NHS funding and finances: A bleak outlook?

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Over the long-run, health spending grows by approx. 4 per cent on average each year (above inflation)…

Growth flattens to 1.2 per cent a year since austerity measures in 2010, better than other departments fared, but still an unprecedented challenge.

So the NHS remains in middle of the longest funding squeeze in its history (for now...)

£4 billion gap in 2018/19 only half filled in Nov budget, leaving a c£20 billion gap by end of this parliament

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With associated challenges for frontline

Aggregate surplus/deficit (£millions) of NHS trusts and foundation trusts

Depth of the financial hole is substantial

<table>
<thead>
<tr>
<th>Year</th>
<th>Surplus/Deficit (£millions)</th>
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<tbody>
<tr>
<td>2010/11</td>
<td>513</td>
</tr>
<tr>
<td>2011/12</td>
<td>483</td>
</tr>
<tr>
<td>2012/13</td>
<td>592</td>
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<tr>
<td>2013/14</td>
<td>-91</td>
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<tr>
<td>2014/15</td>
<td>-859</td>
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<tr>
<td>2015/16</td>
<td>-2,447</td>
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<tr>
<td>2016/17</td>
<td>-791</td>
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<tr>
<td>2017/18</td>
<td>-960</td>
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Sustainability and transformation funding support

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Over 40 per cent of trusts in deficit now

And financial pressures are widespread

Surplus/Deficit 2017/18 (£m)

Individual NHS trusts
Even if the overall sector and DHSC budget balance

The Government’s Mandate to the NHS set a clear expectation that financial balance for the NHS sector as a whole was to be achieved during 2017-18. NHS providers planned for a small deficit during the year, therefore NHS England put aside a risk reserve to offset this and further unplanned deficits that may arise. During the year this contingency was utilised, ensuring the NHS was able to broadly deliver financial balance.
Previous years have seen a mix of options

- **More for less** (ie push efficiency)
  - eg Cost improvement programmes, Lord Carter operational efficiency metrics, pay restraint

- **More for same** (ie enough extra funding for recovery)
  - eg Winter funding for A&E departments

- **Less for less** (ie cut service quality, scope, access to match funding)
  - eg Capital funding
What is the calibration of ‘good’ when everyone is in deficit, and it becomes about ‘not being the biggest failure’ – do I just need to be in the middle of the peloton?
Response from ‘the centre’ a mix of control, support and exhortation

- Hold more funding centrally and dole it out, rather than pushing it through national payment system and commissioner budgets (eg provider and commissioner sustainability funds)

- Require local organisations to sign up to challenging financial control totals or targets each year, with significant rewards and penalties for achieving them
In June 2018, Theresa May announced a new five-year funding settlement for the NHS in England.

This promised to increase spending on frontline services in England by £20.5 billion (in today’s prices) between 2019–20 and 2023–24.
Proposed new funding offer comes in from 2019/20

- Details on what is in/out of the funding offer to be determined eg capital spending, some elements of staff training and education and public health. Offer is also contingent on NHS developing a 10 year service plan.

- Rise would be equivalent to an average annual real increase of 3.4% for day-to-day NHS spending in England.

- Rise is more than recent past (and will be more predictable increases), but less than the 4 per cent many think would be needed to modernise the service and keep pace with demand, and make up for recent austerity.

- Tough choices remain.
So where are we?

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<th>Black</th>
<th>Red</th>
<th>Green</th>
<th>Blue</th>
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<tbody>
<tr>
<td>Austerity led to unprecedented financial pressure, greater central control of finances, and new push on efficiency. But also led to one-offs like holding down staff paybill and underinvesting in long-term investment.</td>
<td>In healthcare, financial failure happens before service failure, but now at the stage where both finances and quality suffering, and workforce challenge so severe that even floods of cash will have limited impact on core services.</td>
<td>Caught between needing to spend money on business-as-usual to recover ground lost over recent years, and need to invest in new ways of doing things and new services and technology.</td>
<td>Now moving from a world based around institutions and providers vs commissioners, to a world of systems and sharing funding and financial risks. But swapping a funding problem for a workforce problem?</td>
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</tbody>
</table>
Thank you

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