



# What the Spending Review means for Health & Social Care

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The 2020 Comprehensive Spending Review (CSR) announced by the Chancellor, Rishi Sunak, outlined more than £50 billion for health and care services in 2020/21 in direct response to Covid-19. However, for a second year in a row a full three-year spending review has been delayed, this time due to the fiscal uncertainty caused by the pandemic. As a result, this Spending Review had the feel of 'here and now' and many organisations operating in the health and social care environment will have to keep waiting for the longer-term funding certainty they expect and are relying on in order to implement the NHS Long Term Plan.

The CSR is one of several financial settlements that the NHS has received during this Parliament, including: The five-year revenue funding uplift for NHS England (£33.9 billion a year by 2023-24) enshrined in the NHS Funding Act; several ad hoc operational capital funding increases, and, in the summer, emergency funding made available to shore up the NHS' critical maintenance and A&E capacity in England.

The CSR revealed substantial funding packages to support health and social care to cope with the ongoing burden of coronavirus but NHS and social care leaders have outlined this is unlikely to be enough to address the pressures faced by services across the country, so another cash injection may be required again by the Spring. The Spending Review also contained only limited funding announcements that will support the longer-term modernisation and reform of the health & social Care system.

A longer-term workforce strategy, a more holistic plan for capital funding allocation and public health budgets were all conspicuous by their absence in this Spending Review

### *What was missing?*

There remain many strategic and financial decisions outstanding that were not addressed as part of this settlement. These include the continued absence of a multi-year workforce strategy that will hinder – as an example - the Government's ambition to recruit 50,000 new nurses and address long-standing workforce shortages which hinder other priorities. The approach to capital spending (for instance digital infrastructure and NHS Estate upgrades) remains ad hoc and the longer-term capital plan that Matt Hancock is pushing for - via an expanded and updated NHS Infrastructure Plan - continues to be delayed. During a year when public health has been front and centre of public consciousness, there was barely a mention of public health funding. This perhaps reflects that there are ongoing debates about how the functions of Public Health England should be delivered. The recently announced National Institute for Health Protection (NIHP) will take on responsibility for national health security and response to COVID-19 from Spring 2021. However, the future of other elements of public health prevention schemes are highly contentious and who will get what responsibilities is being debated between the Department for Health and Social Care, NHS England and local government leaders.

Despite these issues, there is a lot to unpack from this funding settlement. It is important to scrutinise the headline announcements and undertake further research into the reality of how funding is being raised and spent. Organisations who depend on public health and care spending should seek to engage with Government, councils and NHS England and arms-length bodies to understand how funding will influence upon the commissioning and delivery of services and the impact this will have on outcomes.

## Headline announcements and what they mean

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**Sector:** **COVID-19 recovery fund**

**Key CSR Announcements:** **£1bn to tackle the elective backlog**

**£1.5bn to help ease existing pressures in the NHS caused by COVID-19**

In some ways this was the most high profile - but most predictable - aspect of the Spending Review. Hospitals are under unprecedented strain and the Government needed to act to ensure they have the revenue to cope with additional burdens such as cost of PPE, staffing gaps and lack of acute care capacity to name a few. This £1.5bn will be channelled through NHS England and CCGs to the trusts in highest need.

The NHS is in desperate need of solutions and models of care that separate the delivery of acute non-elective care from elective care. Any providers that can manage patients away from the hot-

spots of COVID-19 emergency care will be strongly considered for this type of funding - and this shift away from hospitals aligns with longer-term ambitions set out in the NHS Long Term Plan. The £1bn in funding allocated to tackle the elective backlog is likely to continue to flow towards establishing new temporary treatment centres on NHS estates, telemedicine and care in the community and to private hospitals with the headroom and expertise to manage these patients. However, the Health Foundation suggested that £10bn would be required for the NHS to recover services, significantly more than the current settlement.

**Sector:** **Capital Spending**

**Key CSR Announcements:** **£2.3bn increase in capital spending for 2021/22. (including multi-year commitments of £3.7bn until 2024-25)**

Capital spending, which covers both estate and digital infrastructure, had been one of the biggest areas of expectation in the provider sector, as they hoped for certainty. The Spending Review ensured the upward spiral of investment in capital projects. The UK outspent its 2020/21 targets to adapt to COVID-19, while 2021/22 will see a focus on diagnostic machines, such as MRI and CT scanners, and replacing outdated dormitory accommodation in mental health providers. The investment will be much welcomed by the sector.

Some questions still exist around capital budgets for 2022/23 and beyond, so providers do not have the long-term certainty they had hoped for. However, providers now know what funding is available both for day-to-day operational capital investment as well as for wider projects.

**Sector: Mental health****Key CSR Announcements: £500m for Mental health services**

£500m has been allocated to deal with the immediate pressures on the nation's mental health during the winter, with a focus on tackling long waiting times. Some funds will replace mental health dormitories with en suite rooms in inpatient settings. Nobody has denied that these funds are much needed in the current climate. However, the challenges facing the nation's mental health are far longer-term than just this winter. Many will have been hoping the government provided more certainty on the future of mental health funding and calls from the sector will continue until this is provided. Mind, a mental health charity, have stated that £1bn a year for three years is required to tackle the mental health crisis resulting from COVID-19.

