



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

8 November 2016

Dr Sarah Wollaston MP
Chair
Health Committee
House of Commons
London
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NHS Finances

Thank you for your letter of 26 October following your inquiry into NHS finances. I was pleased to meet with you to discuss the issues that you have raised. I also wanted to respond in writing to set out in more detail the Government's position on these issues.

First, I want to reiterate the Government's commitment to supporting the NHS. This commitment is reflected in the large investment that the NHS will receive over this Parliament, which will help to ease the pressures on hospitals, GPs and mental health services. This investment is particularly significant at a time when the public finances are constrained, and reflects the priority that the Government puts on ensuring that we have an exceptional NHS that delivers the high standards that patients rightly expect.

In your letter you express concern about the Government's use of the £10bn funding figure, and our statement that we have funded the NHS's Five Year Forward View plan in full. I wanted to set out why these statements stand up to scrutiny.

As you know, the Forward View asked for a minimum increase of £8 billion in NHS funding by 2020/21, and for it to be frontloaded to allow the NHS to invest in, for example, new models of care. The Government has delivered what was asked for on both counts.

On the first point, the £10 billion figure has been determined using a 2014/15 baseline. This is the baseline year that is used for the Five Year Forward View itself. And this approach also takes into account the fact that we started funding the Five Year Forward View soon after it was published in October 2014: specifically, the Government provided at Autumn Statement 2014 additional funding for the NHS in 2015/16, in response to the funding gap identified in the Five Year Forward View. In sum, from a 2014/15 baseline, the NHS will receive an additional £10 billion above inflation by 2020/21.

In terms of how the £10 billion is calculated, you have also raised issues relating to the Department of Health budget, and our use of 2020/21 prices. The Government has not

claimed that the Department of Health itself would receive £10 billion above inflation; it has always referred specifically to the NHS. Our decision to focus investment on the NHS is deliberate – it reflects our desire to prioritise frontline services. We have used 2020/21 prices because the funding gap identified in the Five Year Forward View is described in 2020/21 prices.

On the second point, to kick start the Five Year Forward View plan, £6 billion of the £10 billion increase will be given to the NHS by the end of 2016/17. This is exactly in line with what the NHS asked for, as Simon Stevens has noted, saying “this settlement is a clear and highly welcome acceptance of our argument for frontloaded NHS investment”.

You also asked three questions regarding the Autumn Statement. Taking these in turn:

- 1) We recognise the importance of ensuring that the NHS has the capital investment it needs to improve services. That is why the Department of Health will receive more than £20bn of capital investment over the Spending Review period. As you say in your letter, NHS England is currently considering Sustainability and Transform Plans from regions that contain proposals for capital investment. We will consider these investment proposals in the round, in due course.
- 2) We also recognise that the position on social care is challenging, particularly in the middle years of the Spending Review. We are giving local authorities access to up to £3.5 billion of new support by 2019/20 – this will allow them to increase social care funding in real terms by the end of the Parliament. We will continue to closely monitor the position.
- 3) The NHS will receive a real terms increase in funding in each year of the Spending Review, helping it to meet rising demand. It is precisely because the Government gave the NHS what it asked for – a frontloaded settlement – that the exact size of this real terms increase will be slightly higher in the early years of the Spending Review than the middle years.

Thank you again for taking the time to write and meet with me. I hope that this letter helps to address your concerns.



PHILIP HAMMOND