The voice of NHS leadership

NHS CONFEDERATION

Chancellor of the Exchequer's autumn statement – on the day briefing

23 November 2016

Today saw the Rt Hon Phillip Hammond MP's first autumn statement as Chancellor. With no mention of the NHS, or social care, the Treasury has missed a golden opportunity to ease the strain on the NHS. This autumn statement will also be Hammond's last. He announced following the spring 2017 budget, budgets will be delivered in the autumn, with the first one taking place in autumn 2017. You can access the full autumn statement and associated documents here.

Ahead of the statement, the NHS Confederation had four asks of the government:

- *Bring **NHS and social care funding** into line and release £1.5 billion of Better Care Fund money immediately*
- ***Stop cuts to public health** and deliver adequate investment in prevention for the next four years, to ensure we work to keep people healthy and manage future demand upon the NHS.*
- *Enable **resources to be available for one-off investment** in buildings and equipment from next year, by offering routes to greater public and private capital spending.*
- *Guarantee **additional funding that is already earmarked for 2017 is ring-fenced for transformation**, specifically as investment in STPs.*

The Autumn Statement

While we did not expect the NHS's funding settlement to be increased in the statement today, it is disappointing to see that social care will receive no extra cash this year.

In the run up to the statement we saw a number of organisations that have traditionally sought to avoid straying into overtly political territory choosing to highlight the precarious state of adult social care and the resulting wider pressures across the NHS. The Care Quality Commission spoke of 'approaching a tipping point', whilst the General Medical Council preferred to talk about 'signs of distress'. These unprecedented interventions indicate how deep the pressures within the system are.

There were however, some announcements and forecasts in today's statement will impact on the health and care sectors:

Economic outlook

- The Office for Budget Responsibility has provided its first economic outlook forecasts since the UK voted to leave the European Union. It has revised down GDP growth, so that it is now expected to be 1.4 per cent in 2017 (previously forecast at 2.2 per cent) and 1.7 per cent in 2018 (previously 2.1 per cent). From 2019, the economy is expected to grow in line with previous projections. If these projections were to be borne out, the economy would grow by 1.9 per cent on average over the next five years, which is broadly similar to the 2 per cent average growth in the previous five. It is less though than the 2.8 per cent average growth seen in the five years previous to the economic downturn in 2008.

- OBR estimates on inflation have been revised up, in particular in 2017 where the Consumer Price Index (CPI) is expected to grow by 2.3 per cent and the Retail Price Index (RPI) by 3.2 per cent. This represents an upward revision of 0.7 to 0.8 per cent respectively from previous estimates. These revisions are significant in the wider economy when you consider slightly weaker than forecast average earnings growth of around 2.3 per cent annually.
- A weaker than expected economy, with higher than expected inflation will impact on public spending and allows less room for growth on spending on health and care sectors. The chancellor announced in his speech that the government will review public spending priorities for the next parliament in the next spending review "in light of the evolving fiscal position".

Salary Sacrifice

- From April 2017 the tax and employer National Insurance advantages of salary sacrifice schemes will be removed, except for arrangements relating to pensions, childcare, Cycle to Work and ultralow emission cars.
- There will be some transitional protection for existing arrangements, with schemes in place before April 2017 protected until April 2018, and arrangements for cars, accommodation and school fees will be protected until April 2021.
- NHS Employers have previously warned that the removal of the National Insurance advantages of salary sacrifice schemes will mean that the NHS is no longer able to offer them to its employees. As the NHS operates within a national framework of pay and conditions, there are limited opportunities open to attract employees. The NHS is already struggling to recruit and retain staff – these reforms can only make that harder.

Off payroll working

- Off payroll working rules in the public sector will be reformed in April 2017. The reform will move the responsibility for ensuring workers pay the correct tax lies with the body paying the worker's company (i.e the NHS), rather than the worker themselves.
- The government hope that this will tackle the high levels of non-compliance with the current rules and mean that those working in a similar way to employees in the public sector will pay the same taxes as employees.

National Insurance thresholds

- The employee and employer National Insurance rates will be aligned from April 2017, meaning that both employees and employers will start paying National Insurance on weekly earnings above £157. This will mean that employers National Insurance payments will in some cases increase, on average by £7.18 per worker.

Devolution and local growth

- The National Productivity Investment Fund (NPIF) will target capital finance in the areas of housing, transport, digital communications and R&D. NHS organisations, including AHSNs, involved in local partnerships with universities and businesses should explore opportunities for health-related R&D capital development on and off-site.

- The government has announced eight new areas for Science and Innovation Audits. SIAs are an important part of evidencing local innovation priorities and highlighting the associated areas for onward investment. AHSNs will want to ensure they are working with LEPs and Combined Authorities to promote local health-related innovation work in their respective SIAs.
- The results of the third round of Growth Deals will be published soon, with LEPs receiving £1.8bn of funding this year. We expect successful projects to focus on local skills provision, housing, and digital connectivity and some may involve health-related activity.
- It was also announced that the budgets for the government's Work and Health Programme will be devolved to London and Greater Manchester. The programme, launched through a green paper last month, aims to support people with disabilities and health issues back into work.
- The government remains committed to devolution, and attention should be drawn to the new combined authority mayors gaining new borrowing powers to invest in economically productive infrastructure.

Medical training

- First announced at the Conservative Party Conference, the chancellor confirmed that the autumn statement includes funding for up to 1,500 additional medical training places each year, from the 2018-19 academic year onwards.

National Living Wage

- The rise in the National Living Wage from £7.20 to £7.50 per hour is a welcome and well deserved pay increase for workers, however it will impact on many social care providers who are already in a financially unstable position.