

## Prime Minister's speech on NHS funding commitment: 18 June 2018

Today the Prime Minister Theresa May has announced a new five year funding settlement for the NHS, giving the service real terms growth of more than 3 per cent for the next five years. In a **major speech today** at the Royal Free London NHS Foundation Trust and two interviews over the weekend she has also tasked the NHS with producing a 10-year plan to improve performance, specifically on cancer and mental health care, and unpick barriers to progress.

This briefing summarises the announcements and includes our view on the announcements. Our press statement is also copied at the end of this document.

### Key announcements

#### Government reveals more money for the NHS

- The government has announced a major new package of funding for the NHS covering the five financial years from 2019-20.
- The average annual uplift is 3.4 per cent per year above inflation – based on Office for Budget Responsibility projections.
- The funding is frontloaded, meaning the annual rates of growth are: 3.6%; 3.6%; 3.1%; 3.1%; 3.4%.
- This will equate to £20.5bn more revenue in real terms compared with 2018-19.
- A further £1.25bn has been found to deal with an increase in pensions costs associated with the new Agenda for Change pay deal.
- The funding is for the NHS England commissioning budget only. This means it does not include capital funding, public health, health education, or social care.
- In an appearance in front of the Public Accounts Committee this afternoon, Simon Stevens said there was an explicit commitment from the government that the adult social care budget would be set to not put further pressure on the NHS.
- Although there have been assurances that these will be protected, there is no hard data on these areas and it is not clear whether these budgets, which have been cut in the past, will be restored to or simply ring-fenced at their current levels.
- This afternoon, Simon Stevens told MPs the extra money does include funding for an increase in Agenda for Change salaries from next year.
- How the increase will be funded is unclear. While the prime minister has emphasised that some of it will come from monies no longer being paid to the European Union, along with tax and borrowing rises, the "Brexit" element has been disputed by economists.

## A 10 year plan

- In return for the increase in funding, the NHS has been tasked to develop a 10-year plan, via an “assembly” convened by national leaders. The prime minister has emphasised that this should have strong clinical input.
- The 10-year plan, which will likely be delivered by the autumn budget, should set out how the service intends to deliver major improvements in mental health and cancer care.
- Ministers may be considering legislative reform: the prime minister described the number of contracts held between NHS organisations as a “problem”, and said she wanted the service to suggest ways of breaking down any barriers that might hold up progress, including in the regulatory framework.
- The prime minister set out five priorities for the NHS: Putting the patient at the heart of how care is organised; a workforce empowered to deliver the NHS of the future; harnessing the power of innovation; a focus on prevention; and “true parity of care” between mental and physical health.
- The prime minister said she would like to see the 10-year plan set out ambitious “clinically defined access standards” for mental health.
- And, she said clinicians should confirm the NHS is focused on the right performance targets for both physical and mental health – indicating that ministers may be willing to reconsider key performance standards.

## NHS Providers View

The government’s recognition that the NHS needs significantly more money, urgently, and a credible long-term plan for improving care, is welcome.

The 3.4 per cent average annual real terms uplift is at the upper range of what the service could realistically expect given the pressures on the public finances – but is at the lower end of what the NHS needs to remain viable. It is significantly better than the NHS has received in recent years, and is of another order to what other public services have had since 2010. However it is still below the 3.7% average real terms growth the NHS has seen during its history.

It is also for the best that the funding is frontloaded as the provider sector needs cash upfront as soon as possible to return to balance. The confirmation that it will not include a further £1.25bn to cover a specific pensions cost is an encouraging sign that the government is serious that this new funding is spent on improving care.

However we should be under no illusion that this money will fix every problem the NHS has straight away. Workforce numbers to support improved capacity will not be able to rise overnight, and better service models take time to develop, test and implement. Most importantly, even if the £4bn underlying deficit stops growing, it means that much of this new money is effectively already being spent on services as they currently are. This must be borne in mind when it is decided what more should be asked of the service in return for the new money.

While provider trusts will agree with the prime minister that the 10 year plan should include a route out of deficit for every organisation, the government must know that this will be a tall order as long as extra funding only just keeps up with demand and cost growth. It will be impossible unless well-led trusts are offered the chance to reset their finances – for example ending the high-interest loans regime currently affecting some of the trusts most in need of assistance.

