

Parliamentary Briefing: NHS Funding Bill, House of Commons, 2nd Reading Monday 27 January 2020

NHS Providers is the membership organisation for the NHS hospital, mental health, community and ambulance services that treat patients and service users in the NHS. We help those NHS trusts and foundation trusts to deliver high-quality, patient-focused care by enabling them to learn from each other, acting as their public voice and helping shape the system in which they operate.

NHS Providers has all trusts in voluntary membership, collectively accounting for £84bn of annual expenditure and employing more than one million staff.

Overview of the NHS Funding Bill

The Queen's Speech outlined the government's commitment to enshrining in law a multi-year funding settlement for the NHS that will see a £33.9 billion increase in cash terms by 2023-24. The [NHS Funding Bill](#) commits in legislation the current long-term funding settlement outlined in the NHS Long Term Plan (LTP). The bill places a duty on the Secretary of State to ensure the sums paid to NHS England for revenue spending do not fall below the amounts specified in the LTP Funding Settlement¹ for the remaining financial years of that settlement, up to and including the financial year 2023/24.

Key points

- While the additional funding committed by government to deliver the long term plan, is welcome, and much needed, we are concerned that the settlement as it stands will not be sufficient to enable the NHS to deliver the aspirations set out within the plan.
- We need to be realistic and honest about what the funding committed by the government will resource and what standards of delivery the public should expect. Trust leaders remain concerned that regardless of action to enshrine the settlement in legislation, the funding promised by the bill will not be sufficient to meet rising demand for care and to invest in transforming services to deliver the integrated, personalised care for the public envisaged in the LTP.
- Trusts across England remain under considerable strain and can no longer deliver the constitutional standards around access to care including the four hour A&E target, cancer waiting time targets and the

¹ Amounts set out in the initial settlement have been updated once due to inflation assumptions.

six week target for a diagnostic test. The ongoing NHS pensions issue is further contributing to longer waits for patients and putting NHS staff under pressure.

- A number of sectors are not covered by this bill, notably social care, public health, capital investment and education and training.

Key provisions in the NHS Funding Bill

The bill makes two main provisions:

- Places a duty on the Secretary of State to ensure the sums paid to NHS England for revenue spending do not fall below the amounts specified in the LTP Funding Settlement for the remaining financial years of that settlement, up to and including the financial year 2023/24.
- Places a legal duty on the Treasury to ensure that the annual Supply Estimates for the Department of Health and Social Care (DHSC) are consistent with the amounts of NHS England funding for each financial year.

Investment will maintain standards at their current level

While we welcome the government's commitment to the long-term plan funding settlement, it is important to note that this increase equates to a real-terms increase of on average 3.4% per year for five years. This is lower than the than the average increase of 4% across the period between the establishment of the NHS in 1948 and 2010 when the period of 'austerity' began and comes at the end of a prolonged period of efficiency savings. Trust leaders tell us the 3.4% average increase will not be enough to allow the NHS to keep up with the growth in demand and meet existing performance standards and to cover the additional costs of transforming services to deliver the worthy aspirations set out in the long term plan of delivering integrated, personalised care for the public.

The latest monthly figures from NHS England and NHS Improvement show that in December 2019, A&E performance dropped to 79.8% against the four hour standard, down from 81.4% the previous month – the worst figures since records began. The monthly statistics also showed that the elective care waiting list is 4.42 million, and cancer saw all three main standards missed for the fifth time in 2019.

What the funding doesn't cover

The amounts set out in the bill only cover NHS England revenue funding for each year up to and including 2023/24. This funding does not cover other areas which have been impacted by budget cuts in recent years, most notably public health and social care. Underinvestment in these areas has had a tangible and negative impact on the NHS' ability to deliver frontline care and on integration across the wider health and care sector; the care that trusts deliver remains dependent on those services receiving sufficient funding. We continue to be concerned about the lack of investment in education and training budgets, neither of which are covered by the funding outlined in this bill.

