nuffieldtrust The Health Foundation The King's Fund

The Autumn Statement

Joint statement on health and social care

November 2016

1 Summary

At the end of 2015, our three organisations came together to provide an independent assessment of what the Spending Review would mean for the NHS and social care. One year on, and with the Autumn Statement due on 23 November, we have updated this assessment to reflect developments over the past year, to inform the debate with a clear analysis of the funding position and its implications for health and social care services.[1]

The urgent priority for the Autumn Statement is to address the critical state of social care. Our research has found that the system is increasingly struggling to meet the needs of older people, their families and carers, and the human and financial costs of this are mounting. The publicly funded social care system faces the prospect of a £1.9 billion funding gap next year. As a minimum, the government must recognise the immediate funding pressures facing the sector by bringing forward to next year the additional funding that will be provided through the Better Care Fund – planned to reach £1.5 billion in 2019/20. Beyond this, it is obvious the social care system needs fundamental reform – this will not be quick or easy and will require cross-party consensus.

The Department of Health's budget will increase by just over £4 billion in real terms between 2015/16 and 2020/21. This is not enough to maintain standards of NHS care, meet rising demand from patients and deliver the transformation in services outlined in the *NHS five year forward view*. The pressures on the NHS will peak in 2018/19 and 2019/20, when there is almost no planned growth in real-terms funding. While there is significant scope for productivity improvements in the NHS, the huge pressures now being felt right across the health and care system mean that the pace of change required to deliver £22 billion of savings by 2020/21 is unrealistic. New inflationary pressures are also emerging that will increase costs and make pay restraint harder to sustain. The government will need to address the NHS funding settlement in future financial statements.

[1] All financial data in this briefing has been adjusted to 2016/17 prices using HM Treasury's gross domestic product (GDP) deflators published on 1 July 2016.

2 Key points

- In 2015/16, the Department of Health exceeded its total departmental expenditure limit (TDEL) by £149 million. This overspend was largely a result of a net deficit for NHS trusts of £2.5 billion.
- Total health spending in England will rise by £4.2 billion in real terms between 2015/16 and 2020/21. Looked at over the whole of this parliament, this will result in a real-terms increase of on average 1.1 per cent a year, almost identical to the rate of increase over the last parliament.
- The higher than planned spending in 2015/16 means that the funding increase for 2016/17 is lower than expected – a rise of 1.3 per cent instead of the expected 2 per cent. Much of this additional money is being absorbed by reducing deficits among NHS providers and additional pension costs.
- Despite the financial pressures, most NHS providers are still offering good-quality care. However, waiting times are increasing and performance is deteriorating against a number of key indicators.
- Real-terms funding increases of 0 per cent in 2018/19 and 0.3 per cent in 2019/20 are inadequate and will not be enough to maintain standards of care, meet rising demand from patients and deliver the transformation in services outlined in the *NHS five year forward view*.
- Public health spending will fall by at least £600 million in real terms by 2020/21, on top of £200 million cut from the budget in 2015/16. This is already affecting spending on services such as smoking cessation and sexual health services.
- While there are significant opportunities to improve productivity in the NHS, the huge pressures now being felt right across the health and care system mean that the pace of change required to deliver £22 billion of productivity improvements by the end of this parliament is unrealistic. New inflationary pressures are also emerging that will increase costs and make pay restraint harder to sustain.
- Overall, NHS spending in the United Kingdom as a proportion of GDP is projected to fall to 6.9 per cent by 2020/21.
- After six years of unprecedented budget reductions, the number of people aged over 65 accessing publicly funded social care has fallen by at least 26 per cent, imposing significant human and financial costs on older people, their families and carers, and exacerbating pressures on the NHS.

