Spring Budget 2023: submission 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 foundation trusts and 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 £104bn of annual expenditure and employing more than one million staff.

Key points

- **The additional funding announced in the Autumn Statement was a welcome mitigation against inflation which had created a large hole in the national health budget.** In the context of rising demand and care backlogs, the NHS could not have absorbed the costs of inflation without cuts to frontline services. However, the government must recognise the need to protect the core NHS budget from pay inflation pressures in 2023/24.
- **The government must fully fund the long-term workforce plan announced in the Autumn Statement over the remainder of the spending review period**. NHS Providers welcomed government's support for a long-term workforce plan. To realise the benefits of that commitment, government must now commit to matching workforce projections with adequate funding over future spending review cycles.
- **The government must commit to fully funding any pay award uplift for 2023/24 above the 2.1% assumption already accounted for within the current NHS budget.** It is important that government understands the potential impact on patient care should additional funding for a pay uplift be found from within existing budgets. In this event, the NHS could be forced to make cuts to frontline services and reduce planned investment in primary care, mental health and cancer services. Trust leaders would also welcome clarity about the funding arrangements for NHS staff, on NHS terms and conditions, who are working in services which are commissioned by local authorities.
- **Trust leaders would like to see the government being proactive in negotiations with trade unions regarding industrial action and come to an agreed settlement.** Trust leaders want to avoid a prolonged period of industrial action to avoid further pressures on patient care, elective recovery or efforts to reduce wider care backlogs. They also understand the concerns of staff amidst the

cost-of-living crisis. The government must do all it can to ensure that the costs of resolving industrial action regarding 22/23 pay awards are fully met and do not lead to cuts in health or NHS budgets.

- **The government must reaffirm its commitment to capital investment across the health service and ensure capital budgets are not raided to top up day-to-day spending.** Capital investment is the vehicle upon which the recovery, transformation and modernisation of the NHS depends. It is crucial that sufficient strategic capital investment remains available to providers alongside funds to tackle a growing maintenance backlog.
- **Trusts currently part of the New Hospital Programme require urgent clarity about the programme's scope, funding and schedule.** The programme must be accelerated to enable more trusts to begin construction. Government must provide funding to speed up the removal of reinforced autoclaved aerated concrete (RAAC) from the NHS estate as a matter of urgency.
- **While trusts welcomed the recently announced £200m package to assist with discharging patients out of hospital and into community and social care settings, they are concerned that this 'crisis' support does not offer sustainable solutions.** Relieving pressure on the urgent and emergency care pathway and on hospital admissions requires holistic investment across health and social care. As well as improving discharge pathways, it is important to invest in support to help keep people well within the community. The government must deliver on the much-anticipated reform of the social care system and, ahead of the next spending review, begin to develop and provide a long-term, multi-year settlement to ensure delivery of its key priorities
- **Improving the health and wellbeing of our population should be a critical pillar in the government's pursuit of economic growth.** As government plans for future fiscal events, we would encourage decision makers to ensure a holistic approach to public spending (across housing, benefits and other social support), to improve the population's health and economic productivity. In addition, NHS trusts also act as an anchor institution for many local communities, driving economic growth and spreading prosperity across the country. NHS spending has a positive impact on economic outcomes and levelling up regional growth with research showing that every £1 spent on healthcare returns £4 in increased productivity and employment. A healthy society drives economic growth making the NHS an investable proposition. The government must not lose sight of this as part of its plan for prosperity, and the need for partnership between the NHS, communities, research, and the life sciences industry.

Context

The NHS remains under considerable pressure as the service continues to recover from the Covid-19 pandemic and deal with unprecedented levels of demand. The forthcoming Budget is set against the backdrop of what is most likely to be the most sustained period of industrial action in the history of the NHS. Major operational pressures have hampered the ability of many trusts to significantly exceed pre-pandemic levels of activity.

The additional funding of £6.6bn over the next two years announced in the 2022 Autumn Statement will go some way to mitigate inflationary pressures and improve performance across elective activity, urgent and emergency care, and primary care. Trust leaders recognise they are expected to improve productivity levels, deliver efficiency savings, and work collaboratively across systems to drive activity back to pre-pandemic levels and bring down waiting lists. The OBR forecasts that inflation will begin to fall over 2023/24, however, it will continue to bear significant pressure on the NHS core budget over the remainder of the SR period.

