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*La politique du gouvernement britannique en matière de financement du service national de santé depuis 2018 : une analyse de son évolution et de sa réception*

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# The Government's NHS Funding Policy Since 2018: An Analysis of Its Evolution and Reception

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## Introduction

- 1 After the victory of the Leave campaign in the In/Out EU referendum of 23<sup>rd</sup> June 2016, and the infamous Red Bus Leave Campaign advert claiming that the NHS would get an extra £350 million a week if the UK left the EU, the issue of National Health Service (NHS) funding took a back seat politically for a couple of years under Prime Minister Theresa May. Meanwhile, the performance of the NHS, which had steadily been getting worse for nearly a decade, largely as a result of underfunding and understaffing issues, continued to decline.
- 2 In 2018 the question of the NHS, and in particular of its funding, moved back to the front of the government's agenda under Theresa May with a speech delivered on the occasion of the NHS's 70<sup>th</sup> birthday. As a follow-up of the various promises made in the speech, the NHS Long Term Plan (NHSLTP) was published in 2019 and was followed by the NHS Funding Act in 2020. This fixed in law the budget increases promised in the NHSLTP until the end of the financial year 2023/24.<sup>1</sup> The NHS also figured prominently during the 2019 General Election campaign. Hot on the footsteps of the Conservative Party victory, the Covid-19 epidemic occurred. Since March 2020, it has led to unprecedented pressures on the NHS and Boris Johnson's government has reacted with a series of special measures, including extra funding, to ensure that the NHS would cope during the biggest health crisis in living memory.

- 3 The recent flurry of NHS funding announcements needs to be set against the backdrop of nearly a decade of austerity policies from 2009/10 until 2018/19, with a corresponding decline in performance. Although NHS funding was not cut in real terms during this period, unlike that of most other public services, its growth was the lowest the NHS had ever known since its creation in 1948.
- 4 The article outlines which health service funding commitments have been made by successive Conservative governments since 2018 and analyses the extent to which these commitments are likely to stop further decline of the service and even enable performance improvement or not.
- 5 Although healthcare has been a devolved matter in the UK since the late 1990s, most of the UK government's healthcare funding commitments, including those laid out in the NHS Funding Act 2020, also apply to the other nations of the UK, Scotland, Wales and Northern Ireland, as a result of the Barnett formula. As a result, although the main focus of the article is on NHS England, the funding policies and commitments which are analysed here also impact the other nations of the UK.

## Putting current funding policies into perspective: the legacy of the austerity decade

### The funding gap accumulated during the austerity decade

- 6 During the austerity decade, from 2009/10 until 2018/19, NHS England's budget grew at a much slower pace than at almost any time previously, averaging a growth of 1.4 per cent a year in real terms over the period.<sup>2</sup> Budget growth was especially low between 2009/10 and 2014/15 when it did not exceed 1.1 per cent a year.<sup>3</sup> As early as 2013, there were regular warnings from the two main NHS leaders' organisations – NHS Providers<sup>4</sup> and NHS Confederation<sup>5</sup> – as well as the three major UK healthcare think tanks – the Nuffield Trust, the King's Fund and the Health Foundation – that the shortfall would lead to a funding gap of £30 billion by 2020. The government's response, later included in the 2015 Conservative party manifesto, was that it would provide at least an extra £8 billion for NHS England between 2015 and 2020 on top of the forecast budget.<sup>6</sup> However, the remaining £22 billion would have to be found through efficiency savings. The Nuffield Trust warned at the time that *"improving productivity on this scale would be unprecedented"* and was therefore unlikely to be achieved.<sup>7</sup> As a result, the NHS was likely to face a funding gap of over £20 billion by 2022/23.<sup>8</sup> In the 2017 General Election Conservative Party manifesto, the government again promised an increase of £8 billion in real terms, to be spread out over five years until 2022.<sup>9</sup> Once more, think tanks warned that this was far too little and would lead to a minimum £4 billion deficit for the year 2018/19 alone. Their forecast was reduced to £2 billion when the government finally granted an extra £1.9 billion to the service in 2018. However, NHS England's chronic underfunding during this period led to a drop in health service performance, which in turn led to longer waiting times and a poorer service for patients.