- Even if the vast majority of councils choose to use the new powers to levy an additional 2 per cent precept on Council Tax as they did this year, the publicly funded social care system faces the prospect of a £1.9 billion funding gap next year.
- New measures announced in the last Spending Review to increase funding for social care are welcome but will still leave a funding gap of at least £2.3 billion by the end of this parliament.
- Despite the ageing population and rising demand for services, UK public spending on social care is set to fall back to less than 1 per cent of GDP by the end of this parliament, leaving thousands more older and disabled people without access to services.

3 Health

The NHS is facing huge financial and operational pressures. Several years of funding restraint and rising demand for services mean that it is increasingly difficult for NHS services to maintain standards of care. Waiting times are increasing and key performance targets for acute hospitals are being missed all year round. These pressures are being felt right across the NHS, with general practice, mental health and community services all under huge strain.

The *NHS five year forward view* (NHS England *et al* 2014) projected that, without additional funding or an increase in the annual rate of efficiency, rising demand and cost pressures on the health service would result in a gap between resources and patient needs of £30 billion by 2020/21. It set out a requirement for additional funding of between £8 and £21 billion by 2020 and made it clear that to be at the lower end of that range, action would be needed to sustain social care, deliver a 'radical upgrade' in prevention and public health, and provide the investment needed to transform services. If these conditions are in place and if the NHS is able to increase annual efficiency savings to 2–3 per cent a year over the rest of this decade (to deliver gains to a value of £22 billion a year in 2020/21), this would leave a funding requirement of around £8 billion a year.

The government says that the Spending Review 2015 provided a real-terms funding increase for the NHS of £10 billion over the period from 2014/15 to 2020/21, including the additional £8 billion, promised in the Conservative Party's manifesto, to fund the *NHS five year forward view*. This is inaccurate as it relies on a significant change in the interpretation of NHS spending, from the totality of the Department of Health's budget, to NHS England's budget only. This effectively excludes other health spending not included in NHS England's budget – for example, spending on public health, education and training, capital and national bodies such as the Care Quality Commission (CQC).

In reality, total health spending in England will rise by £4.2 billion in real terms between 2015/16 and 2020/21. All three of our organisations continue to use the original definition – which has been relied on by previous governments – in our analysis of NHS funding. This approach is endorsed by the Health Select Committee which criticised the government's presentation of the NHS budget as 'misleading' (House of Commons Health Committee 2016–17a). A recent letter from the Chair and some members of the Committee reiterated this criticism and rebuked the government for continuing to use the £10 billion figure (Wollaston *et al* 2016).

Following the Spending Review, NHS England's Chief Executive, Simon Stevens, concluded that, while three of the five tests he set out ahead of it had been met, the radical upgrade in prevention and public health had not been delivered and social care remained 'unfinished business', as evidenced by the widening gap between growing need and available services.[2] We agree with this assessment – inadequate funding for social care and cuts to public health are increasing pressures on the NHS and are making it hard to deliver the vision set out in the *NHS five year forward view*.

What this means for the NHS

NHS funding in England will increase in real terms by £4.2 billion by 2020/21, using the Department of Health budget as the definition for NHS funding and taking 2015/16 as the baseline.[3] While this is a welcome increase, it is much less than was expected when the Spending Review settlement for the NHS was announced. The difference is largely accounted for by a reduction of £4.8 billion in spending that falls outside NHS England's budget.

