CIPFA The Chartered Institute of Public Finance & Accountancy

HoC Health and Social Care Select Committee

Delivering core NHS and care services during the pandemic and beyond

A Submission by:

The Chartered Institute of Public Finance and Accountancy

May 2020

the people in public finance

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

Any questions arising from this submission should be directed to:

Dr Eleanor Roy
Policy Manager – Health and Social Care
CIPFA
77 Mansell Street
London
E1 8AN
Tel: +44 (0) 7827 319 528
Email: eleanor.roy@cipfa.org

This response has been prepared with support from CIPFA's Health and Social Care Faculty Board, which advises on health and social care finance policy.

1 Executive Summary

1.1 The Covid-19 pandemic has posed many significant challenges to the delivery of health and social care services, and the full extent of the impact and associated costs of this is unlikely to be realised for some time to come. However, it also presents an opportunity to learn from the experience and consider how this may inform policy, funding and the delivery of health and care services in the future.

1.2 The NHS response to the crisis has seen many changes to business as usual and a greater focus on collaboration and closer working across organisational boundaries, much of which has increased the pace of transformational change. These should be maintained and built upon to accelerate the pace of health and social care integration. This should be recognised in the forthcoming NHS Bill, but it is essential that consideration of restoration and reform is considered at a local level, rather than being imposed as a national blueprint.

1.3 The crisis has highlighted some of the shortcomings of the NHS estate. The opportunity should be taken to learn from experience and adapt the capital system and infrastructure plan accordingly. Wider temporary changes to the NHS financial and governance regimes should be evaluated and consideration given to whether they may be adapted for the longer term.

1.4 The social care sector has been clearly shown to be the forgotten front line of Covid-19. The pandemic has revealed weaknesses in the sector's resilience, and will exacerbate them.

1.5 Social care, a sector already in crisis, is facing additional pressures and costs as a result of Covid-19 and local government is facing extreme financial difficulties as a result of the pandemic. Despite this, councils are recognising the need to support the provider market and are taking action to do so.

1.6 Whilst some additional funding has been provided, this must cover additional costs across **all** council services, not just social care. Councils are acting on trust that the additional costs incurred as a result of Covid-19 will be met.

1.7 Given that the social care sector was already in crisis and has entered this pandemic on the back foot, it is essential that:

- sufficient funding is provided to cover additional costs of social care and wider council services as a result of Covid-19;
- the weaknesses revealed in the social care sector's resilience should act as a catalyst to drive long awaited reform of social care funding;
- until a long-term solution to the issue of social care funding can be implemented, adequate funding is provided to put the sector on a financially sustainable footing and enable it to withstand any future shocks.

2 NHS response to Covid-19 - Learning from experience

2.1 The NHS response to Covid-19 has seen many changes to business as usual, not only to clinical services, but also behind the frontline in relation to operational and wider systems. The crisis has shone a light on particular areas where we can learn from experience, not least clinical capacity, workforce, procurement and supply of equipment.

2.2 There are other - perhaps less obvious - areas where improvements could be made based on lessons learned from this experience. Whilst the current focus is rightly on maintaining clinical capacity in case of further increases in the number of Covid-19 cases, resuming business as usual and dealing with the backlog of non-covid and elective services, we are glad to see the green shoots of this referred to in guidance on the second phase of the NHS response.[1]

Transformation and integration

2.3 The current crisis and the need to come together around a common cause has improved collaboration and closer working, greatly increasing the pace of transformational change, both clinical and operational. There are instances where greater levels of close and aligned working across organisational boundaries could be maintained and built upon to accelerate the pace of integration of health and care.[2]

2.4 Other changes, such as the shift towards virtual and digital interactions between clinicians and patients, could also be maintained to alleviate previous pressures in the system and accelerate the pace of service transformation.

