on the day BRIEFING NHS Providers

Autumn Budget and Spending Review 2021

Overview

Today the Chancellor, Rishi Sunak delivered an autumn Budget and Spending Review that aims to "begin the work of preparing for a new economy post Covid. The Prime Minister's economy of higher wages, higher skills… rising productivity [and] of strong public services".

A lot of the speech had been briefed in advance, including the announcement of £5.9bn capital funding for the NHS over the next three years to support elective recovery and improve digital technology.

The Chancellor's speech focused on the government's 'levelling up' agenda, providing increased support for early years and education and spending on infrastructure.

Economic overview

The Office for Budget Responsibility's (OBR) economic forecast attributed faster than anticipated growth, and a strong recovery in employment across the country, to the successful vaccination programme and the government's economic plan. The UK economy is expected to grow by 6.5% in 2021 (2.4 percentage points faster than the OBR March prediction), followed by growth of 6.0% and 2.1% in 2022 and 2023, respectively. Unemployment is expected to rise modestly to 5.25% this winter (1.25 percentage points lower than March), which helps the budget deficit to almost halve to £183bn in 2021/22 (£51bn lower than March).

At the same time, the easing of restrictions and the rapid return of economic activity globally has led to a substantial rise in commodity and raw material prices, as demand for inputs has outpaced production. In the UK, supply bottlenecks have been exacerbated by changes in the migration and trading regimes following Brexit. These can be expected to hold back output growth in the coming quarters, while raising prices and putting pressure on wages. The OBR expect consumer prices index (CPI) inflation to rise from 3.1% in September to 4.4% next year and could hit the highest rate seen in the UK for three decades. The government has committed to price stability and the Chancellor has reaffirmed the Bank of England's (BOE's) 2% CPI target at the Budget. The OBR has revised up real GDP as they now expect post-pandemic scarring of potential output to be 2% – rather than the 3%

predicted in March. Less scarring means a larger economy in the medium term with higher tax revenues, lower unemployment, and higher wages.

While public finances are stronger than expected in the OBR's March forecast, borrowing and debt remain at historically high levels. The government has published a draft update to the Charter for Budget Responsibility proposing a new set of fiscal targets to ensure spending plans are consistent with reducing debt from its historically high level. In the OBR central forecast, all four of the new targets are more likely to be met than missed, but by relatively modest margins. Once approved by Parliament, the new fiscal rules will replace those in the existing Charter, in which the near-term targets expired in 2020/21.

The CSR outlines that every department's overall spending will increase in real terms up to 2024/25. Total departmental spending is set to grow in real terms at 3.8% a year on average over this Parliament – a cash increase of £150bn a year by 2024/25 (£90bn in real terms).

Department of Health and Social Care spending

Revenue funding

- The DHSC revenue budget will grow from £147.1bn in 2021/22 to £177.4bn in 2024/25 – an average real terms increase of 4.1% per year.
- Within this, the NHSE/I budget will grow from £136.1bn in 2021/22 to £162.6bn in 2024/25 – an average real terms increase of 3.8% per year.
- These funding increases are supported by the 1.25% Health and Social Care Levy:
    - The OBR forecast shows that the levy is now expected to raise around £13bn per year for spending on health and social care across the UK, compared to the £12bn per year originally forecast when the levy was first announced in September 2021.
    - This includes £8bn over the next three years to tackle the elective backlog, with the aim of delivering around 30% more elective activity by 2024/25 than before the pandemic, after accounting for the impact of an improved care offer through system transformation, and advice and guidance.
- The figures below suggest that the non-ringfenced DHSC revenue budget, which includes money for Health Education England (HEE) and Public Health England (PHE), will increase by approximately £3.8bn between 2021/22 and 2024/25. However, the precise distribution of this funding is unclear:

- The HEE budget is unspecified, with the government only saying that it 'will provide hundreds of millions of pounds in additional funding over the [next three years] to ensure a bigger and better trained NHS workforce.'
- The Public Health Grant will be maintained in real terms from 2022/23 to 2024/25. In addition, the government will continue the £100m investment per year announced at the 2020 spending review to help people achieve and maintain a healthy weight, and will invest an additional £66m by 2024/25 in the Start for Life offer for families.