### The impact of the austerity decade on health service performance

- 7 By 2018, most acute trusts were in deficit,<sup>10</sup> and waiting times for hospital treatment and in Accident and Emergency (A&E) Departments had increased sharply since the

mid to late 2000s. A Nuffield Trust performance review based on data collected in December 2019 found that most healthcare indicators had got worse over the previous decade, and in many instances the figures were the worst the NHS had known since such records began in 2004.<sup>11</sup> The survey found that 20 per cent of people attending A&E departments spent more than four hours waiting, the worst figure since 2004. In 2011/12, less than 5 per cent of patients had waited that long. Moreover, by the end of 2019, at least 4.5 million people were waiting for elective hospital treatment while over 15 per cent of patients on waiting lists had waited longer than the 18-week maximum target to receive treatment. In both cases, this was the worst result since 2008.<sup>12</sup> From a longer-term perspective, it must be pointed out that more than 50,000 people were waiting over a year for elective hospital treatment in 1999. By late 2019, the equivalent figure was just over 1,000.<sup>13</sup> However, although extremely long waits for hospital treatment had got better over a 20-year period, most other indicators had got much worse since the mid 2000s. In particular, 23 per cent of cancer patients were waiting longer than two months to start their treatment following an urgent GP referral by the end of 2019, and there was also some evidence that many patients were waiting longer to get a GP appointment.<sup>14</sup>

- 8 To sum up, the situation had got worse for patients in just under a decade, with longer waiting times for patients who were often in pain, and a lower chance of survival for many. Although causal factors are numerous and complex, most analysts agree that this global performance decline was linked to insufficient funds, a lack of sufficient and up-to-date equipment and infrastructure as well as nursing and medical staff shortages. Finally, by mid 2018, there was the announcement of a major policy change from Number 10 regarding NHS funding, staffing and infrastructure, the first since 2010.

## The NHS Long Term Plan: genesis and implementation

### Theresa May's commitment to increase NHS funding in 2018

- 9 In June 2018, Prime Minister Theresa May made a speech on the occasion of the 70<sup>th</sup> birthday of the NHS in which she promised that an additional £20.5 billion in real terms would be given to NHS England.<sup>15</sup> The extra funds would be paid over a five-year period from 2019/20 until 2023/24. Equivalent funding measures would be made available for the NHS in Scotland, Wales and Northern Ireland. The funding would represent an above-inflation increase of 3.4 per cent a year on average – a major improvement on what had been granted to the NHS since 2010. In her speech, Theresa May emphasized that this would be equivalent to an extra “£394 million a week in real terms” – in other words it would exceed the so-called Brexit dividend advertised in the 2016 Brexit Bus campaign which claimed that an extra £350 million a week would be given to the NHS should the UK leave the EU. May's speech also included a commitment to increase staff recruitment, improve NHS staff careers and renew ageing infrastructure and equipment. With these promises, Theresa May was undoubtedly trying to improve her own standing as Prime Minister at a time when she was effectively heading a minority government and a sharply divided Parliament and country over the Brexit question.
- 10 Yet the speech did not mark a complete turning point as far as the funding policy of the previous eight years is concerned. Whilst it promised to “uphold the values on which the NHS is based” and to fund the service “adequately”, it also asserted that there was a

continued need for efficiency savings and that extra funding would be dedicated to frontline services only. The speech commitments were included in the Long-Term Plan (NHSLTP) which was published a few months later, in January 2019. Following the replacement of Theresa May by Boris Johnson as Conservative party leader and Prime Minister in July 2019, the new government renewed its commitment to the NHSLTP.

