

Social Care and Health Conference: Overview of the Prospects

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21 October 2015



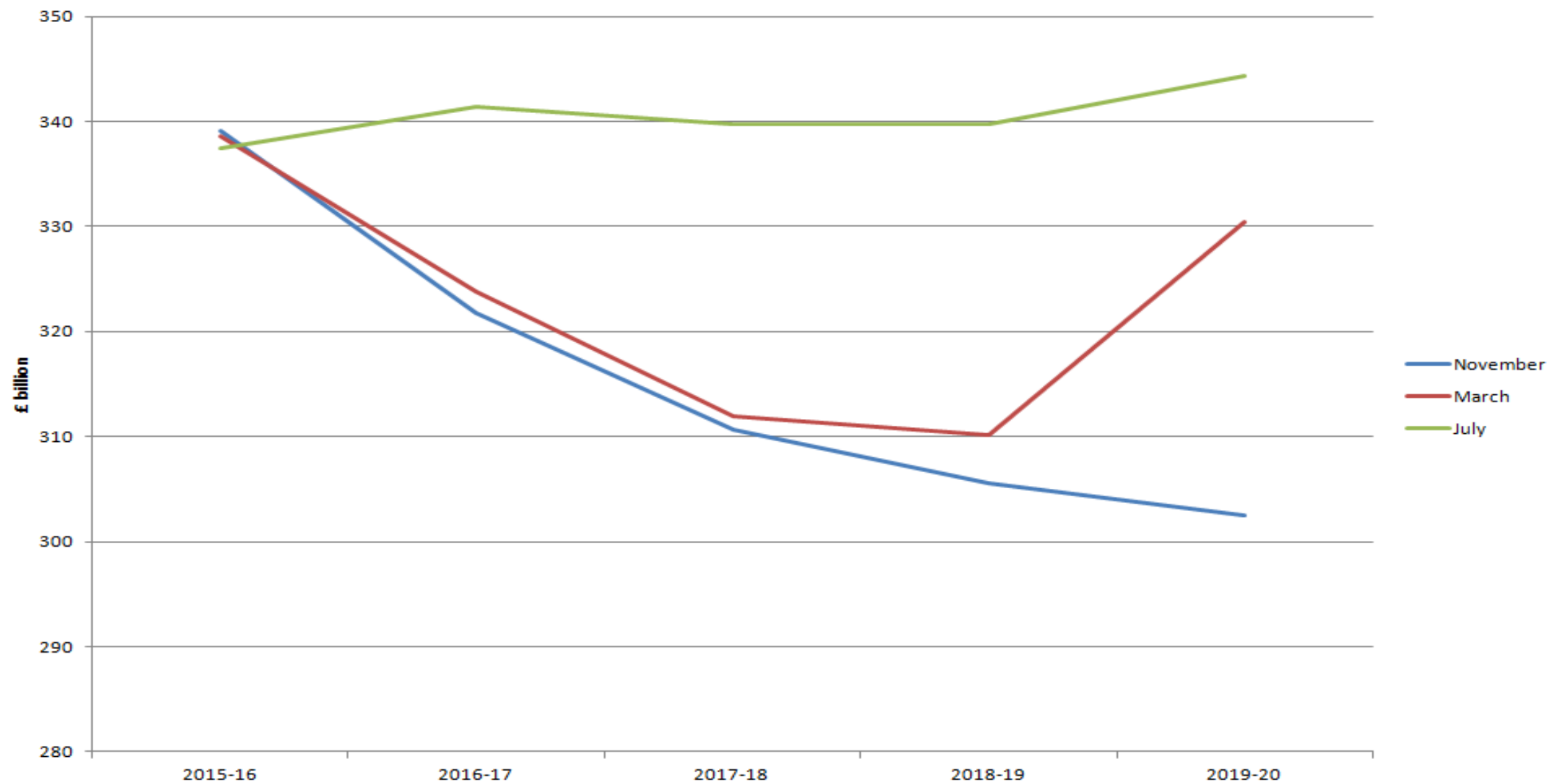
Funding context

- Continued fiscal consolidation across public sector
- Only part way through the cuts – real-terms cuts in non-protected services of £19bn (12.6%) between 2015-16 and 2019-20 (38.1% since 2010-11)
- Not much room for under-delivery – only planning to achieve balanced budget in 2012-21
- Real-terms protection for NHS - but not sufficient for growing needs
- Massive cash-terms cuts in local government funding – no protection for adult social care

