NHS Confederation

Autumn Budget representation 2024

September 2024

Key points

1. The Government has inherited a difficult set of economic circumstances as well as a health system undermined by 15 years of below historical levels of funding growth. The result, among other things, are record waiting lists and people out of work. At the same time Integrated Care Systems' collective in-year deficit for 2024/25 is currently predicted to be £2.2bn. This could rise depending on the potential costs of GP collective action.

2. While health leaders are cognisant of the country's fiscal situation, we must be clear that these deficits represent the gap between what NHS organisations are asked to do in this year's NHS planning guidance and what they have been funded to deliver.

3. Without further targeted funding to cope with winter, NHS leaders will need to cut funding for programmes designed to reduce cost and poor health in the longer term, such as preventative programmes or ones that reduce health inequalities. The National Audit Office recently concurred, saying that ICS ability to meet their long-term plans to transform services and prevent more illness is being hindered by short-term funding constraints.

4. The Government should begin planning to use next Spring's Spending Review as the opportunity to put the NHS back on a sustainable funding pattern, increasing the NHS' annual real-terms revenue funding to at least 4% as set out by the Health Foundation. This needs to be accompanied by a commitment to at least a £6.4 billion annual capital funding increase so that NHS organisations can stand a chance of meeting the Long-Term Workforce Plan's 2% annual efficiency target.

Priorities for NHS leaders

An immediate need for funding before winter

5. There are safety risks as we head into winter owing to the current financial situation. Recognising the patient safety risk across parts of the NHS as we move towards winter, **the government should implement a fund to ensure the NHS can manage severe patient safety risk over winter and help avoid drastic regression on productivity between now and such a time as the necessary investment is possible.** The longer it takes to provide this extra funding to the NHS, the less impact it will have for patients this winter.

6. NHS leaders will use this money to, among other things, improve the flow of patients through our hospitals, vital to ensuring as many people as possible are seen this winter. As part of this process, the money will also be used to procure social care packages that keep older people safe and avoid them needing to come to hospital. Focus will be applied to measures that reduce the length of stay (LOS) for older people. As LOS increases, then they decondition and become weaker.

7. Without this extra funding, it will be extremely difficult for the NHS to meet responsibilities set out in the 2024/25 planning guidance, and there will be substantial risks to delivering safe care this winter. Failure to account for the unfunded aspect of the pay rise will mean the NHS will yet again cut many of the programmes that the country needs to reduce demand long term, such as in preventative care to address health inequalities.

Medium term revenue outlook: investing in the nation's health

8. The government rightly recognises with its pledge to 'get the NHS back on its feet' that the sector needs an immediate stabilisation plan following 14 years of historically low funding settlements. The previous government promised a "flat" revenue settlement in this year's Spring Budget, which, as Institute for Fiscal Studies' analysis shows, means real-terms spending on the NHS has now risen less quickly than was pledged at the last general election and Spending Review.

9. NHS England's latest figures show Integrated Care System deficits total £2.2bn this year. That is the gap between what is available and what systems are being asked to deliver this year, before the additional costs of or pay awards are factored in.[1] This places health leaders in the unenviable position that they must make trade-offs and reduce spend in areas that will reduce spend longer term, such as reducing inequalities, but that inevitably must be cut to meet short term targets and spending restraint.

10. Looking ahead to Spring's Spending Review, existing government commitments to 2028/29 are estimated by independent think tanks to amount to real-terms increases of 1.1 per cent – spend per head frozen when adjusted for an ageing and growing population. This makes the next few years a tighter period of funding than during austerity and comes alongside an annual efficiency target of 2.2 per cent, well above the long-term average of what has been able to achieve of 0.9 per cent. In our recent survey, some health leaders reported having to take "drastic measures" to balance the books, including reducing clinical staff.
11. NHS deficits are not new nor a fleeting in-year concern. As ICSs attempt to meet obligations and transform the NHS in the face of tight financial and efficiency targets, they accumulate debt. The total owed has risen to more than £4 billion and the mandate to repay deficits now seems unrealistic. Although our members robustly aim to uphold the prudent management of public money, the fact that so many parts of the NHS are predicting financial deficits suggests that financial distress is not down to individual financial mismanagement but rather systemic issues and the current NHS delivery model.

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[1] At the same time last year, NHS England figures predicted a £0.7bn ICS deficit, which doubled to £1.4bn by year end. Estimates of planned industrial action by GPs are in the region of £500m. We have not included this as the action has not yet happened, but the Government will also need to consider this should it happen.