Table 1 Health spending in real terms to 2020/21

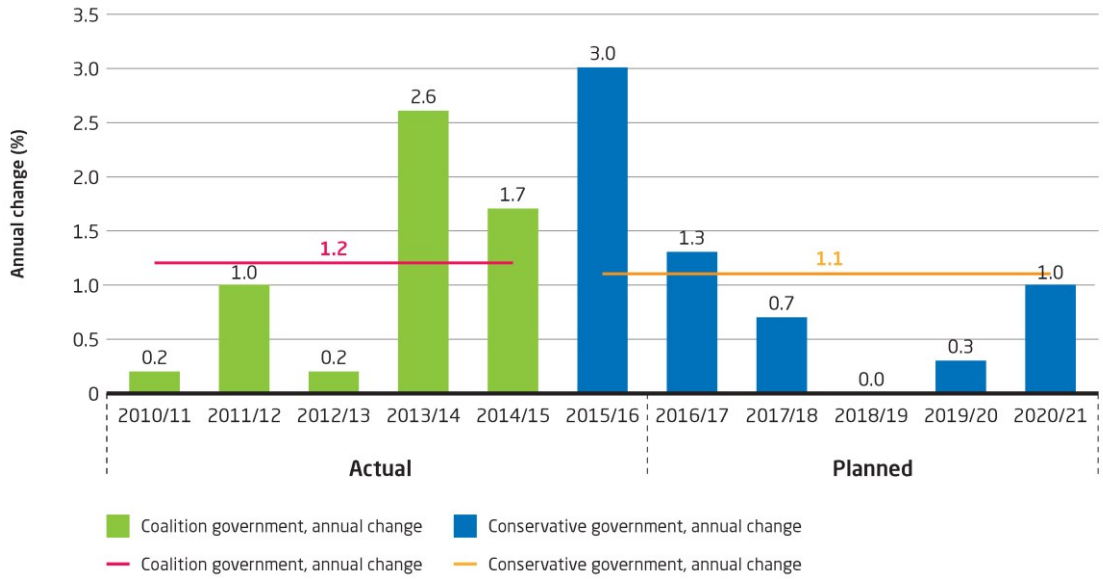
	£ million in 2016/17 prices						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Change 2015/16 - 2020/21
NHS England	£102,008	£106,800	£108,251	£108,430	£109,335	£110,987	£8,979
Other Department of Health	£16,999	£13,811	£13,250	£13,126	£12,598	£12,173	-£4,826
Department of Health total DEL	**£119,007**	**£120,611**	**£121,501**	**£121,556**	**£121,934**	**£123,160**	**£4,153**

Note: All figures are expressed in real terms using 2016/17 prices. These are taken from the Department of Health annual accounts 2015/16. The figures in line one are calculated using the Department of Health annual accounts and Spending Review 2015. Unusually, the Spending Review used 2020/21 prices to estimate real spending, which results in higher forecasted spending in future years.

[2] The other three tests were: front-loaded investment to deliver new models of care; any new requirements stipulated by the government to be phased in consistent with the profile of funding increases; and agreement about the level of efficiencies required across the health and care system.
[3] The Spending Review used 2014/15 as the baseline.

As Figure 1 shows, this means that health spending will increase in real terms by an average of around 1.1 per cent a year over this parliament.[4] The average increase is almost identical to the rate of increase over the last parliament (which was 1.2 per cent). However, the context is very different this time, coming after a sustained funding squeeze, the highest-ever deficit recorded by NHS providers and deteriorating performance against key targets. The impact of a further period of pay restraint is also unclear, while the fall in the value of the pound, if sustained, is expected to lead to higher inflation, increasing costs to the NHS and making pay restraint harder to maintain.

Figure 1 English NHS spending 2010/11 to 2020/21, real annual changes[5]



These increases compare with average annual increases of nearly 4 per cent since the NHS was established. By the end of this parliament, spending on health in the UK is projected to fall to 6.9 per cent of gross domestic product (GDP), from a high of 7.6 per cent in 2009/10.

Although new figures, published by the Organisation for Economic Co-operation and Development (OECD), on health spending in developed countries suggest that UK health spending as a proportion of GDP had previously been underestimated in comparison with other countries, it remains lower than countries such as Germany, France, the Netherlands and Sweden. This revision is largely accounted for by changes in the way the OECD classifies some spending that was previously counted as social care but has now been reclassified as

