26 July 2021

The Rt Hon Boris Johnson MP, Prime Minister
The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer
The Rt Hon Steve Barclay MP, Chief Secretary to the Treasury
The Rt Hon Sajid Javid MP, Secretary of State for Health and Social Care
Lord Stevens of Birmingham, Chief Executive, NHS England/Improvement (NHSE/I)

By email

Dear Colleagues

Government support for the NHS given current and future pressures

Current and future pressures
You will be aware that the NHS is currently grappling with a very difficult combination of pressures:

- Going at full speed to recover care backlogs across hospital, mental health and community services
- Very high, often record, levels of demand for urgent and emergency care including in ambulance services
- Growing numbers of covid-19 hospital admissions alongside a rapid growth in mental health and long covid presentations
- Significant loss of capacity due to the need to protect patients and staff from nosocomial infection
- A large number of staff self-isolating as the number of covid-19 community infections rises, though we strongly welcome the announcement you made on this issue last week
- The service now entering peak summer leave, with significant amounts of extra leave that was postponed to enable the NHS to cope with previous waves of covid-19 now, rightly, being taken

This combination means that many trust chief executives are saying that the overall level of pressure they are now experiencing is, although very different in shape, similar to the pressure they saw in January of this year when the NHS was under the greatest pressure in a generation.

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Looking forward, we know these pressures will continue, and probably increase, as, successively, between now and next March:

- The impact of recently rising covid-19 infection rates on the NHS is fully felt. At time of writing, NHS hospital admission rates are continuing to rise, with the number of English hospital beds occupied by confirmed covid-19 patients rising from 1,998 on 6 July to 4,401 on 23 July. Given the lag between infection and hospital admission rates and the likely impact of the relaxation of restrictions on July 19th, it seems reasonable to assume these numbers are likely to increase further.

- The NHS delivers the highly complex next phase of the vaccination campaign. This will combine the need to:
    - safely and quickly vaccinate particular groups of vulnerable children
    - complete second, and in many cases, first doses for younger cohorts of adults
    - continue to raise "evergreen" vaccination rates for those who have not so far come forward for vaccination across all adult age groups
    - deliver a significantly expanded flu vaccination campaign
    - deliver the covid-19 booster campaign now approved by JCVI.

- The NHS copes with what a wide group of people, including the Chief Medical and Chief Scientific Officers, believe will be one of the most difficult winters the NHS has ever faced due to a combination of flu, covid-19, expected levels of Respiratory Syncytial Virus (RSV) in children and usual winter pressures.

All of the above needs to be delivered by a tired and overstretched workforce. And a service that, before we went into covid-19, had a significant demand / capacity mismatch as a result of a decade of the longest and deepest funding squeeze in NHS history. The extra demands brought by covid-19 have significantly exacerbated this capacity / demand mismatch.

Given this context, it is vital that the Government makes the right decisions on NHS priorities and funding for the second half of the financial year (H2). Due to the uncertainties of covid-19, NHS budgets were only set for the first half of this financial year (H1) for April to September. The decisions you make over the next few weeks on H2 funding will be a key determinant of the NHS's ability to cope with the extreme set of pressures outlined above.

The support trust leaders need from you to cope with these extreme pressures
We have spoken to trust leaders over the last three weeks on what support they need from you to meet these pressures in the context of discussions that have already begun on NHS H2 funding.

Trust leaders have seven clear requests, which we set out below.

1. **Roll over 'discharge to assess' (D2A) funding –** as detailed in our recent briefing, created in collaboration with NHS Confederation, continuation of discharge to assess funding for the rest of the financial year will be essential to maintain patient flow and ensure the NHS has sufficient bed capacity over the next few months. This will be crucial to continue recovering care backlogs at maximum speed and ensure greater resilience on the urgent and emergency care pathway.

   Some trusts are reporting that their local authorities are already beginning to worry about whether this funding will be maintained for the second of the year and this is beginning to turn into increased levels of delayed discharge. Failure to renew this funding could be disastrous for the NHS given the level of demand and capacity pressure the service faces. It would create a damaging 'cliff edge', increase length of stay, delay discharges and create avoidable readmissions, as well as have a significant negative impact on the public purse.

   Given the four-week funding period covered by D2A funding, it is vital that clarity on whether this funding will be rolled over is given by mid-August at the latest. We will want to return to discussions on whether this funding should be made permanent in the conversations around the forthcoming Spending Review.

2. **Replenish the elective recovery fund (ERF)** – reducing the care backlog is a key shared priority and providing appropriate funding is vital. The ERF has helped acute trusts recover elective activity faster than expected. However, most of the £1bn currently allocated to the ERF will be used up in the first half of the year. If you want the NHS to maintain and improve its current rate of backlog recovery, you will need to make further funding available.

   Uncertainty over the future of the ERF is already putting trusts in a difficult position. They are faced with a choice between reducing the speed at which they recover activity, which no one wants, or accepting that they may not get appropriately reimbursed if the ERF is not maintained or if the threshold for accessing funding is unrealistic and unachievable. There are also important care backlogs in mental health and long waiting times for procedures undertaken by community trusts. It is important that these trusts, as well as other primary care providers including general practice, can access appropriate funding.

3. **Conduct a rapid emergency capital round for winter and elective recovery** – trust leaders tell us that one of their main current problems is their inability to access small amounts of capital to prepare for winter and speed up backlog recovery. We know that you are collectively working on a longer-term capital approach for the forthcoming Spending Review including conducting a detailed analysis of how capital is spent at the NHS frontline. We support this work because we believe it will clearly show that the NHS will be unable to deliver the Government's manifesto commitments, recover care backlogs and live with covid-19 without a significantly higher level of recurrent capital spending.