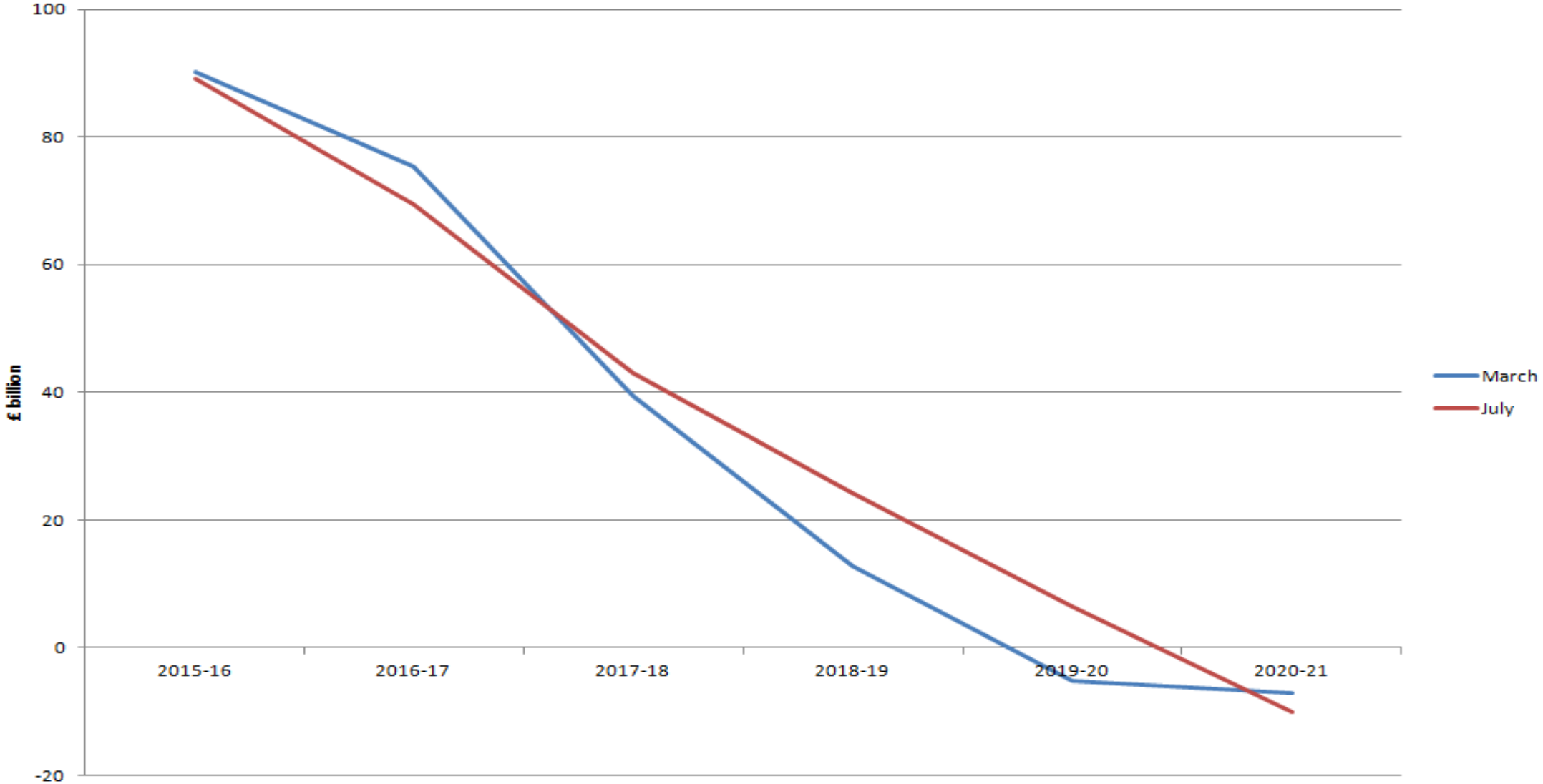
Good news, bad news

- Position and forecast for funding for services has actually improved; looked shocking in Autumn Statement 2014.
- Led to comments about public services going back to the 1930s; looked a little over the top at the time.
- March Budget projection also looked a little unrealistic; big dipper effect looked odd; expected a flatter profile.
- July Budget is both flatter and reflects the improved economic position (per OBR).
- Flat in cash terms in July Budget – but includes protected services, additional NHS commitment, and likely new burdens (childcare).

