



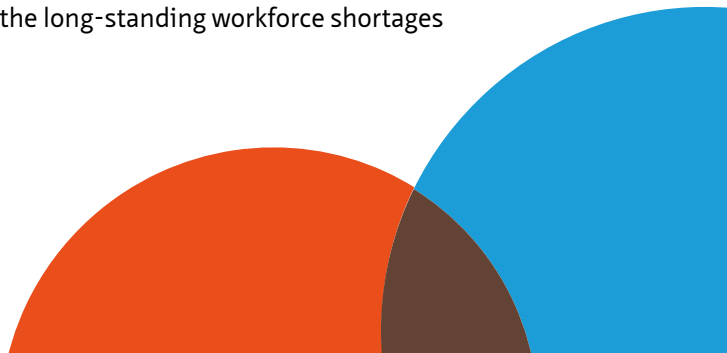
Spending Review 2020

The government has published its spending plans for the 2021/22 financial year. Originally intended as a three-year Comprehensive Spending Review, it was downgraded to a one-year spending round in light of the ongoing impact of coronavirus.

This briefing provides details of what has been announced by the Chancellor and our verdict on the spending plans. Our assessment is informed by detailed analysis undertaken by the Health Foundation, published on 24 November, that the NHS Confederation and our members have contributed to.

Key points

- The extra £3bn announced for the NHS to help clear the elective backlog, respond to rising demand for mental health services and help ease other pressures resulting from coronavirus is important. However, it falls well short of the £10bn funding gap that will be in place next year – as evidenced by new independent analysis from the Health Foundation.
- While the NHS long-term funding settlement of 2018 will continue to be funded up to 2022/23, significant extra funding is needed to ensure there is sufficient NHS capacity alongside the extra demands caused by treating COVID-19 patients and implementing infection control measures. In light of this, political leaders will need to manage public expectations as there is a real risk to the quality of services that hardworking health and care staff are able to deliver.
- The announcement of more funding for personal protective equipment and test and trace is welcome and NHS leaders will expect the government to continue to find the money required to enable their staff to respond effectively to the pandemic.
- More specifically, the additional £500m for mental health services announced in the Spending Review is welcome and will go some way to helping providers meet the additional mental health demand. However, it again falls far short of the £1bn to £1.4bn that the Health Foundation estimates is needed to fully meet the extra demand.
- Similarly, the £260m allocated for staff training and education is a positive step but significantly below what is needed to address the long-standing workforce shortages across the NHS.



- The impact of coronavirus on NHS staff cannot be understated. The NHS workforce has played a vital part in the response to the coronavirus crisis and so it is right that their dedication is recognised with a pay increase for over 1 million members of staff. However, we will need to see the detail of how trusts and other employers will be expected to fund this. And we feel it is a mistake to not also acknowledge the equally important contributions from our colleagues in social care.
- There is positive news for capital funding, which will increase to £9.4bn next year. This will enable the NHS to make progress on building 40 new hospitals by 2030, as well as delivering around 70 other upgrades in health infrastructure. However, this is lower than the £10.5bn the Health Foundation estimates is needed, and will still fail to address sub-standard estates and equipment across primary care and mental health services.
- Ultimately, this Spending Review was delivered during an unprecedented pandemic and at a time of major economic uncertainty. But it is clear that the additional funding announced is not enough to cover the funding gap that has been exacerbated by COVID-19. And there are still important areas of unfinished business, notably in social care and public health, that require greater investment over the long term. Once the economic outlook is clearer, we urge the government and its national bodies to revisit the NHS settlement in light of the Health Foundation's new analysis and provide the funding the service needs to place it on a more sustainable footing.

Introduction

The 2020 Spending Review sets out the government's spending plans for the 2020/21 financial year, and it is intended to target investment that will support an economic recovery. It was originally planned to be a multi-year Comprehensive Spending Review, but was downgraded to a single-year settlement due to the impact of COVID-19 and ongoing economic uncertainty.

Ahead of the announcement of the 2020 spending round, we engaged with our members and NHS leaders, and submitted a [Comprehensive Spending Review submission](#) to the Treasury which outlined the needs of the health and care system. This briefing follows on from our submission to the Treasury.

