

## Budget 2021: representation from NHS Providers

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

- **The NHS is experiencing the most difficult period in its history, following years of rapidly growing demand within a constrained financial envelope.** The 2020 Spending Review was a welcome and positive step towards addressing the challenges trusts are facing, but the Budget must build on this. The health and care system requires immediate support to manage the current wave of the pandemic. It also needs to be positioned to tackle the growing and long-term pressures arising from COVID-19, as well as drive forward transformation of services and outcomes.
- **The government must continue to fulfil its commitment to give the NHS 'whatever it needs' to manage the impact of the pandemic.** The health and care system has reached a tipping point. Urgent action and emergency funding are required to expand capacity to support the timely discharge of patients, sustain essential non-COVID services, and prevent hospitals being overwhelmed. Additional COVID-19 funding must cover Personal Protective Equipment (PPE), NHS Test and Trace, and the vaccination programme, on top of significantly increased demand across acute, mental health, community and ambulance services both now and in the years to come.
- **The government should recognise and reward the vital contribution of NHS staff.** The 2020 Spending Review committed to continuing pay rises for NHS workers and the Budget provides an opportunity to act on this by announcing a meaningful, real terms pay increase for 2021/22. A fully funded long-term workforce plan remains a key priority to help address the impact of workforce issues on the broader health and care agenda.
- **Public health and social care services are still waiting for urgent, long-term investment.** Immediate priorities should include emergency funding now and in 2021/22 to support discharge to assess, enabling people to return home or to another community setting as soon as it is appropriate. Urgent action is also required to rectify years of underinvestment in public health and social care.
- **To deliver maximum value for patients and communities, revenue and capital funding needs to be allocated quickly, fairly and transparently.** The Budget should clarify how previously announced

funding, such as the £3bn NHS recovery package, can be accessed in 2021/22 so that trusts can plan effectively and meet local needs. A return to multi-year settlements is essential as soon as possible. The more uncertainty there is about the future, the harder it becomes to drive long-term improvements in patient outcomes, quality and efficiency.

## Context

The NHS is facing unprecedented challenge as COVID-19 pressures continue to grow. These pressures are expected to persist for an extended period, despite the significant progress already made in delivering the vaccination programme. Even before the pandemic, NHS trusts were grappling with rapidly growing demand, a lack of hospital beds and over 100,000 workforce vacancies. It is clear that COVID-19 will have a longstanding impact on health and care staff, mental health and wellbeing, and health inequalities – as well as placing an economic strain on all public services.

The 2020 Spending Review went some way to addressing these challenges by allocating £20.3bn in 2021/22 to help the NHS cover the costs associated with COVID-19. This included a welcome £3bn to begin tackling the backlog in planned care, improve access to mental health services and ease other COVID-19 related pressures. However, the government recognised that the initial investment would not be enough, saying it would agree further funding for 'operationally necessary direct COVID-19 costs' with the NHS in the New Year.<sup>1</sup>

Looking further ahead, the NHS remains committed to driving longer-term transformation of services and outcomes, in line with the vision set out in the *NHS Long Term Plan* (LTP). This means the immediate focus on COVID-19 must be balanced with thinking about how the NHS can be supported to return to a sustainable financial footing.

## Meeting the ongoing costs of COVID-19

The current pressures on the NHS exceed those of the first wave of the pandemic. In England, at the point of submission, there were:

- 42,898 new COVID-19 cases (first wave peak of 5,107, although we recognise that testing limitations at the time mean the true number is much higher)
- 32,689 COVID-19 inpatients (first wave peak of 18,974)
- 3,307 COVID-19 patients in mechanical ventilation beds (first wave peak of 2,281)

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<sup>1</sup> <https://www.gov.uk/government/publications/spending-review-2020-documents>

The rate of infections, hospital admissions and deaths continue to grow at an alarming rate. Between 6 January and 13 January 2021, the number of COVID-19 inpatients increased by almost 5,000 – equivalent to 10 full hospitals.<sup>2,3</sup>

At the same time, NHS trusts have stepped up to deliver the biggest vaccination programme in the country's history, reaching over two million people in the first month.<sup>4</sup> This is on top of continuing to tackle the backlog in planned care, existing winter pressures and additional sector-specific challenges, all of which still need addressing in their own right and must not slip off the agenda:

- **Mental health services** – despite increased investment in mental health services, prior to COVID-19, mental health trusts were reporting growing demand for inpatient care, leading to out-of-area placements, delayed transfers of care and a substantial care deficit.<sup>5</sup> The specific challenges facing community mental health services, as well as core mental health services for children, young people and people with a learning disability, have been well documented.<sup>6</sup> COVID-19 has put further pressure on the sector, with trusts reporting significant additional demand that is likely to continue for some time.<sup>7,8</sup> The 2020 Spending Review allocated a very welcome extra £500m in 2021/22 to improve access to mental health services. Further detail is needed on how this funding will be targeted and distributed as soon as possible, so it reaches the frontline services that need it most and trusts can plan effectively. Priorities will depend on local circumstances, but they include investing in:

- crisis care, so that people in crisis are still able to access the support they need in a setting that feels safe, and also to help ease pressures on emergency departments
- the workforce, to ensure sufficient staff with the right skills are in place to meet growing and changing demand
- infection prevention and control measures appropriate to the needs of mental health and learning disability settings, which may include additional social distancing and cohorting, placing further pressure on capacity.

We must be realistic that more funding will be required. The needs of mental health services must be adequately prioritised over the longer-term and within a system context.

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<sup>2</sup> <https://coronavirus.data.gov.uk/>

<sup>3</sup> <https://www.england.nhs.uk/statistics/statistical-work-areas/covid-19-hospital-activity/>

<sup>4</sup> [https://coronavirus.data.gov.uk/details/healthcare#card-people\\_who\\_have\\_received\\_vaccinations](https://coronavirus.data.gov.uk/details/healthcare#card-people_who_have_received_vaccinations)

<sup>5</sup> <https://nhsproviders.org/mental-health-services-addressing-the-care-deficit>

<sup>6</sup> <https://nhsproviders.org/mental-health-funding-and-investment>

<sup>7</sup> <https://nhsproviders.org/news-blogs/blogs/we-must-not-lose-our-focus-on-mental-health-at-the-very-moment-its-needed-most>

<sup>8</sup> <https://www.strategyunitwm.nhs.uk/mental-health-surge-model>

- **Community services** – community services have proved critical in ensuring the NHS has not yet been overwhelmed by COVID-19, yet there was no targeted investment announced in the 2020 Spending Review. The need is clear: community services are already supporting 15% more people than they were at the same point last year,<sup>9</sup> driven by long-term care for COVID-19 survivors, catering for more complex discharges, and a backlog of care following the first wave of the pandemic when some acute and community services were delayed. The initial £10m announced for ‘long COVID’ clinics<sup>10</sup> is helpful in supporting the diagnosis and screening of patients, but trust leaders are clear that significantly more funding will be needed in 2021/22 (and beyond) to cover the ongoing cost of treatment. As the health and care system reaches a tipping point, community services are asking the government to take urgent action by:
  - providing emergency funding now and in 2021/22 to support discharge to assess, which is not only better for patients but reduces bed occupancy and delayed discharges (permanent funding should be considered at the next Spending Review)
  - offering appropriate financial incentives to overcome barriers to using residential and nursing home beds in COVID positive designated settings or unused wings – for example, by covering costs such as higher insurance premiums
  - suspending NHS Continuing Healthcare assessments indefinitely.
- **Ambulance services** – during the first wave of the pandemic and against a backdrop of historic underinvestment, ambulance services received additional funding to enable them to increase capacity.<sup>11</sup> It is vital that further funding is allocated to meet current demand. Between 28 December 2020 and 3 January 2021, ambulance arrivals rose by nearly 6% and handover delays for patients arriving by ambulance increased steeply, with 16% of patients delayed by 30 minutes or more and nearly 6% delayed by over an hour.<sup>12</sup> These delays mean other emergency calls cannot be responded to as quickly.

When determining how much money the NHS needs to cover the costs associated with COVID-19, the government must consider the full range of demands faced by trusts. This means funding for PPE, NHS Test and Trace, and the vaccination programme, as well as growing pressures across acute, mental health, community and ambulance services both now and in the years to come. Funding levels should be kept under regular review throughout 2021/22 as the challenges posed by the pandemic evolve and the recovery of non-COVID services continues.

