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Autumn Budget 2017: what it means for health and social care

On 22 November 2017, the Chancellor of the Exchequer Philip Hammond delivered his first Autumn Budget, which included some specific measures on the NHS. Prior to the Budget, our three organisations – the Nuffield Trust, the Health Foundation and The King’s Fund – published a joint briefing outlining the financial picture to date and exploring what we felt the Budget needed to contain to safeguard the NHS, social care and public health.

As the dust begins to settle after the Autumn Budget, this explainer looks at what was announced and what it means for the priorities identified in our briefing.

Our analysis is based on the Department of Health’s budget (total departmental expenditure limit, known as TDEL) rather than NHS England’s budget – the latter is now the government’s preferred measure of NHS spending. As NHS England’s budget excludes important areas of NHS spending such as major capital investment, public health, and education and training, we continue to use the Department of Health’s budget for our calculations.*

What was announced?

£6.3bn of extra NHS funding over this Parliament was announced (see Table 1). This is composed of £2.8bn in revenue funding (money for day-to-day health services) and £3.5bn in capital investment (money for buildings and equipment). These figures are all in cash terms (i.e. not adjusted for inflation).

Of the revenue funding announced, £335m will be provided this year to help address winter pressures, £1.6bn will be provided in 2018/19 and £900m will be provided in 2019/20. It has been reported that, of the £1.6bn made available in 2018/19, £1bn will be used to improve performance against the 18-week target for elective treatment and £600m will be used to help hospitals meet the four-hour target in A&E.

* This approach has been relied on by previous governments and has been endorsed by the Health Select Committee. The government’s narrower presentation of health funding has also been criticised by the Committee and the UK Statistics Authority.

Table 1: Additional funding for the NHS in England announced in Autumn Budget 2017 (£bn, cash)

	Revenue departmental expenditure limit (RDEL)	Capital departmental expenditure limit (CDEL)	Total departmental expenditure limit (TDEL)
2017/18	0.34	0.51	0.84
2018/19	1.60	0.35	1.96
2019/20	0.90	0.71	1.61
2020/21	-	0.86	0.86
2021/22	-	0.81	0.81
2022/23	-	0.30	0.30
Total	2.8	3.5	6.3

Note: Numbers may not sum due to rounding.

Source: Autumn Budget 2017, personal correspondence with HM Treasury.

What will the total health budget be over the next few years?

The new money pledged in the Autumn Budget will take the total Department of Health budget to £124.7bn this year (2017/18), £126.4bn next year (2018/19), and £127.2bn in 2019/20. These are real-terms figures, taking account of new estimates of inflation published alongside the Budget by the Office for Budget Responsibility (OBR).

What did we say should happen to health spending next year?

Before the Budget, our three organisations estimated that planned health spending for 2018/19 would be at least £4bn lower in real terms than required.

This estimate was made by looking at long-term trends in NHS spending, which has risen on average by 4% a year in real terms since the NHS was established, and using projections from the OBR that forecast that health spending would rise at 4.3% a year.

The projections based on OBR figures include estimates for efficiency savings, capital investment and the costs of pay increases.

How do the Budget pledges compare with what's needed next year?

While providing some welcome relief for the NHS, the extra funding pledged falls well short of the amount that we estimate is required. As the Budget provided a total of £1.9bn in additional cash funding to the English NHS in 2018/19, around half of the minimum gap we calculated has been filled. This estimate does not include any additional funding that may be provided for staff pay awards (see below).

As we warned before the Budget, the NHS next year will not be able to maintain standards of care and meet rising demand for services.

What was announced on staff pay?

The government also announced that it would provide further funding in this Parliament for pay awards for NHS staff on Agenda for Change contracts, such as nurses, midwives and paramedics. This funding would be in addition to the funding increases that have already been announced.

The Budget notes that funding for pay awards will be conditional on a pay deal being agreed with unions on modernising the pay structure for Agenda for Change staff to improve productivity, and staff recruitment and retention.

The independent NHS Pay Review Body remains responsible for recommending the level of pay award Agenda for Change staff should receive.

