Government Response to the House of Commons Health Select Committee Report into the Impact of the Spending Review on Health and Social Care (First Report of Session 2016–17)

Presented to Parliament
by the Secretary of State for Health
by Command of Her Majesty

December 2016

Cm 9385

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to:

Ministerial Correspondence and Public Enquiries Unit
Department of Health
Richmond House
79 Whitehall
London SW1A 2NS
Telephone: 020 7210 4850

Print ISBN 9781474136815
Web ISBN 9781474136822

ID 2905634 12/16

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

1 Introduction

1. On 19 July 2016, the House of Commons Health Select Committee published, *Impact of the Spending Review on health and social care* (HC 139). The report followed an inquiry by the Committee, which sought evidence from the Secretary of State for Health along with other witnesses, including NHS England, NHS Improvement, think tanks such as the King's Fund and various representatives from both the NHS and local government.

2. The Government has carefully considered the Committee's report and the issues that it raises, and this paper sets out the Government's response to each of the conclusions and recommendations.

3. The report correctly identifies the significant challenges facing the NHS over the next few years. There is a clear plan for responding to these challenges, which is made up of four key components:

- Extra investment in the Spending Review for the NHS (see section 2.5), and freeing up local government to spend more on adult social care (see section 2.4).
- Restoring financial discipline in the short term, including the publication of *Strengthening Financial Performance & Accountability in 2016/17*[1] which sets out a wide-ranging, seven-point set of actions (see section 2.3).
- Reducing demand for acute care in the longer term as set out in the *Five Year Forward View*[2]. NHS England and NHS Improvement are working with local areas as to how they can moderate activity growth by about 1% on a sustainable basis (see section 2.6).
- Promoting efficiency and productivity in the provider sector – building on the work of Lord Carter[3], which has identified large variations in efficiency across non-specialist English acute hospitals, and controlling cost pressures, for example, by applying the 1% pay cap, renegotiation of the community and pharmacy contract, and controls to cull spiralling agency spending (see section 2.6).

4. Section 2 of this paper responds to the overall conclusions of the Committee then considers in more detail the individual recommendations contained in the wider report.

1 NHS England and NHS Improvement (2016) *Strengthening Financial Performance & Accountability in 2016/17* www.england.nhs.uk/publications/performance/

2 NHS England (2014) *Five Year Forward View* www.england.nhs.uk/ourwork/futurenhs/

3 Lord Carter of Coles (February 2016) *Operational productivity and performance in English NHS acute hospitals: Unwarranted variations* www.gov.uk/government/publications/productivity-in-nhs-hospitals

2 Government response to the Committee's conclusions and recommendations

New models of care and the measures to achieve demand reduction which are crucial to the achievement of the Five Year vision are not being embedded across the whole system. These changes are not happening at sufficient scale and pace across the wider NHS and social care. The integration of health and social care – not just the integration of funding, as in the Better Care Fund, but getting commissioners and service providers in each sector to work more closely together to deliver a service to their local population – is not proceeding at the required pace. Furthermore, there is a risk that cuts to funding outside NHS England, such as public health and social care, will put the achievement of the Five Year vision at risk. (HC 139, Paragraph 170)

5. The Government agrees that demand reduction is vital if the NHS is to move onto a sustainable footing. NHS England has published the modelling agreed for the Spending Review (SR) which set the efficiency challenge to be achieved by demand reduction: activity savings at £4.3 billion by 2020–21. NHS England and NHS Improvement are working with local areas as to how they can moderate activity growth by about 1% on a sustainable basis.

6. We recognise that investment in public health and social care are essential to the success of the *Five Year Forward View*. For public health, local authorities will receive more than £16 billion over the SR period. This is in addition to what the NHS and wider health system spends on prevention, including: over £1 billion in 2016–17 mainly on immunisation, vaccination and screening; £340 million in 2016–17 on vaccine stocks; and, the £400 million capital investment in the new national Science Hub.

7. We also recognise the link between the health system and social care. We have introduced the Social Care Precept to support local areas to protect funding for social care services. This is not a decision that we have taken lightly and it is a very clear recognition of the importance that we place on social care. The precept has been implemented by 95% of local authorities and raised over £380 million in 2016–17. This could raise up to £2 billion by 2019–20. From April 2017 additional social care funds will be made available to local government, rising to £1.5 billion by 2019-20, to be included in the Better Care Fund. Recent local authority budget data demonstrates that this has supported local areas to increase adult social care budgets in 2016–17 compared with 2015–16. The impact of this additional funding and the overall social care settlement will be closely monitored for its impact on the NHS over the current parliament.