2.5 **There is much that can be learned and retained from the experience of this crisis, and these opportunities should not be missed. This should be recognised in the forthcoming NHS Bill to allow different parts of the NHS to work better together, and more easily with partners.[3] However, it is essential that consideration of restoration and reform of services, and how much should not be permitted to revert should occur at a local level, rather than being imposed as a national blueprint.**

Financial framework

2.6 In response to the crisis a temporary financial regime has been adopted for the first quarter of 2020-21. This has not only helped ensure that finance does not act as a barrier to the response and that the staff and providers

---

[1] NHS England/NHS Improvement, Second phase of NHS response to COVID-19: Letter from Sir Simon Stevens and Amanda Pritchard, 29 April 2020

[2] As can be seen from: The King's Fund, Integrating health and care in the Covid-19 (coronavirus) response, Richard Humphries, 3 April 2020; The Health Foundation, Covid-19 policy tracker, 30 April 2020; HSJ, Coronavirus is a true test of integration, Sharon Brennan, 26 March 2020 and NHS Confederation, STPs: one year to go?, 5 May 2020.

[3] NHS, The NHS's recommendations to Government and Parliament for an NHS Bill, September 2019

get paid, the lights stay on and the wheels keep turning, but has also provided financial certainty on which to plan and deliver the operational response, rather than focusing on transactional activity.[4]

2.7 The standard approach of activity based financial flows (payment by results) has been suspended and block contracts introduced, almost across the board. The payment by results approach has long been seen as being at odds with the policy agenda to integrate health and care. The national tariff system is beneficial in terms of providing consistent costing, and will no doubt prove useful in determining how providers are paid when it comes to dealing with the backlog in elective care. However, **the opportunity should be taken to monitor and learn lessons from the temporary financial regime to identify what may be beneficial in the longer term to support the integration agenda.**

2.8 Changes to the capital regime have also been introduced, with a simplified and streamlined system for capital related to Covid-19.[5] The crisis has also highlighted some of the shortcomings of the NHS estate and the need to reconsider the capacity, configuration and equipment required.[6] **In line with our previous calls to simplify the capital regime and rationalise the plans for the NHS estate,[7] again this opportunity should be taken to learn from the experience and adapt the capital system and infrastructure plan accordingly.**

Governance

2.9 In order to respond to the crisis at pace, there has been a wholescale streamlining of governance and decision-making, at all levels in organisations across the sector. A pragmatic, sensible approach to prevent bureaucracy blocking an appropriate response, whilst maintaining underpinning evidence and justification.

2.10 These temporary arrangements have shifted the focus from process to delivery of outcomes. Doubtless at some point, there will have to be an enormous amount of reckoning and reconciliation, but again this presents an opportunity to learn from experience. **Where changes can be demonstrated to provide confidence and accountability there may be a case for continuing elements of this, to ensure a proportionate level of governance and maintain the pace of transformation.**

---

[4] NHS England/NHS Improvement, Revised arrangements for NHS contracting and payment during the COVID-19 pandemic, 26 March 2020 and NHS England and NHS Improvement: Block payment guidance documents Guidance for April to July 2020, 13 April 2020.

[5] NHS England/NHS Improvement, Reforms to the NHS Cash and Capital Regimes for 2020/21 Financial Year, 2 April 2020 and NHS England and NHS Improvement: Covid-19 capital claims forms, 13 April 2020

[6] For example in relation to ICU capacity, oxygen supply and ventilators.

[7] CIPFA, Response to HoC HSC Committee - Budget and NHS long-term plan inquiry, August 2019 and National Health Executive, The 2020 Budget: A 'decade of renewal' for health? Dr Eleanor Roy, 2 March 2020

3 Social care – a crisis within a crisis

3.1 The fact that social care has been in crisis for years is widely recognised, with the sector facing increasing levels of demand and unmet need, workforce shortages, an increasingly fragile provider market and significant levels of under-funding, as highlighted by CIPFA and others.[8] The pandemic has clearly revealed weaknesses in the sector's resilience, and will exacerbate them.

3.2 Recent figures on the number of Covid-19 related deaths in care homes, and the comparative death figures for the same time last year in hospitals, care homes and community settings,[9] clearly demonstrates that the social care sector is the forgotten front line in this pandemic. Whilst the number of Covid-19 cases in hospitals is gradually reducing, the same cannot currently be said for social care settings, and with testing only beginning to be expanded in care homes, the true extent is as yet unknown.