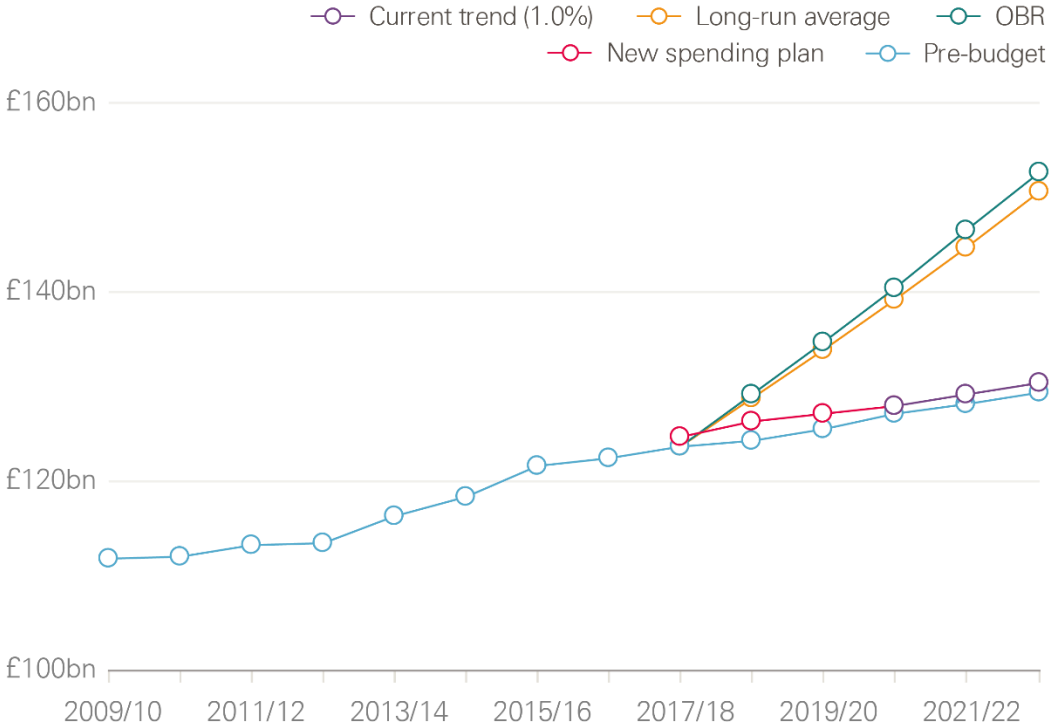
What is the overall funding outlook for the end of the Parliament?

Before the Budget, our three organisations also estimated that if current spending plans were continued until 2022/23, this would leave a gap of at least £20bn (at 2017/18 prices) compared with the amount we think would be needed.

Because the increases announced in the Budget mostly apply only to the next two years, there has been relatively little change to this picture. We estimate that, on current plans, there would still be a gap of around £20bn in 2022/23.

The government will have the opportunity in a future Spending Review to reduce this gap by setting out new plans for the rest of the Parliament. Further funding increases will be needed to reflect the scale of the pressures facing the NHS.

Figure 1: Health spending in England – projections for this Parliament (in 2017/18 prices)



Note: ‘OBR’ line shows how much would be spent on health in England if spending rose in line with projections by the Office for Budget Responsibility. ‘Long run average’ shows how much would be spent on health if spending returned to the historical average of 4% a year.

Source: Nuffield Trust analysis of multiple sources; Department of Health annual report and accounts 2016/17; Autumn Budget 2017.

Does this mean the manifesto pledge to raise NHS spending per person will be met?

The Conservative manifesto promise

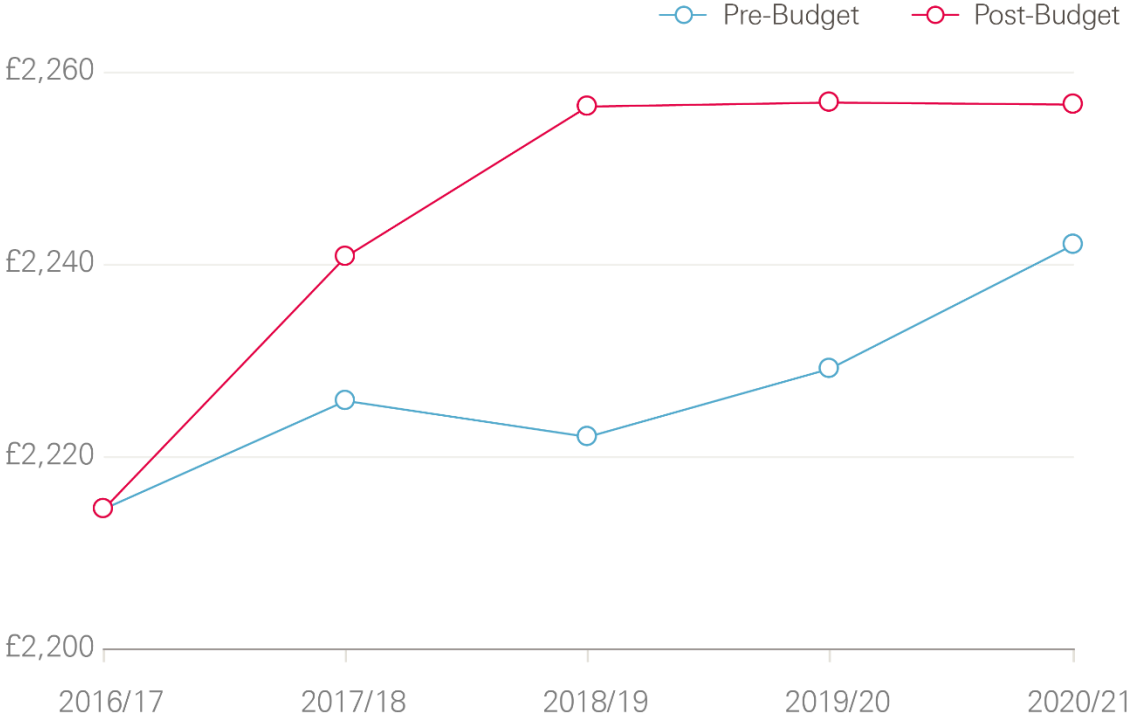
The Conservative Party manifesto promised to ‘increase NHS spending by a minimum of £8bn in real terms over the next five years, delivering an increase in real funding per head of the population for every year of the Parliament.’