But, in advance of this work, trust leaders need you to make an emergency injection of capital in this financial year to support them to meet the pressures outlined above. In particular, trust leaders tell us that provision of even small amounts of capital will speed up backlog recovery. We also know that provision of emergency capital at this time of year helps support the creation of effective winter plans. For example, last year £450m was made available to expand and upgrade A&E facilities. Trusts need a similar, cross-sector commitment ahead of the second half of the year with a suitable allocation process to ensure funding reaches the frontline as quickly as possible. For this to have maximum effect, it needs to reach the frontline by end August.

Ambulance trusts strongly welcome the recent £55m extra revenue funding made available for them to meet forthcoming winter pressures. Acute, community and mental health trusts are assuming that similar appropriate provision will be reflected in their H2 revenue allocations.

4 **Confirm full funding of the recent Government 3% pay offer** – we welcome the Government's decision to increase its previous 1% pay rise offer to NHS staff to 3%. The assumptions made at the time of the five-year revenue settlement for the NHS announced by Theresa May in June 2018 assumed that the NHS pay rise for this year would be 2%. So it is vital that H2 trust revenue allocations cover the extra, full year, cost of the new settlement above this amount. Failure to do so will require NHS trusts to use other budgets to meet this gap, risking patient care.

5 **Speed up elective recovery by ensuring finance and contracting arrangements allow the NHS to maximise use of independent sector (IS) capacity –** we are working on the basis that the NHS will agree a detailed, multi year, fully funded, plan to recover care backlogs as part of the forthcoming Spending Review. But there are certain, obvious, elements of that plan where early funding commitments are now needed.

The NHS planning guidance for 2021/22 rightly identifies that the IS has an important role to play in maximising available physical and workforce capacity across each system. Trust leaders tell us that the absence of future funding commitments and complex commissioning arrangements – such as confusion over how to recontract IS providers who signed an initial six-month deal under the Increasing Capacity Framework – are preventing the agreement of the right collaborative partnerships with IS providers. This is clearly hampering efforts to deal with the care backlog in certain parts of the country.

Clear advance financial commitments, and contracting arrangements, and a long-term plan for working with the IS, are urgently needed. We recognise these will need to extend beyond 2021/22.

6 **Set a reasonable second half task and ensure appropriate incentives** – trust leaders strongly welcome the Government's current supportive approach to NHS trust finances. They appreciate the Government's willingness, over the last 18 months, to

fully cover the extra costs of covid-19. This approach of "the NHS will get whatever it needs" has been crucial to enabling the service to meet the unprecedented challenges of the pandemic. Trust leaders also recognise that the NHS will, inevitably and rightly, need to return to fixed annual budgets, agreed in advance, with stretching efficiency savings.

However, it is vital that these transitions - reducing covid-19 costs and returning to stretching levels of savings - are managed carefully and realistically, taking full account of the operational context that trusts will be working in.

Trusts will be working at full stretch to cope with the pressures outlined above in H2 and this will inevitably restrict their ability to make efficiency savings. The efficiency ask reflected in the H2 revenue allocations needs to be set accordingly. We also need to recognise that covid-19 costs will not reduce in linear proportion to reductions in community infection rates and covid-19 admissions. Living with covid-19 long term and dealing with even low levels of covid-19 hospital admissions ill still mean considerable extra costs for trusts.

If your assumptions are too aggressive here then the pace of care backlog recovery and trusts' ability to expand capacity to meet winter pressures will inevitably be reduced, putting patient care potentially at risk.

It is also vital to incentivise trusts to achieve our shared objective of recovering backlogs as quickly as possible. Trust leaders tell us they are already concerned about the size of efficiency ask they may be asked to deliver and the pressure this could put on their budgets for this year. But, at the same time, to maximise the pace of backlog recovery, they are having to commit to significant extra cost, at risk, with no visibility on their H2 allocations. It is vital that you strike the right balance between setting a stretching financial ambition and creating an environment where trust leaders are encouraged and supported, and have the certainty they need, to take the risks required to reduce backlogs as quickly as possible.

7 **Conclude and communicate second half budget allocations as quickly as possible** – trust leaders recognise the complexity and difficulty of agreeing the NHS budget. But it is essential that we avoid a repeat of the H1 negotiations, which saw the NHS budget confirmed just 13 days before the start of the new financial year. If you want trusts to operate at maximum effectiveness, trust leaders need appropriate certainty on their allocations much earlier than a fortnight in advance. Given what happened with H1, trust leaders would like you to make a joint public commitment to a date by which they will be informed of their H2 allocations.

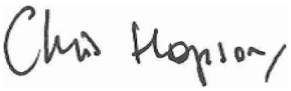
Spending Review

The above requests are in the context of the immediate support that trust leaders need for the rest of the financial year. There is a very important task ahead, beyond this, to agree NHS funding and matched priorities for the rest of the parliament. It is obvious that existing NHS funding plans will be inadequate to meet the triple task of delivering the NHS

long term plan, meeting the Government's manifesto commitments and living with covid-19 longer term. We look forward to working with you on these issues over the summer and early autumn.

We would, as ever, welcome a detailed dialogue on the H2 financial issues and look forward to hearing from you.

Yours sincerely



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