## The promises of the 2019 Conservative manifesto

- 11 During the December 2019 General Election campaign, which was held less than three years after the previous one, the Conservative Party manifesto granted a prominent place to the NHS which took a high second place under the heading “We will focus on your priorities”, just after the overriding commitment to “Get Brexit Done”.<sup>16</sup> The healthcare pledges included in the manifesto were by and large a reiteration of the commitments made just over a year previously by Theresa May in her speech, with the notable exception of the promise of an ambitious new hospital building programme. On funding, the manifesto promised an increase of £33.9 billion in cash terms for NHS England. In real terms, this was broadly equivalent to May’s promise of an extra £20.5 billion over five years.<sup>17</sup> Meanwhile, the Labour party was promising a slightly more generous funding increase of 4.3 per cent a year and the pledge that the party would also exclude the NHS and medicine pricing from the remit of any future trade deal, notably with the United States.<sup>18</sup> On the NHS, the Conservative manifesto promised to enshrine the Long-Term Plan in law, and to fund and build 40 new hospitals over the next 10 years. On the staffing issue, it promised to recruit 50,000 more nurses and to introduce maintenance grants for nursing students of a value of between £5,000 and £8,000 a year in order to encourage new nursing recruits to join the NHS. The Conservatives also promised to recruit 6,000 more GPs and 6,000 other healthcare professionals and to review the pension tax taper which can discourage some senior doctors from staying on in the NHS and taking on extra work.<sup>19</sup> Finally, on the controversial issue of new post-Brexit rules which may have prevented foreign healthcare professionals – particularly nurses – from getting a UK work visa as their salary would be too low to do so,<sup>20</sup> the Conservatives confirmed that there would be an exemption, an NHS visa which would allow foreign-trained nurses and doctors to enter the UK.<sup>21</sup>
- 12 Even before the Conservative victory at the December 2019 General Election, the commitment to implement the NHSLTP had been included in the October Queen’s Speech<sup>22</sup> and it became law in 2020 (NHS Funding Act). We may wonder what the legal commitments of the Long-Term Plan mean precisely for health service funding in the next few years, and whether these commitments are considered sufficient by healthcare specialists to enable the NHS to function and even to improve.

## Reception and assessment of the NHS Long Term Plan’s funding commitment

### NHS England’s budget: planned growth as a result of the NHSLTP

- 13 Following the initial promise set out in the NHSLTP to increase NHS England’s funding by £33.9 billion in cash terms, equivalent to £20.5 billion in real terms, over a five-year

period running until 2023/24, the NHS Funding Act 2020 set in law the minimum budget increases which must be honoured by the Chancellor of the Exchequer between 2020/21 and 2023/24.<sup>23</sup> The table below sets out NHS England's budget progression according to the Act:

**Table 1. NHS England revenue budget from 2020/21 to 2023/24 (in £ billion) as set out in the NHS Funding Act**

Budget Year (ends March 31st)	NHS Long Term Plan Year	NHS England budget (cash terms)	NHS England Budget (at 2018/19 prices)	Annual real term % change (at 2018/19 prices)
2018/19		115	115	
2019/20	Year 1	121	119	3.3
2020/21	Year 2	127	122	3.3
2021/22	Year 3	133	126	3.0
2022/23	Year 4	140	130	3.1
2023/24	Year 5	149	134	4.1

Source: House of Commons Library (2020) <sup>24</sup>

- 14 Over the five-year period, the annual real terms rise was calculated to be an average of 3.4 per cent a year over a five-year period.<sup>25</sup> Though this may appear at first sight to be a reasonable settlement, such was not the opinion of health experts who were overwhelmingly critical.

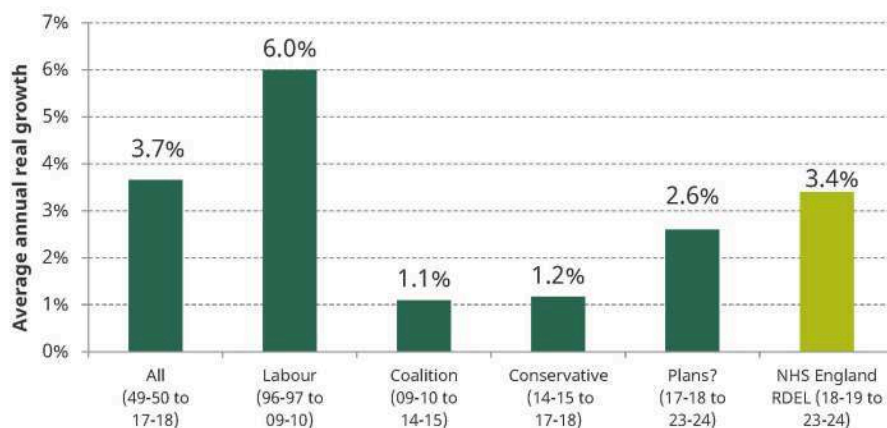
### **An inadequate funding commitment according to most experts**

