Department of Health & Social Care

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Sir Geoffrey Clifton-Brown
Chair
Public Accounts Committee

By email: pubaccom@parliament.uk

2 September 2025

Dear Chair,

The department of health and social care (DHSC) committed to writing further to the Public Accounts Committee concerning recommendations 2a, 5a, 5b, and 6 of the fifth report of the 2024-25 session on NHS financial sustainability, and you requested a follow-up on recommendations 3, 4, and 7.

Recommendation 2a

The Committee recommended that DHSC and NHS England must take a more planned and disciplined approach to ensuring that enough funding is allocated to those activities that can make the NHS fit for the future, particularly preventing ill health, community healthcare, and digital technology. The Committee also recommended that we measure, track, and report what they spend in these areas, what they are achieving and, finally, that we should take actions to strengthen longer-term strategic financial planning.

Since you first made that recommendation, the department received its settlement from HM Treasury for 2026-27 to 2028-29 in the second phase of Spending Review 2025. The Spending Review prioritised health through a record investment in the health and social care system, with annual NHS day-to-day spending set to rise by £29 billion in real terms – or £53 billion nominally – by 2028-29 compared to 2023-24. This will take the NHS resource budget to £226 billion by 2028-29, equivalent to a 3.0% average annual real terms growth rate over the Spending Review period.

This record funding uplift announced at the Spending Review underpins the ambitions of our 10-Year Health Plan, which was published on 03 July (available here). The three areas the Committee highlighted – preventing ill health, community healthcare, and digital technology – are exactly the things the plan prioritises.

Not only does the plan set out changes to improve the way NHS serves patients, it makes absolutely clear the argument that investment must come with reform and sets out the changes necessary to secure the financial sustainability of the NHS and make it fit for the future. We have set the NHS a target to deliver 2% year-on-year productivity gains for each of the next three years; a target that, once delivered, will unlock £8.95 billion in annual efficiencies[1] and return the NHS to pre-pandemic levels of productivity by the end of this Parliament. These efficiency savings will be reinvested back into the NHS to support the ambitions of the 10-Year Health Plan.

As is the usual process, the department and NHS England are now in the process of translating the settlement into budget allocations. Departmental revenue budgets beyond 2028-29 (2029-30 for capital) will be announced at future spending reviews; the priority at present is to make the most of investment now to build an NHS fit for the future.

Strengthening our long-term planning is integral to the success of our 10-Year Health Plan. The plan itself restates our intention to move towards a longer-term approach to planning, first set out in April this year by the NHS England Chief Executive Sir James Mackey[2], and commits to asking all organisations to prepare robust and realistic five-year plans, and to demonstrate how financial sustainability will be secured over the medium term.

The next iteration of system guidance is currently in development and will be multi-year for the first time since before the pandemic. It will provide NHS systems with the details necessary to inform their medium-term plans, after which we can share further information on our intentions for these areas.

We recognise and share your desire for more transparency in the tracking and reporting of NHS performance. NHS England recently published an updated NHS Oversight Framework (NOF), outlining how NHS organisations are assessed against national priorities and subsequently placed into performance segments that determine the level of support provided for improvement, if needed. NHS England will publish a league tables to give the public access to the data that underpins this segmentation so it will be clear which organisations are performing well against the government's national priorities, and which are not.

Recommendation 3

The Committee recommended that NHS England should set out which specific actions and initiatives it expects to contribute to the committed increase in productivity, and by how much, and that it should include specific measures to address poor staff retention and sickness rates.

As set out above, the government has set an ambitious target for the NHS to deliver at least 2% productivity growth in 2025-26, and to sustain 2% over the following three

[1] (June 2025) *Departmental Efficiency Plans*. HM Treasury [available here]
[2] (April 2025) *Working Together in 2025-26 to Lay the Foundations for Reform*. NHS England [available here]

years. NHS England have developed a plan to drive these productivity improvements which focuses on clinical and operational productivity in the early phases, with benefits from digital investment increasingly prominent over the Spending Review period and those from the increasing emphasis on prevention and community care materialising over a longer period. Specifically, the plan looks to deliver the following (noting all figures are estimates):

