

Where does the 2019 Spending Round leave health and social care, and the nation's health prospects?

Ben Gershlick, David Finch

Contents

<u>Introduction</u>	3
<u>The wider determinants of health</u>	5
<u>Adult social care</u>	7
<u>The Department of Health and Social Care</u>	9
<u>Conclusions</u>	11
<u>About the authors</u>	12
<u>Notes</u>	12

Introduction

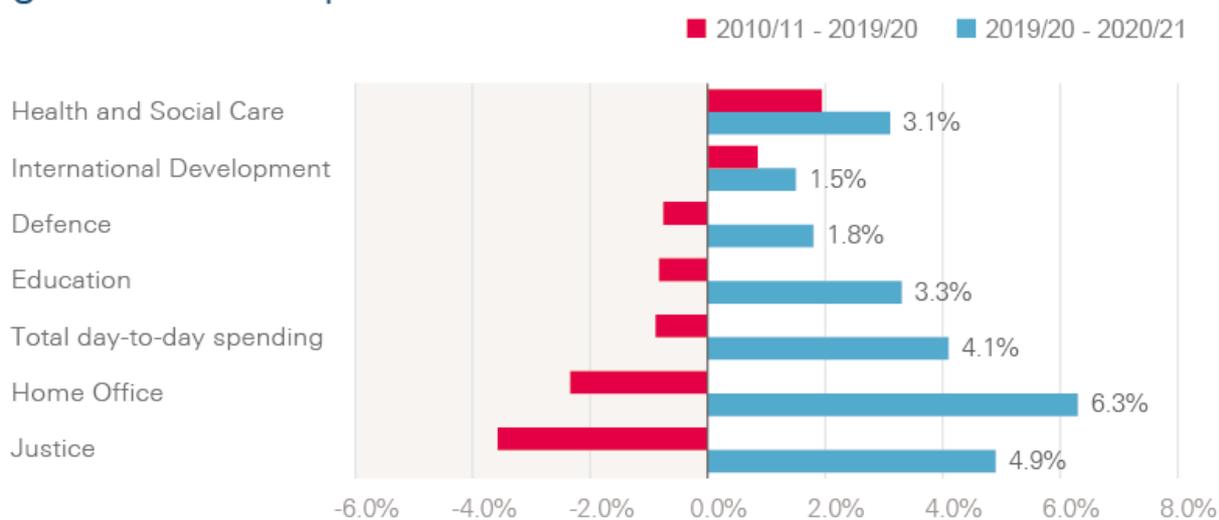
The Chancellor stated that the 2019 Spending Round 'turned the page on austerity', with an overall, real-terms increase in departmental spending of 4.1%. But with investment in the services and infrastructure needed for people to lead healthy lives at rock bottom, the question is whether the new spending is enough – and in the right places.

Some of the larger increases fall to services that manage acute societal needs – policing, criminal justice and social care. Those that create the long-term conditions that keep people healthy have fared less well.

As [Resolution Foundation analysis](#) has shown, the 2019 Spending Round has reversed only a third of the real-terms, per-head cuts in day-to-day spending since 2010. And those cuts have not been evenly distributed. While health care has been protected since 2010, other areas that are important for keeping people healthy have been cut significantly, and following the Chancellor's Spending Round, still face overall reductions.

Next year, local government allocations (on a real-terms per capita basis) will still be 77% lower than in 2009/10, housing and communities spend 52% lower and education spend down by 11%.

Real-terms annual change in day-to-day budgets for government departments



The NHS has been a relative winner in public spending over the last decade, although funding growth has been at a much lower rate than demand and cost pressures.

But governments have chosen to prioritise health spending on front-line services over investment in key but less visible spending, such as training and developing the NHS workforce, on buildings, equipment and technology and crucially on support for services such as smoking cessation which keep people healthy.

Health spending pressures are rising in part due to the ageing of the population. This results in similar, if not greater, pressures on adult social care. But while the health budget grew over the decade, adult social care spending fell.