The Forward View needs to be accompanied by strategic thinking from Ministers about what priorities will best support achievement of the vision when resources are constrained. They should be prepared to set out the evidence as it develops on the value delivered by seven-day services and how that compares

with other priorities such as action on prevention and public health. (HC 139, Paragraph 171)

8. The *Five Year Forward View* articulated the care and quality gap and an ambition to close that by 2020. We know there are variations across the week in urgent and emergency care. By the end of the parliament anyone admitted as an emergency to hospital should receive the same high-quality care, regardless of whether they are admitted during the week, or at the weekend. The NHS is expected to rollout the four clinical priority standards in all relevant specialties to 25% of the population in 2016. The learning from this early rollout will be shared across the NHS to ensure delivery can be achieved within available resources.

9. The *Forward View* also highlighted the health and wellbeing gap. It called for a radical upgrade in prevention to improve peoples' lives and achieve financial sustainability of the health and care system. Further detail on public health funding, seven-day services and mental health can be found at sections 2.8, 2.11 and 2.12 respectively.

Given the scale of rising demand and costs we are not confident that the efficiency challenge is achievable. We are concerned about the failure to plan for the consequences if the current plan for savings is not achieved. (HC 139, Paragraph 172)

We believe it is time for the Government and NHS England to set out how they will manage the shortfall in NHS and social care finances and the decline in services to patients if the measures proposed in the Forward View fail to bridge the funding gap. If the funding is not increased, there needs to be an honest debate about what that will mean for patient care. (HC 139, Paragraph 173)

10. The scale of the efficiency challenge is ambitious. The *Forward View* outlined a vision for how the NHS could deliver £22 billion of efficiency over the course of this parliament. We have committed to this vision and embedded it in the mandate to NHS England. NHS England has published the details of the efficiency challenge including how £6.7 billion of this target will be delivered through national action, including implementing our 1% public sector pay policy to 2019–20, and renegotiating the community pharmacy contract. This leaves £14.9 billion to be delivered locally.

2.1 Payments to providers

The financial situation in the NHS has become increasingly tight. Health spending rose at an historically low rate of 1.1% in real terms between 2009–10 and 2015–16. NHS provider deficits have become so widespread that there is a risk that running a deficit is no longer taken seriously as a sign of poor financial management. The need to manage deficits also risks skewing attention and draining resources from other NHS priorities. (HC 139, Paragraph 26)

11. The Department of Health (the Department) and its arm's-length bodies (ALBs) are taking a wide-ranging set of actions in 2016 to support providers achieve financial sustainability and improve operational performance in 2016–17. In particular, new programmes of financial special measures for providers that are unable to ensure sufficient financial discipline have been introduced, alongside financial control totals linked to access to the Sustainability & Transformation Fund (S&T Fund).

12. NHS England and NHS Improvement's 'reset' document, *Strengthening Financial*

and competition operate in the best interests of patients, that procurement decisions by commissioners achieve the best results and, that all providers are treated fairly.

We heard some impressive evidence of the work going on to integrate health and social care services, and to incorporate other public services in ways that meet the needs of patients better and improve the local population's health. These initiatives for integration have great potential. In many areas, patients are already benefitting from better integration and other transformation initiatives. This will however not necessarily save money in the short term, as this approach also identifies more individuals who could benefit from services. (HC 139, paragraph 126)

Integration and devolution do not offer a quick solution to the financial problems facing the NHS and social care services. Such projects require substantial investment in preparation and during the early years of operation, and may in some cases add to costs in order to deliver long term savings. The Government needs to take a long term view in assessing their financial benefits and should define how the success of the vanguards will be evaluated. (HC 139, paragraph 127)

88. In many respects, health and care services are currently fragmented, reactive and designed to respond to single episodes of care. In order to provide people with person-centred and co-ordinated services that deliver the right care in the right place at the right time, we need to integrate health and social care services.

89. Implemented from the beginning of 2015–16, the Better Care Fund (BCF) is the first national, mandatory integration policy, helping clinical experts and local leaders in every part of the country to join up and improve health and care services through the establishment of pooled budgets.