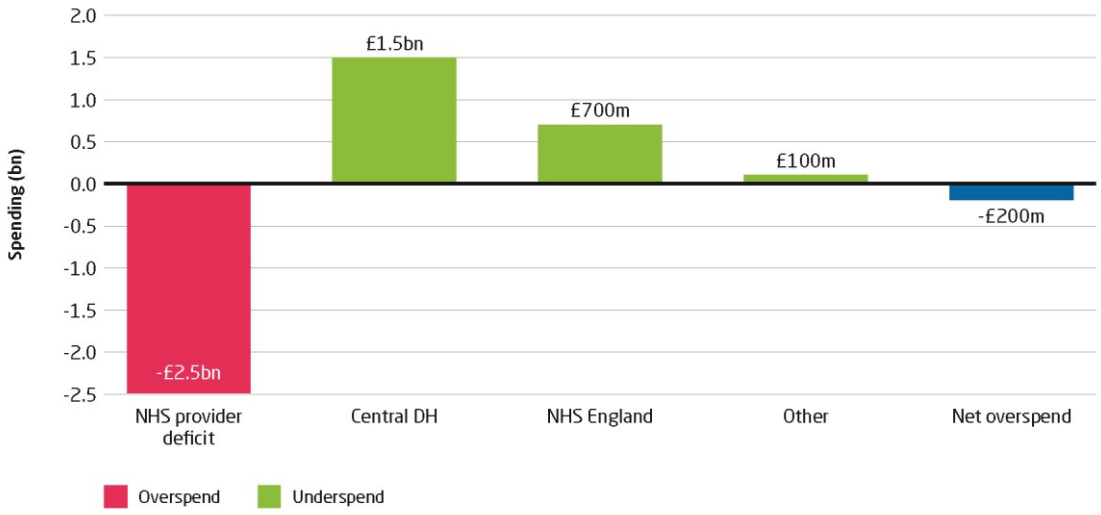
[4] This is higher than the 0.9 per cent reported in our last briefing due to changes in the GDP deflator. The profile of the increases has also changed, with the largest increase now seen in 2015/16 rather than 2016/17, described in more detail later.
[5] In 2016/17 prices.

'health related', and therefore counts towards the health care spending total. However, an ageing population and changing patterns of disease make it hard to differentiate health from social care needs, making meaningful international comparison in this way difficult.

Overspend in 2015/16

The Department of Health reported an overspend of £149 million against its total departmental expenditure limit (TDEL) in 2015/16.[6] A major factor contributing to this was the £2.5 billion net deficit reported by NHS trusts; this was balanced by underspends in the Department of Health and NHS England central budgets of £1.5 billion and £700 million respectively, but these combined with other savings were not enough to prevent a total overspend.

Figure 2 Recent spending against Department of Health budget (RDEL) in cash terms, 2015/16



In the first quarter of 2016/17, NHS trusts reported a net deficit of £461 million. With support provided via the £1.8 billion Sustainability and Transformation Fund, trusts have been set the goal of reducing this to £250 million by the end of the year and having a balanced starting position for 2017/18 (NHS England and NHS Improvement 2016b). While there are signs that provider deficits are being reduced, it is too soon to suggest that the financial pressures facing the NHS have eased. Indeed, figures from NHS Improvement suggest a projected year-end deficit among providers of £580 million (NHS Improvement 2016).

[6] This consisted of an overspend of £207 million for the resource budget, and an underspend of £58 million for the capital budget. The Department did not overspend its budget as voted by parliament due to an 'administrative error' which resulted in excess National Insurance payments of £417 million.

Phasing of the funding increase

The government responded to calls for the additional funding to be front-loaded early in this parliament, with two years of higher increases in 2015/16 and 2016/17 followed by three years of relatively low increases. The Department of Health budget will increase by £3.4 billion in cash terms, £1.6 billion in real terms, in 2016/17.[7] Most of this extra funding is being absorbed by additional pressures from pension costs incurred by the NHS as a result of the abolition of the State Second Pension, and covering deficits among NHS providers.