We have been working with the Health Foundation, through holding roundtables and workshops with our members, to support their analysis of the additional cost pressures for the health budget. The analysis by the Health Foundation has revealed the scale of funding increases needed to meet the demands of COVID-19, make the improvements to services laid out in the NHS Long Term Plan, fix social care and secure the nation's health for the long term. We thank members who participated in the Health Foundation research.

This briefing focuses on the settlement for the NHS and its arm's-length bodies. Our verdict on the spending plans is informed by the research conducted by the Health Foundation, and ongoing engagement with our members in the run up to the Spending Review.

Spending Review announcements on health and care

It is widely acknowledged that there was a significant funding gap within the NHS before coronavirus, and that this has been exacerbated by the pandemic. The Spending Review was therefore delivered in the context of a health and care system under severe pressure heading into the pandemic, and now facing a critical period as we head into the traditionally busy winter months against the backdrop of rising COVID-19 infections.

New funding for the NHS was among the key elements of the Spending Review, with key announcements on the ongoing direct costs of COVID-19, measures to help clear the elective backlog, and to help providers respond to rising demand for mental health services.

The Chancellor announced that the Department of Health and Social Care's core resource budget will rise by 3.5 per cent in real terms and core capital budgets will increase by 14.6 per cent in real terms in 2021/22.

The additional funding is broken down across several key areas of expenditure:

Additional COVID-19 funding for the NHS

For 2021/22, the government has announced £15bn for Test and Trace, £2.1bn to continue to maintain and distribute stocks of personal protective equipment (PPE), and £163m for medicines and therapeutics and £6bn to develop and procure vaccines. This builds on over £50bn of funding the government has made available to the health service for COVID-19 in 2020/21, including £22bn for Test and Trace.

We welcome this extra funding and NHS leaders will rightly expect the government to continue to find the money required to enable their staff to respond effectively to the pandemic.

However, it remains to be seen whether the financial support given to primary care networks to deliver the national COVID-19 vaccination programme will be sufficient. With the success of this programme so pivotal to the national interest and with workforce shortages and fatigue continuing to affect primary care services, the government must stand ready to provide further support should it be needed over the coming months.

NHS England and NHS Improvement revenue budget

This was well trailed ahead of the Spending Review, but the Chancellor confirmed that the NHS will receive an extra £3bn in 2021/22 to support recovery. Out of the £3bn announced, around £500 million will go towards addressing waiting times for mental health services and giving more people the mental health support they need; £1bn will go towards reducing the elective backlog; and £1.5bn will be used to ease other pressures resulting from the pandemic.

The £3bn is important extra investment but it falls below the £10bn figure estimated by the Health Foundation that would be required to address the backlog, make up for lost productivity and meet the increase in demand for mental health services.

Capital funding

The government has announced multi-year capital funding commitments of £3.7bn until 2024/25 to make progress on building 40 new hospitals by 2030, and £1.7bn until 2024/25 to cover 70 hospital upgrades to improve health infrastructure across the country. £4.2bn has also been announced for 2021/22 for NHS operational capital investment to allow hospitals to refurbish and maintain their infrastructure. A further £325 million was re-confirmed for the NHS to invest in new diagnostics equipment and £165 million for the eradication of mental health dormitories, which was previously announced in October. From the Chancellor's announcement, some of these monies will cover digital improvements.

The total capital budget for next year for DHSC will be £9.4bn which is very welcome investment after several years of under-funding on capital. It marks a 14.6 per cent increase on capital budgets in 2020/21. However, it is lower than the £10.5bn that the Health Foundation estimates is needed.

Although we welcome this additional capital funding, it is largely focused on the acute sector. We also need to see capital expenditure to address sub-standard estates and equipment across primary care services. This continues to impede the development of primary care networks across the country. Mental health services, which have been largely overlooked in capital funding settlements, also require significant, additional investment to provide safe and therapeutic care.

Overall, we welcome the more long-term approach to capital expenditure outlined in the Spending Review, and the focus on digital infrastructure which our members have asked for. We also welcome the expansion of the Treasury green book criteria more widely, to include levelling-up criteria, which is essential to address health inequalities. As well as having implications for the quality of care, we also believe that this investment can help the NHS act as an anchor institution and economic contributor, as well as a contributor to our net zero ambitions.