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<sup>9</sup> <https://www.england.nhs.uk/coronavirus/publication/important-operational-priorities-for-winter-and-2021-22/>

<sup>10</sup> <https://www.england.nhs.uk/2020/10/nhs-to-offer-long-covid-help/>

<sup>11</sup> <https://nhsproviders.org/securing-the-right-support-for-ambulance-services>

<sup>12</sup> <https://www.england.nhs.uk/statistics/statistical-work-areas/uec-sitrep/urgent-and-emergency-care-daily-situation-reports-2020-21/>

It is essential that COVID-19 costs are reimbursed on top of the NHS' existing core revenue budget to avoid compromising previous gains in patient outcomes, quality improvement and efficiency, and making it more difficult for the NHS to return to a sustainable financial footing. In time, there needs to be a significant increase in the NHS budget and a clear reprioritisation of the multiple demands on the service arising from the LTP, the government's manifesto commitments and the demands created by the pandemic.

**The government must continue to fulfil its commitment to give the NHS 'whatever it needs' to manage the impact of the pandemic. The NHS' existing core revenue budget should be protected to help support an eventual return to a sustainable financial path.**

### Recognising and reflecting the vital contribution made by NHS staff

Before the pandemic, the impact of working in a high-pressure service with constrained resources was already affecting staff morale, stress, sickness and productivity. By August 2020, following the first wave of the pandemic, an NHS Providers survey found that 99% of trust leaders were extremely or moderately concerned about staff burnout.<sup>13</sup> The pressure on staff has only intensified over recent months as they go above and beyond to provide the best possible treatment, care and support to patients under increasingly difficult circumstances.

Recruiting and retaining staff in sufficient numbers is clearly vital, so it was pleasing to see the 2020 Spending Review take the positive step of allocating an extra £260m to Health Education England in 2021/22. This will create new education and training opportunities, but will not be sufficient to deliver all the government's manifesto commitments, planned investment in Continuing Professional Development and the workforce transformation required by the LTP. A fully funded long-term workforce plan remains a top priority, with trusts needing much greater certainty on staff supply. The impact of workforce issues on the broader health and care agenda must be recognised.

The 2020 Spending Review also made an important commitment to continuing pay rises for NHS workers, despite the challenging economic context. Trust leaders consistently emphasise the need to recognise and reward the efforts of staff throughout the pandemic. The Budget provides an opportunity to act on this, and support efforts to improve retention, by announcing a meaningful, real terms pay increase for NHS staff in 2021/22. It is vital that any pay increase is fully funded by the government. The current five-year settlement for the NHS assumes annual uplifts of around 2%, with NHS England and NHS Improvement indicating that going above this would compromise the delivery of other LTP priorities without additional investment. Furthermore, affordability of pay rises has presented a key financial and operational challenge for trusts as employing organisations in recent

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<sup>13</sup> <https://nhsproviders.org/the-state-of-the-nhs-provider-sector-2020>

years. For example, some community trusts have not received adequate funding to meet the costs of pay increases for their workforce, despite these staff being employed on Agenda for Change contracts. These costs are commonly absorbed by trusts, but the provision of services is often impacted as a result.<sup>14</sup>

Alongside these issues, there is a longstanding need to create an NHS pensions system that works equitably for all staff. While we are confident that the changes to pension tax policy announced in March 2020 have at least mitigated the disincentives for additional work, and personal financial challenges for senior clinicians and managers, some issues remain unresolved. This includes the need to ensure younger, lower paid staff continue to see the benefits of remaining in the NHS pension scheme, while having access to greater flexibilities over high contribution rates and their savings. It remains pertinent that – in recent years – younger, lower paid staff have been leaving the pension scheme at a greater rate than any other group. The government must also clarify for how long it plans to subsidise free NHS staff car parking, ensuring that trusts are financially covered both now and in the future to avoid any resources being taken from frontline services and ultimately impacting on patient care. While these may be perceived as relatively minor considerations in the context of the overall NHS budget, they significantly impact the extent to which staff feel valued and, as such, need to be given due attention.

