Public Accounts Committee: The financial stability of the NHS – January 2017

Written evidence submitted by the NHS Confederation

About the NHS Confederation
The NHS Confederation is the only body to bring together the full range of organisations that make up the modern NHS to help improve the health of patients and the public. We are an independent membership organisation that represents all types of providers and commissioners of NHS services including hospitals, community and mental health providers, ambulance trusts and independent sector organisations.

Introduction
The National Audit Office’s 2016 report ‘Financial sustainability of the NHS highlights many of the concerns of the NHS Confederation. We welcome the evidence sessions held by both the public accounts committee and the health select committee, the latter of which held two sessions following the report’s publication. NHS Confederation chair, the Rt Hon Stephen Dorrell, provided oral evidence to the health select committee following on from NAO Comptroller, Sir Amyas Morse.

Context
The causes of the financial pressures on the NHS could not be clearer. Increased healthcare demand requires funding growth of between three and six per cent in real terms and yet funding for health services has grown by a little under one per cent a year over the last six years1.

We feel that viewing the health and social care budgets as separate is unhelpful at best, and damaging at worst. Cost pressures on social care run at around three per cent a year and this equates to a £414 million additional pressure in 2017/18 alone. Indications from local councils are that only 81 per cent of the funding for these pressures has been identified in advance2.

Put together, there is a growing funding gap across health and care. This has so far been sustained through unprecedented efficiency gains, including a six per cent real price cut in NHS tariff prices and a national pay freeze for 1.4 million NHS staff3.

However, it has long been apparent that the scope to continue to make these type of savings has diminished, so far in fact that evidence indicates that hospital productivity, for example, is decreasing4. In

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1 The Health Foundation (2016) - Current spending on health care and financial performance
2 Association of Director of Adult Social Services (2016) - Budget Survey 2016
3 The King’s Fund (2014) - The NHS productivity challenge
4 The Health Foundation (2015) - Hospital finances and productivity: in a critical condition?
our most recent member survey, nearly all NHS leaders (96 per cent) did not think the NHS would make the £22 billion efficiency savings target it has been set⁵.

We are keen to impress upon the Committee the importance of an honest public debate about the tough times the NHS and other public services are now facing.

The government, through parliament, has the opportunity to enhance the ability of the NHS to deliver transformation which will allow the NHS to become sustainable. We believe the government can facilitate the right conditions by:

- **re stating** its commitment to transforming the health and care system, as described in the Five Year Forward View – by establishing an explicit ring-fence for additional funding and creating arrangements to ensure it is spent on transformation, rather than business-as-usual activities

- **en abling** investment in sustainability through spending on buildings and equipment – by increasing public capital spending and supporting the work to tackle systemic issues for taking advantage of private capital

- **ad dress ing** the current state of social care urgently - by at least bringing forward additional funding for the Better Care Fund, currently planned for 2019

- **re cognising** the flaw in cutting funding for public health and invest in keeping people healthy as a priority – by halting planned cuts to the local grant for public health and outlining a long-term spending plan for prevention and well-being.

These immediate solutions would go some way to restoring a fighting chance for the NHS in transforming care and remaining sustainable. They would also demonstrate a wish to support other public services who impact upon the delivery of NHS services.

**Transformation**

There is unprecedented recognition and determination amongst local leaders and national bodies that services need to change in order to meet the changing health and care needs of the population. The Five Year Forward View, which the government has committed to, is our chance to transform care. However, it is dependent on having the right conditions in place to support new models of care. Politicians have a vital leadership role to play in this and local systems will need the right resources and support.

The right conditions to facilitate the implementation of the Five Year Forward View include a sustainable social care system, a radical upgrade in prevention and ensuring that additional resources are used to drive transformation, not more of the same.

We do not believe that the current funding settlement for social care is sustainable and the decision to cut public health funding by four per cent annually over the next four years shows a lack of commitment

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⁵ NHS Confederation - 2016 Membership Survey
to prevention by the government. We are also seeing a downward trend in capital spending in the NHS. These conditions will make the successful transformation of services even harder to achieve.

**Social care**

Our members are unequivocal about the impact social care cuts are having on the sustainability of NHS services. In our 2015 survey, 99 per cent of NHS leaders said social care cuts are increasing pressures on the NHS as a whole. Asked about the effects on hospital services in particular, 79 per cent of members said social care funding cuts have increased the time people spend in hospital.

