Overview of the 2015 Spending Review

Associate Partners event, 1st December 2015

2015 Spending Review
On 25th November, the Chancellor of the Exchequer outlined public spending priorities for the current parliament (2015 to 2020)

Headline announcements include:

- Restated commitment to real terms reduction in public spending to deliver a surplus in 2019/20, current forecast at around £10 billion
- Reversal of plans announced in the Summer Budget to make changes to tax credits - these will be phased out in line with introducing the universal credit
- Agreement to protect spending on the police in line with inflation, resulting in an increase of £390 million by 2019/20
- Introduction of a London Help to Buy scheme to give buyers in the capital 40 per cent of the home value from early 2016, alongside a wider house building plan
- Further details on the apprenticeship levy to be introduced in April 2017 at a rate of 0.5% of an employer’s pay bill
- Giving local councils freedom to increase council tax by 2 per cent to pay for social care in their areas

More information at: http://www.nhsconfed.org/finance
Health spending will be a bigger portion of departmental resource spending

- Health spending up from 35 per cent to 38 per cent by 2020

Department resource spending 2015-16

- £111.6bn, 35%
- £204.5bn, 65%

Department resource spending 2019-20

- £124.1bn, 38%
- £205.7bn, 62%

More information at: [http://www.nhsconfed.org/finance](http://www.nhsconfed.org/finance)
The NHS is a key part of the 2015 Spending Review and there are tough choices on health and care spending. This includes:

1. NHS England spending to increase by £8 billion in real terms by 2020/21 and Department of Health (DH) spending to decrease

2. Recognition of social care funding gap and introduction of measures to raise revenue to fund adult social care

3. Confirmation of maintaining the Better Care Fund (BCF) at current mandated levels, plus an additional £1.5 billion for local authorities through this fund

4. No protection for public health with a 3.9 per cent real terms cut over the next five years and plans to replace the local government grant


NHS England spending to increase by £8 billion in real terms by 2020/21 and Department of Health (DH) spending to decrease

• HM Treasury has redefined the NHS ring-fence and will protect NHS England’s budget with an increase of £8 billion in real terms

• Spending elsewhere within the Department of Health budget will be reduced, including a 25 per cent cut in the Whitehall budget

• NHS England budget will grow by £5.3 billion in the next two years, as part of a front-loaded scenario, with just £1.4 billion in the following two years

NHS Confederation view

• The Chancellor has agreed to protect NHS England’s budget, rather than the total budget for the Department of Health

• This has a big impact on vital resources needed to deliver the Five year forward view, including on public health and clinical training

• Commitment to front-load funding across the next two years gives the NHS a fighting chance to transform the way care is delivered to patients

NHS Confederation view

Funding for NHS outlined for the rest of this parliament

- NHS England budget increases, while other DH spending decreases

Certainty on phasing for additional funding to NHS England

- £5.3 billion additional funding delivered to NHS by 2017-18, then £1.4 billion in the following two years
2015 Spending Review and the NHS

Additional funding is front-loaded in first two years

- Phasing aligns with a front-loaded scenario in year one and two

2015 Spending Review
More information at: http://www.nhsconfed.org/finance
2015 Spending Review and the NHS

Confed 2015 survey

• Most NHS leaders describe the current financial pressures as the worst they have ever experienced

To what extent are financial pressures facing your organisation the worst you have ever experienced in your NHS career?

