mental-health-services-addressing-the-care-deficit

36 Mental Health Foundation, *Fundamental facts about mental health*, 2015. www.mentalhealth.org.uk/sites/default/files/fundamental-facts-15.pdf

A large cause for concern is the significant variation in the proportion of CCGs' overall allocations in 2018/19 going on mental health, learning disabilities and dementia, and the fact that a number of areas have seen a decrease in spend on children and young people's mental health in the last couple of years.³⁷

While it is difficult to draw any firm conclusions on CCG spend without having an idea of the demand for services in each area, the above highlights some of the shortcomings of the MHS in its current form. For example, CCGs are required to increase investment in mental health services in line with their overall increase in allocation each year, however what an optimum level of spend is has not been identified, CCGs under-spending the most are not required to improve faster nor is there an explicit requirement for CCG spending on mental health to be good value.

Payment systems and contracting

Linked to the topic of transparency and accountability for how funding is spent are the systems used to pay providers for mental health services.

There is a clear structural inconsistency between mental and physical health care due to how services are paid for and contracted. Unlike in the acute sector, where there is a developed and sophisticated payment system that accounts for activity (payment by results), most mental health trusts are paid to deliver the majority of their services on some form of block contract.³⁸

Block contracts have been criticised for not enabling proper transparency and accountability for how the funding is spent. They have also been criticised for masking some of the underfunding in mental health, due to being inflexible and, once agreed, not reflecting changes in demand in year. The sustained use of block contracts has meant providers have not been resourced sufficiently for escalating demand nor has it enabled wider service investment.

NHS England and Improvement recognise that block contracts do not support the improvements in access to mental health services they want to see, and have committed to phasing them out. A 'blended payment' system was proposed as the default for adult mental health services for the 2019/20 national tariff.³⁹ Under this model, trusts would be funded for an agreed level of activity, and would share the financial risk with commissioners when demand levels vary from the forecast level. In the longer term, NHS England and

³⁷ Health Service Journal, *Mental Health Matters: Standard hit for the first time*, August 2019. www.hsj.co.uk/mental-health-matters-standard-hit-for-the-first-time/7025824.article

³⁸ NHS Improvement, *Consolidated NHS provider accounts 2018/19*, July 2019. www.england.nhs.uk/wp-content/uploads/2019/09/Consolidated_NHS_Provider_Accounts_Web_Accessible.pdf

³⁹ NHS England and NHS Improvement, *National Tariff Payment System 2019/20 consultation*, January 2018. www.england.nhs.uk/pay-syst/national-tariff/2019-20-payment-reform-proposals

Improvement are considering changing the design of mental health blended payments to focus more on outcomes-based elements that support long term plan objectives, rather than activity-based variable elements.⁴⁰

The 2019/20 tariff proposals were encouraging and the new approach has the potential to support the much-needed expansion and enhancement of mental health services.⁴¹ Mental health trust leaders have told us moving away from block contracts, towards an outcomes based commissioning framework, would have a positive impact and most effectively alleviate pressures on services within the next two years.⁴²

However, while many mental health trusts support the principles of the blended payment model, there is concern that the data underpinning existing block contracts is not sophisticated enough to develop into blended payment contracts. Concern has also been raised about an aversion amongst some commissioners to introducing new financial risk into mental health contracts, which may be discouraging moves from block contracts to blended payments. It is also likely that a blended system will not be any more appealing to providers than a block contract if the amount of money available does not increase, and would only add bureaucracy without solving the fundamental issue of underfunding.

NHS Providers voiced concern at the time the 2019/20 tariff consultation was first published about the lack of prior engagement on the detail of the proposals, and that the timescales for implementing such significant changes to mental health contracts were too short.⁴³ Setting a baseline for activity in mental health services will be difficult, potentially time consuming and is likely to require a significant resource commitment, which needs to be recognised. We are also concerned that impact of blended payments for mental health has not been publicly evaluated and yet the approach is being extended to other areas of care.

40 NHS England and NHS Improvement, *Key areas of work for the 2020 national tariff*, November 2019. improvement.nhs.uk/documents/6102/Key_areas_of_work_2020_tariff.pdf?utm_campaign=182307_NHSE%2F%202020%20tariff%20engagement%20document%20feedback&utm_medium=email&utm_source=NHS%20Providers%20%28Policy%20and%20networks%29&dm_i=52PX,3WO3,13C803,DKK1,1

41 NHS Providers, *NHS Providers response to the national tariff payment system 2019-20 statutory consultation*, February 2019. nhsproviders.org/resource-library/submissions/nhs-providers-response-to-the-national-tariff-payment-system-2019-20-statutory-consultation

42 NHS Providers, *Mental health services: addressing the care deficit*, March 2019. nhsproviders.org/mental-health-services-addressing-the-care-deficit

43 NHS Providers, *NHS Providers response to the national tariff payment system 2019-20 statutory consultation*, February 2019. nhsproviders.org/resource-library/submissions/nhs-providers-response-to-the-national-tariff-payment-system-2019-20-statutory-consultation

Restricted capital funding

Mental health trusts also need capital investment. Restricted capital funding is affecting all sectors of the NHS, however capital investment is particularly needed to improve patient safety in mental health trusts.

There is a need to remove fixed ligature points, and mental health trusts would like to invest in the removal of the 350 dormitory wards still used across NHS England. There are no robust estimates on what this may cost. The independent review of the mental health act 2018, called for major capital investment in the NHS mental health estate,⁴⁴ while the Care Quality Commission's *State of care in mental health services 2014-17* report⁴⁵ found that many mental health wards throughout the country are 'unsafe and provide poor quality care' in 'old and unsuitable buildings'.