The findings from our member surveys are reflected in the delayed transfers of care statistics. The number of delayed days in hospital caused by patients awaiting care packages in their own home increased by 52 per cent between 2014/15 and 2015/16. These delays have a financial impact due to the high cost of occupying a hospital bed, and also a human cost, as people are unnecessarily kept away from their homes and support networks.

For a number of years now, we have alerted the government to the impact of the reduction of funding for local authorities, and yet we have continued to see funding reductions. We discussed the issue in our 2012 paper *Papering over the cracks*. We also highlighted the issue in our submissions to the 2015 Spending Review and 2016 Autumn Statement.

In December 2016 the government announced that local authorities will be able to raise council tax by three per cent in 2017/18 and 2018/19 to fund social care, rather than the existing plans which allowed local increases of six per cent over three years. A £240m 'adult social care support grant' for councils will also be introduced, which will be funded by savings from reforms to New Homes Bonus already received by councils.

In truth, however much we welcome an intervention to support social care, these changes are not a long-term solution and the government itself would appear to accept this.

NHS and social care services and their funding streams are inexorably intertwined. It is unhelpful to discuss health and social care budgets as separate entities, as cuts to social care budgets impact on the NHS. A sustainable funding settlement is required to ensure a sustainable health and care system.

**Integration**

Although integration of health and social care is not a silver bullet for the challenges the sectors face, a clear consensus has developed that redesigning services around the needs of individuals in a place provides the best opportunity to improve people’s health and wellbeing and help to bring financial sustainability.

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7 Ibid
9 *Theresa May pledges to seek long-term solution to social care squeeze* The Guardian, accessed January 2017
Together with NHS Clinical Commissioners, ADASS and the LGA, we published *Stepping up to the place*\(^{10}\) a report that describes what a fully integrated, transformed system should look like based on what the evidence tells us.

The evidence indicates that integration results in improved clinical outcomes and a better patient experience. There is also evidence that integrated, person-centred services can change the pattern of demand and bring service efficiencies. There is less evidence however, that integration, on its own, will address the serious financial challenges facing the system. More work looking at the financial implications of integration would be helpful to allow more accurate planning of the delivery of services.

*Sustainability and Transformation Plans (STPs)*

We are supportive of the principles behind STPs – which aim to bring together local partners to work collaboratively to improve the efficiency and effectiveness of health and care services.

However, the timeframes to which STP areas are working are short and the overall level of expectation placed on them is high. While STPs show potential to offer a vehicle for difficult conversations about how health and care services are delivered locally in the future, it seems unlikely they can deliver a solution to the financial challenges facing health and care on their own, or close the quality gap in the short term.

Local areas need time to invest in the governance, local relationship building and local engagement which will underpin successful plans. They also need political support for implementing the transformations that will allow the NHS and social care to become sustainable.

*Child and adolescent mental health services*

Our Mental Health Network, which represents providers of NHS funded mental health services, has highlighted the important role of children and adolescent mental health services (CAHMS) in creating a sustainable NHS.

The trends in CAMHS are worrying. NHS Digital figures show that the number of under-18s attending A&E due to a mental health crisis rose by more than half in the past five years. During the same period, councils’ spending on early intervention schemes for children and young people’s mental health fell from £3.2bn a year in 2010/11 to just £1.4bn in 2014/15.\(^{11}\)

Figures from the Royal College of Psychiatrists show that CAMHS are still underfunded, when looking at the share of NHS spending. They found there are 52 local areas that are allocating less than five percent of their total mental health budget to services for CAMHS\(^{12}\). This is in a context where one in every ten

\(^{10}\) *Stepping up to the place: The key to successful health and care integration* - NHS Confederation, accessed January 2017

\(^{11}\) *NHS mental health services failing young people, say psychiatrists* - The Guardian, accessed January 2017

\(^{12}\) *The scandal of underfunded child and adolescent mental health services laid bare* - The Royal College of Psychiatrists, accessed January 2017
children aged 5-16 years has a diagnosable mental health disorder and under 18s make up over fifth of the general population.\(^\text{13}\)

NHS Clinical Commissioners, who represent CCGs and are part of the NHS Confederation, recognise that CAMHS is a historically underfunded service. In an unprecedented move, they called for the additional funding for children’s mental health, announced in the March 2015 Budget, to be ring-fenced. CCGs face significant competing financial pressures, and they feel that ring-fencing would help strengthen their arguments to ensure the funding reaches the services for which it was intended, to ensure children and young people are provided with the best possible mental healthcare.