12. To break the cycle of continual deficits in the health service and incentivising short-term cuts which harm longer-term ambitions, we recommend that the government, at their next Spending Review (SR), **increase the NHS revenue funding to *at least* 4% as set out by the Health Foundation**. This will also enable the significant changes to NHS services, including supporting the shift of care away from hospitals to better meet future health needs, improvements in NHS productivity and making inroads into the backlog of routine hospital care.
13. NHS leaders appreciate that the government has inherited a difficult set of economic circumstances. However, there remains scope within the Government's new investment rules to invest in the NHS, and investment now will play a big role in bringing down the waiting list this Parliament. The Office for Budget responsibility has recently described the relative flexibility the government has to do this.

14. This is because poor health costs the economy. Since 2020 there has been an increase of 900,000 in the number of economically inactive people of working age, 85 per cent of whom left work due to ill-health since 2020. Our new analysis with Boston Consulting Group found reintegrating half to three-quarters of these people could deliver a £109-177 billion boost to the UK's GDP (2-3 per cent in 2029) and unlock £35-57 billion in fiscal revenue over the next five years.

15. Women make up a disproportionate amount of those out of work and economically inactive due to long-term conditions, a trend that has been consistent since 2014. While sickness absence rates have been on the rise for both women and men since 2020, they are 1 percentage point higher in women than in men. [2]

16. Therefore, investing in the NHS can enable growth by tackling both getting people back into work and address your commitment to halve the gap in healthy life expectancy (HLE) which currently stands at 20 years between the richest and poorest. Beyond decreasing NHS and social care costs, recent research shows a one-year increase in HLE in the UK's working population could generate an annual boost of £60 billion in aggregate lifetime earnings.

17. The NHS, as a major employer, could offer more training and in-work progression opportunities for people facing barriers to employment or in work progression. Targeting a proportion of the £2.4bn for the long-term workforce plan in parts of the country where it could make a significant difference to the health and economic outlook of the community will enable employers to work with education and local authorities to facilitate more opportunities to attract people into work in the sector and help existing staff progress into higher skilled, and higher paid, roles.

Boosting productivity through capital investment to modernise the NHS

18. The government's vision for a new way of doing government and ambition for modernising the NHS will be welcomed by NHS leaders who want to continue to innovate and deliver more joined-up, efficient services in settings they can be proud of. The £3.4 billion of capital committed at Spring Budget 2024 (to be confirmed at the next Spending Review) is an important start and it is vital that the new government

[2] Our forthcoming report illustrates that that women's health, including the Women's Health Strategy for England, is not only a just investment, but also an economically savvy one, with an estimated return on investment of £10.90 for every addition £1 invested in obstetrics and gynaecology services throughout the country. Our analysis also demonstrates that Clinical Commissioning Groups (CCGs) that invested more in obstetrics and gynaecology services experienced significantly fewer staff sickness absences.

continues with this funding. This will complement the government's new Fit for the Future Fund. However, this is a downpayment on the long-term investment in capital that has been absent for decades.

19. More immediately, NHS estates are in a state of disrepair. The NHS maintenance backlog is £11.6 billion, with more than half of the repairs needed marked 'high or significant risk' and over 15 per cent of the mental health estate over 75 years old. More broadly, the UK has consistently invested less money than its OECD peers and capital budgets continue to be used to prop up day-to-day revenue spending.

20. An important step in realising a new way of doing government will be to put the NHS on a sustainable track. NHS leaders tell us capital is the number one issue holding back progress on productivity and estimate a **commitment of £6.4 billion annual capital funding increase for the NHS in the next three-year SR, is required to boost productivity growth to 2 per cent a year.** This investment, if protected from further raids, will enable them to better streamline patient flow, identify people who are ill and treat them sooner and cheaper, reduce expensive out of area placements in mental health, as well as update estates to safely accommodate the forthcoming increase in patients.

21. While this would be significant additional investment, it is small compared to the £161.1 billion NHS revenue spend – a budget it will help to control and get best value from. This would enable the NHS to be more productive and achieve its plans and limit the need for growth in revenue spend.

22. As an example, Maidstone and Tunbridge Wells NHS Trust's investment in an electronic bed management system to manage patient flow saves £2.1 million per year. If scaled to all beds in England, this crudely equates to a £411 million a year saving, which would cover the cost of the government's pledge to recruit 8,500 new mental health staff.

