24 January 2024

Spring Budget 2024: submission from NHS Providers

NHS Providers is the membership organisation for the NHS hospital, mental health, community and ambulance services that treat patients and service users in the NHS. We help those NHS foundation trusts and trusts to deliver high-quality, patient-focused care by enabling them to learn from each other, acting as their public voice and helping shape the system in which they operate. NHS Providers has all trusts in voluntary membership, collectively accounting for £115bn of annual expenditure and employing 1.4 million people.

Key points

- Trusts' budgets are significantly overstretched. After over a year of higher than projected levels of inflation, compounded by more than £2bn of disruption caused by industrial action, and rising demand for care, government must act now to ensure trusts are adequately funded for managing the financial pressures they have faced this year so that they can continue to focus on providing high quality patient care.
- The long-term financial sustainability of the NHS is dependent on investment in wider public services, which heavily influence the determinants of an individual's health. Government should ensure multi-year public sector budgets act to improve the population's health and support economic productivity. This includes increasing the public health grant, which will deliver value for the taxpayer in the long term, reforming social care and ensuring due investment in critical public services which shape health outcomes from birth – such as education, transport, and housing.
- Trust leaders are keen to continue engaging with HM Treasury to better understand and improve NHS productivity, and NHS Providers is pleased to be working with trust leaders and NHS England to ensure productivity measures are appropriate for today's care settings including in mental health and community settings. However, sustainable productivity growth depends on key enablers, notably capital investment in infrastructure and digital technologies, that require sufficient central funding, and/or access for trusts to new routes to funding.
- Capital investment must be prioritised to address the record-high maintenance backlog and halt the deterioration of the NHS estate. Investment is required across acute, specialist, mental health, ambulance and community services.

- Government needs to explore options for widening access to strategic capital investment so that trusts who missed out on the New Hospital Programme (NHP), can still deliver the necessary transformation to their estate. This should be informed by funded projections for bed capacity over the course of the next spending review, including general and acute beds, but also intermediate care, rehabilitation beds and step-down mental health support.
- Trust leaders are concerned by current plans for a freeze on capital departmental expenditure limits (CDEL) from 2024/25 onwards. Trusts would welcome an increase in CDEL to provide them with greater flexibility to invest in their estates without breaching national spending limits.
- Government must support an expansion in primary and community care capacity to improve the flow of patients in and out of hospitals and the ability to step down care to more appropriate, and often less costly settings. Overall, trust leaders tell us this will improve the 'flow' of patients within the system, ensure people receive care in the most appropriate setting and have a positive impact on productivity growth across the NHS.
- In order to see sustained performance improvements across the urgent and emergency care pathway, ambulance services need to see long-term investment. One-off, short-term additional funding will not deliver significant performance improvements and does not deliver value for money for patients and service users. [1]
- Trust leaders want to see the government deliver fundamental reform of the adult social care system and a long-term, multi-year settlement to place social care on a sustainable footing ahead of the next spending review.

Context

The NHS has been working flat out this year to deliver on the government's key priority of tackling elective care backlogs and speeding up treatment for all patients. However, the NHS has been held back by a variety of operational and financial pressures which has meant progress in tackling the elective waiting list has been slower than anticipated.

This is the result of several systemic challenges, including persistently high levels of inflation, the legacy of the pandemic, a lack of capacity in adult social care and an increase in patients presenting with more complex care needs, which have resulted in a perfect storm for trusts and their leaders to contend with. Industrial action has continued to have a significant operational and financial impact on performance, with over 1.4 million appointments since December 2022 postponed at an estimated

[1] Association of Ambulance Chief Executives (AACE) (2023), *A vision for the NHS ambulance sector in co-designing urgent and emergency care provision*

cost of over £2bn. Although government priorities have focused on acute care, it is worth noting the significant waiting times for mental health and community services. As integration across the health and care sector continues to embed, there are ever increasing interdependencies between services, emphasising the importance of taking a whole-system approach to addressing care backlogs.

As well as tackling the immediate pressures facing the NHS, there are also some important opportunities to be grasped in order to alleviate the NHS from future pressures. The NHS Long Term Workforce Plan (LTWP), published in June 2023, maps out the workforce needs of the NHS in order to meet demand projections in future years. In order to ensure the benefits of the LTWP are fully realised, there are a number of key enablers which are vital to its success, including capital investment to transform the NHS estate; advancements in technology that will improve digital operability; and reform to the social care system.

