Joint Evidence to the DDRB

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1.1. Introduction

Over the last few years, the NHS has maintained and improved patient care and delivered efficiencies during a time of increasing financial pressure caused by restrained growth in the NHS budget combined with rising demand.

Recent financial pressures have resulted in NHS providers recording aggregate financial deficits of £791 million in 2016/17 and £960 million in 2017/18. Significant financial pressures remain, with providers forecasting, at the end of September 2018, an aggregate financial deficit of £558 million for the 2018/19 financial year.

In June 2018 the Prime Minister announced a long-term funding settlement for the NHS, which will deliver an extra £20.5 billion real terms funding a year by 2023/24. This equates to an additional 3.4% average annual real-terms growth between 2019/20 and 2023/24. This represents a step change on recent years and moves closer to returning to the NHS long-term average funding trend of 3.7% per year since 1948[1].

In January 2019, NHS England and NHS Improvement published the NHS Long Term Plan. Putting the NHS back onto a sustainable financial path is a key priority and is essential to allowing the NHS to deliver the service improvements in the Long Term Plan. This includes improving productivity and efficiency (achieving at least 1.1% productivity growth per year) and returning the NHS to financial balance.

This extra spending will need to fund current pressures, demographic change and other costs, as well as new priorities. For example, the number of people over 85 is projected to increase from 1.3 million to 2 million over the next decade. The growth in

[1] Institute for Fiscal Studies & The Health Foundation (2017) Securing the future: funding health and social care to the 2030s. Available from: https://www.ifs.org.uk/publications/12994

average costs with age is projected to increase at a faster rate, due to the growing number of people with long-term and multiple conditions.

The outlook for provider finances in 2019/20 remains very challenging due to rising demand, capacity constraints (both in relation to staff and beds) and the cost of nationally agreed pay awards for Agenda for Change staff.

The 2018/19 pay awards for staff in the health service were higher than the 1% cap applied in previous years, although the medical awards were staggered to come in half-way through the financial year. The full impact of these awards must now be funded in 2019/20 through the national tariff, as part of the cost uplift factor.

The national tariff also funds the actual cost of the 2019/20 Agenda for Change settlement and **2% for non-Agenda for Change pay awards**, in line with the Government-set target for inflation.

This pay inflation included in the national tariff is broken down as follows:

- 3.4% for the 2019/20 impact of the Agenda for Change deal
- 2.0% for the 2019/20 medical pay award
- 1.1% reflecting the full-year financial impact of the 2018/19 medical pay award
- 0.1% for pay drift

The tariff therefore assumes an increase in Agenda for Change costs of 3.5% (including pay drift) and non-agenda for change costs of 3.2% (including drift and the full year impact of the 2018/19 medical pay award). This corresponds to 3.4% when weighted across all NHS staff.

In addition, a further 2.1% increase has been included in the national tariff to move the 2018/19 Agenda for Change top-up funding, paid directly to organisations by the Department of Health and Social Care, into ‘business as usual’ financial flows from 2019/20. The impact of this funding change increases the total pay increase in tariff to 5.0%.

The Agenda for Change pay award will also have other indirect impacts on the NHS budget. The NHS receives funding from other organisations (for example, Health Education England) for staff with Agenda for Change contracts. The funding for these organisations is not yet settled and uplifts to NHS funding which fail to fully reflect the Agenda for Change pay award could create additional cost pressures for local health systems, including NHS providers.

The Long Term Plan, and the allocation of resource that supports it, is based upon a coherent and robust set of costed propositions, grounded in evidence, including a comprehensive assessment of future demand, moderated where possible. These propositions also underpin Clinical Commissioning Group (CCG) allocations and the National Tariff.

We recognise the importance of a fair pay award for hard working NHS staff, who consistently deliver high-quality professional results around the clock. Therefore, within the limits of the financial settlement and pressures on the NHS, the propositions set out in the national tariff aim to strike a balance between ensuring services and staff numbers can grow, relieving pressures on the existing workforce, and securing a fair pay award for all staff. As a result, any pay awards above those assumed in CCG allocations and the National Tariff are not affordable within the current NHS settlement, and would be likely to reduce investment in frontline services and Long Term Plan priorities.

1.2. Current NHS provider finances and efficiencies

During 2017/18, providers achieved savings through cost improvement programmes (CIPs) of £3.2 billion or 3.7% in the most difficult of operating conditions. For 2018/19 planned efficiency savings were set even higher than previous years, at £3.6 billion or 4.1% of total expenditure. However, this is in the context of a challenging financial plan for the sector.

At the end of the second quarter in 2018/19, the sector had saved £1,214 million (2.7%) through CIPs and the forecast outturn for 2018/19 is £3,413 million (3.8%).

By reviewing the change in provider costs, adjusted for estimated unavoidable inflationary pressures, and then comparing these cost changes to the change in provider outputs, it is possible to calculate the implied productivity of the provider sector. The total implied productivity for at the end of the second quarter in 2018/19 was 1.0%, constituting pay productivity of 0.8% and non-pay productivity of 1.4%. This highlights that the NHS is continuing to improve productivity with the resources available.

In aggregate, the provider sector is forecasting a deficit of £558 million against a planned deficit of £439 million by the end of 2018/19. This figure is derived from aggregating ambitious provider plans and depends on assumptions around risk management including winter costs, agreed activity levels, beds being freed up and the delivery of significant extra efficiencies and cost improvements.

1.3. NHS provider workforce costs in 2017/18

NHS trusts employ almost 1.1 million whole time equivalent (WTE) staff. The pay bill is the single biggest area of expenditure and NHS Improvement has made supporting providers with management of the pay bill and recruitment to fill key staff vacancies a key priority.