**The government should recognise and reward the vital contribution of NHS staff throughout the pandemic – and support efforts to retain and expand the workforce – by announcing a meaningful, real terms pay increase in 2021/22. Any pay increase, including associated administrative costs, must be fully funded by the government.**

### Maintaining safety and transforming the NHS estate

There has recently been growing recognition of the need to invest in NHS infrastructure, which has seen the Department of Health and Social Care's capital budget increase from £7.0bn in 2019/20 to £9.4bn in 2021/22. Over the next five years, an additional £5.4bn has been committed to make progress on building 40 new hospitals by 2030 and upgrading a further 70.<sup>15</sup>

There are many demands on the capital budget. The 2020 Spending Review set aside substantial funds for specific purposes, including £325m for new diagnostics equipment and £165m to eradicate mental health dormitory wards. These are important and necessary investments, but there is a risk that there will not be enough left over to cover the growing cost of the capital maintenance backlog. The most recent data from NHS Digital shows that, in 2019/20, the figure stood at £9.0bn – a 40% increase on

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<sup>14</sup> In November and December 2020, NHS Providers ran an online survey of HR directors in NHS trusts and foundation trusts. Data is based on 14 responses specifically from community trusts (out of a total of 43 responses).

<sup>15</sup> <https://www.gov.uk/government/publications/spending-review-2020-documents>

2018/19. The number of clinical service incidents caused by estates and infrastructure failure also rose by 22% to 5,908.<sup>16</sup> After years of underinvestment and capital budgets being diverted into revenue, there are too many providers with inadequate buildings, failing equipment and an inability to adopt new technologies to improve care. COVID-19 has exposed the challenges created by an outdated estate, such as difficulty expanding capacity at pace to adhere with strict infection prevention and control measures. These issues will not be rectified without sustained additional funding.

Looking forwards, there is not yet enough money budgeted to fund the government's full hospital building programme. We welcome the creation of a new delivery board, which should work towards publishing a fully costed plan for completing the project by 2030. This must be part of a much more ambitious building and upgrade programme to replace all outdated buildings currently being used to deliver NHS services across the provider sector. The Health Infrastructure Plan is modest in its ambition when compared with the 1960s hospital plan and the PFI programme of the 2000s.

It is vital that capital funding is fairly distributed. Mental health services have been historically underfunded compared to physical health provision,<sup>17</sup> exemplified by the government's latest investment in new hospitals almost entirely overlooking the needs of mental health trusts. There are also challenges for community trusts, which must balance sufficient investment in beds and equipment with facilities for staff covering considerable geographical areas, and for ambulance trusts, whose estates are often complex. In extreme cases, older stations may be too small to accommodate larger, modern ambulances.

**Recent increases to the NHS' capital budget must continue in future years and be distributed fairly across the provider sector. Underinvestment in capital impacts patient safety, operational performance, efficiency, and the services' ability to transform and modernise care.**

## Delivering digital transformation

An ambitious programme of digital transformation is vital to the future sustainability of health and care services, and to tackle years of underinvestment in the digital capability of the NHS. Following a welcome and significant injection of government funding, the pandemic has been a catalyst for considerable progress against the LTP ambitions for digital transformation. This includes the mainstreaming of virtual outpatient clinics across the country and the requirement for many non-clinical staff to work remotely.

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<sup>16</sup> <https://digital.nhs.uk/data-and-information/publications/statistical/estates-returns-information-collection/england-2019-20>

<sup>17</sup> <https://nhsproviders.org/media/689187/mental-health-services-meeting-the-need-for-capital-investment.pdf>

The future aspirations of the government and national bodies including NHSX are encouraging,<sup>18</sup> but will require sustained revenue and capital investment – beyond the £559m announced in the 2020 Spending Review – to come to fruition. The average trust spends around 2% of its total expenditure on digital, compared to Lord Darzi’s recommendation of 4-5%.<sup>19</sup> For trusts facing in-year financial pressures, it may be difficult to justify funding long-term digital solutions, particularly as the benefits are often indirect (for example, improved clinical outcomes, safety, patient experience or staff satisfaction).

**Sustained revenue and capital investment, beyond the £559m announced in the 2020 Spending Review, is needed to deliver an ambitious programme of digital transformation.**

### Urgent investment in public health and social care services

The challenges across public health and social care services have been well documented. The public health grant, allocated by the government to local authorities, was 22% lower in real terms in 2020/21 compared to 2015/16.<sup>20</sup> COVID-19 has laid bare the impact of underinvestment in public health over the years, yet there was no increase to the grant in the 2020 Spending Review. However, the government committed to setting out ‘further action that it is taking to improve the population’s health in the coming months.’<sup>21</sup> This detail must be provided at the Budget as, without proper investment in the longer-term, health protection, disease control and the ability to tackle longstanding health inequalities will be further compromised.