- £9.6bn will be invested in key COVID-19 programmes and related health spending from 2022/23 to 2024/25. This includes the COVID-19 vaccination programme (principally booster campaigns) and a targeted testing operation including essential surveillance. Further detail will be set out in due course.

	2021/22	2022/23	2023/24	2024/25
DHSC revenue budget (£bn)	147.1	167.9	173.4	177.4
Of which NHSE/I (£bn)	136.1	151.8	157.4	162.6

Capital funding

- The DHSC capital budget will grow from £9.4bn in 2021/22 to £11.2bn in 2024/25 – an average real terms increase of 3.8% per year. The government states that 'the DHSC core capital budget will reach its highest real-terms level since 2010.'
- Within this and as announced earlier in the week, the NHS is set to receive £5.9bn over the next three years to support elective recovery and improve digital technology:
  - £2.3bn for the transformation of diagnostic services, with at least 100 community diagnostic centres across England to permanently increase diagnostic capacity
  - £1.5bn for new surgical hubs, increased bed capacity and equipment
  - £2.1bn for innovative use of digital technology, so hospitals and other care organisations are as connected and efficient as possible
- The government announced a new budget of £150m over the next three years to invest in NHS mental health facilities linked to A&E and to enhance patient safety in mental health units. This builds on the previously announced £300m to complete the programme to replace mental health dormitories with single en-suite rooms.

- The government also reaffirmed its commitment to invest £3.1bn in the New Hospital Programme and £1.1bn in the Hospital Upgrade Programme between 2022/23 and 2024/25 – these funding pots were first announced at the 2020 spending review.

	2021/22	2022/23	2023/24	2024/25
DHSC capital budget (£bn)	9.4	10.6	10.4	11.2
Of which R&D (£bn)	1.4	1.5	1.5	2.0

Health and social care related announcements

Local Government and social care funding

Local government will receive a 3% increase in core funding, as well as £4.8 billion of new grant funding for all services (including adult social care). There was no specific, ringfenced additional funding announced for social care in today's spending review.

In September, the government announced the social care sector will receive £5.4bn over the next 3 years. This will be funded by a ringfenced health and social care levy, based on National Insurance contributions from April 2022.

In today's Budget, the government set out a breakdown of how this previously announced £5.4bn will be spent:

- £3.6 billion will go directly to local government to implement the cap on personal care costs and fund changes to the means test
- £1.7 billion will go towards improving the wider social care system, with at least £500 million of this being allocated to improve qualifications, skills and wellbeing across the adult social care workforce.

The government stated that additional funding will be provided through the local government settlement.

Early years

The government announced it will invest £500m over the next three years to support the first 1,001 days of a child's life. This includes:

- Funding for a network of Family Hubs, Start for Life services, perinatal mental health support, breastfeeding services and parenting programmes.
- Expansion of the Supporting Families programme, providing up to 300,000 families with high quality, multidisciplinary support.
- Trials of innovative workforce models for health visitors will also be funded in a smaller number of council areas to test approaches to improve the support available to new parents.
- £200m per year to continue the holiday activities and food programme, providing healthy food and enriching activities for disadvantaged children in England, delivering the government's Flexible Childcare Fund commitment.
- maintaining the Public Health Grant in real terms
- increasing the hourly rate to be paid to early years providers for the government's free hours offers, building on increases at SR19 and SR20.

Workforce budget

The government has not announced a specific funding rise for the DHSC workforce budget, which sits outside of the NHSE/I ringfence and spending review settlement. It has, however stated that there will be "hundreds of millions of pounds in additional funding over the SR21 period (2021/22-24/25)" in order to continue building the workforce, noting the need to support:

- Training for "some of the biggest undergraduate intakes of medical students and nurses ever"
- The existing manifesto commitment to have 50,000 more nurses working in the system and 50 million more primary care appointments
- A new pipeline of midwives and allied health professionals

This means there is currently no confirmation over the size and nature of the Health Education England budget for 2022/23, or any indication that a multi-year settlement will be forthcoming. The HEE budget – £4.5bn in 2021/22 – has declined by around £1bn in real terms since the arms-length body's first settlement in 203/14.