Total pay costs for the first two quarters of the year were £561 million above plan. This sharp deterioration since Quarter 1 (£42 million overspend) was accentuated by the inclusion during the quarter of the AfC pay awards which were not included in the plan or Q1 figures. The overall pay costs for the year are forecast to be £1.01 billion higher than plan, of which AfC is expected to account for £836 million of the variance, with the balance of £246 million relating to non AfC factors.

The YTD overspend is reported in all sectors, but the largest variance is in the acute sector, which overspent by £483 million. This reflects continuing intense operational pressure in that sector. Overspending also occurred in all other sectors, totalling £80 million. Of the overall forecast overspend of £1.1 billion for the year, it is estimated that acute providers will account for £828 million. Overspending in the other sectors is forecast to be £254 million, including £158 million for mental health services.

The medical pay bill is overspending by the greatest proportion and is 2.3% higher than planned (£152 million) at Q2 18/19. This is despite benefiting from the phased implementation of the 18/19 pay award and not being distorted by unplanned Agenda for Change costs.

However, agency staff costs have now fallen steadily as a proportion of the total pay bill since 2016, and this has continued over the last year.

2. The NHS Long Term Plan

The performance of any healthcare system ultimately depends on its people – the NHS is no exception. To make the NHS Long Term Plan[2] a reality, the NHS will need more staff, working in rewarding jobs and a more supportive culture. By better supporting and developing staff, NHS employers can make an immediate difference to retaining the skills, expertise and care their patients need.

The Long Term Plan sets out a number of specific workforce actions developed by NHS Improvement and others that can have a positive impact now. The Plan also sets out our wider reforms for the NHS workforce which will be finalised by NHS Improvement and the Department of Health and Social Care when the education and training budget for HEE is set in 2019.

Therefore, we would like to draw attention to:

- Plans to grow the medical workforce by:
    - increasing medical school places from 6,000 to 7,500 per year;
    - examining options for more part-time and accelerated medical study;
    - accelerating the shift from a dominance of highly specialised roles to a better balance with more generalist ones, including testing a wide range of new incentives; and
    - working to ensure specialty choices made by doctors are better aligned to geographical shortages.

- Work with the British Medical Association, the medical Royal Colleges, the General Medical Council and providers, to address:
    - how the wider NHS can support the implementation of HEE's work to improve the working lives of doctors in training, including providing

[2] The NHS Long Term Plan. Available from: www.longtermplan.nhs.uk

adequate time for supervision, accelerating implementation of ‘step out and step in’ training programmes and further work to enable trainees to switch specialties without re-starting training;

- how to accelerate the development of credentialing, which has been piloted by HEE, to enable doctors to broaden the scope of their practice, both during and after training;
- how to reform and re-open the Associate Specialist grade as an attractive career option in line with the HEE led strategy for Specialist and Associate Specialist doctors;
- the acceleration of work to ensure doctors are trained with the generalist skills needed to meet the needs of an ageing population, alongside the development of specialist knowledge and skills;
- the development of incentives to ensure the specialty choices of trainees meet the needs of patients by matching specialty and geographical needs, especially in primary care, community care and mental health services; and
- the consideration of any further proposals from the work on reforming medical education which will support the delivery of the Long Term Plan.

- Steps being taken to ensure that high-skilled people from other countries from whom it is ethical to recruit are able to join the NHS by:
    - setting out new national arrangements to support NHS organisations in recruiting overseas;
    - exploring the potential to expand the Medical Training Initiative so that more medical trainees from both developed and developing countries can spend time learning and working in the NHS;
    - working with the Government to ensure the post-Brexit migration system provides the necessary certainty for health and social care employers, particularly for shortage roles; working with regulators to ensure language competency and international registration processes are proportionate to risk and responsive to need.

- Concerted action to support employers in retaining staff by:
    - extending the support from NHS Improvement's Retention Collaborative to all NHS employers;
    - aiming to increase investment in CPD over the next five years, subject to the agreement of the HEE training budget in this year's Government Spending Review. HEE has committed to increase the proportion of its total budget spent on workforce development in the short-term, with a focus on primary care and community settings;
    - expanding multi-professional credentialing to enable clinicians to develop new capabilities formally recognised in specific areas of competence, specifically accelerating development of credentials for mental health, cardiovascular disease, ageing population, preventing harm and cancer, with the intention of publishing standards in 2020;
    - seeking to shape a modern employment culture for the NHS – promoting flexibility, wellbeing and career development, and redoubling our efforts to address discrimination, violence, bullying and harassment;
    - tackling violence through working with the police and Crown Prosecution Service to secure swift prosecutions, improving training for staff to deal with violence and providing prompt mental health support for staff who have been victims of violence;
    - doing more to improve equality and opportunities for people from all backgrounds to work in the NHS
    - expanding the Practitioner Health Programme to help all NHS doctors access specialist mental health support;
    - improving health and wellbeing, building on the NHS Health and Wellbeing Framework that includes recommendations from the Stevenson/Farmer review of mental health and employers, and to support improved health and wellbeing of staff and management of sickness absence;
    - supporting flexible working, including clarity on the proportion of roles to be advertised as flexible; and the ability to express preferences about shifts further in advance enabled by e-rostering technology introduced over the next year and associated applications;
    - clarifying expectations on induction and other mandatory training;

- enabling staff to more easily move from one NHS employer to another; and
- setting expectations for the practical help and support our staff should receive to raise concerns, or inappropriate behaviours, confidentially.