Yet, NHS mental health providers get less capital funding than might be expected given the sector's proportion of turnover across the whole of the NHS provider sector.⁴⁶ Furthermore, only three mental health trusts (out of 20 trusts) were allocated funding in the first wave – and none were allocated funding in the second wave – of capital investment for trusts announced by the government in September 2019.⁴⁷

The under prioritisation of investment in the mental health estate is having a real impact on patients and that the risks to patient safety from infrastructure failures in mental health trusts are severe:⁴⁸

- the number of reported patient safety incidents caused by infrastructure in 2018/19 was 19,088 compared to 17,693 in 2017/18⁴⁹
- the number of infrastructure incidents in mental health trusts has increased by 28% from 2015/16 to 2018/19, compared to a 16% increase for incidents in all trusts⁵⁰
- there were seven never events reported in mental health trusts in 2018 as a result of a shower/curtain rail failing to collapse and one as a result from a fall from a window.⁵¹

44 *Modernising the Mental Health Act – final report from the independent review*, December 2018.

www.gov.uk/government/publications/modernising-the-mental-health-act-final-report-from-the-independent-review

45 Care Quality Commission, *The state of care in mental health services 2014 to 2017*, July 2018.

www.cqc.org.uk/publications/major-report/state-care-mental-health-services-2014-2017

46 NHS Improvement, *Performance of the NHS provider sector for the year ended 31 March 2019*, 2019.

improvement.nhs.uk/documents/5404/Performance_of_the_NHS_provider_sector_for_the_quarter_4_1819.pdf

47 Department for Health and Social Care, *Health infrastructure plan*, September 2019.

www.gov.uk/government/publications/health-infrastructure-plan

48 NHS Providers, *The end of parity of esteem? Patients face increasing risks as NHS funding announcements neglect mental health*, October 2019.

nhsproviders.org/news-blogs/news/the-end-of-parity-of-esteem-patients-face-increasing-risks-as-nhs-funding-announcements-neglect-mental-health

49 NHS Improvement, *National patient safety incident reports: 25 September 2019*, September 2019.

improvement.nhs.uk/resources/national-patient-safety-incident-reports-25-september-2019

50 NHS Digital, *Estates Returns Information Collection, England, 2017-18*, October 2018.

digital.nhs.uk/data-and-information/publications/statistical/estates-returns-information-collection/summary-page-and-dataset-for-eric-2017-18

51 NHS Improvement, *Provisional publication of Never Events reported as occurring between 1 April 2018 and 31 January 2019*, February 2019.

improvement.nhs.uk/documents/4872/Provisional_publication_-_NE_1_April_to_31_Jan_FINAL.pdf

Several mental health trust leaders have expressed their concerns that lack of capital investment places their patients at increased risk.⁵² Trust leaders highlight in particular:

- a trust's physical environment affects the rehabilitation and recovery of people at an incredibly vulnerable and difficult point in their lives
- people typically stay for longer compared to a typical general hospital admission, so having high quality therapeutic environments is key to recovery
- recognised best practice for mental health care has progressed significantly in recent years, and trusts need capital funding to invest to ensure their built environments keep pace
- without additional investment, it is very difficult for trusts to provide the right facilities without making big savings elsewhere
- greater capital investment in services would not only make a huge difference to patients' recovery, but also improve the morale of staff.

While the government's latest capital announcements mark a real step forwards, the 10% uplift on the NHS capital budget they provide still falls short of what is required to clear the maintenance backlog and invest for the future. We have calculated that the current capital budget for NHS providers of approximately £5bn a year needs to double over the coming years to address the maintenance backlog and meet patient need. This would match current capital spend in comparable countries, ensure safe care and help create the right environment for staff.

We are keen to understand the annual allocations of the additional £3bn investment in the period 2021-25 given the NHS does not have a capital budget set beyond 2020/21, and have stressed the importance that the extra funding translates into a £3bn increase to the current capital departmental expenditure limit baseline over that time. Further details are also needed on the spread of the schemes to be allocated seed funding, across acute, mental health, community and ambulance providers.

⁵² NHS Providers, *The end of parity of esteem? Patients face increasing risks as NHS funding announcements neglect mental health*, October 2019. nhsproviders.org/news-blogs/news/the-end-of-parity-of-esteem-patients-face-increasing-risks-as-nhs-funding-announcements-neglect-mental-health

NHS Providers view – what’s needed

There are a number of priorities and challenges that both mental health trusts and the national bodies will need to consider in order to address the significant, specific challenges facing mental health provision and NHS mental health trusts, and ensure the sector is able to deliver on the ambitions for supporting people’s mental health and wellbeing over the next decade. These include:

- improved and transparent mechanisms that guarantee that mental health funding reaches the frontline services provided by trusts that need it most
- clear expectations around delivering on national investment and initiatives for CCGs, STPs and ICSs to deliver against, which are tightly monitored and enforced
- meeting providers capital investment needs so that urgent improvements can be made to estates
- further progress on data collection and data quality to give a better understanding of mental health activity, access and outcomes that can then enable better commissioning
- greater understanding within STPs, ICSs and systems of the mental health and wellbeing needs of local populations in order to ensure mental health service delivery is prioritised accordingly
- to overcome the demand challenge facing mental health services, and derive full value out of investment committed to the sector, national policy must focus on increased support for both mental health and public health
- less fragmented approaches to commissioning and a reduction in the frequency of retendering
- expansion and roll out of mental health new care models that are adequately funded and resourced.

Your feedback on this briefing and the development of our wider offer is very welcome – to share your learning so far or offer feedback on our approach, please contact ella.fuller@nhsproviders.org

For more information:

www.nhsproviders.org/mental-health-funding-and-investment

Suggested citation:

NHS Providers (January 2020), *Mental health funding and investment: a digest of issues*.