23. The increases in capital funding proposed above represent amounts designed to be proportionate to the medium-term challenge. In combination with additional revenue funding to clear in-year ICB deficits and support capacity this winter and commitment from government to cover any pay settlement they agree, it would put the NHS on track to not only meet its obligations to patients but achieve future financial sustainability. Through this early commitment, the government would be on much firmer ground to be able to hold the NHS more strictly to account for balancing the books in future years.

Shifting to a more strategic, outcomes-based and long-term approach to investment

24. Alongside capital investment, there are opportunities that have no cost that can be implemented immediately to maximise the impact of spending. Firstly, the NHS requires a shift in culture of short-term funding decisions, driven by funding review cycles and incomplete funding allocations, frequently topped up with ringfenced non-recurrent monies.

25. Capital budgets are sometimes allocated for a longer period, but even then, plans have been undermined by a lack of clarity and periods too short to plan for large capital

upgrades. Even the centrally managed New Hospitals Programme has failed to create a secure pipeline of funding, thus making their costs larger as inflation eats into the original cost expectations.

26. It can also create issues when time-limited ringfenced funding comes to an end. This happened for virtual wards at the end of March this year for which funding must now be drawn from wider urgent and emergency care budgets. This has led, despite documented benefits, to the stalling of the expansion and use of virtual ward beds in 2024 after strong growth. The number of virtual ward beds occupied by patients increased by 38 per cent between July and December 2023, but by less than 1 per cent from the end of 2023 to May 2024.

27. Local political management of projects and the complexities of pooling resources can also create significant delays. It is important for a new government to use its mandate to accelerate local reconfiguration where there is clear financial case and strong clinical support.

28. This all combines to make NHS leaders' efforts to reduce the root causes of health problems and increase overall productivity harder. Major projects require front-loaded funding decisions that will not pay off for two or more years. NHS leaders want a funding settlement that shares how much they will receive throughout the period. A portion should be spent up front for work likely to deliver towards the end of the cycle. NHS England should also commit to a moratorium on further ringfenced, non-recurrent funding pots, limiting exceptions.

Sector specific investment

Digital and Data

29. The ambition for the NHS to be digitally advanced must be underpinned by adequate investment in crucial infrastructure – digital equipment, IT and digital tools. To continually become more efficient at treating patients as care becomes more expensive and the population ages.

30. We welcome the government's vision for a modernised NHS and our members welcome the ambition to innovate and deliver more through digital and technological advancement. The £3.4 billion of capital committed in the Spring Budget is an important – and fundamental - start in addressing the basic infrastructure needs ahead of realistically delivering on the pledge for new state of the art scanners. We look forward to seeing more detail in the Spring Spending Review.

31. To achieve the real modernising transformation, the NHS has been tasked to achieve this funding is expected by ICSs and NHS leaders. Too often the leaders are faced with dwindling technology and capital budgets which are diverted to plug other day to day costs which leave spending on digital falling. If digital is indeed to transform and have the productivity and demand impact as set out by the government's manifesto vision, then this funding must be protected so that it can be spent on technology and transformation.

Community health provision

32. Community services play a vital role in the NHS, accounting for around 13 per cent of all daily activity in the NHS.[3] They provide a range of services in a variety of settings helping keep people well, treat and manage acute illness and long-term conditions, and supporting people to live independently

33. These services are under increasing pressure following a decade of underinvestment throughout the 2010, compounded by the Covid-19 pandemic, rising demand and an ageing population with more complex needs.

34. Research shows that the proportion of the NHS budget in England spent on primary and community services combined fell from 22.5% of the total in 2016 to 19.4% in 2023, while the amount spent on acute care has grown faster than any other area. Acute hospitals have seen 27% funding growth since 2016-17 whilst community trusts received just half that level of growth at 14%[4]

35. To ensure the NHS can navigate these challenges, the government needs to deliver on its manifesto commitment to deliver care closer to home – by increasing resources upstream into prevention, primary and community settings. This will enable more people to access care in their local community and at an earlier stage of illness, reducing the risk of deterioration and hospital admission.

36. Without a national level focus and necessary investment upstream in prevention and community care, it will be difficult for providers to scale up community led initiatives such as UCR and virtual wards, which are a crucial part of keeping people well in their own home[5]

37. We know investment will pay off. A well-resourced NHS is vital to the running of the economy, including supporting people to get work. Research demonstrates that for every £1 invested in the NHS, the economy gets £4 back in gross value added (GVA)[6] . Furthermore, for every £1 spent on primary and community care, there could be increased economic output (GVA) by £14. Simply put, it makes health and economic sense to invest in community health services.

38. National leaders need to prioritise community health and care services. Future growth in funding and staffing needs to be directed proportionately more to community health and care services rather than to acute hospitals.