- 15 After the announcement of the Government's funding plan, first in the NHSLTP, then in the 2019 Conservative manifesto, all the major healthcare think tanks<sup>26</sup> declared that the plan was not sufficient and would just "help stem further decline".<sup>27,28</sup> The factors that explain this near-consensus opinion are well-known. They include growing demand for healthcare as a result of population growth – and in particular a growing elderly population – as well as rising prices for equipment, medicines and staff salaries. Thus, the UK population grew by 4.3 million between 2010 and mid-2019, and of those there were 3.7 million more people in England alone.<sup>29</sup> Between 2010 and 2020, the over-75-year-old group alone grew by half a million and this group is the most likely to need costly medical care.<sup>30</sup> Other factors driving demand are rising patient and medical practitioners' expectations regarding access to new and often costly treatments and drugs arriving on the market. The NHS also faces the cost of debt repayment to private finance organisations as a result of PFI contracts to build hospitals in the 1990s and 2000s. All these factors explain why NHS budget increases which may appear generous are actually insufficient and only allow the health service to stand still at best. Most healthcare think tanks and provider organisations, such as the King's Fund or the British Medical Association, consider that the NHS needs real term increases of at least

4 per cent a year to cope with rising demand and costs.<sup>3132</sup> Thus the increase of NHS England's budget by an average of 3.4 per cent a year for five years is barely enough to allow the NHS to stand still.<sup>33</sup>

- 16 The other factor which helps explain why the planned budget rise was considered insufficient is that the NHS was standing at a historical low point in 2018/19, after the worst decade of its history in funding terms. By 2019, the NHS had fallen behind in terms of staff, equipment, new build and estate maintenance and needed to catch up on a large scale. As the chart below shows, the planned increase was also below the historical average for the period since 1948 and it amounted to only slightly more than half of the growth that had occurred during the New Labour period (1997-2010):

Graph 1. Average annual growth of the NHS budget since 1948 and planned growth (2017-2024)



Notes and sources: Historical spending refers to UK-wide public spending on health. Nominal health spending data from Office of Health

Source: NHS Support Federation, *Fund Our NHS*, 2021.<sup>34</sup>

- 17 Since 2019/20, health service funding has further evolved in a dramatic way as a result of the Covid-19 pandemic which has placed totally new pressures on the NHS. As a result of the pandemic, substantial Covid-19 funds have been granted to the Department for Health and Social Care (DHSC) and there have also been further funding commitments made in order to help the NHS cope with the aftermath of the pandemic. We may wonder to what extent these new circumstances have led to new funding pledges on the part of the government, and what their impact is likely to be.

## The evolution of NHS England's budget and health policy since 2020

### Covid-19 funding and its impact on the healthcare budget

- 18 Since March 2020, the extra funds granted by the Chancellor of the Exchequer, Rishi Sunak, to the DHSC in order to deal with the Covid-19 epidemic have been substantial. From March 2020 to September 2021, Covid-19 funding amounted to £97 billion, and in his Spending Review 2021 statement, he announced that there would be an extra £9.6 billion allocated to the Covid-19 response, bringing the total amount to nearly £107 billion by early 2022.<sup>35</sup> As a result, the DHSC budget has been much higher than initially planned. For the year 2020/21 alone, it grew by 27 per cent instead of the planned 3.3

per cent before Covid-19 struck.<sup>3637</sup> These funds have been used to finance programmes such as the Test and Trace programme, purchase Personal Protective Equipment (PPE), build new hospitals and finance many other health-related expenditures. The Covid-19 funds, which are separate from the core NHS budget, have often been paid to private companies rather than the NHS itself, either to purchase products or to run services such as the Test and Trace programme. From 2022/23, the plan is that Covid-19 funding will gradually taper off while the core NHS budget will continue to rise according to the NHS Funding Act.

## New budgetary announcements: a brief assessment of the government's health policy since 2019

- 19 Besides the NHS Funding Act and Covid-19 funds, there have also been several other official announcements concerning NHS budgetary increases since 2020 which have been presented as essential in order for the health service to cope with the backlog of hospital waiting lists post-pandemic. This means that the core NHS budget will continue to grow until at least 2025 beyond what was planned in the 2020 NHS Funding Act. The table below sums up the timeline of the various government's announcements of extra funding for the NHS, which were usually preceded by warnings from NHS leaders' organisations claiming that available funds were insufficient for the NHS to cope. Usually these pledges, which were made either by the health secretary or Boris Johnson himself, were immediately criticised as inadequate by NHS leaders' organisations.

