



Department  
of Health

From the Rt Hon Jeremy Hunt MP  
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1 6 DEC 2016

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*De Mes,*

Thank you for your letter of 3 November to the Prime Minister about NHS funding. As the matter you raise relates to health, your letter has been passed to the Department of Health.

The Government has reaffirmed its commitment to the NHS by again committing to increase health funding each year in this Parliament, in spite of the continuing fiscal challenges.

By 2020-21, the Government will increase funding for the NHS by £10billion a year in real terms compared with 2014-15, to support the implementation of the NHS's own plan, the *NHS Five Year Forward View*, to transform services across the country.

We are giving the NHS £3.8billion more this year (2016-17), over and above inflation, and almost £6billion of the £10billion in the first two years of the six-year period. However, we also know there is significant potential for ensuring greater efficiencies across the totality of what the NHS spends.

One-off measures were taken in order to balance the Department of Health 2015-16 accounts. In his report the Comptroller and Auditor General is clear that these were legitimate and within the scope of accounting standards.

We acknowledge that there are undoubtedly significant challenges facing the NHS, but there is a clear plan in place to respond to these, made up of four key components:

- extra investment in the Spending Review for the NHS, and freeing up local government to spend more on adult social care;
- restoring financial discipline in the short term, beginning with the publication of *Strengthening Financial Performance and Accountability in 2016-17*, setting out a seven-point set of actions;
- reducing demand for acute care in the longer term as set out in the *Five Year Forward View*; and
- promoting efficiency and productivity in the provider sector, building on the work of Lord Carter, which has identified large variations in efficiency across non-specialist English acute hospitals, and controlling cost pressures.

Longer term actions aim to support the NHS in reaching sustainable financial balance. These include accelerated implementation of the *Right Care* programme in all health economies during 2016-17, national action to implement Lord Carter's recommendations on operational efficiency and the development of transformational efficiency programmes across the country.

NHS actions this year include:

- allocating £1.8billion to trusts to cut the provider deficit in 2016-17 to help support the provider position to enter 2017-18 in run-rate balance;
- replacing generic fines with trust-specific incentives linked to agreed performance plans;
- confirming the 'financial control totals' for which trusts and clinical commissioning groups (CCGs) will be held accountable in 2016-17; and,
- introducing new intervention regimes of special measures to be applied to trusts and CCGs if they are not meeting their financial commitments.

I hope this reply is helpful.



**JEREMY HUNT**