

Briefing

NHS Funding Bill

House of Commons Second Reading | January 2020

Key messages

- The NHS Funding Bill is symbolic, enshrining in law the government's commitment to increase NHS spending by at least £34 billion by 2023/24.
- The funding increases set out in the Bill are very welcome but are below the historical average increase since the NHS was established and not enough to both restore performance against key waiting time standards and transform services for patients.
- By focusing on NHS England's budget only, the Bill leaves other vital areas of health spending, such as capital investment, public health and staff education and training, unprotected. To improve services and deliver on manifesto commitments the government will need to ensure these other budgets receive sufficient funding growth.
- Beyond the current settlement, a more strategic approach to NHS funding decisions is needed, based on an independent assessment of demand for and costs of services, in place of the short-term approach that has plagued the NHS for decades.

The Bill

The NHS Funding Bill sets out the government's commitment to increase NHS spending each year to the end of 2023/24. By the end of this period, NHS England's budget for day-to-day running costs is set to rise to a minimum of £148.5 billion (in cash terms, not adjusted for inflation). This is a £33.9 billion cash increase over the £114.6 billion spent in 2018/19 and is in line with the NHS funding deal first announced in July 2018 and the government's manifesto commitment to increase NHS spending by £34 billion (Conservatives 2019).

Based on current estimates of inflation, this would mean NHS spending rises by approximately 3.3 per cent each year on average over the five-year period. However, because the Bill only refers to cash increases, any changes to inflation over this period will affect the real future spending power of the NHS.

Context

The combination of a sustained funding squeeze and rising demand for services has taken a significant toll on the NHS over the past decade. Waiting times for treatment are rising, with performance against the four-hour A&E standard reaching a new low in December 2019 (NHS England 2020); a workforce crisis, with approximately 100,000 vacancies (NHS

Improvement 2019) across NHS trusts; and evidence of reductions in quality and access to some services (GP Patient Survey 2019). All areas of care are affected, with acute hospitals, general practice, mental health and community services all under significant strain.

The Bill is symbolic. The minimum funding increases it sets out are very welcome and will provide the stability needed for the service to focus on delivering the NHS long-term plan. However, the increases fall short of the 3.7 per cent a year historical average increase since the NHS was established (The King's Fund 2019). Coming after the longest sustained spending squeeze in NHS history, the increases are not enough to both restore performance against key waiting time standards and transform services to deliver better care.

Other health spending

The spending increases outlined in the Bill do not cover other important areas of health spending, such as capital investment in buildings and equipment, the public health grant for local authorities, and the education and training budget for NHS staff. This follows the decision taken by David Cameron's Conservative government in 2015 to change the definition of NHS spending from the totality of the Department for Health and Social Care's budget to NHS England's budget only.

This has contributed to under-investment in these other key areas of health spending including decisions to reprioritise capital investment to support the day-to-day running costs of the NHS. The outcome has been a rapid deterioration in the condition of NHS buildings and equipment (Anandaciva 2019), cuts to local public health services (Buck 2019), and problems in adequately staffing services (Beech *et al* 2019). Enshrining commitments to a subset of NHS spending in law clearly does not protect these other key areas of spending.

Future spending

The funding commitments set out in the Bill provide greater certainty over the next five years. For decades, NHS funding has faced repeated cycles of 'boom and bust', with periods of chronic under-investment followed by intervals of rapid growth. As part of longer-term reform, beyond the current settlement, a more strategic approach to funding decisions is needed, based on an independent assessment of demand for and costs of services, in place of a short-term approach that has created uncertainty and instability.

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References

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