Although the size and nature of the gap is contested, commentators broadly agree that there is now a gap between pre-pandemic and post-pandemic productivity levels across the NHS. This is symptomatic of a wider drop in productivity in the public sector, following years of underinvestment and the impacts of the pandemic and high inflation. As the Institute for Fiscal Studies notes, the NHS employs more staff and is spending more money than prior to the pandemic, but there has not been an equivalent growth in activity levels.[2] We understand trusts have been working with NHS England to improve their understanding of the acute productivity gap. Trusts are already embracing the challenge of improving the productivity of the NHS and delivering value for the taxpayer, for example through implementing stricter controls on agency staff spending and developing alternative models of care to enable faster discharge. However, if the government is serious about setting the NHS up to meet the challenges of the future, then it must commit to equipping it with the resources it needs to unlock productivity gains and work with unions to resolve industrial action.

Additional support for trusts to tackle immediate financial challenges

Trusts are currently grappling with an array of financial challenges which are inhibiting their ability to deliver national performance targets. Inflation has plagued the wider economy over the last twelve months, and the NHS, in line with all public services, has seen the value of settlements agreed at the October 2021 Spending Review eroded by persistently high levels of inflation. In its report published

[2] Institute for Fiscal Studies (2023), *Is there really an NHS productivity crisis?*

alongside the Autumn Statement, the Office for Budget Responsibility states that the GDP deflator (the measure of inflation used by government for the public sector) was 6.7% for the 2022/23 financial year and is forecast to be 6.1% for the 2023/24 financial year.[3] NHS trusts and foundation trusts had been asked to plan for both financial years on the assumption that inflation would be 4.4% for 2022/23 and 2.5% for 2023/24. NHS England has estimated that this differential between the inflation assumption underpinning planning and reality has created an unfunded pressure of £1.7bn.[4] Inflation has had a severe impact on trusts' ability to meet financial plans as they grapple with increased costs across a range of items, notably energy, utilities and medicine costs.

Industrial action from a number of different staff groups has been ongoing since December 2022 and has had a significant impact on the ability of the NHS to reduce the size of the waiting list. Crucially, industrial action has also had a material financial impact on NHS budgets, with the total cost of industrial action estimated by NHS England in the 2023/24 financial year alone to be more than £2bn. Strikes carry with them the direct cost of recruiting temporary cover to fill the gaps left by striking members of staff, as well as indirect costs such as the loss of elective income from rescheduled appointments. Providers also note that planning for the strikes has consumed a significant proportion of management time and headroom, impacting on the delivery of business-as-usual activity, such as meeting operational priorities and identifying efficiency savings. This will continue until industrial disputes are resolved.

Trust leaders have been clear that stubbornly high levels of inflation and sustained periods of industrial action this financial year have had a significantly detrimental effect on trusts' ability to deliver national performance targets within the current financial envelope. Trust leaders are clear that the £800m support package provided by NHS England (8 November 2023) to cover the cost of industrial action is welcome but will not be sufficient to cover the full costs.[5] Government must act now to ensure trusts are adequately funded for managing the financial pressures they have faced this year so they can continue to focus on providing high quality patient care.

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[3] Office for Budget Responsibility (2023), *Economic and fiscal outlook – November 2023*

[4] NHS England (2023), *Financial performance update – 7 December*

[5] NHS England (2023), *Addressing the significant financial challenges created by industrial action in 2023/24, and immediate actions to take*

Understand and improve NHS productivity to deliver more value for money

The NHS has been tasked to 'improve productivity back towards pre-pandemic levels', eliminate waste (by delivering an annual efficiency target of 2.2%) and reduce unwarranted variation.[6] Research from the Centre for Health Economics suggests that NHS productivity fell by 23% between 2019/20 and 2020/21.[7] While further work needs to be undertaken with trusts to fully understand the contextual changes impacting NHS productivity, trust leaders remain committed to restoring productivity back towards pre-pandemic levels. However, they continue to report a number of barriers that are inhibiting progress:

- Staff exhaustion and burnout/low morale – The most recent NHS staff survey shows just under half of staff (46%) often or always feel worn out at the end of their shift, and 34% of staff feel burnt out because of their work.[8] Government and national bodies must be cognisant of the impact of burnout on individual wellbeing and on the capacity of the service to recover performance and productivity.
- Workforce pressures (including industrial action) - Service demand and limited staff availability due to either sickness, absence or lack of available staff, as well as the need to meet minimum staffing and safety requirements, mean trusts are often forced to turn to expensive temporary staff cover to plug workforce gaps. To date, over 1.4 million appointments have been postponed due to industrial action since December 2022 which has compounded existing pressures across the NHS and hindered progress in bringing down the waiting list.
- Increased acuity of patients leading to longer length of stay – Trust leaders tell us that a sustained increase in acuity is putting pressure on services and bed capacity, sometimes lengthening time for diagnosis, increasing theatre time and impacting productivity overall.
- Lack of capacity – While trust leaders are keen to see greater investment in early intervention and community services to keep people well and independent for as long as possible, this needs to sit alongside ensuring hospital capacity continues to meet the needs of a growing and ageing population. We note that the NHS has far fewer hospital beds per head of the population when compared with other OECD countries.[9] A lack of bed capacity, as well as a tendency to run with very high levels of bed occupancy, is not conducive to fostering productivity growth as it restricts