[Graph showing percentage distribution: 44% Strongly agree, 27% Tend to agree, 17% Neither agree nor disagree, 9% Tend to disagree, 2% Strongly disagree]


Recollection of social care funding gap and introduction of measures to raise revenue to fund adult social care

• The Government will integrate health and social care services by 2020 with each part of the country developing plans by 2017
• Social care council tax 'precept' of 2 per cent allows councils to raise revenue to fund adult social care
• Plans to consult on changes to local government financial system to rebalance support to authorities with social care responsibilities

NHS Confederation view

• We need to reflect on whether proposals will protect social care in the next five years
• Important to consider whether there will be enough resources available to local authorities to reduce the impact on the NHS
• Not protecting social care would further risk our hospitals facing pressures due to shortfalls elsewhere

2015 Spending Review and the NHS

Confed 2015 survey
• Most NHS leaders believe cuts to social care funding are putting more pressure on their organisation

2015 Spending Review
Confed 2015 survey
• Most NHS leaders wanted a binding agreement to protect health and social care for this Parliament

2015 Spending Review
3 Confirmation of maintaining the BCF at current mandated levels, plus an additional £1.5 billion for local authorities through this fund

- Better Care Fund will continue maintaining the NHS’s mandated contribution in real terms over the Parliament
- Government will make funding available to local government, worth £1.5 billion in 2019/20, to be included in the BCF
- Areas can graduate from BCF programme management once they demonstrate they have moved beyond its requirements

NHS Confederation view

- We welcome the announcement that, in line with our requests, the BCF will be maintain at current levels
- This allows local areas greater freedom to pursue health and social care integration based on local needs and relationships
- Additional funding for BCF from Government rather than NHS will go some way to meeting the funding gap, estimated at around £4.3 billion by 2020

4 No protection for public health with a 3.9 per cent real terms cut over the next five years and plans to replace the local grant

- Continued reform to the public health system to build on new ways to deliver public health
- Average annual real-terms savings of 3.9 per cent from the public health system over the next five years
- Public health grant will remain for next two years, although plans to replace grant with business rate retention to fund public health

NHS Confederation view

- The cut to public health in particular is hard to swallow considering the importance of keeping people healthy and avoiding trouble for the future
- The Five year forward view was clear on a radical upgrade for public health and prevention and this seems to have been lost
- Function of public health to local government was on the basis of empowering them to play a fuller role
Response from Rob Webster, Chief Executive of the NHS Confederation:

“The NHS faces the toughest challenges for a generation. Following the Spending Review, the task of delivering a £22 billion efficiency programme isn’t any easier but the conditions within which we will do it are certainly clearer.

“The NHS has made a strong and consistent case based on sound economic and social policy, which has been hard to ignore. On an encouraging day for the NHS, we will still need to be realistic about how the Government and other bodies must support the NHS for many years to come.”

2015 Spending Review and the NHS

The £22 billion challenge ahead

• NHS will need to deliver unprecedented savings in this parliament

<table>
<thead>
<tr>
<th>Efficiency scenarios (up to 2020-21)</th>
<th>Additional funding required (by 2020-21)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None – 0 per cent</td>
<td>NHS delivers no productivity improvement</td>
</tr>
<tr>
<td>Standard – 0.8 per cent</td>
<td>NHS delivers long-run productivity average</td>
</tr>
<tr>
<td>Enhanced – 1.5 per cent</td>
<td>NHS delivers productivity average in last five years</td>
</tr>
<tr>
<td>Ambitious – 2.4 per cent</td>
<td>NHS delivers unprecedented productivity</td>
</tr>
</tbody>
</table>
Summary of other proposals affecting the NHS

- Additional £600 million in mental health services will mean that significantly more people will have access to talking therapies every year by 2020
- NHS England’s Mental Health Taskforce will report in early 2016 and the government will work with them to set out transformative plans, including for perinatal mental health and coverage of crisis care
- Reforms to the funding system for health students by replacing grants with student loans and abolishing the cap on the number of student places for nursing, midwifery and allied health subjects
- £1 billion investment in new technology over the next five years to deliver better connected services for patients, including expansion of the Healthcare Innovation Test Bed programme
- Investment of over £5 billion in health research, including £250 million for the 100,000 Genomes Project and funding for Genomics England
- Encouraging long term partnerships between the NHS and the private sector to modernise buildings, equipment and services, and deliver efficiencies
- Plans to sell nearly £2 billion of assets over the next five years, which will release land to build at least 26,000 new homes
- Recommendations of the Independent Cancer Taskforce to be implemented and investment of up to £300 million per year on diagnostics by 2020
- The Government will protect the £4.7 billion science budget in real terms over the parliament
Formal case to the Government