In this long read, we explore three key areas:

1. the wider determinants of health (including the public health grant)
2. adult social care
3. The Department of Health and Social Care.

So: is the new spending enough – and is it in the right places to create the long-term conditions that keep people healthy?

Where does this leave the balance between NHS and adult social care spending?

And what does it tell us about the government's commitment to back [The NHS Long Term Plan](#) with the investment needed to improve care and deliver value for money?

The wider determinants of health

Public health grant

What did the Chancellor announce?

A real terms increase in the public health grant.

Is it enough?

It will end five years of cuts that had reduced the grant by a fifth, but it will fall significantly short of the £1bn required to reverse them.

A real-terms increase in the public health grant will end five years of cuts that had reduced the grant by a fifth, but will fall significantly short of the £1bn required to reverse them. It fails to match the rate of increase in budget for NHS front-line services and so will represent a shrinking share of overall health spend.

This is despite [evidence that further public health spending is three times more productive than spending on health services](#).

Other departments

What did the Chancellor announce?

Some welcome signs of support for the [wider determinants of health](#), including real-term boosts to education and homelessness reduction.

Is it enough?

There is a real risk that additional spend in 2020/21 simply papers over the cracks dealing with the most acute need, rather than the long-term investments needed to bring about a healthier population.

There are also some welcome signs of support for the wider determinants of health including:

- a commitment to boost real-terms education spending by £2.2bn, including £0.4bn specifically for further education – a key and historically underfunded area, which can help to ensure qualification and career routes for young people
- a £50m real-terms boost to help reduce homelessness and rough sleeping, following rough sleeping more than doubling since 2012

- allocating £0.2bn in 2020/21 to pilot approaches to cross-public sector working, bringing potential to capture wider benefits that accrue from some interventions such as health programmes that lead to improved employment outcomes.

However, the round, for the most part, only sets out spend for next year. Longer-term thinking is required to create sustained improvements in our health. There is a real risk that additional spend in 2020/21 simply papers over the cracks by dealing with the most acute need, rather than the long-term investments needed to bring about a healthier population.

For example, additional investment to support homelessness is likely to add to the shift in recent years away from more upstream housing services that can help prevent homelessness in the first place, towards dealing with acute need when people reach crisis point.

For local government, which plays a key role in creating healthy places to live, work and age, much of the real-terms boost announced yesterday will be needed to patch up social care funding for a further year.

And while there is some redress to past cuts, this is against a backdrop of increased demand. For example, the number of looked after children rose by 11% between 2014 and 2018 to reach 75,420, putting pressure on local government budgets.

Crucially, while poverty is the strongest determinant of poor health, the Spending Round failed to end austerity for working age welfare, as it was limited to planned departmental resource spending. The four-year benefit freeze has led to a 6% real-terms reduction in the value of most working age benefits since April 2016. And a growing number of families will continue to be affected by the limiting of support to two children. These welfare cuts are expected to drive child poverty rates back to their previous peak in the 1990s, and in doing so are likely to further widen health inequalities.

The Chancellor may be technically right to say that austerity has ended. But as things stand, most of the additional spending will be picking up the pieces from past cuts, rather than investing in the conditions that are needed to create a healthy population, and with it a prosperous future.

Adult social care

What did the Chancellor announce?

£1.5bn for social care next year.

Is it enough?

It may be enough to stop the social care crisis from deteriorating further – provided councils are able to raise additional money through council tax – but it parks the [fundamental reform of the system that is needed](#).

The Chancellor announced '£1.5bn for social care next year', however £1bn of this is a grant from central government covering adult and children's social care, and the remaining £500m is not from central government but instead could be raised by councils increasing their social care precept – a ringfenced council tax for adult social care – by 2%.

