NHS Funding

Opposition debate, House of Commons
Tuesday 22 November 2016

“That this House notes with concern that the deficit in the budgets of NHS trusts and foundation trusts in England at the end of the 2014-15 financial year was £2.45 billion; further notes that members of the Health Committee wrote to the Chancellor of the Exchequer about their concerns that Government assertions on NHS funding were incorrect and risked giving a false impression; and calls on the Government to use the Autumn Statement to address the underfunding of the NHS and guarantee sustainable financing of the NHS.”

About the BMA
The British Medical Association (BMA) is an apolitical professional association and independent trade union, representing doctors and medical students from all branches of medicine across the UK and supporting them to deliver the highest standards of patient care. We have a membership in the region of 170,000, which has been growing year on year.

Introduction
The BMA is greatly concerned that the NHS is facing unprecedented demand across almost all services, created by an ageing population coupled with increasingly complex patient illnesses and a drastic funding shortfall. As a result of this doctors are being asked to work in an overstretched, under-resourced health service. We believe that this unprecedented demand currently facing the NHS must be matched with increasing investment, based on a realistic assessment of what is needed in order to meet the health needs of current and future generations.

The BMA shares the concern of members of the health committee around the true value of government’s NHS funding and the figures and language used by government representatives. Subsequently, the BMA has highlighted this issue to the UK Statistics Authority and called for their assistance in finding clarity as to the true value of NHS funding announcements.

Funding overview
At the end of 2014, the Five Year Forward View (5YFV) estimated that the NHS in England is heading for a mismatch between resources and patient needs of nearly £30 billion a year by 2020/21. It suggests that to close the gap, the NHS needs to achieve efficiency gains of 2% to 3% each year. This has been interpreted as a funding increase of £8 billion and annual efficiency savings of £22 billion.

The government then announced it would invest £10 billion to deliver on commitments in the 5YFV. Much of this funding is, however, reliant on cuts in other areas including public health, education and training, capital spend and national bodies such as NICE (National Institute for Health and Care Excellence). Spending in these areas is being cut by more than £3 billion over the next five years, meaning the funding made available is in fact £4.5 billion, falling far short of what
is needed\textsuperscript{1}. Furthermore, this does not take into account funding for commitments for seven day services.

We are deeply concerned by the disparity between what the government claims it is investing in the NHS and what is actually being made available. Following repeated claims by the health secretary, Jeremy Hunt, that NHS investment will increase by £10 billion during this parliament, and this figure being widely refuted by bodies such as the health select committee, the BMA wrote to the UK Statistics Authority (UKSA) asking them to ‘advise on the validity of these statements’\textsuperscript{2} making reference to the health select committee’s recent analysis that found the use of the £10 billion figure was incorrect, creating a false impression that the NHS was well funded.

In its response to our letter the UKSA noted that ‘total health spending figures are much less frequently referred to by Government’ and in light of this pledged to:

- Ask HM Treasury to investigate whether in future they can present estimates for NHS England and total health spending separately.
- Explore with officials other ways in which they might ensure clarity around sources, time periods and what is being measured, and in what context, when reporting on the level of increase in real budget allocations to NHS England.

The BMA is subsequently calling on government to work with the UKSA to address these important points and to make NHS finances clear and transparent to all.

**General Practice and secondary care**

In secondary care, the aggregate NHS provider and commissioner deficit increased from £554 million in 2014/15 to £1.85 billion in 2015/16. In the provider sector alone, deficits stood at £2.45 billion at the end of 2015/16. The deficit is set to continue with NHS Improvement reporting that the NHS provider sector is heading for a combined deficit of £669 million at the end of 2016-17.

The funding crisis is not limited to secondary care, frontline GP services are under increasing pressure and this is preventing doctors from being able to provide their patients with the health service they deserve. General practice is currently in crisis, with the proportion of NHS funding spent on general practice falling from 10.4\% in 2005/6 to 8.1\% in 2015/16. We believe that general practice needs a sustained, year-on-year increase in the proportion of NHS funding going to general practice.

**Potential impact of Brexit on NHS funding**

In addition economic predictions suggest that the UK’s decision to leave the EU may result in a domestic economic downturn, reducing public spending in general and leading to, potentially, further reductions in the level of funding available to the NHS. The Health Foundation has suggested that the NHS budget will be £2.8 billion lower than currently planned for 2019/2020 if the UK leaves the EU due to a predicted fall in economic growth and other factors. The National

\textsuperscript{1} BMA NHS funding and efficiency savings, pp. 4-5, https://www.bma.org.uk/collective-voice/influence/key-negotiations/nhs-funding/nhs-funding-and-efficiency-savings

\textsuperscript{2} BMA (2016): BMA seeks NHS funding figure clarity
Institute of Economic and Social Research reinforces this view, suggesting the UK economy would be approximately 2.5% smaller two years after a decision to leave the EU.³

If these predictions regarding an economic downturn are proved to be correct, this could mean that in the longer term, and assuming that the UK is able to remain part of the European Economic Area (EEA), the NHS funding shortfall could be at least £19 billion by 2030/2031—equivalent to £365 million a week. Should the UK not retain access to the EEA, the shortfall caused by the domestic economic downturn and consequent loss of income is predicted to be as high £28 billion—equivalent to £540 million a week.⁴ Furthermore, given the weak tax receipts reported in the UK, which will slow efforts to reduce deficits, and the recent fall in Sterling, which will have a significant effect on the cost of medicines and other health products, the outlook for NHS finances following the UK’s decision to leave the EU is deeply alarming.

**STPs**

The BMA is becoming increasingly concerned that the primary focus of the new NHS Sustainability and Transformation Plans (STPs) is not, as it should be, on delivering the best possible patient care, but in cutting back budgets and, therefore, services. Of particular concern BMA analysis found that the STP plans commit local areas to make further savings of £22 billion from health and social care costs in five years⁵. These savings figures were found in papers from 42 of the 44 areas across England, where officials have been asked by NHS England to predict the financial holes STPs face in their budgets in 2021 and set out how they can close them.

The BMA believes that these plans are based on a worrying lack of evidence and are particularly concerned that the majority of plans have not yet been seen by the public and have had no involvement from frontline NHS staff in their development. We are also concerned that any potential opportunities within the plans will be overshadowed by the fact that they are an inadequate response to the long-term underfunding of patient care.

**Future funding and the Autumn Statement**

Given these dire predictions, we are dismayed by reports that the Chancellor’s Autumn Statement on 23 November 2016 will contain no new money for the NHS⁶, despite calls from leading NHS organisations for extra health spending following the UK’s decision to leave the EU. We are therefore calling on government to reassess its stance on this crucial issue and to provide the NHS, its workers and its patients with the necessary resource to allow it to continue to provide high quality timely care.

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⁴ Health Foundation (2016) Briefing: NHS finances outside the EU
⁶ The Guardian, Friday 14 October 2016 [No extra money for NHS, Theresa May tells health chief](https://www.theguardian.com/health/2016/oct/14/theresa-may-no-extra-money-for-nhs)