The King's Fund

Ideas that change health care

Written submission

House of Commons Health and Social Care Select Committee: implementing the NHS long-term plan

The King's Fund is an independent charity working to improve health and care in England. We help to: shape policy and practice through research and analysis; develop individuals, teams and organisations; promote understanding of the health and social care system; and bring people together to learn, share knowledge and debate. Our vision is that the best possible care is available to all.

Instead of a full Spending Review, the government will announce the results of its one-year Spending Round on 4 September covering revenue budgets only. Yet, all of the budgets under consideration in this inquiry are inherently long-term in nature. Alongside the important issue of how much resource these areas receive, there is an increasing risk of planning blight as decisions are delayed until a full Spending Review is undertaken. To support the NHS long-term plan, the government should aim to give as much certainty as possible about the longer-term spending path for these other areas of expenditure.

Executive Summary

The NHS long-term plan sets out an ambitious programme for change and improvement across the NHS. To realise these ambitions, NHS England was awarded an additional £20.5 billion in revenue funding over five years. While this funding was necessary and welcome it excluded other areas of health and care spending. Successful implementation of the plan depends on adequate funding for social care and public health, NHS education and training, and capital investment.

- In our view, the most urgent priority for the government's one-year Spending Round should be adult social care. The social care system has now reached crisis point and is failing the service users, families and carers who rely on it, with high levels of unmet need and providers struggling to deliver the quality of care that older and disabled people have a right to expect.

- Over recent years, expenditure on adult social care has fallen: in 2017/18 spending was £700 million less in real terms than in 2010/11. However, in our 2018 joint report with the Health Foundation, we cited Personal Social Services Research Unit (PSSRU) projections that on current trends, social care spending pressures will rise at an average of 3.7 per cent a year until 2030/31. This is the minimum short-term increase in social care spending required. However, as well as additional short-term funding, social care requires significant reform and a new long-term funding settlement to deliver a fairer, simpler and more generous system.

- While the Spending Round does not consider capital spending, it remains the case that underinvestment in capital has left the NHS with deteriorating facilities and equipment. This has contributed to a maintenance backlog of £6 billion, including a £3 billion cost to improve estate that presents high or significant risks for patients and staff. Without a sustainable and long-term capital investment programme it will be difficult to achieve the scale of productivity improvements and service transformation set out in the NHS long-term plan. The recent announcement of a £1.8 billion increase in NHS capital spending power is therefore welcome, though not sufficient to address the scale of the issue.

- NHS trusts, primary and community care and social care are all experiencing chronic staff shortages. Along with the Nuffield Trust and the Health Foundation, we estimate that the gap between workforce supply and demand in acute and community health services could rise to between 250,000 and 350,000 full-time equivalent (FTE) employees by 2030, posing a significant risk to the delivery of the long-term plan. In our joint report, Closing the Gap, we found that the additional cost to Health Education England of workforce development measures and international recruitment to address the workforce gap stands at £620 million in 2020/21, rising to £870 million in 2023/24.

- There are also significant issues around recruitment and retention in the social care sector. Skills for Care forecast that by 2035 there will be 650,000 to 950,000 additional job roles across adult social care to meet growing demand, while turnover rates are in excess of 30 per cent per year. Addressing shortages in the NHS must not come at the expense of the social care workforce.

- Since the 2015 Spending Review, the public health grant for local authorities has been progressively cut and is now £850 million lower in real terms than in 2015/16. This reduction has seen local authorities cut spending on vital services like drug treatment, smoking cessation and sexual health services, which play a key role in improving population health at a local level. Spending reductions on preventative services have been greatest, while spending on clinical treatment has been cut to a lesser extent (Robertson

2018). Across all public health services, a minimum of £1 billion will be needed to restore funding in 2020/21 to the levels of 2015/16.

- There was an expectation that a full three-year Spending Review would take place in the autumn of 2019, which would provide a long-term settlement for the areas identified by the Committee. The decision to postpone this and the associated delays to budget setting, itself poses a risk to the successful implementation of the NHS long-term plan.