- An increase in clinical and operational productivity
    - Improving productivity through an initial focus on elective care, outpatient reform, and urgent and emergency care, including the continuation of existing Get It Right First Time (GIRFT) programmes such as 'Further Faster 20', a government initiative to send top doctors to support hospital trusts in areas where more people are out of work, that helped remove 37,000 cases from the waiting list in 20 areas between October 2024 to January 2025[3].
- Maximum value from our workforce
    - Improving retention, reducing sickness absence, and reducing reliance on temporary staffing, more detail on which will be set out in the forthcoming 10-year workforce plan. 2025-26 Revenue Finance and Contracting Guidance included agency expenditure limits to require all systems to reduce their agency spending by 30% as a minimum expectation and to reduce bank use by a minimum 10% reduction, as part of the ambition to eliminate all agency spend in the coming years Work is also underway to develop plans for Staff Treatment Hubs to ensure staff have access to high-quality support for occupational health, including support for mental health and back conditions.
- Technology-enabled transformation
    - Maximising the use of data and digital to improve the efficiency of services, deploying Electronic Patient Record systems, and investment in the NHS App, for instance by increasing access to secondary care with more effective triage and the adoption of new care pathways, and other patient services to free-up staff time.
    - The NHS App will offer innumerable benefits, from freeing up administrative time to enabling patients to self-manage their own care. The introduction of NHS Notify, a system which will enable the NHS to begin sending NHS App 'push' notifications to patients, will enable the expensive paper letters and text messages to be replaced with instant, secure, and essentially free mobile notifications, potentially saving hundreds of millions of pounds per year that can be reinvested into patient care.

      Reducing millions of pages annually across hundreds of trusts with EPR would significantly cut down on paper consumption, storage needs, and carbon footprint.

      Electronic Prescribing and Medicines Administration (EPMA) systems are enabling measurable productivity gains across NHS provider organisations.

[3] (March 2025) *Crack Teams Get Patients Off Waiting Lists at Twice the Speed*. HM Government [available here]

They are helping to reduce medicines costs, shorten discharge processes, and free up frontline clinical time. For example, implementations have delivered around a 10% reduction in inpatient drug spend, halved discharge medicine preparation times, and over £1m in annual time savings through bedside digital recording.

- Moving care to the appropriate setting and improving prevention
    - Realising savings by treating patients in less resource intensive settings and avoiding expensive hospital admissions, backed by a national implementation support offer, the standardisation of community health services, and the implementation of 'modern general practice'.

Work is ongoing across the department and NHS England to finalise detailed plans for productivity delivery over the Spending Review period. Later this year, NHS England will begin publishing its measure of acute productivity, starting with the first quarter of 2025-26. It will be clear to you, to patients, and to the taxpayer how we are progressing against our productivity ambitions.

Recommendation 4

The Committee recommended that NHS England should review current payment systems and processes to ensure they incentivise local systems to work with those most in need of help.

As set out in our initial response to this recommendation, NHS funding allocations already take account of deprivation and health inequalities. Areas with populations of relatively greater deprivation and higher premature mortality receive a relatively higher level of funding to recognise greater need and help tackle health inequalities, for example through supporting outreach activity.

The principle of supporting those most in need of help is embedded in legislation; the Health and Care Act 2022 introduced the need for ICBs, in the exercise of their functions, to have regard to the need to reduce inequalities between persons with respect to both their ability to access health services and the outcomes achieved for them by the provision of health services[4].

The 2025-26 NHS Payment Scheme, which sets out the basis for reimbursing providers for the provision of NHS care, makes clear that addressing health inequalities is a key priority for the NHS and that commissioners and providers must ask how the payment agreements could facilitate equitable access, excellent experience, and optimal outcomes for seldom heard population cohorts[5]. Prices do already differentiate between patients based on need through consideration of complications and comorbidities, so providers treating those with greatest patient need receive a higher payment.