Training and education

To support the health system and to support training and retention, the Spending Review includes an additional £260 million for Health Education England in 2021/22. While we understand the breakdown of this funding has not yet been decided, we believe it should go towards supporting the training and retention of staff in the areas of the system that have the highest workforce pressures, including in mental health and community services.

We welcome this extra investment but this falls short of the £580m increase that is estimated as being needed in 2021/22 by the Health Foundation. This is the key unfinished business for the NHS. Without this investment in people, we will be unable to recover lost capacity, address growing backlogs and address unmet demand, including inequities. It will also harm the delivery of the transformation ambitions outlined in the Long Term Plan.

Pay

Although specific details were not announced in the Spending Review, we welcome the Chancellor's announcement that over 1 million NHS workers will be given a pay rise. The impact of coronavirus on NHS staff cannot be understated. The NHS workforce has played a vital part in the response to the coronavirus crisis and so it is right that their dedication is recognised with a pay increase.

However, we will need to see the detail of how trusts and other employers will be expected to fund this. And we feel it is a mistake to not also acknowledge the equally important contributions from our colleagues in social care.

Public health grant

The Chancellor announced that the government would commit to 'maintain' the existing level of the public health grant, with the government due to set out further action to improve population health in the coming months.

This is a missed opportunity and falls short of our call to restore the public health grant to 2015/16 levels of £1bn in real terms per year. This year has demonstrated the vital importance of effective public health in protecting the public and the NHS. Improved public health funding is also essential for the delivery of the prevention agenda in the Long Term Plan. It is fundamental to supporting early interventions which are vital if we are to bring about greater health equity.

New funding sources

The Spending Review highlights new funding sources which will be relevant for the NHS. In particular, the much anticipated UK Shared Prosperity Fund replaces in the UK the use of existing European Structural and Investment Funds (ERDF and ESF). This multi-billion pound EU funding has for decades supported regional development and addressed inequalities in the UK and has been accessed by a range of NHS organisations in partnership with local authorities, universities, colleges and voluntary, community and social enterprises.

The £4bn Levelling Up Fund highlighted in the Spending Review is new and will invest in local infrastructure projects up to £20m that have a visible impact on people and their communities, and which support economic recovery. It will be open to all local areas in England and prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less government investment in recent years.

Social care

While the Spending Review provides over £3bn to local authorities to cover COVID-19 pressures, including (but not exclusively) those in social care, it falls far short of the level of increase in targeted funding for social care that we and other organisations have been calling for.

The government will maintain the extra £1bn social care grant funding announced this year for 2021/22. Local authorities will also have access to a further £1bn through a £300m social care grant and the ability to levy a social care precept.

This falls significantly below the additional £6.1bn of funding that the Health Foundation identified as needed in 2021/22. Where councils are able to raise precepts, some of this will be absorbed by the rise in the National Living Wage announced in the Spending Review.

The Spending Review restates the government's commitment to 'sustainable improvement of the adult social care system' and says that the delayed proposals will be brought forward next year. This is a far cry from the Prime Minister's personal pledge to 'fix social care' within the first 100 days of his premiership. It will come as a bitter disappointment to the hundreds of thousands of vulnerable people who are not receiving the care and support they need. We will continue to make the case for reform and funding that will help to deliver a sustainable social care system. This is not only right for the individuals in need of care and their carers, but it is also vital to help alleviate capacity from the NHS.

Health Foundation analysis

We worked closely with the Health Foundation, organising roundtables between the Health Foundation's analysts and our members. The Health Foundation's authoritative analysis outlines the scale of the funding challenge facing the NHS and social care. In this section, we outline the headlines from the research.

The Health Foundation analysis shows that over the next year, the impact of COVID-19 is likely to result in extra health service costs of around £40bn per year – around 2 per cent of pre-COVID-19 GDP. Most of these costs are temporary, but a significant proportion represents the size of the ongoing funding gap facing the NHS.

The modeling of £40bn is made up of three components: direct COVID-19 costs which are needed for this year and next year; ongoing NHS funding pressures, such as restoring the elective backlog and meeting rising demand for mental health; and key areas of expenditure that sit outside of the NHS budget, including capital, public health, and training and education.