Mental Health

While it is positive that mental health services have had a substantial cash injection in recent years, there continues to be concern that funding for the mental health sector is not always making its way to the frontline services that need it most and many mental health services (including for children) face the task of recovering the 'care deficit' from years of under investment.

We welcome additional money for mental health in the long term plan but note that funding for the sector over the next five years will only rise as a share of the NHS budget by 0.5% – from 7.8% in 2018/19 to 8.3% in 2023/24. We believe 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.

Capital investment

This funding settlement does not cover capital investment. In recent years, we have seen repeated raids on the capital budget, with capital being switched to revenue to plug gaps in day to day spending. This has resulted in a maintenance backlog of £6.49 billion in 2018/19, which has meant that leaking roofs and broken boilers, ligature points in mental health facilities and outdated technology cannot be fully addressed. We welcome the additional investment announced by the prime minister since the summer, however unfortunately this does not go nearly far enough to address the shortfall. As part of NHS Providers "Rebuild our NHS" campaign, we are calling for the government to make three core commitments:

- 1 Set a multi-year capital settlement which would allow the NHS to plan for the long term and transform its services and equipment
- 2 Commit to bringing the NHS' capital budget into line with comparable economies², allowing the NHS to pay for essential maintenance work while also investing in long-term transformational capital projects
- 3 Establish an efficient and effective mechanism for prioritising, accessing and spending NHS capital.

Inflation

We welcome commitments in the bill which make clear that the amounts set out for each financial year are a minimum, and that there will be a legal duty to allot a specified amount of money to NHS England each year. However, the amounts set out in the bill are in cash terms. While they are based on a set of inflation assumptions, there is no commitment to preserve the real terms increases currently provided. This

² The long term plan cites OECD data showing how, while the average among EU27 countries is to spend 0.6% of gross domestic product on "fixed capital formation in the health sector", the UK spends 0.3%. OECD data also demonstrates that the NHS's capital budget needs to roughly double to match the average as a proportion of overall spend.

means the NHS budget would not be protected in the event of any unforeseen increase in the rate of inflation. Furthermore, we remain deeply concerned that other parts of health funding (social care, capital, and public health) are no better protected than they have been in previous years as a result of this bill, which risks the capital budget being used to plug under-investment in the revenue budget in future years. Between 2014/15 and 2018/19 the total transferred from capital to revenue was £4.46 billion.

NHS Providers view

The additional funding committed by government to deliver the long term plan, is welcome, and much needed. We also recognise that the bill helpfully commits the government to a minimum revenue settlement over the time period. However NHS Providers remains concerned that given rising demand for care, and workforce pressures, the settlement as it stands will not be sufficient to enable the NHS to deliver the worthy aspirations set out within the plan.

This bill comes at a time when trusts across England remain under considerable strain as they seek to absorb additional demands for care, caused largely by a number of years of financial constraint and over 105,000 vacancies across the NHS workforce³. The mismatch between demand and available resources, which is putting patient care under demonstrable strain, is evident in the fact that trusts and the wider health and care sector can no longer deliver the constitutional standards around access to care including the four hour A&E target, cancer waiting time targets and the six week target for a diagnostic test. Added to these pressures is the ongoing NHS pensions issue, which disincentivises senior clinicians from working additional hours and disincentivises managers from seeking to stay and take promotions within the NHS – both contributing to longer waits for patients and putting NHS staff under strain.

We also need to be mindful about those areas of spend on the NHS and care sector which are not covered by this bill, notably social care, public health, capital investment and education and training.

We need to be realistic and honest about what the funding committed by the government will resource and what standards of delivery the public should expect. Trust leaders remain concerned that regardless of this action to enshrine the settlement in legislation, the funding promised by the bill will not be sufficient to meet rising demand for care and to invest in transforming services to deliver the integrated, personalised care for the public envisaged in the LTP⁴.

³ <https://digital.nhs.uk/data-and-information/publications/statistical/nhs-vacancies-survey/february-2015---september-2019-provisional-experimental-statistics>

⁴ Institute for Fiscal Studies. (2018). NHS funding increases and the public finances. [online] Available at: <https://www.ifs.org.uk/publications/13028>