Data from the King’s Fund showed that the annual cost of treating a patient with a long-term condition in Tower Hamlets was 137 percent higher if the patient did not have good mental health\(^\text{14}\). Providing children and young people with timely and appropriate mental health support when they need it will help reduce more serious mental health problems in adulthood.

**Capital**

Investing in new technologies and buildings are vital for the long term sustainability of the NHS and to supporting the delivery of new models of care.

NHS capital spending will remain flat in cash terms until 2020, which means it will decrease in real terms. Furthermore, the amount actually being spent on one-off investments and upgrades has been reduced in recent years by capital to revenue transfers of up to a £1 billion.

This is an untenable approach to delivering public services and it should be the intent of the Treasury to sustain current services without risking long-term sustainability. As such, we believe support is needed to ensure public capital spending is used to invest in future NHS services, especially while government borrowing costs hit an all-time low.

Another way the government might support investment spending, while public capital spending is limited, would be to encourage the NHS to consider how it can supplement spending with external investment. The independent sector is well positioned to support this and can access capital from existing corporate balance sheets or the commercial markets to fund new and remodelled services. Moreover, the independent sector can take a long term view and secure funding against future assets or funding streams, using direct relationships with funding markets.

**Local growth**

It is important that the NHS continues to make the public case that health care is an investment not a cost. This is true nationally but also locally, given the government’s continued emphasis on devolution and growing local economies. In every Local Enterprise Partnership footprint in England, for example, the NHS is the largest employer. Furthermore it will have a significant estate, it will be a huge procurer, there will be a range of businesses seeking to work with it, it will be reaching out to the most isolated

\(^\text{13}\) Ibid.

\(^\text{14}\) *Tower hamlets together mental health* – The King’s Fund, accessed January 2017
pockets of society and it will be tackling the growing economic challenges of absenteeism, low productivity and well-being.

In this light, it is important to reiterate the strong and natural links that exist between the financial sustainability of the NHS and the financial sustainability of the UK economy. Looking ahead, we would expect to see a greater role for the NHS in strategic economic planning and more influence over the range of investments being made locally.

**Workforce**

Planning the workforce for the long-term has always been a difficult challenge. Health Education England and the Centre for Workforce Intelligence have undertaken work in recent years to look at what is required from our workforce in the medium to longer term15.

Locally, whilst the need to be planning for 2030 is known, many NHS employers are facing serious short-term workforce challenges. The need to respond to these short-term issues can mean that planning is focused on delivering what is needed within the current financial year, rather than the longer-term.

To help employers and the wider system with this task, NHS Employers commissioned the Nuffield Trust to explore the evidence to support reshaping the workforce to meet the changing needs of patients16. This report found that equipping the existing non-medical workforce, such as NHS nursing, community and support staff, with additional skills is the best way to develop the capacity of the health service workforce.

The NHS is about to embark on a new approach to undergraduate and some postgraduate training of healthcare professions with the national commissioning of training places for healthcare professionals ceasing in 2016-17. An apprenticeship levy is being introduced and there is a requirement to increase apprenticeships and develop other roles to support registered practitioners. These policy changes will all play a part in the future shape of the workforce.

Delivering workforce change is very rarely immediate and so it is essential that there is a focus on supporting additional work now to embed evidence based practice, at scale, to deliver sustainable change in the next decade.

We need to ensure that there is a sustainable pipeline of staff that are trained to meet the needs of the population. If we do not get this right, we may see increases in recruitment costs as organisations compete for a limited pool of employees, the closure of services due to unsafe staffing levels and longer access times for health and care services.

**Brexit**

It is also crucial to consider the implications of Brexit on the health and care workforce when assessing sustainability of the NHS.

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15 Health Education England - Strategic framework, February 2013
16 ‘Reshaping the workforce’ – The Nuffield Trust, accessed January 2017
A total of 57,604 NHS staff in England are from other EU countries, which represents five per cent of our overall workforce. In London, there are 19,000 staff from other EU countries, which is ten per cent of their NHS workforce. Nursing is also reliant on EU staff, totalling 21,000 across England and is an area in which there already is a shortage. Furthermore, at least six per cent of the social care workforce in England is from other EU countries17.

We need to acknowledge and value the contribution of professionals from outside of the UK – whether from within the EU or further overseas – and ensure we have a migration system which supports our sector to remain world-leading, and in the short to medium term, enables employers to be able to secure the right numbers and quality of skilled healthcare professionals, whilst domestic policy is implemented and can take effect.

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17 NHS Employers - Brexit and the NHS workforce, September 2016