Introduction

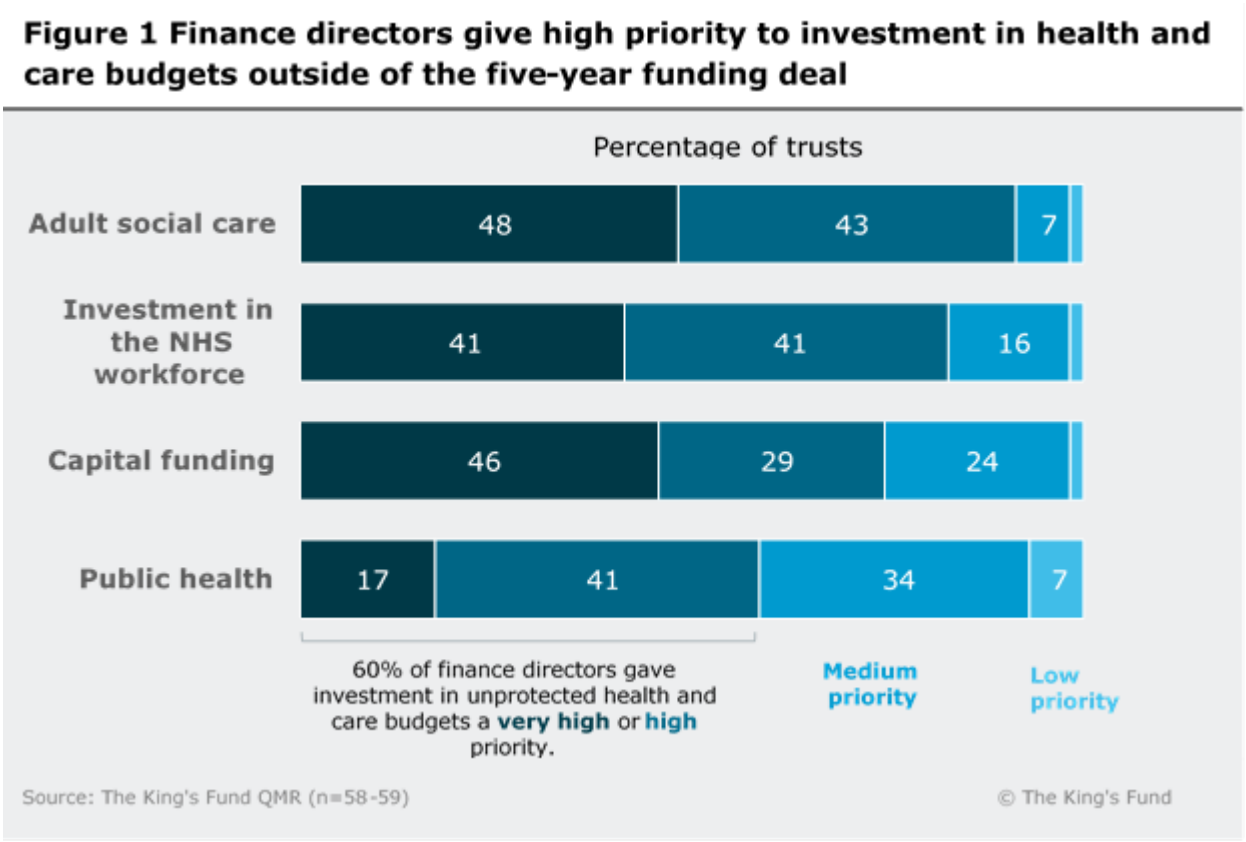
The NHS long-term plan includes a number of commitments which, if delivered, will improve the lives of many people. The £20.5 billion 5-year funding boost to support the plan provides a 3.4 per cent average real-terms annual increase in NHS funding between 2019/20 and 2023/24.

However, this is a funding settlement for services covered by the NHS mandate. It does not address the financial pressures in social care and large areas of public health or the need to invest in NHS training and capital expenditure. As the Committee rightly notes, the successful delivery of the NHS long-term plan is dependent on adequate funding in all these areas.

There was an expectation that a full three-year Spending Review would take place in 2019, which would provide an opportunity for the government to put forward spending commitments to address these issues. The decision to postpone this and bring forward a one-year Spending Round, means that these long-term decisions are likely to be delayed with potentially significant implications for implementing the long-term plan.

There is a consensus across the NHS about the importance of investing in these areas. The survey of NHS finance directors carried out for our latest *Quarterly monitoring report* highlighted the extent to which they regard investment in these areas as a high priority (Anandaciva and Ward 2019).

Figure 1 Finance directors give high priority to investment in health and care budgets outside of the five-year funding deal



Social care

1. The social care system is not fit for purpose and is failing the people who rely on it, with high levels of unmet need and providers struggling to deliver the quality of care that older and disabled people have a right to expect (Humphries *et al* 2016). These combine to place great pressures on individuals, families and carers. This in turn creates greater demand for NHS services in the form of avoidable admissions and delayed discharges from hospital.