While the front-loading of the additional funding will help to address the financial and operational pressures facing NHS services in the short term, real-terms increases of 0 per cent in 2018/19 and 0.3 per cent in 2019/20 will not be enough to maintain standards of care and meet rising demand from patients, let alone deliver transformation and implement seven-day services – an additional commitment not factored into the *NHS five year forward view*.

Quality of care

The recent *State of care* report from the CQC found that most health and care services in England are still providing good-quality care. 87 per cent of GP practices inspected in 2015/16 and 56 per cent of core services provided by acute hospitals were found to be good or outstanding (CQC 2016).

However, access to care has worsened across a large majority of hospital trusts. Only around 1 in 10 trusts now meets the target to admit or transfer 95 per cent of patients attending A&E within four hours (NHS England 2016a), the 18-week referral-to-treatment target for elective care has been missed at a national level for six months in a row, and the 62-day target for patients with suspected cancer has not been achieved nationally since 2013/14. The number of patients medically fit but unable to leave hospital has reached record levels, reflecting the huge pressures on non-acute NHS services and publicly funded social care. General practice, mental health and community services are also under enormous strain (Baird *et al* 2016; Gilburt 2015; Maybin *et al* 2016).

Recent analysis highlighted that the UK compares poorly to peer countries on a range of international benchmarks of health care quality (OECD 2016). Considerable progress has been made in the past 15–20 years, with cancer survival and mortality following hospital admission for ischaemic stroke and heart attack improving at a faster rate than the OECD average.

[7] Our last briefing indicated that 2016/17 would see the highest real-terms increase of 1.8 per cent. However, a combination of lower inflation in 2015/16 and additional spending by the Department of Health means that the highest increase over the period was in fact in 2015/16. The increase in 2016/17 is now 1.3 per cent, similar to that planned in 2020/21.

However, sustaining this rate of progress – and continuing to catch up to peer countries – needs constant focus.

Transformation funding

In a joint report published in July 2015, The King's Fund and The Health Foundation made the case for a dedicated transformation fund for the NHS (Charlesworth *et al* 2015). The purpose of the fund would be to support local areas in delivering productivity savings and to provide the upfront investment needed to deliver the transformation of services outlined in the *NHS five year forward view*.

In December 2015, the government announced a Sustainability and Transformation Fund to 'give the NHS the time and space it needs to put transformation plans in place', claiming that this would 'make 7 day services a reality for patients and will meet the ambitions of the *NHS five year forward view*' (Department of Health 2015). A total of £2.1 billion is available through the Sustainability and Transformation Fund. However, £1.8 billion of this will be used simply to reduce deficits, the vast majority of which will be spent on acute hospitals. NHS England and NHS Improvement (2016a) estimate the same sum will be needed to cover overspends in each of the next two years. This leaves very little to invest in moving more care into the community, achieve parity of esteem between physical and mental health and support the transformation of services needed to deliver the *NHS five year forward view*. There is also a separate NHS England £508 million one-off sustainability and transformation package of non-recurrent investments for general practice over the next five years, although again the bulk of this is likely to be spent on sustaining services rather than transformation.

Improving productivity

The NHS needs to find improvements in productivity to the value of £22 billion by 2020/21. Although NHS England has published a high-level breakdown of how these savings will be delivered (NHS England 2016b), there is, as yet, no comprehensive plan for achieving this.

The NHS has delivered productivity improvements of around 1.4 per cent a year for the past decade. However, it is clear that the easier options have been exhausted and the NHS is now struggling to deliver further improvements at a scale and pace required by the externally set constraints in funding growth. There are still significant opportunities to improve productivity, in particular by tackling variations in the way care is delivered and improving clinical practice. However, the sheer size of the NHS, its unique complexity and the risks specific to health care mean that there are no quick or obvious answers. Making progress to meet productivity requirements is a substantial task for which the NHS needs time and support.

