

Briefing for Rushanara Ali MP

Westminster Hall debate, Adequacy of funding for local authorities during the COVID-19 outbreak

24 November 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 £87bn of annual expenditure and employing more than one million staff.

Key points

- Local authorities are under significant strain following years of budget cuts which have a direct impact on social care, public health and those community services commissioned by local authorities. The COVID-19 pandemic has laid bare the impact of prolonged underinvestment in these interdependent services
- Although short-term funding boosts are necessary for local authorities to stabilise the social care sector over winter, they must be accompanied by steps towards long-term investment in key services provided, or commissioned, by councils and radical reform to place social care on a sustainable footing. Failure to do so will leave more people unnecessarily dependent on NHS care, placing extra demand on already stretched services and leading to poorer outcomes for the most vulnerable in society
- Some community health service providers have reported that local authorities have begun retendering their contracts or making in-year cuts as part of their efforts to balance their books. We understand the legal requirements on local authorities to balance their books, but we do not believe that this is beneficial activity for patients or staff in the middle of a pandemic. We have therefore urged the government to fund local authorities properly such that they are not pushed into such decisions, and to implement a national pause on tendering of NHS community health and public health services during COVID-19

- Cuts to local government funding in recent years have put councils under significant financial pressure. Recent figures from the Local Government Association (LGA) estimate that councils could face a funding gap of £5.3 billion by 2023/24 which could increase to £9.8 billion due to uncertainty around the impact of COVID-19¹.

Retendering of community health services

We have received reports that some local authorities are starting the process of retendering NHS community health contracts amid the COVID-19 pandemic. In some areas this affects relatively small-scale contracts, but in other areas it impacts much more significant contracts and geographies. Trust leaders are concerned that this is just the beginning of a wider trend which will lead to widescale competitive retendering.

We believe that competitive tendering at this time is a distraction and risks demoralising and destabilising a considerable section of the NHS workforce, and destabilising services for patients. Some trusts report that launching the retendering process during such great operational pressures will mean that some providers will be unable to participate or even have to hand back contracts.

The Community Network, supported by NHS Providers and the NHS Confederation, wrote to the Secretaries of State for the Department of Health and Social Care and the Ministry of Housing and Local Government in June² to raise concerns about the impact any retendering could have on community providers and local partners who are working hard to provide aftercare to those who have suffered with COVID-19 as well as restarting non-COVID services, coping with a second wave and preparing for traditional winter pressures. In the letter we called for the government to implement a pause on retendering NHS community services contracts until the end of 2021/22 to allow services and staff the time they need to recover. We are yet to receive a response to the letter.

We understand the financial pressures on local authorities at the current time. However competitive retendering does not reflect the spirit of collaborative working during the COVID-19 response. Some cash-strapped local authorities have found pragmatic ways to avoid retendering community services and destabilising good relationships between the NHS and local authorities.

¹ [Comprehensive Spending Review 2020: LGA Submission, Sept 29 2020](#)

² [Letter from the Community Network, June 2020](#)

The context of local authority finances

Local government finances were in a dire state before the pandemic. The National Audit Office found that government funding for local authorities fell by an estimated 49.1% in real terms from 2010-11 to 2017-18³.

Years of budgets cuts caused local authorities to squeeze public health funding in their efforts to meet their statutory duty to balance their books. Between 2015/16 and 2019/20 the central government public health grant has been reduced by £531 million⁴. This has a direct impact on how much local authorities spend on public health, negatively impacting on their ability to deliver prevention and early intervention services and hampering their ability to address inequalities across the wider determinants of health. In 2017/18, 85% of councils reported reducing their spending on core public health services and like-for-like spending on public health services was 8% lower in 2017/18 compared to in 2013/14⁵.

Recent figures from the Local Government Association (LGA) estimate that councils could face a funding gap of £5.3 billion by 2023/24 which could increase to £9.8 billion due to uncertainty around the impact of COVID-19⁶. Adult social care has been under increasing pressure in recent years, with analysis from the LGA prior to the pandemic estimating that adult social care costs were projected to increase by £1.3 billion each year from 2019/2020 to 2024/25 just to maintain 2019/2020 levels of access⁷.

We believe it is vital that the government also comes forward with a meaningful multi-year settlement for the social care sector; without a long term funding plan it is extremely challenging for local authorities to make improvements and plan for the future, resulting in further instability for the social care sector.

³ National Audit Office, Financial sustainability of local authorities 2018

⁴ LGA, Parliamentary Briefing, May 2019

⁵ The King's Fund, Spending on public health, December 2018

⁶ Comprehensive Spending Review 2020: LGA Submission, Sept 29 2020

⁷ Comprehensive Spending Review 2020: LGA Submission, Sept 29 2020

Examples of local authorities re-tendering contracts

We have spoken to several trust chief executives who have informed us that local authorities are starting the retendering process for their community health service contracts:

- One trust in the south west reported that the local authority has signalled they will retender all the trust's community mental health services.
- Another trust in the south west region confirmed similar signals from a local authority that was looking to retender their sexual health services contract. The trust managed to renegotiate the contract with the local authority instead but is concerned the service will be squeezed once again (even though it already runs a deficit).
- A local authority in the south east has just served a retendering notice to the trust for all its community mental health services.
- One trust in London reported that two boroughs have recently indicated they will put the trust's community health services out to tender.
- Another local authority in London put all its public health services out to tender in June.