COVID-19 costs

Coronavirus has had significant costs for the NHS and this will continue into the next financial year. The Health Foundation estimates that the total direct costs associated with managing the pandemic could be around £27bn next year. The COVID-19 associated costs include maintaining a test and trace system, the purchase of PPE and rolling out a vaccination programme.

NHS England and NHS Improvement funding pressures

In order for the NHS to have sufficient resources to deliver the ambitions of the Long Term Plan, the Health Foundation suggests that the NHS will need around £10bn extra funding next year. This £10bn excludes the costs associated directly with managing COVID-19. It includes £7bn to address what they estimate to be a 5 per cent drop in productivity; £1.9bn to tackle the elective backlog; and £1.1bn to £1.4bn on mental health. The Health Foundation estimates that COVID-19 is likely to lead to an increase in NHS funding pressures over the medium term of around 0.5 per cent of GDP.

Capital

As mentioned in our analysis above, the need for capital extends past acute care and investment is also needed in primary care, mental health and community services. With this in mind, the Health Foundation estimates that the capital budget will need to rise to £10.5bn by 2023/24. The additional capital investment outlined in the Spending Review is significant but falls just short of this requirement.

Public health

Health Foundation analysis states that since 2015/16, real-terms funding per head for public health has fallen by 22 per cent. To restore real-terms per capita spending to the same levels as 2015/16 would require the equivalent of an additional £0.9bn a year. However, this amount would still not meet the current demands. Health Foundation modelling estimates that public health services would require an additional £2.5bn a year (in 2020/21 prices) as the longer-term funding goal for 2023/24.

Training and education

Investment in the training and education of staff is essential for the NHS to deliver services. The 2018 multi-year settlement for the NHS did not include funding for education and training. This has represented unfinished business, with the original plan to address this in the Comprehensive Spending Review that was due.

As outlined above, the government has provided an extra £260m in 2021/22. This is welcome but falls short of what the Health Foundation estimates is needed. The organisation estimates that the Health Education England budget will need to increase by between £580m and £900m from 2019/20 to 2023/24. This is required to fund increased spending on workforce development, expanding clinical placements, nurse and GP training, and international recruitment.

Social care

The Health Foundation analysis estimates that required improvements to adult social care will need an extra £6.1bn in 2021/22 on top of any specific COVID-19 costs, rising to £11bn per year by 2023/24. The figures announced in the Spending Review are significantly below this level of funding.

NHS Confederation viewpoint

The Chancellor's Spending Review represents a mixed bag for the health and care system.

There is welcome additional investment to provide the NHS with what it needs to respond effectively to the pandemic, while it also delivers extra funding to help reduce the elective backlog, respond to rising demand for mental health services and help ease other pressures resulting from coronavirus. There is also welcome extra investment in capital projects, though gaps remain in key areas such as primary care and mental health. The extra funding for training and education, combined with the commitment to provide a pay rise to over 1 million NHS staff, will be welcome news for a highly pressurised workforce.

However, this total package falls well short of the £10bn funding gap that will be in place next year – as evidenced by new independent analysis from the Health Foundation. This will impact on the NHS's ability to recover performance and manage the ongoing threat of COVID-19. In light of this, political leaders will need to manage public expectations as there is a real risk to the quality of services that hardworking health and care staff are able to deliver.

As soon as the economic outlook is more certain, the government should re-examine the current funding settlement the NHS is due to receive up until 2023/24. This was never enough to meet rising demand and the situation has been exacerbated by the pandemic. It will also be important to continually re-evaluate where spending should be prioritised, with an increasing need to bolster community and mental health services as we look beyond the emergency response to coronavirus and towards what will be a long recovery.

The government should also take the opportunity to complete its 'unfinished business' on training and education, public health and social care by delivering multi-year settlements for these vital areas.

We will continue to make the case for additional funding and support that addresses the true scale of the challenges faced by leaders and their teams across all parts of the health and care system.

About the NHS Confederation

The NHS Confederation is the membership body brings together and speaks on behalf of organisations that plan, commission and provide NHS services in England, Northern Ireland and Wales. We represent hospitals, community and mental health providers, ambulance trusts, primary care networks, clinical commissioning groups and integrated care systems.

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