Other relevant announcements

Welfare

The government announced it will reduce the taper rate in Universal Credit from 63% to 55% and is increasing the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced by £500 a year.

Additionally, the government is increasing the National Living Wage to £9.50 an hour, starting on 1 April 2022. The government is also increasing the National Minimum Wages, meaning young people and apprentices will also see pay increases.

Public sector pay

The public sector pay freeze will be lifted and there will be a return to the independent pay setting process. Public sector workers will see pay rises over the next three years as the recovery in the economy and labour market allows a return to a normal pay setting process. The government will be seeking recommendations from Pay Review Bodies where applicable. The government has said that public sector pay growth over the next three years should retain broad parity with the private sector and continue to be affordable.

Apprenticeships

Apprenticeship funding will increase by £2.7bn by 2024-25. As part of this, the government is continuing to meet 95% of the apprenticeship training cost for employers who do not pay the Apprenticeship Levy.

In addition, the government is extending the £3,000 apprentice hiring incentive for employers until 31 January 2022 and investing approximately £10m a year over the Spending Review period in the Sector Based Work Academy Programme.

Business rates

The government will introduce a new temporary business rates relief for eligible retail, hospitality and leisure properties for 2022/23. Eligible properties will receive 50% relief, up to a £110,000 per business cap.

Pensions

The government is legislating to temporarily suspend the earnings element of the 'Triple Lock' used to uprate the State Pension and Pension Credit. Instead, for 2022-23 the new and basic State Pension, Pension Credit and survivors' benefits in industrial death benefit will increase by the higher of CPI or 2.5%, protecting pensioners from higher costs of living and protecting taxpayers from the significant additional fiscal pressure created by the statistical anomaly.

Press statement

NHS Providers press statement setting out our response to the spending round is below and also available on our website.

Extra funding for NHS welcome but missed opportunity to fix workforce challenges

"Responding to announcements made by the chancellor in the multi-year spending review and Budget today, the deputy chief executive of NHS Providers, Saffron Cordery said:

"NHS trust leaders will welcome the confirmed extra £5.9 billion capital spending on NHS buildings, equipment and digital technology over the next three years. NHS Providers has campaigned hard for a multi-year increase in these budgets and we are pleased our campaign has borne fruit.

"However there are still significant questions on whether the NHS will be able to meet the government's manifesto pledge to upgrade 70 hospitals and build 40 new ones given the lack of clear, long term, funding commitments beyond 2024/25. And we await confirmation of the money that will be available to providers to tackle the £9.2 billion maintenance backlog that has built up.

"Trust leaders will be disappointed and frustrated that there is no confirmed multi-year, increase in Health Education England's NHS education and training budget. Workforce shortages and the resulting unsustainable workload on existing NHS staff are currently the health service's biggest problem. They can only be tackled with a robust long term workforce plan and increased longer term investment in workforce expansion, education and training, none of which are currently in place.

"NHS leaders know that NHS services and local government care and public health services are totally interdependent – they cannot succeed without each other. Trust leaders will therefore be concerned about the impact of the long term financial squeeze on both these areas, and local government funding more generally. While additional resources for councils announced today are welcome, the lack of specific social care investment means there is still a long way to go to create the sustainable social care system we all need.

"NHS leaders recognise and welcome the significant extra revenue and capital funding the government has now provided to the service. They are deeply committed to delivering better care and improving health outcomes for this new investment.

"But they are also clear that the NHS faces an enormous challenge to maintain quality of care given the longest and deepest financial squeeze in NHS history between 2010 and 2019, the NHS' resulting inability to grow its capacity to meet growing demand, persistent workforce shortages and the fragility of social care. These long-standing fault lines have been significantly exacerbated by the impact of COVID-19 and they cannot be addressed overnight".

Useful links

The full text of the Chancellor's speech
The full Budget document
OBR figures