[4] (April 2022) *Health and Care Act 2022, Section 25*. National Archives [available here]
[5] (April 2025) *2025-26 NHS Payment Scheme.* NHS England [available here]

Since the Committee made this recommendation, the 10-Year Health Plan set out further steps we are taking to ensure the NHS is incentivised to support those most in need of help. For instance, we will put patient experience back at the heart of all the NHS does by trialling a new financial flow through which patients are given the power to decide whether a percentage of the payments that providers receive for services should be paid or whether it should be diverted to regionally-held NHS improvement funds.

From 2026-27, we will begin to phase out deficit support funding (worth £2.2 billion in 2025-26) which will allow us to provide greater support to areas of higher need. We will also speed up moving individual local NHS systems closer to their fair share of funding based on health need, unmet need, and health inequalities.

To ensure that the way funding is allocated reflects the latest evidence about changing health needs, we will ask the Advisory Committee on Resource Allocation (ACRA) to independently consider the findings of the Chief Medical Officer's recent reports. We expect the ACRA review to inform the allocation of resources to ICBs in 2027-28.

In summary, we fully share the Committee's desire to ensure that local systems, and the NHS as a whole, are incentivised to work with those most in need of help. The actions set out in the 10-Year Health Plan are significant and important measures in implementing this objective.

Recommendations 5a and 5b

The Committee recommended (5a) that DHSC, NHS England, and HM Treasury define what counts as health prevention spending for the whole of government and track that spending annually, and (5b) that DHSC and NHS England set out the funding increases required for prevention.

The government's Health Mission sets out plans to shift the NHS's focus away from a model geared towards late diagnosis and treatment to one in which prevention is the priority, with more services being delivered in local communities[6]. Neighbourhood health centres, for instance, will help to shift activity to the community, with prevention placed at the heart of the new NHS operating model to help reduce the time spent in ill-health and to prevent premature deaths.

Prevention is therefore an essential theme within the 10-Year Health Plan, and the shift from sickness to prevention is integral to achieving the milestone of ending hospital backlogs. Now we have received our settlement from HM Treasury and published the 10-Year Health Plan, the department is considering how best to allocate funding to deliver on the commitments made in the Plan whilst making sure local systems have the autonomy they need to target any such funding in ways that best meet the needs of their populations.

[6] (December 2024) *Plan for Change: Build an NHS Fit for the Future*. HM Government [available here]

With respect to defining prevention spend across government, the department's focus since the Committee made this recommendation has been on developing the 10-Year Health Plan and the policies to deliver prevention within it. The department does, however, recognise the value in defining prevention spend across government and will consider this recommendation as we take forward the delivery of the Plan.

Recommendation 6

The Committee recommended that NHS England should ensure that, year-on-year, a greater proportion of its funding is spent in the community and that any review of Continuing Healthcare (CHC) funding and the Better Care Fund (BCF) should not make changes that will see these community-based funds redirected to hospitals.

The Committee's recommendation on increasing the proportion of NHS funding for community services is fully aligned with the 10-Year Health Plan. By 2035, the plan expects acute care to account for a smaller share of NHS funding, with more investment directed towards community and out-of-hospital services.

Chapter 2 of the 10-Year Health Plan details our plans for a Neighbourhood Health Service that will bring care into local communities and transform access to general practice, preventing unnecessary hospital admissions and helping the reintegration of healthcare into the social fabric of places.

With regards to the Committee's recommendations on CHC and BCF, any reviews into these areas of spend will be undertaken in the context of the government's commitment to increasing investment in community care.

Recommendation 7

The committee recommended that NHSE should set out its plans to reduce the reliance of NHS providers on paper within 18 months, including key milestones. As we set out previously, we are investing in Electronic Patient Record projects as we know that doing so will free up staff time, improve cyber security, and enhance patient access. This is all part of a broader push to reduce paper records, whilst acknowledging that being fully paperless is not practicable because some patient communications will continue to be delivered via letter to meet digital inclusion commitments.

We agree with the need to modernise the health service so it no longer relies on outdated technology like fax machines, and we have committed to reporting back in October on progress in eliminating their use. Progress will be tracked through the digital maturity assessment, enabling us to identify any areas of concern and to provide additional support or intervention where required to ensure Trusts meet their individual milestones and the national target.

Yours sincerely,

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Department of Health and Social Care