[6] Department of Health & Social Care (2023). *The government's 2023 mandate to NHS England.*

[7] Centre for Health Economics (2023), *Productivity of the English National Health Service 2020/21 update*

[8] NHS England (2023), *NHS Staff Survey 2022 – National Results Briefing*

[9] The King's Fund (2023), *How does the NHS compare to the health care systems of other countries?*

trusts' ability to effectively manage fluctuating demand pressures and can often result in the cancelling of non-urgent appointments and procedures. Trusts remain concerned about their capacity over the medium term to open up a sufficient volume of beds to keep pace with demand.

Trusts are already exploring a number of initiatives to improve NHS productivity, including developing different delivery models of care to expand community capacity (e.g. virtual wards) and implementing tighter spending controls on using agency staff to fill gaps in staff rotas. Trust leaders are keen to continue engaging with HM Treasury to understand NHS productivity and explore further initiatives to improve productivity growth over the medium to long term. We are pleased to be working with NHS England to better understand what productivity measures could be applied to mental health and community settings which also warrant greater attention.

The success of the LTWP is predicated on the assumption that labour productivity will grow by between 1.5% - 2% each year. NHS England have made it clear that "recovering productivity is categorically not about staff working harder".[10] The LTWP sets out a number of long-term enablers that will support improvements in productivity growth. Firstly, a sustained increase in capital investment in the NHS estate, including in primary care, and expanding capacity to meet healthcare demands in an ageing population. Second, it requires investment in digital infrastructure throughout the NHS, including appropriate training and support, to enable staff to utilise new technologies. The LTWP also includes an assumption that access to social care will improve, or at least remain consistent with current levels of provision. We need to see long-term funding commitments made by government to support the LTWP's ambitions for the recruitment, training and retention of staff. Government must increase capital investment in infrastructure and digital technologies in line with the assumptions underpinning the LTWP in order for its benefits to be fully realised.

National focus on productivity has largely been focused on acute services. Community, mental health and ambulance services have suffered from a lack of national benchmarking data on trusts' activity and cost base. In order to tackle productivity growth sustainably, it is vital that government and national bodies ensure that providers, across all sectors, are equipped with the analytic support to develop the scale and quality of data required to better capture and support productivity growth across all settings.

[10] NHS England (2023), NHS Long Term Workforce Plan

Increase capital investment to ensure the NHS is fit for the future

After years of underinvestment and a trend of capital funding being diverted to top-up revenue budgets, trusts welcomed the multi-year capital budget set at the October 2021 Spending Review. However, inflation has significantly damaged the value of increased capital budgets. For 2023/24, NHS England allocated £4.1bn to operational capital envelopes, in part to fund maintenance and repairs, and £3.6bn to nationally allocated funds and other national capital investment. In our recent report, *Stretched to the Limit*, over 70% of trust leaders reported that their capital allocations are not sufficient to cover the cost of delivering safety critical repairs to both their estate and equipment.[11] Tight operational capital budgets leave trusts with little headroom to invest in their estate and update antiquated equipment, compounding the impact on the rising maintenance backlog which now stands at £11.6bn. **Government must prioritise increasing capital investment in acute, specialist, mental health, community and ambulance sectors to address the record-high maintenance backlog and halt the deterioration of the NHS estate, both of which are not conducive to fostering a more productive NHS.**

Trusts are also continuing to find it difficult to access strategic capital envelopes to help kickstart major health infrastructure projects. In May 2023, government reaffirmed its manifesto commitment to build 40 new hospitals by 2030, at a cost of over £20bn. However, eight schemes will now no longer be completed by 2030 and a total of 100 trusts applied for the final eight places on the NHP, highlighting the overwhelming demand from trusts for greater access to strategic capital. Furthermore, there are significant concerns over the parity of capital funding for mental health, community and ambulance services, after only two mental health schemes were included within the NHP. It is vital that government adopts a whole system approach to estate transformation, including the modernising of the primary care estate, in order to ensure the NHS estate will be able to support the delivery of high-quality patient care in the future. **Trust leaders are concerned by current plans for a freeze on capital departmental expenditure limits (CDEL) from 2024/25 onwards. Trusts would welcome an increase in CDEL to provide them with greater flexibility to invest in their estates without breaching national spending limits.**

Government must recognise that in order to meet the demand levels of the future, the NHS needs an increase in capital funding to strategically invest in an expansion of its capacity in community and

[11] NHS Providers (2023), *Stretched to the Limit*

inpatient settings. Government must ensure there are funded projections for bed capacity over the course of the next spending review and explore options for widening access to strategic capital investment so that trusts who missed out on the NHP can still deliver the transformation to their estate that patients need. Furthermore, as recommended by the Hewitt Review, government should clarify its position on the use of private finance to support major health infrastructure projects, given the volume of demand from trusts to participate in the programme.

