Department of Health & Social Care

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Dear Paulette,

ESTIMATES DAY DEBATE

May I congratulate you on securing the Estimates Day debate on 24th June. There were several areas that required further clarification.

Capital

Repairing and rebuilding our healthcare estate is a vital part of our ambition to create an NHS that is fit for the future through our Ten-Year Health Plan. In support of this, Spending Review 2025 announced a £2.3 billion real terms increase (£4 billion cash increase) in DHSC's annual capital budgets from 2023-24 to 2029-30 to invest in the NHS, including in new technology, NHS infrastructure and delivery of the Plan for Change electives targets. This will deliver the largest ever health capital budget, representing a more than 20% real terms increase by the end of the SR period and we will ensure that capital is targeted to deliver on our priorities.

As you correctly pointed out, the settlement funds the continued delivery of 25 new hospitals via the New Hospital Programme, including the replacement of 7 hospitals built entirely from Reinforced Autoclaved Aerated Concrete (RAAC). It also includes £30 billion

over the next five years in day-to-day maintenance and repair of the NHS estate – this is funding for essential estate maintenance and repair separate to the New Hospital Programme and includes over £5 billion specifically allocated to address the most critical building repairs, reducing the most serious and critical infrastructure risk in a targeted way. HMG's recently published 10 Year Infrastructure Strategy also sets out 10-year maintenance budgets for the public estate, including health which confirms £6 billion per year for maintenance and repair of the NHS estate up to 2034-35.

The DHSC settlement also ensures that the NHS productivity plan is backed by a nearly 50% increase to NHS technology and digital transformation spend since 2025-26, with a total investment of up to £10 billion by 2028-29. This includes capital spend.

The Department has also recently published a 10-year plan for health, which considers how healthcare infrastructure should be managed to meet the future needs of patients. Furthermore, an updated Capital Strategy is due to be published by Autumn 2025 which will set out a long-term vision for health infrastructure, taking into account the outputs of the Ten-Year Health Plan, Spending Review 2025 and any updated assessment of long-term health infrastructure needs across the NHS. Together, this will enable local systems to plan capital investments with greater certainty.

Workforce

Thank you for raising the points on cutting reliance on temporary staff by reducing sickness absence and by overhauling staff policies. The Government has set an ambition on eliminating agency spend within the coming years. The Secretary of State and Jim Mackey, Chief Executive of NHS England, wrote to Trusts and ICBs at the beginning of this month to emphasise the need to cut agency spend. Spend is already going down – it fell by close to £1bn in 2024/25. The Planning Guidance states that trusts should reduce their spend on agency by 30% this financial year. It also states that trusts should reduce their spend on bank by 10%. Additionally, we're happy to confirm that later this year we will

publish a new workforce plan to deliver the transformed health service we will build over the next decade, and will ensure the NHS has the right people, in the right places, with the right skills to deliver the care patients need when they need it.

Finance

You asked what steps the Department and I are taking to ensure the projected £17 billion in efficiency savings over the Spending Review period will materialise and be delivered on time; in doing so, you referred to setting targets that may look good on paper, but falter in practice. The Secretary of State and I are under no illusions about the scale of the task ahead of us. We have been unequivocal since our arrival in government last year that the NHS needs to make changes to secure its future; the Prime Minister himself said clearly that the NHS must "reform or die"[1]. I fully understand how important it is for the NHS to make fundamental changes in the way it operates, both so it can provide the timely, high quality care patients need and to make it financially sustainable – including by delivering the £17 billion in savings through improved productivity to which you refer.

We did not wait until the Spending Review to start this work. We anticipate that the final figure for acute productivity in 2024-25 will show an increase in the region of 2.5% over the previous year - well above the 2% annual improvement necessary over the Spending Review phase 2 period to deliver £17 billion in savings – thanks in no small part to the renewed focus on efficiency and productivity instilled by this Government.