3.3 Early on in the crisis, the sector was calling for additional guidance, testing and PPE, and over time these calls have become more insistent. Yet until very recently, support has been sporadic and the guidance at best, unclear.[10]

3.4 Like the NHS, the social care sector will not only have to deal with the immediate crisis, but will also face increasing demand and pressures in its aftermath. There will be increased need for support for those recovering, not only in care homes, but also in home and community settings. There will also be a backlog to deal with, including all the areas of 'business as usual' which rely on face to face interactions that have been paused as a result of social distancing.

Interdependence between health and care

3.5 Covid-19 has clearly highlighted the interdependence between the NHS and social care. This is a dominant theme in the integration of health and care. NHS leaders have recognised this prior to the pandemic, with 90% of those surveyed stating they are not confident they can deliver on the long term plan without a long-term solution for social care funding.[11] However, this interdependence most commonly manifests as the message that social care has an essential role in alleviating pressure on the NHS.

3.6 This was re-iterated early in the pandemic with the call for hospital discharge to be enhanced and accelerated.[12] Whilst the need to free up capacity in the NHS is indisputable and clear guidance was provided to the

---

[8] CIPFA/Institute for Government, Performance Tracker 2019, November 2019 and LGA, The lives we want to lead - towards change, towards hope, March 2020

[9] Office for National Statistics, Deaths registered weekly in England and Wales, provisional: week ending 17 April 2020 and Comparison of weekly death occurrences in England and Wales: up to week ending 17 April 2020, 28 April 2020

[10] LGC, Social services directors attack Whitehall Covid-19 response, 15 April 2020

[11] NHS Confederation, Unfinished business: The need to invest in the whole health and care system, 18 June 2019

[12] DHSC, Covid-19: hospital discharge requirements, 19 March 2020

NHS in this regard, support and guidance for the social care sector was lacking. Guidance for care homes did not emerge until two weeks later, and the action plan for social care took almost a month.[13]

3.7 Social care settings, while capable of dealing with outbreaks of some infections, could not reasonably be expected to deal with the demands of the current situation. Care homes and home care providers have little or no clinical support, and are not equipped to isolate patients or provide barrier nursing, as has been required by this outbreak. The fragmented nature of the provider market has not allowed for the purchase of equipment or testing on the scale and to the extent required.

3.8 **The experience from this pandemic should highlight that the interdependence between health and care is a two-way street**. Again, green shoots of this can be seen in the second phase of the NHS response, with recognition of the need to partner with local authorities to provide mutual aid to social care, including care homes, and plans for the early roll out of Enhanced Health in Care Homes, although this has already proved contentious.[14]

3.9 In a previous response to the committee,[15] we have highlighted how it is essential to maintain a view of the interdependency between spending on the NHS, public health and adults' and children's social care in totality. **Any weaknesses in the resilience of any of these services will have implications for the others.**

Pressures and additional costs on social care

3.10 The social care sector is facing additional pressures and costs as a result of the Covid-19 pandemic, including staffing and sickness costs, additional costs of infection control and PPE. Some providers may be seeing increased demand as a result of the outbreak, whereas others may be concerned about loss of income due to under-occupancy of residential and home care facilities as a result of fear that it is unsafe, or lack of ability to conduct 'business as usual' due to social distancing.

3.11 The *Coronavirus Act 2020* provided an easing of the requirements for assessment of need and financial assessment during the pandemic.[16] Whilst this allows social care to focus on provision of essential services during the crisis, depending on how widely these easements are applied, it may also create a backlog of assessments to be done after the crisis has passed. At the time of writing, seven local authorities are known to be operating the easements at some level.[17]

---

[13] NHs England/NHS Improvement, Second phase of NHS response to COVID-19: Letter from Sir Simon Stevens and Amanda Pritchard, 29 April 2020
[14] HSJ, Contentious NHS scheme to bolster care homes brought forward, 29 April 2020 and HSJ, GPs and community services given two weeks to provide consistent support to care homes, 4 May 2020.
[15] CIPFA, Response to HoC HSC Committee - Budget and NHS long-term plan inquiry, August 2019
[16] DHSC, Care Act easements: guidance for local authorities, 1 April 2020
[17] Care Quality Commission, The Care Act and the 'easements' to it (as at 1 May 2020)

3.12 There may also be additional associated costs. The lack of needs assessment may result in over provision of care packages, or provision for those who would not normally meet the threshold for provision of publicly-funded services. The lack of financial assessments may also mean that those who would normally self-fund, or contribute towards the cost of their care, may be in receipt of publicly funded care. Again, this will necessitate a reckoning and reconciliation after the crisis has passed, but may result in significant additional costs and lost income for local authorities. It also raises the question of how to deal with those who have been in receipt of care and subsequently do not pass the needs assessment, or those who have been receiving publicly funded care who may subsequently be required to pay for, or contribute to, the costs of their care.

