



The voice of NHS leadership

## Chancellor of the Exchequer's 2018 Spring Statement

### On-the-day briefing: 13 March 2018

#### Summary

The Chancellor began the [Spring Statement](#) focusing on OBR forecasts, announcing that the government had exceeded expectations across a range of measures, including an increase in real wages, declining inflation and shrinking debt.

As hoped, borrowing is due to fall this year and as a result, the OBR has further revised down forecasts for this coming year. Returning to the tone of Theresa May's inaugural speech as Prime Minister on the steps of No.10, the Chancellor emphasised their plan to build an economy that 'works for everyone'.

The Chancellor was quick to remind listeners that the Treasury has committed an additional £9bn in health and social care funding, with £4bn going into the NHS in 2018/19 alone, alongside a 'pay modernisation scheme' for nurses as part of the Agenda for Change.

#### Headlines

##### *Economic growth*

- The Office for Budget Responsibility has increased their forecast for growth this year with a revised figure of 1.5 per cent.
- Inflation is also expected to fall over the next 12 months, with wages set to outpace prices over the next five years.
- The UK's public finances have reached a turning point, with borrowing down and the first sustained fall in debt for 17 years.
- Borrowing has fallen by three-quarters since 2010. In 2009-10 the UK borrowed £1 in every £4 that was spent. The OBR expect that we will borrow £1 in every £18 this year.

##### *Public spending*

- Debt as a share of GDP was forecast to begin falling from 86.5 per cent in 2018/2019 to 85.1 per cent in 2019/20 and 77.9 per cent in 2021/22.

##### *Employment*

- In April 2018 the National Living Wage will rise to £7.83, worth £600 extra a year for a full-time worker.

### *Tax*

- The tax-free personal allowance – the amount you earn before you start paying income tax – will rise to £11,850 from April 2018. This means that in 2018/19, a typical taxpayer will pay £1,075 less income tax than in 2010/11.

### *Brexit*

- Over £1.5 billion allocated to departments and devolved administrations to prepare for Brexit in 2018/19. It is part of the £3 billion to be spent over two years announced at Autumn Budget 2017.

### **Our view**

Today's statement was never going to be the big announcement on health and care funding, but we are encouraged that the Chancellor is at least aware that something needs to be done.

While the Chancellor has given us some hope regarding future NHS staff pay and a promise to review spending on public services in November, he has failed to give us any indication that he is looking at all the options available to him, including changes to the taxation system and he appears unmoved by recent surveys which reinforce the view that the public now agree that given the scale of the crisis, something now must give.

In January, we commissioned the Institute for Fiscal Studies and the Health Foundation to conduct a study of the demand and financial pressures that will face the NHS and wider health and care system in the period to 2033. We did this because we were concerned that, whilst people are rightly focusing on the current funding crisis, we also need to be fully prepared for the daunting challenge which is coming down the track over the next 15 years. This work will give us a robust evidential and fiscal base from which to influence the thinking of the political class and, perhaps most importantly, HM Treasury.

With this in mind, over recent months, we have been working behind the scenes, talking to ministers, the Labour health team, politicians on all sides, senior officials and those who have traction with the key decision makers to make the case for immediate action.

Having been around the health and care system for longer than most, the conversations I and other Confed colleagues are having with CEOs, chairs and directors across all parts of the NHS and social care underline the depth and scale of the current crisis and the impact that it is having on both who use services and the staff and managers who deliver them.

These stories and experiences stiffen the resolve of those of us working at a national level to push the political class to take the decisions which successive governments (of all colours) have ducked. We have been clear, particularly in our private meetings and conversations that a number of nettles now have to be immediately grasped, or the service and those who rely on these vital services will bear the brunt any further indecision or inaction.

Today's statement was what was to be expected from a short and punchy update on the financial situation – but we will continue to work hard behind the scenes, nudging decision makers in the right direction.

The Institute for Fiscal Studies and the Health Foundation teams are busy working on the first report, which is due to be published in time for Confed18 in June. In the meantime, we are hearing very positive noises from ministers and shadow ministers who are already anticipating what the report might tell them and how it might shape their thinking. This feels positive, particularly as we are still a few months off seeing the report.

Despite this Spring Statement not being one of new announcements, my sense is that there is a desire across the political divide to address these vital questions and that we need to be as helpful as we possibly can be in supporting politicians to tackle a number of crucial issues.

We have also been clear that any solution or future decisions cannot repeat the mistakes of the past whereby politicians think that they can solve the problems of the health and care system simply by promising more money for the NHS, while reducing the amount that is spent on social care and ducking the vexed question of a long-term funding model for the social care system. We need politicians on all sides to fully understand that failure to address issues in one, merely creates problems in the other.

The NHS and social care are two parts of a single, interdependent system. What we have at the moment is a system-wide crisis that is affecting acute hospitals, community services, primary care, mental health services, ambulance trusts and social care and the only way out is to come up with long-term solution that eases the pressures on all parts of that system. Over the coming months, we will continue to push (and support) the politicians on your behalf.

## **Niall Dickson**

### **Reaction to the statement**

Niall Dickson, chief executive of the NHS Confederation, said:

"Today's statement is a missed opportunity, giving no clear signal that the government is going to act to address the crisis in our NHS and care system.

"The twin tasks facing the Chancellor therefore remain – support NHS and the care services to help them deal with intolerable pressures today, and lay out a comprehensive plan to create a sustainable NHS and social care system for the next 10 to 15 years.

"It is time for some political courage. We cannot go on as we are with unsafe services, lives lost and lives ruined, because we are unwilling to invest. And with that the public agrees.

"And to be clear this is a system-wide crisis affecting every branch of the system from hospitals to family doctors, from social care to mental health services, from ambulances to community health.

"There are signs within the government that some have begun to realise the challenge now being faced every day by our members and the urgent need for longer-term solutions.

"We must all do everything we can to convince them that this is the right thing to do politically, but more important, the right thing for all of us who rely on our health and care systems."