Improving population health outcomes and reducing health inequalities

39. Stark inequalities exist within life expectancy and health life expectancy across communities in the UK. The halving of the gap in healthy expectancy between affluent and deprived regions in England pledged by the Government as part of its health mission will require action on tackling inequities on the clinical and social determinants of health.

40. Given that the public health grant has dropped by more than a quarter since 2016, the ability for local public health teams to deliver preventative services, e.g. smoking

[3] https://www.kingsfund.org.uk/insight-and-analysis/data-and-charts/NHS-activity-nutshell
[4] https://www.gov.uk/government/publications/consolidated-nhs-provider-accounts-annual-report-and-accounts-2021-to-2022
[5] https://www.nhsconfed.org/publications/boosting-referrals-urgent-community-response-services-benefit-patients
[6] https://www.nhsconfed.org/system/files/2022-10/Health-investing-and-economic-growth-analysis.pdf

cessation and sexual health has been curtailed given increasing demand with less and less money. The release of the annual grant allocation is challenging for long term public health planning, especially if notified near the end of the financial year. The Government should restore the public health grant to its 2015/16 real-terms per person value.

41. Long term funding is required; instead of pots here and there for specific initiatives to promote healthier lives and enable more productive societies. This will facilitate the long-term sustainability of the NHS by reducing demand and shape health outcomes across the life course.

Mental health

42. The mental health estate has experienced years of underinvestment, has some of the oldest in the NHS and the maintenance backlog of high risk across mental health and learning disability sites has almost trebled to £48 million in recent years and in 2021/22 15.5% of mental health and learning disability sites in England were over 75 years old. The CQC has repeatedly raised concerns about the physical condition of mental health buildings and the impact this has on patients' wellbeing and staff morale. However, only two of the 40 schemes originally announced by the previous government to be part of the New Hospitals Programme were for mental health facilities, despite over 50 bids being made.

43. One of key planks of Mental Health Act reform is to ensure that treatment has a therapeutic benefit, and the independent review of the MHA highlighted the need for mental health estates to be modernised to support this. Investment in the mental health estate must form part of the investment proposed in NHS capital.

44. We welcomed the government's inclusion of the Mental Health Act reforms in the King's Speech, and we are working with DHSC to ensure that the reforms make the legislation fit for the 21st century and ensure that people with severe mental illness receive the quality of care they need.

45. In 2022 DHSC completed an impact assessment on the proposed reforms. This suggested the cost for implementing the reforms would be around £1.8bn. In 2023 DHSC committed to updating the impact assessment, which we welcomed as the current does not reflect the increased costs over the period. We urge the new government to commit to a new impact assessment, and to take on board the findings.

Primary Care

46. Practices receive a "global sum" to cover all their costs, additional funding to meet quality targets and locally specified services. Out of this, first and foremost, comes expenses – pay for their salaried staff and non-pay for their infrastructure costs – with the remainder funding GP partner pay, from which they also cover their pension and personal tax.

47. There is a common misconception that conflates general practice with GP partners – that any additional funding will somehow all end up in the back pockets of the partners who run practices. This is incorrect.

48. Unlike the rest of the NHS, general practice cannot run on a deficit – GP partners are personally liable for any losses made by their practice. Despite this, there is still mistrust about how any additional funding will be spent. The result is practices and partners being compromised – in some areas, 25 per cent of practices are at risk of serious financial hardship.

49. All this while general practice is managing to deliver 5 million more appointments every month than it did pre-pandemic – 90 per cent of NHS patient contacts, for 10 per cent of its funding.

50. Primary Care provides good value for money for investment, a strong record of ever-increasing activity despite a static portion of the NHS Budget. Research, commissioned by the NHS Confederation and conducted by Carnall Farrar show that for every £1 invested in community or primary care, there is up to a £14 return back into the local economy through gross value added (GVA) - the measure of the total value of goods and services produced in an economy.

NHS pay

51. As previously mentioned, the government should clarify how it intends to fund the recent NHS pay deal, including with those employed by the NHS but not on agenda for change, such as social enterprises. We also ask the government to clarify the specific recommendation from the NHS Pay Review Body for a mandate to be given to the NHS Staff Council to address structural pay issues.

52. We also call for flexibility in how the NHS pension scheme operates to enable lower-earning staff to remain part of the scheme; introducing greater flexibility over the level of contributions members pay into the scheme, and the value of benefits they receive in return, is key to ensuring membership of the NHS Pension Scheme remains attractive and valuable to all NHS staff.