While there is no guarantee of new money for adult social care, the expectation is that the £1bn for adult and children's social care is split around evenly between the two. This would mean around £500m extra for adult social care (with the other £500m for children's social care), and a further £500m for adult social care if councils choose to increase their social care precept. More affluent councils are able to raise more from this precept and more deprived areas, where need is often greatest, may lag further behind. Research by the IFS shows that between 2015/16 and 2019/20 the amount councils could raise through 2% increases in the precept ranged between 4% and 18% of adult social care spending. This is partly addressed by the improved Better Care Fund.

So an extra £1bn could be spent on adult social care next year. The chancellor also announced that £2.5bn of existing grants – including the improved Better Care Fund (£1.8bn), the social care support grant (£410m), and the winter pressures grant (£240m) – will be available again next year. However, this £2.5bn of other grants for adult social care are not increasing in-line with inflation, and so will fall in value in real terms next year.

The result of all this is that, if this new money is spent on top of their current real terms budgets, then the new money next year is likely to meet demand pressures on the system – of 3.8% a year - but no more. This means that fundamental issues like pay and market instability cannot be addressed. If, however, councils choose not to raise the precept, the money will be only half that required just to meet pressures.

Even if it has been protected relative to other council spending, the adult social care system has faced cuts in funding this decade, meaning the number of older people receiving publicly funded care fell by 400,000 between 2009/10 and 2015/16. Many more go without the care they need. Around one in 10 people aged 65 face future lifetime care costs of over £100,000.

The spending decisions mean that, provided councils can raise the precept through council tax, this situation should not deteriorate further. But it parks the [fundamental reform of the system that is needed](#).

The Department of Health and Social Care

What did the Chancellor announce?

The overall day-to-day budget for the Department of Health and Social Care (DHSC) will rise by 3.1%, while its total budget (including [capital spending](#)) will rise by 2.9%.

Is it enough?

2.9% growth is below the 3.3% [the Health Foundation and the Institute for Fiscal Studies estimate](#) is needed just to maintain current standards of care, with a growing and ageing population and a rising burden of chronic disease. And it is some way short of the 4.1% growth required to invest in improvements in the health service.

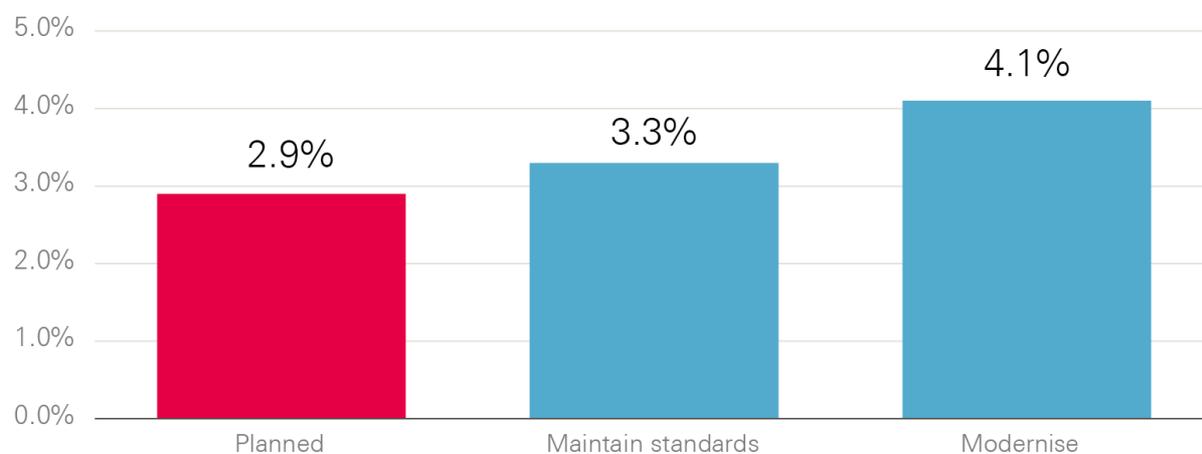
The day-to-day budget for DHSC will rise by 3.1%, while its total budget (including [capital spending on buildings and IT](#)) will rise by 2.9%. This is largely driven by increases in the budget for NHS England, which accounts for about 90% of DHSC spending, but doesn't include education and training, the public health grant or capital spending.