90. It is clear from the fact that areas voluntarily pooled an extra £1.5 billion in the BCF in 2015–16 that there is an enthusiasm for the policy and its aims. Feedback from local areas regarding the BCF has generally reported that it has had a positive impact on their relationships at the commissioning level, using words such as 'catalyst' and 'enabler' to describe its effect on local health and care systems.

91. It is too early to formally evaluate the BCF, but this deliberately ambitious programme has helped to create greater momentum for a necessary step change in the way that care is delivered across the whole of England.

92. Integrating health and social care will take time. Local areas are already making excellent progress in delivering their plans, and the benefits are now being seen by those who work in health and social care, and those local people who require health and social care services.

93. The intention is that by 2020 health and social care are integrated across England. The BCF is a building block towards this and many areas are looking at ways to further integration aims, including through devolution deals and new care models. We need to enable people to live independent and healthy lives in the community for as long as possible, relieving the pressure on acute services.

With much of the upfront investment in the Spending Review being used to plug deficits, there is a real danger that greater integration and the move to the new models of care set out in the Five Year Forward View will be jeopardised by the shortage of transformation funds across the wider NHS outside the vanguards. At present the Sustainability and Transformation Fund is being

used largely to 'sustain' in the form of plugging provider deficits rather than in transforming the system at scale and pace. If the financial situation of trusts is not resolved or, worse, deteriorates further, it is likely that the overwhelming majority of the Fund will continue to be used to correct short-term problems rather than to support long-term solutions. We call on the Government to set out how it will protect the Transformation element of the Fund to ensure that the ambitions of the Five Year Forward View are realised. (HC 139, paragraph 128)

94. We agree with the importance of protecting funding for transformation and service improvement in the NHS. NHS England established a Sustainability and Transformation Fund of £2.14 billion for 2016–17. Of this, £1.8 billion will be deployed on sustainability to stabilise NHS operational performance, and £340 million for transformation to continue the new care models programme and invest in other key *Five Year Forward View* areas.

95. The Fund will grow from £2.1 billion in 2016–17 to £2.9 billion in 2017–18, rising to £3.4 billion in 2020–21, with an increasing share of the growing fund being deployed on transformation including the new care models, and mental health parity of esteem. The recent financial reset by NHS England and NHS Improvement provides further actions to deliver sustainability which are essential to protect the transformation elements of future funding.

2.10 Health education funding

The failure to train and retain an adequate supply of clinical staff is causing great strain in many parts of the NHS. This is undermining patient care, driving up the use of more expensive agency staff to fill rota gaps and diverting resources away from other important priorities. We expect Health Education England to set out their strategic plan and state whether they expect it to be achievable, and whether it will deliver the staff needs of the NHS, within their current budget. As we return to this subject through the spending review period we intend to examine the progress which HEE is making in improving workforce planning and effecting the transformation of the workforce at the heart of achieving the aims of the aims of the Five Year Forward View. (HC 139, paragraph 139)

We have heard concerns about the potential impact of the proposed abolition of NHS bursaries on the supply of nursing staff and other allied health professionals. We recommend that the Government review the impact on those training as a second degree and examine a transitional approach to support this section of the future workforce. We welcome the introduction of new routes to Associate Nurse and degree level nursing for those working as Health Care Assistants. We plan to return to this issue. (HC 139, paragraph 140)

96. Health Education England (HEE) published its workforce plan for 2016–17[10] setting out future supply forecasts and confirming the investment HEE will make in education and training throughout 2016–17. HEE proposes to again increase the overall volume of staff entering education and training, with in excess of 38,000 new training opportunities for nurses, therapists and scientists, and over 50,000 doctors and dentists in training.

10 Health Education England (2016) *Investing in People for health and healthcare: workforce plan for England 2016* www.hee.nhs.uk/our-work/planning-commissioning/workforce-planning

97. Currently two-thirds of people who apply to university to become a nurse are not offered a place – the health education funding reforms could create up to 10,000 more nursing, midwifery and allied health professional training places by the end of this parliament, with those in training getting around 25% more financial support while they study. This will open up opportunities for applicants turned down under the current system and ultimately increase domestic workforce supply so reducing NHS demand for expensive agency workers or staff from overseas.

98. HEE has established Local Workforce Action Boards (LWABs) as a mechanism through which local partners can meet to agree and discharge their collective workforce responsibilities in a co-ordinated manner.