Our priority in 2025-26 is to deliver against the five pillars of the productivity plan, laying the groundwork for longer term change over the Spending Review period, as well as taking immediate steps to cut bureaucracy, eliminate waste, and reduce variation across the system. We will deliver efficiencies across all healthcare services, primarily through the combined impact of operational and clinical improvements - such as optimising surgical pathways and better utilising surgical hubs and perioperative care - technology and digital transformation, including investing in core technology infrastructure and an expansion of

the NHS App, and through workforce initiatives, for instance by reducing the need for temporary staff with limits on agency spend. Our plan will also drive out the financial benefits of shifting care upstream by reducing reliance on more intensive hospital care, and it will reduce waste through more effective use of medicines, commercial levers, automation, and shared corporate services.

I am fully aware of the level of ambition in our plan, but I am also absolutely clear that these changes are necessary to reform the NHS and get it back on a sustainable footing for the future. Central to the implementation of our plan are clear responsibilities and accountability at all levels. We have identified priority areas for delivery, with named Senior Responsible Officers (SROs), and have in place a regular rhythm of assurance at NHS England executive level and at departmental level. I take stock of NHS financial performance with DHSC and NHS England senior management on at least a fortnightly basis and, as with any programme of this scale, the Secretary of State and I will take further action if it becomes necessary to do so.

We're determined that the NHS delivers on these commitments; we're not contemplating failure, and, under new NHS England leadership, a rigorous framework has been put in place this year to ensure systems deliver according to plan. The NHS delivered £8.7 billion of efficiencies and savings in 2024-25, so we know the 1.5 million NHS staff - working day in and day out to deliver for patients - are capable of delivering our ambitious plans, and we will support them every step of the way to do so.

Independent Commission

Turning to your question about the Independent Commission into adult social care, the first phase of the Commission will support the effective and affordable delivery of adult social care within the funding settlement set out at the Spending Review, and Baroness Casey will make recommendations that can be delivered within the overall financial envelope set for this parliament.

Phase 1 will focus specifically on existing funding for local authority adult social care services, together with NHS funding for services at the interface of health and care (for example, intermediate care), and whether they are being best used. It will seek to identify what changes can be made to funding flows and accountability mechanisms to improve quality and productivity.

Phase 2 of the Commission, reporting by 2028, will make longer-term recommendations for the transformation of adult social care.

Fair Pay Agreements

We are committed to engaging those who draw upon, work in, and provide care and support as well as local authorities, unions, and others from across the sector on the design and implementation of a Fair Pay Agreement process.

In October, we began engagement with sector representatives in England through the Department of Health and Social Care's Fair Pay Agreement Working Group and policy specific Task and Finish Groups to support developing policy options for a public consultation on the design of the Fair Pay Agreement process. Since then, we have been developing policy options and preparing content for the consultation document.

We aim to begin the public consultation after the Employment Rights Bill receives Royal Assent later this year. We expect the consultation to run for 12 weeks, and we will work with partners to aim to reach as much of the sector as possible. Secondary legislation and the establishing of the Negotiating Body will follow. It will then negotiate the first Fair Pay Agreement. This government is committed to establishing the first Fair Pay Agreement and to doing so within this Parliament.

Better Care Fund

Your letter mentioned the Better Care Fund (BCF), which is the Government's framework for integrated care boards and local authorities to make joint plans and pool budgets for the purposes of delivering better joined-up care. On 30 January 2025, the government published a revised policy framework for 2025-26. The new framework is better aligned with the Government's Health Mission and which took effect on 1 April 2025. The objectives of the BCF are:

- To support the shift from sickness to prevention
- To support people living independently and the shift from hospital to home

To achieve the BCF objectives, local systems are expected to provide timely and joined-up support for people with more complex health and care needs, support unpaid carers, prevent avoidable admissions, and achieve more timely and effective discharge from acute, community and mental health hospital settings. To give local areas greater flexibility in how they meet the objectives of the BCF, we have consolidated the previously ring-fenced discharge fund within the BCF. For 2025-26, approximately £9 billion is committed to the BCF. This includes around £3.3 billion provided to local authorities and £5.6 billion to integrated care boards, both of which must be pooled through the BCF.

As set out in the 2025/26 framework, the government is considering options for longer-term reform of the BCF. We will set out the approach to the BCF for 2026 and beyond in due course

Kind regards,

Karin Smyth

KARIN SMYTH MP
MINISTER OF STATE FOR HEALTH