Total spend per head following the Budget

Based on the government’s previous spending plans, health spending per head using the Department of Health budget was expected to fall by 0.2% in real terms in 2018/19. As a result of policy announcements in the Autumn Budget 2017, and taking into account new estimates of inflation, health spending per head will now increase by 0.7% in 2018/19, and by 0.02% in 2019/20. These figures express health spending in real terms (i.e. adjusting for inflation) in 2017/18 prices. They differ from other reported figures, which are expressed in 2016/17 prices, and also differ due to rounding.

Based on these plans, spending per head will fall by 0.01% in 2020/21, so further spending increases will be needed later in the Parliament to meet the manifesto pledge. As the new revenue money pledged at the Autumn Budget only goes up to 2019/20, there is a possibility of future increases.

Figure 2: Health spending per person in England: projections for this Parliament



Note: 'Health spending' is Department of Health total departmental expenditure limit (TDEL) in real terms at 2017/18 prices.

Source: Department of Health annual report and accounts 2016/17; Autumn Budget 2017; OBR GDP Deflator November 2017, Table 1.7 to Supplementary Economy tables; Office for National Statistics mid-2016 Population Projections.

For NHS England, spending per head would rise by 1.2% in 2018/19, 0.1% in 2019/20 and 0.4% in 2020/21 (see Table 2). These are the figures the government is likely to quote for the manifesto pledge. However, we reiterate that our three organisations continue to measure health spending using the traditional measure of the total Department of Health budget.

Table 2: Health spending per person in England: Department of Health and NHS England

	2016/17	2017/18	2018/19	2019/20	2020/21
Department of Health (TDEL)	2,215	2,241	2,256	2,257	2,257
Increase		1.2%	0.7%	0.02%	0.0%
NHS England resource budget	1,951	1,974	1,999	2,000	2,008
Increase		1.2%	1.2%	0.1%	0.4%

Although spending per head is now expected to increase over the next few years, the NHS will face additional pressures as the population is ageing as well as growing. Meeting the additional cost of the ageing population would require further funding.

What do the pledges on capital spending mean for the NHS?

At the Budget, the Chancellor outlined the government's commitment to an extra £10bn of investment in NHS buildings and equipment, supporting the Naylor Review's recommendations on funding of NHS capital.

Over a third of this (£3.5bn announced in the Autumn Budget, and the £425m announced in the Spring Budget 2017) is new money from the Treasury. The Chancellor said that £2.6bn of this would be to support the NHS improving services over the next few years; £0.7bn would support turnaround plans for struggling NHS organisations; and £0.2bn is earmarked for supporting efficiency plans. The remainder of the £10bn is to come from a combination of land and asset sales ('at least' £3.3bn, according to the Treasury) and from private finance.

The Naylor Review suggested that around £7bn of the £10bn needed could come from central government. The pledges in the Budget fall well short of that and it is questionable whether the NHS will be able to generate sufficient funds through land and asset sales to deliver its share of the investment – or if indeed it is wise to do so.

Public health: budget cuts likely to continue

In our briefing, we called on the government to reverse planned cuts to public health budgets and to renew its commitment to prevention as a fundamental priority of its health policy. However, no additional funding was provided to specifically address the growing challenges in public health in the Budget, giving little evidence to suggest that public health is a priority for the government.

Social care: a missed opportunity?

The Chancellor did not find any extra funding for social care, which we estimate faces a £2.5bn funding gap by 2019/20. While the forthcoming Green Paper offers the prospect of reform, any meaningful change is a long way off and will be of little comfort to the many people who need help now but cannot access it.

Conclusion: There are still tough choices ahead

Before the Budget, the NHS was heading for a crunch year in 2018/19, with funding due to rise by just 0.4% and spending per head falling. The Chancellor's announcements have provided some temporary respite, but the extra money falls far short of what we estimate is needed to maintain standards of care.

Although the additional revenue funding he announced is earmarked for reducing waiting times, it is unlikely to be enough to get back on track to meeting the 18-week referral-to-treatment and four-hour A&E targets.

Furthermore, with all the additional money going to the acute sector, it is difficult to see how promises to increase investment in mental health and general practice can be met, let alone how progress can be made in developing new services, giving patients access to new drugs and delivering significant efficiency savings.

It is therefore essential that politicians are honest with the public about the impact of continued funding constraints on NHS services.