99. A small number of nursing, midwifery and allied health professional students may already have a degree in another discipline. Under the current student support system, these potential students would not be eligible to access student support for a second time.

100. To support students who are planning to undertake nursing, midwifery and allied health professional subjects as a second degree, the Government will put in place an exemption to enable these students to access the standard student support system, just like students studying for a first degree. The rates of repayment will be the same as for students who take out student loan borrowing for the first time: 9% of income over £21,000 per year. At present, newly qualified nurses earning £21,700 will pay back around £5.25 a month.

101. As set out in our reply to the Public Accounts Committee[11], the effects of bursary reform will continue to be monitored and evaluated. The Department will work with delivery partners such as HEE, the Higher Education Funding Council for England, the Student Loans Company and the Universities and Colleges Admissions Service to assess the effects of bursary reform, particularly for mature students.

2.11 Service improvement: seven-day services

The Government and NHS England have now produced a clearer account of their intentions for seven-day services in hospitals and GP surgeries. We welcome the more realistic vision for seven-day hospital services, focussing on urgent and emergency care. We will continue to monitor progress on seven-day services across the Spending Review period, with the aim of assessing whether the Government's ambitions are achievable and delivering value for patients given the constraints on available resources and the risk of displacing measures which would be more cost effective. (HC 139, paragraph 153)

102. We welcome the Committee's comments and the opportunity presented by this inquiry to clarify our objective for seven-day services in hospitals. We know that there are variations in the quality of urgent and emergency hospital care provided across the week. This is why we have set the NHS the objective that, by the end of the parliament,

11 HM Treasury (July 2016) *Treasury Minutes Government responses on the Thirty Fourth to the Thirty Sixth; the Thirty Eighth; and the Fortieth to the Forty Second reports from the Committee of Public Accounts: Session 2015-16 Cm 9323* www.gov.uk/government/publications/treasury-minutes-july-2016

anyone who is admitted to hospital in an emergency should have access to the same high-quality standard of care at the weekend as during the week. The Department is working with NHS England and other relevant organisations to progress the phased implementation of the four key standards for seven-day services in hospitals in a cost-effective way.

103. The Government has said that by 2020, everyone will be able to access routine GP appointments at evenings and weekends, as part of our commitment to a seven-day NHS. The *General Practice Forward View* announced an investment of a further £2.4 billion a year by 2020–21 into general practice services, which represents a 14% real terms increase. As part of this proposed increase, NHS England will provide additional funding, on top of current primary medical care allocations, of over £500 million by 2020–21 to enable CCGs to commission and fund extra capacity across England. This will ensure that by 2020 everyone has access to GP services, including sufficient pre-bookable and same day appointments at evenings and weekends to meet locally determined demand, alongside effective access to out-of-hours and urgent care services.

2.12 Service improvement: mental health

Delivery of the funding commitments the Government has made for mental health is crucial to the delivery of meaningful parity of esteem. As we return to this subject through the Spending Review period, we will be looking for clear, verifiable evidence that the additional funding for mental health is being delivered to the front line, as well as evidence of sustainable progress towards the culture change across the NHS, from commissioners to providers, necessary to deliver genuine parity of esteem. (HC 139, paragraph 166)

104. We welcomed the publication of the independent Mental Health Taskforce's *Five Year Forward View for Mental Health*[12] which set out the vision for transforming mental health services over the next five years, and we are working to embed its recommendations in our policies. This includes increasing investment in mental health by £1 billion and developing a comprehensive set of mental health care pathways by 2020 to ensure that everyone who needs it has access to high quality mental health services.

105. NHS England published an implementation plan in July for delivering the NHS recommendations of the *Five Year Forward View for Mental Health*.

106. The Department will hold NHS England to account through the NHS Mandate for investing this funding to deliver the recommendations of the *Five Year Forward View for Mental Health* and Future in Mind vision for children and young people's mental health.

107. CCGs have been required through planning guidance issued by NHS England to increase their spending on mental health each year up to 2020 at least in line with the increase in their overall funding allocations. We have requested that NHS England monitors this commitment through the Improvement and Assessment Framework.

12 Independent Mental Health Taskforce (February 2016) *The Five Year Forward View for Mental Health* www.england.nhs.uk/mentalhealth/taskforce/

ISBN 978-1-4741-3681-5