- Key messages to HM Treasury on how government can support NHS in this parliament, highlighting importance of clarity and stability in funding
- Joint care and support sector response on social care services, calling for a transparent debate on costs of and funding for sustainable care

Additional influencing on main policy asks

- Joint letter to Chancellor from coalition of health, care and public service organisations urging an upgrade in public health and prevention
- Letter from Stephen Dorrell, Chair of the NHS Confederation, to Chancellor on the economic case for a health and social care ring-fence
NHS Confederation’s representation

Media coverage

Senior Tony joins calls to protect social care

Dorrell argues protection for public health and social care funds

Coverage of Bradford West MP's letter to chancellor on NHS spending (November 2015)

NHS Confederation's representation

2015 Spending Review

More information at: http://www.nhsconfed.org/finance

Call to Guard the Budget for Front-loading of Funding in Relation to Provider Deficits (October 2015)

Osborne's pensions raid will cost £1bn, health chiefs warn

Coverage in The Times of NHS Confederation analysis on costs of new state pension for the NHS (November 2015)

The Guardian

Call in the Guardian for front-loading of funding in relation to provider deficits (October 2015)

Blog by Rob Webster in HSJ setting out four key questions for the Spending Review (July 2015)

NHS Confederation's representation

Media coverage

The four Budget must-knows to transforming care

HSJ

Care of vulnerable people ‘put in danger’

The Daily and Sunday, July 22

Feature on the Four Must Knows of transforming care

Blog by Rob Webster in HSJ setting out four key questions for the Spending Review (July 2015)

BBC coverage of care and support coalition and joint representation (September 2015)

Osborne’s pensions raid will cost £1bn, health chiefs warn

Chancellor urged not to cut vital health fund

Coverage in The Independent and others of letter to chancellor on public health cuts (October 2015)

2015 Spending Review

More information at: http://www.nhsconfed.org/finance
NHS Confederation’s representation

Social media activity

Matching our asks against the 2015 Spending Review

1. Outline a multi-year plan across the whole of this parliament for increasing health spending by at least £8 billion a year by 2020/21. (Met in full, with a clear plan for the next five years on how funding will be delivered)

2. Confirm that additional funding applies to the total department budget to protect all NHS spending. (Not met, with only the funding for NHS England protected at the expense of other health spending)

3. Confirm that at least £4 billion of additional funding will reach the NHS budget by 2017/18. (Met in full, with funding front-loaded and most delivered in the next two years)

4. Outline a multi-year plan across the whole of this parliament for addressing the social care funding gap by 2020/21. (Met partially, with additional revenue for social care however it is not clear if this will be enough)

5. Confirm a clear plan for retaining the Better Care Fund at the current level of funding and how it will operate in practice. (Met in full, with confirmation the BCF will be maintained in this parliament at current levels for the NHS)

6. Provide certainty and support for individuals who are planning and funding their own social care. (Not met, with little clarity for self-funders or how resources intended for introducing Dilnot reforms have been redistributed)

7. Increase the Five Year Forward View transformation fund to at least £1 billion in 2016/17 and establishing a wider focus on transformation. (Uncertain, with details still needed on whether additional funding will be used to support transformation plans)

8. Reverse the cuts to the public health grant and protect spending on public health and prevention across this parliament. (Not met, with further cuts to public health spending)

9. Reaffirm commitment to increase funding for child and adult mental health in this parliament. (Met partially, with additional commitments on mental health funding however further clarification is needed)

10. Agree to limited flexibilities to allow employers to operate outside of 1 per cent public sector pay cap. (Not met, no flexibilities on pay agreed nor any support to meet additional pressures from the new state pension)