Ensuring the NHS has a workforce with the right numbers and skills mix to meet the demands of the future

As we continue to recover from the lasting effects of the pandemic, staff have redoubled their efforts to tackle care backlogs in all services including for mental health and community services. Over the last 12 months, we have seen demand continually outstrip capacity, with pressures normally only associated with winter now seen all-year round. Staff are bearing the brunt of this pressure and are increasingly working harder and longer to keep the health service running. In our recent 'State of the Provider Sector' survey, 93% of trust leaders said that they were concerned about staff burnout, with 80% concerned about staff morale, and 77% of trust leaders expressed concern about having the right number, quality and mix of staff to deliver high quality care. The government must ensure the NHS has the workforce it needs to meet future demand.

Trust leaders welcomed the government's commitment in the Autumn Statement to publish a comprehensive, independently verified long-term workforce plan. Many organisations in the health sector have been calling for this for a number of years. Vacancies across the NHS continue to spiral upwards – now totalling over 133,000 – and the pressure on an overstretched workforce continues to mount. While the long-term workforce plan will help enable the recruitment of staff the NHS needs, the government must also put in place measures to improve staff retention given the impact of operational pressures and burnout.

The government must fully fund the long-term workforce plan announced in the Autumn Statement over the remainder of the spending review period. The government should also commit to matching workforce projections with adequate funding over future spending review cycles. Funding should be ringfenced in line with the projections earmarked for workforce recruitment over the short, medium and long-term.

Fully funding any pay uplift for 23/24 recommended by the pay review body

The 22/23 pay award was not fully funded by government. Additional funding had to be identified from within nationally held NHS budgets to top-up frontline system allocations. This meant longer term transformational projects via the service development fund were cut. For example, digital transformation programmes will now be rolled out at a slower pace than initially set out in the NHS long-term plan. As the 22/23 pay uplift is a recurrent cost then this shortfall will also have to be met by the NHS each year unless the government allocates additional funding.

Trust leaders are clear that staff must be offered a meaningful pay increase in 23/24. From our recent pay survey, the majority of respondents felt that all staff should be offered an uplift above 5%. Over a third of respondents supported an uplift of between 6-9% for staff, while almost a fifth of respondents supported an uplift of 10% or more. All of these figures are significantly higher than the planning assumption of a 2.1% pay award in 2023/24.

Providers remain concerned that national (and potentially system) funding shortfalls may be generated if a pay uplift exceeding the 2.1% nominal planning assumption is awarded without the provision of additional funding from government. It is important that government understands the potential impact on patient care should funding for any pay uplift have to be found within existing NHS budgets. Should this arise, the NHS could be forced to make cuts to frontline services and reduce planned investment in primary care, mental health and cancer services. For example, a £1bn reduction in funding could mean that 700,000 fewer planned operations and procedures can take place.

Following the pay review body's decision, the government must commit to fully funding any pay award uplift for 23/24 above the 2.1% assumption already accounted for within the current NHS budget.

In addition, trust leaders particularly in the community sector, would welcome clarity about the funding arrangements for NHS staff, on NHS terms and conditions, who are working in services which are commissioned by local authorities. With local authority budgets also stretched, if the costs of meeting the nationally agreed NHS pay rise are not met centrally, providers will have to absorb the pay rise for these staff within their own budgets, which are already stretched. This will affect the quality of service delivery and cause the scaling back of essential preventative and public health services to meet increased costs.

Avoiding prolonged industrial action by negotiating a settlement with trade unions on the 22/23 pay award

The Budget in March will be set against the backdrop of the most widespread industrial action in the NHS' history occurring over the most operationally challenging winter since its inception. With a further union balloting for industrial action in the coming weeks it is highly likely strike action will continue to escalate, unless a resolution is found.

The impact of industrial action on the NHS' ability to deliver services is profound. Despite meticulous planning, trust leaders reported significant disruption to patient care with examples of approximately 40-60% of elective activity affected and A&E departments coming under severe pressure. Community and mental health services have also faced widespread disruption. Between 15 December 2022 and 26 January 2023, over 21,000 community, mental health and learning disability appointments have been rescheduled due to industrial action.

Leaders across the NHS understand the reasons why staff have decided to go on strike: sub-inflation pay awards, the cost-of-living crisis, severe workforce shortages, and the levels of burnout ensuing from seeking to meet unprecedented levels of demand following the experience of working through a global pandemic. The fact that industrial action is adding to pressures on services during the toughest winter the NHS has ever experienced means a swift resolution to the dispute over pay must be a priority for this government.

The government must do all it can to avoid a prolonged period of industrial action by negotiating with trade unions to come to a fair settlement on pay for the current financial year.