2. Between 2010/11 and 2014/15, significant reductions in local authority funding led to cuts to social care budgets. While social care budgets have risen again over the past few years, funding in 2017/18 was £700 million less in real terms than in 2010/11. At the same time, demographic changes have led to a significant increase in demand for services. This has left the system on the edge of crisis (Bottery *et al* 2019).

3. This underfunding has forced local authorities to restrict eligibility to those with the highest levels of need (Association of Directors of Adult Social Services 2019), while nationally means test thresholds have not been increased in line with inflation. As a result, more people are approaching councils for support but fewer are now receiving it, although there has been a small increase in the number of working-age adults getting long-term help (Bottery *et al* 2019).

4. Spending reductions have also affected providers of social care services, with an increasing number of local authorities reporting suppliers closing down or

handing back contracts. A recent report by the Competition and Markets Authority said that 'Many care homes, particularly those that are most reliant on local authority funded residents, are not currently in a sustainable position' (Competition and Markets Authority 2017). Home care services are also struggling, with almost half of councils (72) reporting home care providers closing or ceasing to trade in the last 12 months (Association of Directors of Adult Social Services 2019).

5. The long-term plan highlights the importance of a well-functioning social care system and the government committed, when agreeing the NHS funding settlement, that adult social care must be funded at a level that 'does not impose any additional pressures on the NHS'. In this context, it is also important to remember that social care is a vital public service in its own right with the capacity to improve lives and health outcomes across communities.

6. Social care budgets have been cut significantly over recent years, with spending in 2018/19 £700 million less in real terms compared to 2010/11. As we set out in our work with the Health Foundation (Bottery *et al* 2018), the PSSRU has projected that funding for adult social care services would have to increase by 3.7 per cent per year from 2018 to keep up with demand and inflationary pressure.

7. Short-term funding pressures must be addressed urgently to prevent further deterioration. As the Prime Minister has acknowledged, long-term reform of how social care is funded, charged for and accessed should be a priority for the government. Short term funding is only a stop-gap.

8. There are a range of options for reforming the system. When the options for paying for social care are made clear to the public, there is a clear preference for social care to be funded by central government to a much greater extent (Bottery *et al* 2018) and to create a fairer, simpler, more generous system.

NHS capital

9. Capital funding is essential to support both the day-to-day delivery of NHS services and the transformation of services envisioned in the long-term plan. For example, there will be calls on capital budgets to invest in new diagnostic centres and equipment to meet the plan's ambitions for improved cancer diagnosis. Facilities will also need to be constructed or extended in primary care settings to support the new multi-disciplinary models envisaged for primary care networks and to deliver the benefits of digital technology.

10. Despite the commitment made by the previous Prime Minister to deliver the level of investment set out in the Naylor report (Naylor 2017) on NHS property and assets, capital investment in the NHS has continued to be deprioritised in recent years. Capital spending made up 5.3 per cent of the total Department of Health and Social Care budget in 2009/10, but this share fell to just 4.7 per

cent in 2018/19. This is largely due to the Department transferring over £4 billion from the capital budget in recent years to support the day-to-day running costs of the NHS.

11. These pressures have been exacerbated by uncertainty in the sources of capital funding and delays in this funding reaching frontline providers of NHS services. A substantial portion of the new capital funding announced in the 2017 Autumn Budget was assumed to come from land sales and private finance. In the 2018 Autumn Budget, the then Chancellor announced the end of private finance initiative (PFI) contracts. Without a replacement for this source of financing, either the planned investment will not materialise, or the Department of Health and Social Care budget will come under further strain to meet the demands for capital investment.

12. The government recently announced a £1 billion boost to capital budgets in 2019/20, with an additional £850 million to fund projects in twenty hospitals over five years. This funding is welcome but is not sufficient to address the issues caused by years of underinvestment or provide the investment needed for the future. The total cost of eradicating backlog maintenance problems in the NHS rose to £6 billion in 2017/18 (greater than the total annual capital budget that year), with £3 billion of this being for issues that carry high or significant risks. This has left NHS staff and patients increasingly exposed to safety risks from unreliable equipment and deteriorating facilities – in 2017/18, there were over 3,800 incidents where clinical services for patients were delayed, cancelled or interfered with due to problems with NHS estates and infrastructure (NHS Digital 2018).