Table 2. A timeline of official announcements on NHS England's funding and their reception (2020/21)

Date/Event	Government	Other sources
March 2020 Spring Budget	Extra £5.4 billion of revenue funding to support manifesto commitments before 2024. <sup>38</sup>	
Nov. 2020 Autumn Spending Review	-Extra £1 billion to tackle treatment backlog. -Extra £2bn for Covid-19-related costs. <sup>39</sup>	
Sept. 5 <sup>th</sup> 2021		<i>NHS Providers and NHS Confederation:</i> extra £10 billion needed to cope with Covid-19- costs and backlog. <sup>40</sup>
Sept 6 <sup>th</sup> 2021 Government Press Release	£5.4 billion cash over next 6 months of which £1 billion to tackle Covid-19 backlog. <sup>41</sup>	<i>NHS Providers and NHS Confederation:</i> This is not enough
Sept 8 <sup>th</sup> -9 <sup>th</sup> Sep 2021	Health Secretary: waiting lists could reach 13 million in a few years <sup>42</sup>	<i>NHS Performance statistics:</i> Waiting list backlog of at least 5.6 million people. <sup>43</sup>

8 <sup>th</sup> Sep 2021	National Insurance (NI) rise of 1.25 point for health and social care will raise up to £12 billion a year <sup>44</sup>	<i>Social care sector, Institute for Fiscal Studies, etc.:</i> High risk the extra funding will be swallowed up by the NHS
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Sources: King's Fund (2021), NHS providers (2021), Gov. UK (2021), BBC News, *Guardian*, I News (2021)

- 20 These new revenues mean that NHS England's core budget will be substantially raised compared to the provisions laid out in the NHSLTP. In 2021/22, the budget will increase to a planned £151 billion<sup>45</sup> while the NI tax rise will bring in additional billions each year from 2022/23. According to the Institute for Fiscal Studies, this means that the budget will increase by about 3.9 per cent a year in real terms over the period 2018/19 to 2024/25<sup>46</sup> rather than the lower average of 3.4 per cent of the Long-Term Plan. The new figure is roughly what health think tanks have long claimed to be the minimum yearly increase needed for the health service to survive as a comprehensive, universal, and high-quality service.
- 21 Beyond the statistics, it must be noted that since 2018, and even more so since 2019 under the Johnson government, governmental decisions regarding NHS funding have been highly reactive to warnings from think tanks and NHS leaders, especially when they have been related to issues that directly affect large number of people, such as hospital waiting lists. For instance, the Autumn 2021 "extra cash for the NHS" announcements were made following warnings by NHS leaders and think tanks about the urgent need for more funds for the service to cope with the Covid-19 care backlog. This reinforces the sense that the Johnson government is highly sensitive to the NHS as an electoral issue. It was even willing to break an important 2019 Conservative manifesto commitment not to raise taxes in order to secure more money for the NHS and social care sector, two sensitive electoral issues that were explicitly earmarked for improvement in the manifesto.
- 22 Another point concerns the Johnson government's communication style as far as the NHS is concerned. Since 2019, the trend has been to make catchy announcements which are then quickly and widely publicised in the media. At times, these announcements have also been somewhat misleading. For instance, the government promised in September 2021 that there would be an extra £5.4 billion for the NHS within six months. In fact, this was a reiteration of a previous promise made in the Spring 2020 budget. The only new part of the announcement was that the funding would be made available in the next six months rather than over the life of the Parliament. Other examples include the choice to publicise planned NHS budget increases in cash terms rather than in real terms in the 2019 Conservative manifesto, perhaps to make them seem more generous to the general public. The same tactic was used in the government announcement concerning the increase in NI that would benefit the social care sector whereas it quickly transpired that the main beneficiary would be the NHS. For the record, the NI rise is likely to bring in an approximate £9 billion a year for the NHS while social care is set to get the much lower sum of about £1.8 billion a year until 2025.<sup>47/48</sup> Thus NHS funding policies seem to be constantly evolving as a reaction to unplanned catastrophic events like the Covid-19 epidemic, which is commendable, but also to short and medium-term electoral concerns on the part of the government.

