What the NHS needs from the Spending Review: a guide for parliamentarians

This guide sets out for parliamentarians the key messages outlined in our representation to the 2015 Spending Review, based on detailed analysis and engagement with our members and networks.

The NHS Confederation represents almost 500 NHS organisations that commission and provide NHS services, including hospitals, community and mental health providers, ambulance trusts and independent sector organisations providing NHS care. It is the only membership body to bring together and speak on behalf of the whole NHS.

NHS Clinical Commissioners (NHSCC) is the independent membership organisation of clinical commissioning groups. NHSCC provides CCGs with a strong collective voice and represents them in the national debate on the future of healthcare in England.

What are the challenges facing the health service?

The NHS is at a cliff edge. Funding remained flat during the last parliament, with demand growing on average at 4 per cent per year due to an ageing, growing population and a rise in long-term conditions. There is a deficit across the provider sector of more than £800 million in 2014/15. Deficits are expected to grow further this year. Pressures are also emerging in commissioning, with a significant overspend in the commissioning of specialised services. CCGs’ budgets are under considerable pressure as they face the same financial challenges as the rest of the NHS.

The NHS has shown commitment to doing more with less, achieving near to £19 billion worth of efficiency savings during the last parliament, but the resounding view from our members is that further savings can only be realised by transforming the way that the health service provides care.

The forthcoming Spending Review offers an opportunity to provide health and care services with the right environment to make these fundamental changes. These changes are not just about making best use of the health service’s resources – they are about ensuring we have an NHS which meets the needs of people in the 21st century, needs which have fundamentally changed since the NHS was created. One key aspect will be to enable clinically led local commissioners to put upfront investment into community-based care, progress on localism and drive efficiencies. This guide sets out the levers we feel are required to make the necessary changes.

Our proposals at a glance:

1. Extra funding provided early in the parliament, with budgets spanning more than one year
2. The social care funding gap has to be addressed by 2020/21, and clarity is required on the support available to those who are able to fund their own care
3. The planned £200 million cuts to the public health budget must be reversed
4. Confirmation that health-related funding outside of NHS England’s budget will also be protected
5. An increase in the transformation fund from £200 million to at least £1 billion
6. Reaffirm the increase in mental health funding
7. Flexibility in the 1 per cent pay rise cap
Current plans

The Five Year Forward View (5YFV), published by NHS England and the other national health sector bodies in October 2014, sets out a compelling vision of the new models of care needed to deliver a better and sustainable NHS by 2020/21. The plan is widely supported across the health sector; it is ambitious, and our members are determined to realise it.

The government has promised an extra £8 billion of funding to the NHS over the course of this parliament. We realise that this extra funding is a huge commitment at a time when other departments are facing budget cuts. Given the pressures on the NHS, this will nonetheless be a tough settlement for the NHS, who will have to realise a further £22 billion in savings in the next five years in order to achieve the 5YFV. The extra £8 billion is a real terms increase in spending, but it reflects only population growth, not other cost pressures relating to ageing demographics and rising long-term conditions. We need to ensure that this extra funding is targeted in the most effective way, so that the NHS does not miss the opportunity to transform patient care.

Our proposals

1. Extra funding provided early in the parliament, with budgets spanning more than one year.

We do not currently know when in the next five years the extra funding will be released. The sector needs certainty and stability in funding to allow local systems to plan how to make savings.

At least £4.1 billion of the additional spending needs to reach the NHS budget by 2017/18. Multi-year budgets would also provide stability and allow space for effective planning.

2. The social care funding gap has to be addressed by 2020/21, and clarity is required on the support available to those who are able to fund their own care.

In the last parliament spending on adult social care was reduced by £4.6 billion, with around 400,000 fewer people accessing local authority care. These are people who will have their needs unmet until they reach a crisis point, when they will turn to the NHS for support. In our recent survey, 99 per cent of NHS leaders said social care cuts are increasing the pressures on the NHS. Demand on social care will only rise. Estimates from the Association of Directors of Adult Social Services (ADASS) estimate the extra cost pressure at £4.3 billion a year by 2020/21.

“The forthcoming Spending Review offers an opportunity to provide health and care services with the right environment to make fundamental changes.”
The planned £200 million cuts to the public health budget must be reversed.