13. It is difficult to determine the exact amount and profile of further NHS capital funding that is needed. This will be affected by both the number of schemes and their readiness status. The most recent authoritative assessment of this was in published in March 2017, as part of the Naylor Review of NHS property and estates. The review estimated the NHS will need at least £10 billion of additional capital investment to address the backlog of maintenance and modernise the service – though at the time this estimate was made the backlog was £5 billion rather than the current £6 billion (Naylor 2017).

Education and training

14. Education and training budgets are vital for supporting the supply of appropriately trained staff to deliver services across the NHS. These budgets are used to fund increases to the nursing workforce by expanding routes into the profession; some initiatives to improve the retention of existing NHS staff and reduce attrition rates in training courses; and programmes to improve patient safety.

15. National funding for education and training has reduced in recent years, falling from 5 per cent of health spending in 2006/07 to 3 per cent in 2018/19, the equivalent to a £2 billion reduction (Beech *et al* 2018). Since the 2015 Spending Review, budgets for education and training held by Health Education England have come under increasing pressure. Health Education England's budget in 2018/19 was £4.3 billion, £1 billion less in real terms than the budget it received in 2013/14 when it was founded.

16. The NHS long-term plan notes that Health Education England's budget for the next financial year was to be set in the 2019 Spending Review which has now been delayed until 2020. The level agreed will influence, for example, centrally-held budgets for continuing professional development and the potential to expand medical school places. Without the clarity of a full Spending Review in 2019 many of these urgent decisions will be delayed.

17. Education and training budgets are also needed for supporting the development of the current and future workforce to work in new ways and new care settings to fulfil the ambitions of the NHS long-term plan. There are calls on these pressurised budgets to fund initiatives that support the building of more multi-disciplinary teams, introduce education programmes on population health and increase training numbers for key roles such as endoscopists and radiographers to support the ambitions of the long-term plan ambitions to improve early cancer diagnosis rates.

18. Staffing is now the make or break issue for the NHS. In our work with the Nuffield Trust and the Health Foundation looking at the NHS workforce, we projected that the gap between the demand for health care workers from NHS trusts and the potential supply of staff could grow to between 250,000 and 350,000 FTE staff by 2030 (Beech *et al* 2018).

19. As part of this work we put forward a range of new policy measures to address current workforce pressures in the NHS for two key professional groups: nurses (in NHS trusts and other settings) and GPs. These measures include additional funding for workforce development, international recruitment, cost of living grants and support for tuition and placement costs for nurses, and additional speciality training for GPs. We estimated these would add around £620 million to the annual budget for Health Education England in 2020/21 rising to £870 million by 2023/24. The breakdown of these costs is detailed in the table below.

Estimated additional funding pressures for Health Education England resulting from the specific new policy measures to reduce the gap between the demand for and supply of NHS nurses and GPs (£ millions)				
	2020/21	**2021/22**	**2022/23**	**2023/24**
Workforce development	£190	£200	£210	£230
Cost of living grants for nursing	£330	£360	£400	£420
Other funding support for nurses (tuition fees for postgraduate's placement costs)	£40	£60	£110	£140
Other	£60	£80	£90	£90
Total additional cost	**£620**	**£700**	**£810**	**£870**

20. There are also significant challenges in social care, whose workforce stands at 1.1 million (FTE). The social care and NHS workforces are distinct groups but are also intertwined, and it is essential that shortages in the NHS are not addressed at the expense of the social care workforce. Beyond the immediate funding issues facing social care, it too requires a long-term workforce strategy that sets out how future demand will be met and how current challenges around pay, recruitment and retention will be met.

21. Workforce shortages across the health service and in adult social care represent a significant risk to the ability to deliver the NHS long-term plan, as well as the day-to-day operational performance of services. If substantial staff shortages continue, they will lead to further growth in waiting lists for treatment and deteriorating quality of care.

22. Staffing costs account for the majority of spending by frontline NHS organisations. If additional staff are not recruited and trained there is a risk that the full value of the £20.5 billion secured for the NHS will not be realised. Either this funding will go unspent because not enough staff can be found, or the value-for-money of the funding will be reduced through higher spending on temporary agency and locum staff. Additional investment in staff education and training budgets in the Spending Review is needed to mitigate these risks.

23. The lack of a long-term budget for Health Education England meant many decisions on workforce were not taken in the NHS long-term plan. The intention was to publish a final NHS People Plan after a multi-year Spending Review gave greater certainty on the resources available. With no Spending Review until

2020, the risk of delays to essential decisions on workforce training continues to grow.