The wider DHSC budget, outside NHS England, is growing by £0.2bn in real terms. This is largely accounted for by growth in the budget for Health Education England (HEE), which will grow by 3.4% in real terms. Most of this is focused on investing in the continuing professional development of staff. While welcome, this level of investment in HEE is still [only a third of that called for by the Health Foundation, the King's Fund and the Nuffield Trust](#). As a result, it is unlikely to make any improvements in the numbers of nurses coming through training, which is particularly critical as [research published this week shows a quarter of nurses drop out or suspend their training before graduation](#).

Earlier in the year, the Government announced plans to invest in artificial intelligence to improve the prevention, early diagnosis and treatment of chronic diseases. The Spending Round confirms the Government will invest £250m in the programme, of which £78m comes in 2020/21.

This 2.9% growth for DHSC is below [projections by the Health Foundation and the Institute for Fiscal Studies \(IFS\)](#) that just to maintain current standards of care with a growing and ageing population and a rising burden of chronic disease will require total health spending to increase by 3.3% per year. And it is some way short of the 4.1% required to invest in improvements in the health service.

Growth in Department of Health and Social Care budget planned and required to keep up with demand or modernise



 **The Health Foundation**
© 2019

Source: Institute for Fiscal Studies and The Health Foundation, *Securing the Future*, 2018.

The capital budget is confirmed to be £1bn higher than previously planned for this year, at £7bn, but with no growth next year – standing at £7bn again in 2019/20 prices. While the increased budget this year is an improvement on recent years, it falls well short of [the levels of investment required to make significant inroads into the maintenance backlog of £6bn](#), and leaves us lagging behind comparable countries when it comes to spending on health care capital.

While a [multi-year capital settlement is promised](#), it is hard to see when this happens given the current political uncertainty.

Conclusions

Many of the larger increases fall to departments that manage the symptoms of acute societal needs: social care, policing, and criminal justice. There is a real risk that the additional spend in 2020/21 simply papers over the cracks by dealing with crises rather than providing the long-term investment needed for sustained improvements to our living standards and health. The Chancellor's announcement doesn't provide any additional funding for working-age social security, where austerity continues, with child poverty rates expected to rise further.

Next year's small increase in the public health grant will fall significantly short of the £1bn required to reverse five years of cuts. It fails to match the rate of increase in budget for NHS front-line services and so will still represent a shrinking share of overall health spend. This is despite [evidence that further public health spending is three times more productive than spending on health services](#).

The extra money announced by the Chancellor for adult social care could amount to an additional £1bn spending for adult social care, depending on decisions made locally. This is welcome, but broadly only keeps pace with rising demand, with no respite for the many thousands of people living with unmet social care needs. And around a half needs to be raised by council tax – a difficult prospect in areas of the greatest deprivation where need is highest.

And the 2.9% increase for the Department of Health and Social Care falls short of the absolute minimum of 3.3% needed to maintain care, and some way short of the 4.1% required to invest in modernising the NHS. It is also less than the overall rise in public spending. While it is positive to see a shift in spending towards wider public sector priorities, we would like to see a greater emphasis on investing in long-term measures designed to prevent poor health.

The 2019 Spending Round marks the end to cuts to public services, but undoing the impact of nine years of austerity will take more than one year of increased spending. Major challenges remain for health, social care and the wider public services that drive health outcomes and inequality.

About the authors

- [Ben Gershlick \(@BenGershlick\)](#) is a Senior Economist at the Health Foundation
- [David Finch \(@davidfinchrf\)](#) is a Senior Fellow at the Health Foundation

Notes:

- This long read was published originally at 00.01 on 6 September 2019 at the following address: <https://www.health.org.uk/news-and-comment/blogs/where-does-the-2019-spending-round-leave-health-and-social-care-and-the-nations-health-prospects>