

Deputation concerning proposed Sustainability and Transformation Plan Spokesperson – Madeleine Dickens

Summary of financial arrangements imposed by NHS England

- Comparisons of percentages of GDP spent on health and social care.
- Although the government fulfilled its NHS funding commitment – with funding increasing by an average of 0.8 per cent per year in real terms – the increases delivered were less than the estimated growth of 3 to 4 per cent per year required to meet higher costs of new medical technologies and increases in demand for health care. Over the same period local government has seen a [real reduction in spending on adult social care of 12%](#).
- Sustainability and transformation fund – the fallacy
- All but one of the 44 STPs is in deficit overall, according to research carried out by the HSJ, and about a third have deficits of more than 4% of their turnover. The STP must show how local services will become sustainable over the next five years. It must set out initiatives to manage demand, increase provider efficiency, reconfigure services and, the most important of all, balance the budget in the local area.
- The Kings Fund has said “It is inconceivable that the NHS will be able to achieve both financial sustainability and large-scale transformation within these financial constraints.”

Equalities impact, democracy and STP

STP was imposed and draft plans submitted on the 30th June with no parliamentary oversight or mandate, no consultation, and by their own admission - no legal status. There is already a rapidly growing equality gap in the health and social care economy – successive cuts and privatisation taking their toll on local services. The Public health department budget has reduced by 18%, projected to rise to 25% by 2020, since its re-creation under the Health and Social Care Act. Major services have gone out to non LA contractors, Children’s and young people’s services currently out to tender. At the same time, 9 GP practices across the city have closed (with more closures looming)...list of further services affected. These developments inevitably have the biggest impact on the most vulnerable and those most in need living in the most deprived neighbourhoods. With the level of savings necessary to balance the STP budget this equality “gap” can only widen further.

Local Democracy

To break even STP Boards are going to have to implement massive change – the selling-off of NHS estate and land, workforce reductions, the even greater influx of private companies, with serious implications for local communities and the local economy. Yet in April the LGA no less highlighted the democratic deficit underlying STP, criticising -

“Pace of implementation undermining local ownership and squeezing out LA and community involvement.

Lack of democratic accountability, eroding the role of HWBs

Footprints over-ride devolution or local govt transformation boundaries.

Angry concern is being expressed by some HWBs and other bodies about STP.

Requested action

- This submission be referred to the OSC to request a copy of the draft STPlan, gather evidence on its implications and to make recommendations to full council.
- The full council recommends that the HWB call public consultation meetings on STP at the earliest opportunity.
- The council look at the best means of soliciting the opinion of city residents on the tendering out of local NHS services along the lines of the University of Brighton Citizens' Health services survey examining attitudes to privatisation.

Background paper - NHS Funding and NHS England's Sustainability and Transformation Plans

1. The UK currently spends 8.8% of its GDP on health services. This compares with an OECD average of 8.9%, Greece spends 9.1%, France 10.9%, Germany 11%, and the big spender US 16.4%. It is true that of that proportion of UK's GDP most is public funding, but this is also the case with all other countries. So don't let's get carried away with the idea that we are big spenders on health – **we're not**. In fact under government's plans the GDP proportion spent on the UK's health is set to fall to 6.7% by 2021. **This will make us one of the lowest health spenders in the world.**
2. In 2015 the politically neutral Kings Fund said of the Coalition government Although the government fulfilled its NHS funding commitment – with funding increasing by an average of 0.8 per cent per year in real terms – the increases it delivered were less than the estimated growth of 3 to 4 per cent per year required to meet higher costs of new medical technologies and increases in demand for health care. Over the same period local government has seen a **real reduction in spending on adult social care of 12 per cent.**
(1)
So, to meet increasing demand the NHS requires a 3-4% budget increase, and it got 0.8% while at the same time adult social care had 12% reductions in its budget. This resulted in most hospital trusts falling into colossal deficits (2) of £2.8 billion, to pay for bills, staff wages, energy bills and drugs; unprecedented in the history of the health service.
3. The STP (3) must show how local services will become sustainable over the next five years. It must set out initiatives to manage demand, increase provider efficiency, reconfigure services and, the most important of all, balance the budget in the local area.
4. So NHS England is demanding that trusts must absorb the deficit, accumulated because of underfunding through the Coalition years, in their plans for the next five years and prove that they balance the books. So trusts ability to meet the demands for services in the next 5 years will be hampered by having to absorb the previous 5 years' deficit.
5. There is funding available for the STPs, known as the **Sustainability and Transformation Fund (STF)**. This fund is held by NHS England, but it is ring-fenced and can only be released with agreement from both the Department of

Health and HM Treasury. The fund is released quarterly, in arrears, to the organisations in the STP footprint.

6. Other funding available for transformation is held by NHS England and this has been added to the pot (amounting to £339 million in 2016/17), creating a total Sustainability and Transformation Fund of £2.1 billion for 2016/17. The fund grows to reach £3.4 billion by 2020/21.
7. The catch is that none of this funding is available unless the STP footprint can show that it is able to balance its books. For 2016/17 the providers (NHS trusts) must show they are cutting their deficits and demonstrate that the plan leads to staying within their budget for 2016/17. The STP must then work to keep the footprint within its budget for the next four years in order to qualify for further funding from the STF.
8. The STPs bring together NHS trusts that are in a very difficult position financially, with almost all of them in deficit, with other organisations, including CCGs, most of which are not in deficit, although not flush with money either. The result is that the overall financial situation of the STP footprints is very poor; all but one of the 44 STPs is in deficit overall, according to research carried out by [the HSJ](#), and about a third have deficits of more than 4% of their turnover.
9. *Anita Charlesworth, chief economist at the Health Foundation, has noted that, “turning that sort of financial performance around when there are so many other underlying issues is an enormous if not impossible task.”*
The normally cautious Kings Fund has said “It is inconceivable that the NHS will be able to achieve both financial sustainability and large-scale transformation within these financial constraints.” (4)
10. The first tranche of money from the £2.1 billion STF for 2016/17 has already been allocated to NHS trusts, however due to the dire finances of the trusts, [all £1.8 billion will be spent on bailing out the providers’ deficits.](#)
11. The government through NHS England is therefore set to limit the range of services provided, downgrade the quality of remaining services, more often than not provided by private profit-seeking companies, with reductions in staffing levels involving even lower morale with industrial disputes on an unprecedented level. What we are witnessing is the contraction of a health service from one driven by patient need and heralded by the Commonwealth Fund as the best in the world (5), to one controlled primarily by impossible financial targets.

References

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4. http://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/Planning-guidance-briefing-Kings-Fund-February-2016.pdf

5. http://www.commonwealthfund.org/~media/files/publications/fund-report/2014/jun/1755_davis_mirror_mirror_2014.pdf
6. <http://www.oecd.org/unitedkingdom/Country-Note-UNITED%20KINGDOM-OECD-Health-Statistics-2015.pdf>