The new funding settlement only covers the core NHS England commissioning budget. There have been broad commitments to protect public health funding, health education, social care and capital – however we would like to be assured that these essential budgets, which have been cut in recent years to the detriment of the service, will be restored. We are particularly disappointed that there is no clear link between this announcement and the future of social care, as a long-term plan for one cannot be made without clarity and security for the other. Likewise the prime minister was right to identify prevention as a priority – the government must now back this up with serious investment.

Making mental health services a central theme in the Prime Minister's speech was appropriate and timely. These vital, life-saving services deserve national focus and we look forward to working with the government and arm's length bodies to work out how they can be expanded and patient experience improved.

The decision to ask the service itself to draw up the ten-year plan, with an emphasis on clinical input, is preferable to a set of requirements being handed down from Whitehall. It suggests that the government understands that any plan has a better chance of succeeding if it has buy-in from the frontline from the beginning. We will work with national leaders to ensure this is a meaningful process of engagement.

We will watch with interest how proposals to cut bureaucracy develop. The prime minister's speech today emphasised the difficulties caused by legislation and contractual barriers, and we would like to see these unpicked, although would caution against a large-scale reorganisation as these tend to be disruptive and take focus away from delivery. However in the past "cutting bureaucracy" has been used as a pretext for reducing spend on management, which in recent years has gone so far that is now impacting on the service's ability to operate effectively.

The prime minister has invited "the health and care community", as part of the 10-year planning process, to make proposals on where existing legislation and regulation create barriers to better care. This is the right approach, as the current framework is not fit for purpose. We look forward to helping inform this work, in the understanding that a service as large and as vital as the NHS will always need regulation, but this should be streamlined and not duplicative. We would like to see organisational obstacles to better care unpicked, although would caution against a large-scale reorganisation as these tend to be disruptive and take focus away from delivery.

We note the prime minister's comments that the 10 year plan should improve efficiency. We agree that every penny of taxpayers' money should be spent as wisely and effectively as possible, but would caution that the current rate of savings cannot be safely sustained: since 2010 much of the total saved has been

through holding down pay, and last year nearly £900m of provider-side efficiencies came non-recurrently. Generating more savings will have to come from large-scale service transformation which will require upfront investment.

While we share ministers' enthusiasm for technology as a key enabler of the best quality healthcare, we must not mistake it for an alternative to investing in skills or capacity.

## NHS Providers press statement

Responding to the Prime Minister's speech on a long-term plan for the NHS, the chief executive of NHS Providers, Chris Hopson, said:

"We welcome the extra funding and ambitions for a long term plan to improve the quality of care the NHS is able to provide to the public. The NHS has faced a decade of austerity but we now have an opportunity to invest in our staff, buildings and services to meet the expectations the public rightly has.

"The proposed annual increases are in line with the level needed to maintain current services against rapidly rising demand. We know that to deliver improvements beyond this we will need to do more to make the NHS as efficient as possible. But we must be realistic about what more can be achieved given the NHS is already outperforming the wider economy on productivity. NHS trusts delivered efficiency savings last year of £3.2bn – this firmly places the NHS as one of the most efficient health care systems in the world.

"This welcome funding settlement will also still mean we face difficult choices on what our priorities should be. It is vital that NHS trusts have a strong role in shaping and agreeing the delivery plan so that the NHS frontline has a set of financial and performance goals that are realistic and can actually be delivered.

"A key part of this will be the delivery of a comprehensive plan to ensure we have the right staff and skill mix in place to deliver high quality services. It will also mean ensuring we are able to join-up and integrate services for the public much more effectively than we are now able to. The existing legislation continues to be a barrier to more integrated care and causes unnecessary bureaucracy, so we welcome the Prime Minister's offer for NHS leaders to develop proposals for how the legislation may be simplified.

"Finally, we welcome the Government's commitment to addressing social care as well as other critical areas of health expenditure, such as public health and prevention, that are not covered in this announcement. We are clear that fixing NHS funding without doing the same for these other vital areas will simply store up problems for front-line health services, as well as falling short of the care and support the public needs."