The funding provides an opportunity for those who deliver services to the NHS that helps it meet its capacity issues, namely digital providers and community-based platforms that can reduce waiting times while supporting patients in COVID-safe environments.

It will also encourage those start-ups and providers who can bring creative thinking to the government about how to tackle the mental health crisis without huge finances to support it.

**Sector: Social Care****Key CSR Announcements: Access to £1bn of additional spending**

The Chancellor announced that local authorities will have 'access to £1 billion of funding for social care', however, the detail suggests this is different from actually having that money. Confirmed is £300m of new grant funding, and up to £790 million that could potentially be raised by local authorities being able to levy a 3 per cent adult social care precept.

The problem with this is that the precept raises different funds in different areas, and this is not based on need in those areas. It is also incumbent on households' ability to pay the levy.

The government has also raised the National Living Wage by 2.2 per cent from £8.72 to £8.91 from April 2021, which will be welcome for staff. However, this does not meet the £9.21 the Low Pay Commission consulted on.

Social care providers will undoubtedly welcome the measures to support their services, however, they will be in constant dialogue with local authorities about how to make the most of funding available. Think tanks have highlighted serious concerns about the Government's decision to defer proposals for social care reform until 2021.

Moreover, the increase to the minimum wage will be welcome to workers, but it will be incumbent on providers to pay them. The social care system is already stretched and is now being asked to find further funding for staff. While deserved, providers may have questions about how they are expected to deliver this.

**Sector: Diagnostics****Key CSR Announcements: £325m to support the NHS invest in new diagnostic machines to improve clinical outcomes**

In October, NHS England published the Independent Review into diagnostic services. It recommended a radical change in the provision of these services with an emphasis on a significant expansion and update of current diagnostic equipment and various suggestions for new service delivery models.

This Spending Review funding announcement will only cover part of these recommendations - the replacement and upgrade of routine diagnostic equipment such as MRI and CT scanners. Even before COVID-19 waiting times were growing to access this type of fundamental diagnostic

equipment. Growing demand, lack of equipment and workforce gaps have all been cited as a reason for this.

NHS trusts have recently relied upon external private providers to help them cope with elective diagnostics, but this funding should assist to improve in house capacity. Bulk buying this new equipment should also support the roll-out of 100+ community hubs recently announced by NHS England as part of the diagnostics review. The ambition is to establish 'one-stop-shops' in the community that can provide faster routine diagnosis to patients away from hospitals.

**Sector: Clinical R&D****Key CSR Announcements: £1.3bn of R&D funding being made available for Department of Health and Social Care**

Funding will be funnelled via DHSC to the National Institute of Health Research (NIHR) and Genomics England.

This commitment to life sciences R&D is welcome at a time when the uncertainty regarding future relationship with the EU and the benefits that goes with this, such as access to Horizon funding, is still in doubt. The CBI recently concluded that the UK faces increased international competition in relation to life sciences R&D and the Government needs to focus on improving access to talent and increasing the strength of the research and innovation framework.

One of the UK's strengths in clinical research is strong partnership working between academia, industry and the NHS and the NIHR/UKRI will continue to facilitate this moving forward. This funding will complement the Budget announcement that a new Advanced Research Projects Agency (ARPA) is due to be established in the UK. This news has been welcomed but it is important that ARPA does not duplicate the work of UKRI.

Both commercial and not-for-profit clinical research organisations - the latter of which's finances and operations have taken a substantial hit during COVID-19 - should be buoyed by this commitment and will be looking for where increased grant funding is made available.

Sector: **Workforce**

Key CSR Announcements: **£260m for Health Education England (HEE) to grow the NHS workforce.**

**Pay rises for NHS workers will continue despite a wider public sector pay freeze.**

**National Living Wage rises from £8.72 to £8.91.**

Overall, this feels like another missed opportunity to establish a longer-term planning and funding settlement for the NHS workforce.

The Kings Fund responded to the Spending Review by stating that "The lack of funding for a multi-year health and care workforce strategy is disappointing" and will make it harder for the Government to deliver on the ambitious expansion of the clinical workforce included in their manifesto.

The recently published NHS People Plan identified that "More work is needed to increase the number of [staff] in key specialty areas, and to reform the way we educate and train clinicians for a

more flexible modern NHS." The hope was that the Spending Review would give the longer-term funding certainty to enable NHS England and HEE to set out long-term recruitment and training plans, however the restriction to a one-year settlement has again delayed a long-term workforce plan. Whilst the £260 million allocated to HEE is welcome it is not on the scale required to resolve some of the issues included in the People Plan.



**GK Strategy are specialists in helping companies to navigate the complex health and social care landscape. To find out more, please contact:**

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