## Conclusion

- 23 To conclude, the 2019 NHS LTP was a much needed departure from a long period of low budget growth for the NHS, almost a “lost decade”.<sup>49</sup> Although the promised growth of 3.4 per cent a year in real terms over five years seemed quite generous, after years of barely positive budgets, it soon appeared that it would not be enough to clear the backlog of healthcare need and infrastructure maintenance even before the Covid-19 epidemic struck in March 2020. Since then, the government has been forced to provide extra healthcare funding to avoid a collapse of the NHS in the face of unprecedented pressures. Although the health service has survived the worst period in its history so far, the need to cope with the aftermath of Covid-19 taking the shape of a massive treatment backlog has again forced the government to revise its initial funding promises. After the announcement of an extra £5.4 billion for the NHS in 2021, immediately criticised by experts as insufficient, the government has taken the difficult decision – especially for a Conservative government – to increase NI tax to clear the NHS waiting list backlog and increase funding in social care. Although this new revenue stream will alleviate Covid-19 related pressures and bring real term budget growth close to 4 per cent a year, it is far from certain that this will be enough beyond 2025 when even further healthcare demand linked to an ageing population is expected to occur. Furthermore, while the government’s decision to increase NI tax will help the NHS, it will not be enough to solve the inadequacies of the social care sector. As the two sectors are intrinsically linked, with many hospital beds occupied by elderly patients who cannot be adequately looked after at home by the underfunded social care sector, it is likely that both the NHS and the social care sector will soon need a new and more ambitious long-term plan than the one that still forms the backbone of UK healthcare funding policy.
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## ABSTRACTS

Since Theresa May's speech on the occasion of the 70<sup>th</sup> anniversary of the National Health Service (NHS) in June 2018, the issue of NHS funding has always been at the top of the Conservative government's policy agenda. Enacted with the NHS Funding Act (2020), the NHS Long Term Plan (NHSLTP) guaranteed real term increases of over 3 per cent a year for five years to the NHS, which at first sight appeared relatively generous after eight years of austerity policies. The

article shows, however, that even before the onset of the Covid-19 pandemic in March 2020, this increase was widely criticised as too low to enable the NHS to cope with the hospital waiting lists and estate maintenance backlog that had built up over time. Since 2021, the government has committed new funds to the NHS beyond the NHSLTP which will bring an increase of nearly 4 per cent a year to NHS England's budget until 2025. Nonetheless, the article argues that the government's NHS funding policy has lacked clarity and direction since 2019 and that the new funding promises will only be secured at the expense of the social care sector which raises questions about the long-term future of both sectors, such is their interdependence.

Depuis le discours de Theresa May à l'occasion du 70<sup>ème</sup> anniversaire du *National Health Service* (NHS) en juin 2018, la question du financement du NHS a rarement quitté la première page de l'agenda politique du gouvernement conservateur. Devenu loi en 2020, le Plan de financement à long terme du NHS (NHSLTP) garantit au NHS anglais (*NHS England*) une augmentation d'au moins 3 pour cent par an en termes réels pendant cinq ans, ce qui peut paraître à première vue relativement généreux après huit ans de politiques d'austérité. Cependant, l'article montre que, même avant l'arrivée de la pandémie de Covid-19 en mars 2020, ces augmentations ont été largement critiquées car elles sont insuffisantes pour permettre au NHS de combler les retards accumulés depuis des années en termes de listes d'attente opératoires et de maintenance de son infrastructure. Depuis 2021, le gouvernement s'est engagé à verser de nouveaux financements au NHS en plus de ce qui était prévu dans le NHSLTP, ce qui résultera en une augmentation du budget du NHS anglais de près de 4 pour cent par an jusqu'à 2025. Pour autant, l'article avance que la politique de financement du NHS du gouvernement manque de clarté et de direction depuis 2019, et que les nouveaux financements promis se feront au dépens du secteur de l'aide aux personnes âgées et handicapées, ce qui pose la question de l'avenir des deux secteurs tant ils sont imbriqués.

## INDEX

**Mots-clés:** service de santé anglais, politique de financement, Plan de financement à long terme, gouvernement conservateur, Boris Johnson, Covid-19, aide sociale aux personnes âgées et dépendantes

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