Public health

24. The cost to the NHS of preventable diseases is considerable. In England, 64 per cent of adults and over 20 per cent of reception-class children are overweight or obese (NHS Digital 2019). Estimates suggest that the costs to the NHS of obesity, smoking, alcohol and physical inactivity in the UK are more than £14 billion (Buck and Gregory 2013), although this is likely to be an under-estimate.

25. People in more deprived areas live shorter lives, with more of their lives spent in poor health. This in itself has knock-on consequences for NHS treatment and costs. The Centre for Health Economics at York have estimated that socioeconomic inequality cost the NHS £4.8billion in 2011/2012 as a result of excess hospital admissions (Asaria *et al* 2017).

26. The NHS long-term plan commits the NHS to a greater focus on prevention and on health inequalities but acknowledges that the NHS can only play a limited role in improving health outcomes, recognising that we cannot 'treat our way out of health inequalities'. Broader progress will depend on wider government action and the strength of local partnership working.

27. Despite this, since the 2015 Spending Review, public health budgets have continued to be cut. The public health grant is now £850 million lower in real terms than in 2015/16. This is a false economy, putting people's health at risk and storing up problems for the future. Together with the Health Foundation we now estimate that £1 billion will be needed to restore funding in 2020/21 to the levels of 2015/16 (Buck 2019).

28. The cuts to the public health grant have forced local authorities to reduce spending. These cuts are having a substantial impact on local services that play a key role in improving and maintaining the health of the population, such as drug treatment, smoking cessation and sexual health services. Within these services, spending reductions on prevention have been greatest, while treatment services have been relatively protected (Robertson 2018).

29. The latest local government spending plans for public health (Ministry of Housing, Communities and Local Government 2019), released at the end of June, show the trend of falling spending from the past few years is set to continue with local government planning to spend £72.5 million less in 2019/20 than it planned to spend in 2018/19. On a like-for-like basis (taking out the impact of the transfer of early years services to local government from the NHS in mid-2016) the fall is £66.3 million in cash terms (Buck 2019).

30. The longer that prevention and public health continue to be underfunded, the greater the costs for the UK population and the more other services will

continue to pick up the pieces. The government should use the Spending Review to increase public health budgets and reverse the cuts still planned.

31. With evidence emerging that health inequalities are widening, a more coherent and substantial cross-government strategy to improve the population's health and address the root causes of poor physical and mental health is urgently needed as we have argued in *A vision for population health* (Buck *et al* 2018). Without this, it is difficult to see how the ambitions of the NHS long-term plan to improve the health and wellbeing of people in England can be achieved.

Conclusion

The government's commitment to increase spending by £20.5 billion over the next five years represents a welcome and substantial funding settlement for the NHS. However, it is a settlement for spending covered by the NHS England mandate, not for the health and care system. A more coherent approach to health and social care funding is needed that looks across the system as a whole.

To fulfil the ambitions outlined in the NHS long-term plan, additional funding will be required for social care, public health, NHS education and training and capital investment.

- Simply to keep pace with increasing demand, a minimum funding increase of 3.7 per cent will be needed next year. Beyond this, the social care system is in urgent need of long-term reform to broaden eligibility criteria and ensure more people can access the system.

- £6 billion is needed to address the current maintenance backlog in the NHS, with additional funding needed to modernise and transform services. While the recent £1.8 billion increase in capital spending power is welcome, it is not sufficient to address the scale of the issue and should be followed by a long-term plan to provide the investment needed.

- A funding increase of £1 billion a year is required to restore public health funding in 2020/21 to the same level as 2015/16.

- To support and foster the workforce that the NHS needs, Health Education England will require an additional £620 million in 2020/21, increasing year-on-year to £870 million in 2023/24.

The decision to hold a one-year Spending Round means that key decisions are likely to be delayed, with potentially significant implications for implementing the long-term plan.

Ultimately, funding levels for public services are a political choice. Politicians and system leaders should be honest about the shortcomings in the availability and quality

of services that will arise if health and social care budgets continue to be underfunded. If adequate funding is not forthcoming, the Committee may want to consider:

- which commitments in the long-term plan will not be achieved, and its scope limited accordingly
- if the funding envelope should be re-opened and re-allocated to fund other non-mandate services that may be better placed to implement the remaining commitments in the long-term plan.

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