We need to get serious about prevention – 70 per cent of the NHS budget is spent on long-term conditions that could be prevented or managed more effectively, such as diabetes. The planned £200 million cuts to the public health budget will make reducing demand on the NHS even more difficult to achieve.

Confirmation that health-related funding outside of NHS England’s budget will also be protected.

NHS England’s budget of around £100 billion is supported by other budgets such as funding for capital investment, public health, clinical training and money for the running costs of the whole system.

These resources play an important role in delivering the 5YFV – cutting them to fund the £8 billion commitment would endanger efforts to transform care and make significant savings.

An increase in the transformation fund from £200 million to at least £1 billion.

A consistent barrier to transformation has been the funding needed to realise the change in services, which is too often tied up in sustaining current ways of working. A transformation fund was established by HM Treasury in 2015/16, with £200 million to implement the 5YFV, and this is already helping to fund impressive plans to transform care, delivered by ‘vanguards’ that have been implemented at a remarkable pace.

However, many local systems are finding it hard to direct funds away from business as usual, and need the extra funding to assist with the transformations. This 5YFV transformation fund needs to be increased and confirmed for the whole of this parliament – this should be taken from the additional £8 billion.

Reaffirm the increase in mental health funding.

It is estimated that funding for mental health services fell by 8.25 per cent in real terms over the last parliament. The 2015 Budget looked to address this imbalance with a £1.25 billion commitment over five years for children’s mental health services, yet current reports suggest the Department of Health will fall short of the funding commitment this year by £107 million.

The effect of poor mental health on physical illnesses is estimated to cost the NHS at least £8 billion a year. Ensuring that the promised funding is provided will help deliver the political commitment to ensure mental health is taken as seriously as physical health.

Flexibility in the 1 per cent pay rise cap.

The Chancellor of the Exchequer has confirmed that public sector pay restraint will continue in this parliament, with staff to receive a maximum of 1 per cent rise in pay. While this will contain the cost pressure from pay award increases, it creates further challenges with staff retention and the control of costs linked to agency spending. In three years, the annual bill for agency staff rose from £1.8 billion to £3.3 billion. We need to be providing staff with the right incentives to stay with the NHS.

We call for some limited pay flexibilities, outside the 1 per cent cap. This would allow flexibility around higher pay settlements in return for long-term savings delivered as part of transforming the current pay system and terms and conditions frameworks.

“The planned £200 million cuts to the public health budget will make reducing demand on the NHS even more difficult to achieve.”
Conclusion: key areas where you can support the NHS

The Spending Review offers us a crucial opportunity to agree a financial settlement that supports a high-quality, sustainable health and care system for generations to come. It’s vital that parliament debates the issues we have raised.

Cross-party consensus around the funding settlement for the NHS will be extremely important in supporting health and care services to meet the challenges we face. We need an honest conversation with the public about long-term funding for the health and care sector and the implications for the care they receive, now and in the future. Parliamentarians will have a key role in facilitating this.

How the NHS Confederation and NHS Clinical Commissioners can help you

Please get in touch if you want further details on any of the issues raised in this guide or would like to discuss the challenges facing the NHS. We can provide briefings ahead of parliamentary debates on the key issues affecting the NHS and can put you in touch with local NHS organisations, both providers and commissioners of care.

The NHS Confederation submission sets out the “whole system” view of how the spending review can create the right basis for transforming care. To read the full submission to the 2015 Spending Review, please visit www.nhsconfed.org/spendingreview. For more information from the NHS Confederation, please contact David Thomas, head of public affairs, at david.thomas@nhsconfed.org. You can visit the website at www.nhsconfed.org or follow on Twitter at @nhsconfed

NHSCC’s submission to the spending review outlines what has so far been achieved by CCGs. The submission sets out the impact CCGs are having on health and care in their local areas, including expanding their role into primary care, public health and social care. CCGs’ focus is increasingly on delivering value for money, forming local partnerships to improve health and investing in new models of care. The NHSCC submission describes how the 2015 Spending Review could best enable CCGs to further improve care and deliver better value for money. To read NHSCC’s full submission, please visit www.nhscc.org/latest-news/2015-spending-review

For NHSCC, please contact Emily Teller at e.teller@nhscc.org. You can visit the website at www.nhscc.org or follow on Twitter at @nhsccpress

References

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