Resource DEL



PSBR



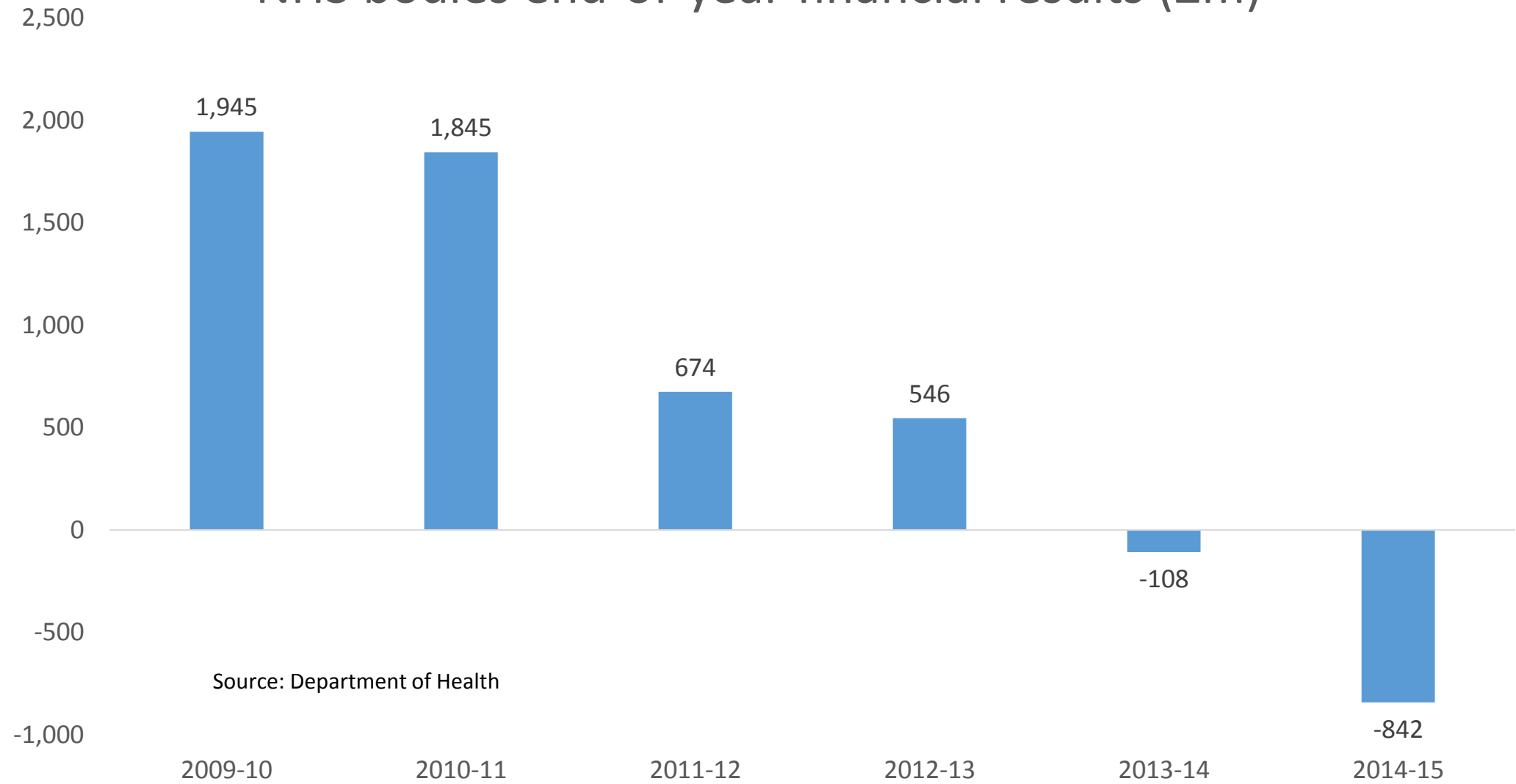
Protected services

- More than half DEL is spent on protected services
- Government commitments:
 - NHS - £10bn increase in real terms by 2020-21
 - MOD – increase by 0.5% per year in real terms
 - Schools – protect per-pupil funding
 - International Development – spend 0.7% of GNI
- Ramps-up required cuts in other services

Protected services

	2015-16	2016-17	2017-18	2018-19	2019-20
Schools (approx)	40.2	40.6	41.0	41.4	41.8
NHS	111.8	113.0	114.8	116.9	119.1
Additional health		2.0	4.1	6.3	8.5
Defence	28.4	28.7	29.2	29.7	30.3
Int. Dev.	8.4	8.7	9.1	9.5	9.9
Protected DEL	188.8	193.1	198.2	203.8	209.7
Of all resource DEL	60%	61%	62%	64%	65%

NHS bodies end-of-year financial results (£m)



Source: Department of Health

NHS financial position

- NHS trusts and foundation trusts reported deficit - £930m in first 3 months of 2015-16 (Monitor, NHS Trust Development Authority); £96m worse than full-year deficit for 2014-15
- Latest financial report to NHS Board (M4) shows CCGs broadly on budget
- QIPP savings – commissioners planning QIPP of £2.2bn (equates to 2.2%) – forecasting 95% delivery in 2015-16 (compared to 87% in 2014-15)

Estimated cuts to LG funding

	2015-16	2016-17	2017-18	2018-19	2019-20
Unprotected	78.3	77.1	70.4	64.6	62.2
Council tax	22.0	22.6	23.1	23.7	24.3
Total	100.3	99.6	93.5	88.3	86.5
Cut required		-1.2	-6.7	-5.8	-2.4
Local government	43.9	43.4	40.3	37.6	36.6
Deduct council tax	-22.0	-22.6	-23.1	-23.7	-24.3
Local government	21.9	20.8	17.1	13.9	12.3
Reduction		-5.0%	-17.6%	-18.7%	-11.6%
Cumulative reduction		-5.0%	-21.7%	-36.4%	-43.8%