Reform social care and support primary and community care

Trust leaders are clear that one of the biggest barriers to improving the timely discharge of medically fit patients is a lack of social care capacity. Years of chronic underinvestment in social care has only exacerbated this problem. While a portion of delayed discharges are within the gift of trusts (through improvements to internal discharge procedures), longer delays are typically as a result of a lack of social care provision at home or in care settings. Delays in social care assessments and difficulties in quickly accessing complex housing packages are limiting trusts' capacity to free up additional bed capacity. Furthermore, long stays in a hospital setting offer poorer outcomes for individual patients and are far more costly than the right support within the community. Trust leaders continue to be frustrated by delayed action on social care reform and are keen for the government to press ahead with their original plans. As well as fundamental reform to the adult social care system, trusts are clear that a long-term, multi-year settlement to place social care on a sustainable footing must be a key consideration of government ahead of the next spending review.

Relieving pressure on UEC pathways and on hospital admissions requires holistic investment across health and social care. As well as improving discharge pathways, it is important to invest in early intervention and support to help keep people well within the community so that, if at all possible, they avoid reaching the point where they require hospital care. Government must support an expansion to primary and community care capacity to improve the flow of patients in and out of hospitals and the ability to step down care to less costly settings. Overall, this will have a positive impact on productivity growth across the NHS.

Focus on the prevention of ill health and tackling health inequalities

The wider determinants of health, such as housing and education, determine our health and wellbeing more than any other factor (clinical care accounts for only 20% of health outcomes). Yet the financial strain on public services is increasingly evident, with rising numbers of local authorities unable to meet significant financial pressures[12]. This ongoing disinvestment in wider public services will have long-term consequences on the population's health and wellbeing, which will have a knock on impact on the NHS through increased demand and higher acuity. The NHS therefore needs the government to take a holistic approach to public spending and ensure there is sufficient funding across all public services to improve the population's health and help shift the demand profile in the long term.

In addition, the Health Foundation reports that the public health grant – allocated by government to local authorities each year - has been extensively cut by 24% since 2015/16.[13] If the government is serious about tackling health inequalities, then it cannot continue to underinvest in the public health grant. Trust leaders support a longer term shift towards allocating more funding to the prevention of ill health, rather than the treatment of ill health. Funnelling more investment into public health will prove to be both cost effective and deliver greater value for the taxpayer over a longer period of time.

The NHS must be treated as a key enabler to the government's wider economic strategy. NHS trusts and foundation trusts are anchor institutions which play a key role in generating economic growth and prosperity, as a major local employer, as well as wider socioeconomic benefits for their communities, by providing integral services and acting as a hub for voluntary sector organisations and local businesses. Research shows that every £1 spent on healthcare will deliver a further £4 back in increased productivity and employment.[14] Within that context, it is important to see an investment in the NHS as an investment in the overall health of the population that will deliver significant economic and social value.

At last year's Autumn Statement, the government launched a suite of policy proposals designed to support the long-term sick to return to work. [15] There are significant numbers of people with long-term health conditions who are economically inactive but would like to return to the labour market. The NHS continues to prioritise reducing care backlogs and supporting millions of patients to manage chronic, long-term health conditions, and therefore plays a vital role in supporting the overall productivity of the economy.

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[12] Local Government Association (2024), *LGA submission to the 2024/25 Provisional Local Government Finance Settlement*

[13] The Health Foundation (2023), 'Public health grant: what it is and why greater investment is needed'

[14] NHS Confederation (2022), 'The link between investing in health and economic growth'

[15] Office for National Statistics (2022), 'Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic'

Conclusion

To help the NHS meet the significant operational and financial pressures it currently faces, the Spring Budget needs to provide immediate support to cover the unfunded costs of inflation and industrial action, as well as prioritise capital investment across acute, specialist, mental health, community and ambulance providers to support productivity growth. In the longer-term, there will need to be greater investment in public sector finances and the public health grant, as well as an expansion of primary, social care and community care capacity and a multi-year social care settlement to support the long-term financial sustainability of the NHS.