Protecting capital spending budgets

After years of underinvestment and a trend of capital funding being diverted into revenue, trusts welcomed the multi-year capital budget set at the October 2021 Spending Review (SR). This investment has the potential to increase productivity and improve performance across the acute sector and improve the value of capital per staff member. Investment in medical technologies and enhanced diagnostic capacity is vital to improve the productivity of the acute sector. However, inflation continues to erode departmental capital settlements for SR21.

Capital budgets must not be raided to fund additional revenue pressures over the period of this spending review. As the government plans for future fiscal events, the government must not lose sight of the need for vital investment in maintenance renewal across the NHS estate: and the risk to safety and patient care arising from deteriorating infrastructure and estates. At the same time, it is important that a greater proportion of capital investment is spent on new assets to generate substantive and recurrent productivity improvements.

Trusts currently part of the New Hospital Programme require urgent clarity about the programme's scope, funding and schedule. Trusts have identified the financial cost of delays given inflationary pressures across the construction sector and material inputs. The programme must be accelerated to enable more trusts to being construction.

Additionally, the government must provide funding to speed up the removal of reinforced autoclaved aerated concrete (RAAC) from the NHS estate as a matter of urgency to protect staff and patient safety.

Delivering sustainable long-term investment and reform of the social care system

We welcome the government's recent announcement of the £200m national discharge fund designed to increase capacity in post-discharge care. However, we are concerned that the 'crisis' fund is only available until 31 March 2023 and does not offer sustainable solutions. Relieving pressure on the urgent and emergency care pathway and on hospital admissions requires holistic investment across health and social care. As well as improving discharge pathways, it is important to invest in support to help keep people well within the community so that, if at all possible, they avoid reaching crisis point where they require hospital care. Although the £200m fund was much needed to ease immediate pressures, it is a short lived 'sticking plaster' both in terms of the quantum of funding and the time period in which it can be spent – and in terms of policy approach.

The government must work with the health and care sector to invest more holistically in prevention, in primary care, in intermediate care and rehabilitation, including considering the role that primary care, community services and mental health services can all contribute to keeping people supported at home, and on discharge from hospital. The recently published urgent and emergency care recovery plan, which takes a more holistic view of pathways, offers a promising vehicle for change in this regard.

Trust leaders also want to see government deliver on the much-anticipated reform of the social care system and, ahead of the next spending review, begin to develop and provide a long-term, multi-year settlement to ensure delivery of its key priorities.

In our 2022 'State of the Provider Sector' survey, 94% of trust leaders stated that they were very worried or worried about investment in social care in their local area, with social care capacity being one of the biggest challenges facing integrated care systems across the country. Years of chronic underinvestment in social care has continued to have severe knock-on effects for the NHS, as significant numbers of medically fit to discharge patients are being kept in hospital longer than is necessary which is often a poorer outcome for the individual patient and far more costly than the right support within the community.

The government must deliver on the much-anticipated reform of the social care system and provide a long-term, multi-year settlement to place social care on a sustainable footing.

The contribution of the NHS to other key government priorities

As an anchor institution, trusts play a pivotal role in communities across the country. Trusts play a key role in creating economic and social value for their communities, as a major employer, a provider of key services and often as a supporter of local businesses and voluntary sector organisations. Recent research shows that every £1 spent on healthcare will deliver a further £4 back in increased productivity and employment. Investment across the life sciences also plays a key role in driving UK economic growth.

With the right funding and support, the NHS can help people back into work and improve the health of the UK labour market. As the government identified in the Autumn Statement, there is an increased need to encourage millions of people back into work. Approximately 20% of people aged 50-65 are currently out of work and waiting for NHS treatment. As the IPPR highlights, there are significant numbers of people with long-term health conditions who are economically inactive but would like to return to the labour market.

As government plans for future fiscal events, it should take a holistic approach to public spending and ensure there is sufficient funding across all public services to improve the population's health and economic productivity. Trust leaders overwhelmingly support a shift towards allocating more funding that prevents ill health, rather than the treatment of ill health.

The Health Foundation reports that the public health grant – allocated by government to local authorities each year - has been extensively cut by 24% since 2015/16. If the government is serious about improving population health and tackling health inequalities, then it cannot continue to underinvest in the public health grant. Funnelling more investment into public health will prove to be both cost effective and deliver value for the taxpayer over a longer period of time.

In addition, pressures on public services more broadly (including housing, education, employment and energy benefits) all impact very directly on the NHS – particularly those NHS services which offer 24/7 support and are available for the public in times of crisis. We understand that the pressures on public finance are very real and that government continues to face tough choices, but we would encourage decision makers to think holistically about the central contribution the NHS plays in our country economically and socially, and the direct impact on NHS services of cuts to other forms of support.