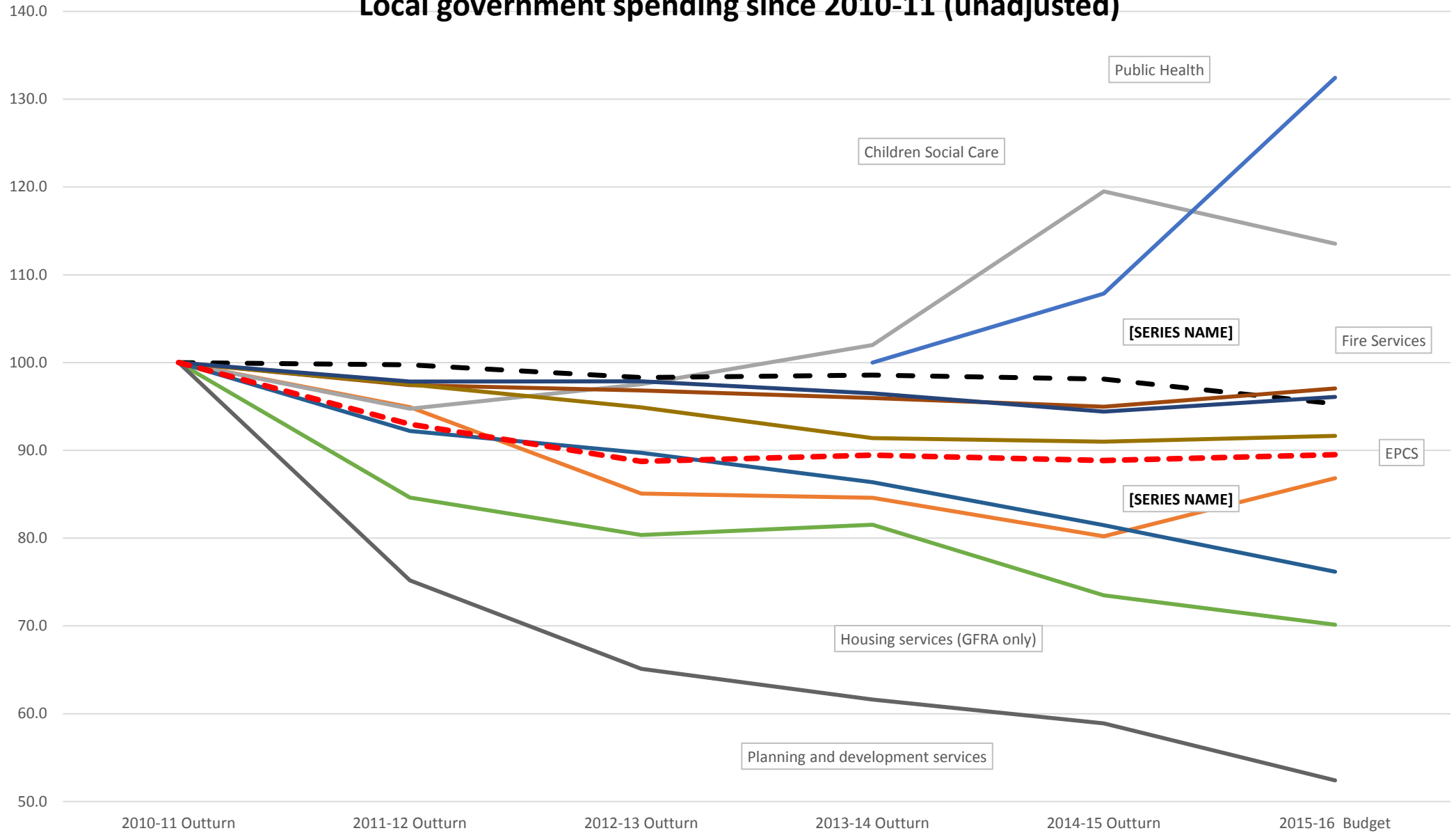
Unprotected services

- HMT has asked departments to exemplify savings of 25% and 40%
- Consistent with our estimates (12% in 2016-17 and 2017-18, 6% in 2018-19 and 2019-20)
- Who will get below-average cut in funding?

Spending context: social care

- Social care spending decreased by £1.6bn over last 5 years
- Real-terms cut estimated at £4.6bn, of which, demographic pressures (£1.75bn) and price increases (£1.25bn)
- Reduction in preventative spending for first time in 2015-16
- Continuing reduction in the number of people receiving social care support

Local government spending since 2010-11 (unadjusted)



100% business rates retention

- Chancellor announced plans to increase LG retention of business rates from 50% to 100% by end of parliament
- Has numerous technical challenges – but not new money (no “core” grant, new burdens)
- New regime will favour those with largest business rates growth (and lowest needs)
- Very difficult to give additional ringfenced funding to social care

Better Care Fund

- £5.3bn now pooled in BCF
- Purpose to improve community care, reduce emergency admissions, and keep people out of hospital/ residential care
- Achieving savings – but not delivering anything like enough to balance budgets (and can result in additional costs too)
- Confusion over whether health funding or LG funding (classified as increase in spending power for LG!)

Prospects

- Huge cuts in LG funding in this parliament
- Adult social care will possibly get less protection within LG than in past
- Political imperative to support NHS – either direct funding or support to adult social care
- Watch Spending Review (25 November) and Provisional LG Finance Settlement (December) for next instalment...

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<http://www.cipfa.org/services/networks/funding-advisory-service>