3.13 Local government is facing extreme financial difficulties as a result of the pandemic. As well as responding to the pandemic across all the vital services they provide and the additional costs associated with this, they are facing a huge loss of income from business rates, council tax, fees and charges. This presents not only a cash flow problem, but also has implications for their overall budgets as plans for service transformation or other savings are unlikely to be realised as a result of the crisis. Some councils are at risk of issuing section 114 notices (effectively declaring themselves bankrupt).[18] As highlighted by our Chief Executive, Rob Whiteman, at the HCLG Select Committee, '*It would be disastrous for section 114 notices to be issued at the moment, because we don't want to freeze expenditure in the midst of a crisis…*'[19]

3.14 Despite this, councils are recognising the need to support the fragile social care provider market as outlined in guidance from LGA and ADSS,[20] and taking action to support providers in meeting the additional costs that they face locally and in managing cash flow challenges.

3.15 Many of the additional costs faced by councils relate to social care, but other essential local government services are being called on to respond to the pandemic, including public health, shielding the vulnerable, homelessness services and children's services. Whilst there have been reliefs from government in terms of cash flow,[21] and additional funding of £3.2bn to date,[22] this must cover the additional costs of Covid-19 across **all** council services, not just those associated with social care – so this funding must stretch a long way.

---

[18] LGC, S114 notices loom as Jenrick tells sector to 'share the burden' of Covid-19 costs, 16 April 2020.

[19] House of Comms, Housing, Communities and Local Government Select Committee, Oral evidence: The work of the Department, HC 302, 27 April 2020.

[20] LGA, ADASS, CPA, Social care provider resilience during COVID-19: guidance to commissioners, 13 March 2020 and LGA, ADASS, Temporary funding for adult social care providers during the Covid-19 crisis, 8 April 2020

[21] MHCLG, Councils given greater financial relief against cash flow pressures, 16 April 2020

[22] MHCLG, COVID-19: emergency funding for local government, 30 March 2020 and MHCLG, Government pledges extra £1.6 billion for councils, 18 April 2020

3.16 **As yet, while the full cost impact of Covid-19 is unknown, it is widely expected that the true costs will greatly outstrip the funding provided to date.[23] Councils are acting on trust that the additional costs incurred as a result of Covid-19, including those related to social care, will be met by the government – but there have been mixed messages on this to date.**

3.17 Given the tightening of local government funding in recent years, and the fact that social service budgets are already widely over-stretched and account for almost 60% of all council spending on non-education services, **it is essential that:**

- **sufficient funding is provided to cover additional costs of social care and wider council services as a result of Covid-19;**
- **the weaknesses revealed in the social care sector's resilience should act as a catalyst to drive the long awaited reform of social care funding;**
- **such reform should be strategically informed, financially sustainable, equitable and underpinned by a clear understanding of the challenges of funding social care;[24] and**
- **until a long-term solution to the issue of social care funding can be implemented, adequate funding is provided to put the sector on a financially sustainable footing and enable it to withstand any future shocks.**

[23] LGC, Care sector criticises council's response as counties warn of £1bn care cost rise,28 April 2020; LGC, Daniel Kawczynski: Government must give councils more Covid-19 funding, 28 April 2020; LGC, Sigoma and counties report £4bn Covid-19 impact, 27 April 2020; LGC, LGA chief: councils need three to four times more Covid funding, 27 April 2020 and The MJ, Councils need another £12.8bn to cope with coronavirus - LGA , 27 April 2020.

[24] As highlighted previously: CIPFA, Response to HoC HSC Committee - Budget and NHS long-term plan inquiry, August 2019 and CIPFA, Response to HoL Economic Affairs Committee inquiry: Social care funding in England, 8 October 2018