Social care has experienced similar underinvestment over many years, with the funding gap estimated to range between £2.1bn and £12.2bn by 2023/24.<sup>22</sup> While the 2020 Spending Review provided some additional funding, it will not address all the pressures faced by local authorities this year and next, as they support the NHS and wider public services in managing the pandemic. The need for urgent and emergency investment to support discharge arrangements by expanding social care capacity, including domiciliary care, and removing financial barriers to accessing nursing and residential care beds within COVID-19 designated sites is now pressing. It was deeply disappointing that the government is no further forward in publishing a proposal on long-term reform to social care.

**Emergency funding now and in 2021/22 is required to support discharge to assess. However, short-term funding for public health and social care is not enough. Longer-term investment and reform is**

<sup>18</sup> <https://www.gov.uk/government/publications/the-future-of-healthcare-our-vision-for-digital-data-and-technology-in-health-and-care/the-future-of-healthcare-our-vision-for-digital-data-and-technology-in-health-and-care>

<sup>19</sup> <https://www.ippr.org/files/2018-06/better-health-and-care-for-all-june2018.pdf>

<sup>20</sup> <https://www.kingsfund.org.uk/projects/positions/public-health>

<sup>21</sup> <https://www.gov.uk/government/publications/spending-review-2020-documents>

<sup>22</sup> <https://www.health.org.uk/news-and-comment/charts-and-infographics/REAL-social-care-funding-gap>

needed to place social care on a sustainable footing, and ensure we learn from the experience of the pandemic by properly resourcing public health services and infrastructure.

### Ensuring funding reaches the right place, at the right time

Additional investment will not deliver maximum value for patients and communities unless it is allocated quickly, fairly and transparently. For example, funding to eliminate mental health dormitory wards was announced in June 2020,<sup>23</sup> but the initial list of projects was not confirmed until October 2020.<sup>24</sup> As the money still needs to be spent in-year, the delay makes it harder for mental health trusts to plan effectively and meet local needs.

Trust leaders across all parts of the provider sector are clear that decisions on capital investment should be based on the principle of subsidiarity. It will ultimately be to the detriment of patients if trusts are not free to make decisions about key areas of spend such as backlog maintenance.<sup>25</sup> There may be important lessons to learn from the streamlined capital approval process introduced during the first wave of the pandemic.<sup>26</sup>

With regards to revenue funding, there is still very little clarity on what the £3bn NHS recovery package is expected to achieve nor how it will be distributed. It is vital that trusts have sight of their total 2021/22 budgets as soon as possible, and understand how much has already been ringfenced and how much is discretionary. This will enable them to best meet the needs of the populations they serve.

**Funding must be allocated quickly, fairly and transparently to help NHS trusts plan effectively and meet local needs. The Budget should clarify how previously announced funding, such as the £3bn NHS recovery package, can be accessed in 2021/22.**

### Conclusion

To help the NHS meet the relentless and unprecedented pressures it faces, the Budget needs to build on the 2020 Spending Review by announcing additional COVID-19 funding, a meaningful, real terms pay increase for NHS staff in 2021/22, and proper investment in public health and social care. Funding must be allocated quickly, fairly and transparently to deliver maximum value for patients and communities. In the longer-term, there will need to be a significant increase in the NHS budget and a clear reprioritisation of the multiple demands on the service arising from the LTP, the government's manifesto commitments and the demands created by the pandemic.

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<sup>23</sup> <https://www.gov.uk/government/news/build-build-build-prime-minister-announces-new-deal-for-britain>

<sup>24</sup> <https://www.gov.uk/government/news/over-400-million-pledged-to-remove-dormitories-from-mental-health-facilities>

<sup>25</sup> <https://nhsproviders.org/the-future-nhs-financial-framework>

<sup>26</sup> <https://www.england.nhs.uk/coronavirus/wp-content/uploads/sites/52/2020/04/COVID-19-capital-reimbursement-process-27-04-20.pdf>