It will also be very hard to deliver this change without a stable and engaged workforce. Around a quarter of the £22 billion is expected to come from capping pay increases at 1 per cent a year. NHS employees' pay has already fallen by 10 per cent in real terms between 2009/10 and 2014/15. With the fall in the value of the pound over recent months, most economic forecasts now expect inflation to increase. This will make pay restraint harder to maintain as the gap between rising living costs and earnings widens. With the service already struggling to recruit and retain enough staff and morale low among large parts of the workforce, it will be critically important to provide strong support for the 55,000 EU nationals working in the NHS to ensure as many of them as possible stay in the UK.

In this context, with limited funds available to support service changes, cost pressures increasing and huge pressures now being felt right across the health and care system, the pace of change required to deliver £22 billion of savings by 2020/21 is unrealistic.

Other health spending

It is clear that a large amount of the additional increase in NHS England's budget has come at the expense of other areas of health spending. Spending on activity that falls outside NHS England's budget will decrease by almost £5 billion in real terms by 2020/21 – a reduction of more than 25 per cent. The reductions will be more substantial in the earlier years, with a cut of more than £3 billion in 2016/17. This will have a significant impact.

- While the Spending Review set out to hold capital spending at £4.8 billion a year in cash terms until 2020/21, this represents a real-terms cut of 1.7 per cent a year between 2014/15 and 2020/21. In recent years, large-scale capital to revenue switches have been made and the Department of Health has already indicated that it intends to repeat this again this year.
- Local authority public health budgets will be cut by an average of 3.9 per cent a year in real terms over the Spending Review period. This adds up to a real-terms reduction of at least £600 million in public health spending by 2020/21, on top of £200 million already cut from the 2015/16 budget.
- The Spending Review announced reforms to the funding system for student nurses, with grants for tuition fees being replaced by student loans. This is projected to save £1.2 billion a year, although most of these savings will not be realised until the end of this parliament.
- The budgets for many of the national NHS bodies, including Health Education England, the National Institute for Health and Care Excellence (NICE) and the CQC are being cut in real terms.

Reducing the capital budget means investing less in buildings and equipment. This may be sensible if the money is used to support changes to services, but we are concerned about the tendency in recent years to redirect capital spending to shore up the revenue budget. The Department of Health has confirmed that £1.2 billion of the capital budget for 2016/17 will be transferred to increase resource spending (House of Commons Health Committee 2016–17b). It is increasingly likely that these switches will continue during the rest of the Spending Review period, sharply cutting capital spending at a time when it is most needed to deliver the vision outlined in the *NHS five year forward view*. The backlog of investment that has not been made, despite causing high risk, has risen by 70 per cent in the past year alone (NHS Digital 2016). Cutting investment to meet short-term needs in this way is not a sustainable strategy.

The real-terms reduction in Health Education England's budget will have an impact on the funding available to NHS trusts to train doctors, nurses and other staff, while the cuts to the CQC's budget have led to changes to its regulatory model and a significant increase in the fees it charges to providers.

The reductions to the public health budget are already affecting spending on services. Planned spending by local authorities on public health will fall by 9 per cent this year (Buck 2016). This is resulting in cuts to a wide range of services including smoking cessation, adult obesity and sexual health services. These cuts are a false economy, undermining the government's commitments on prevention and the 'radical upgrade' called for in the *NHS five year forward view*.

Future NHS spending

In the long term, NHS funding will need to rise if it is to meet pressures from a growing and ageing population, the increasing prevalence of certain long-term conditions and the cost of new advances in medicine. The amount of extra funding will depend on the efficiency of the system, the relative cost of providing health care, and the expectations of society.

The Office for Budget Responsibility (OBR) suggests that NHS spending in the UK will need to increase from 6.9 per cent of GDP in 2019/20 to between 7.6 per cent and 8.3 per cent of GDP by 2030/31 (OBR 2016). The range depends on whether productivity grows in line with the whole economy forecast (2.2 per cent a year) or the historical health sector trend (1.2 per

cent[8]). This would be worth an extra £67 billion to £86 billion in spending compared to 2015/16 (2016/17 prices).

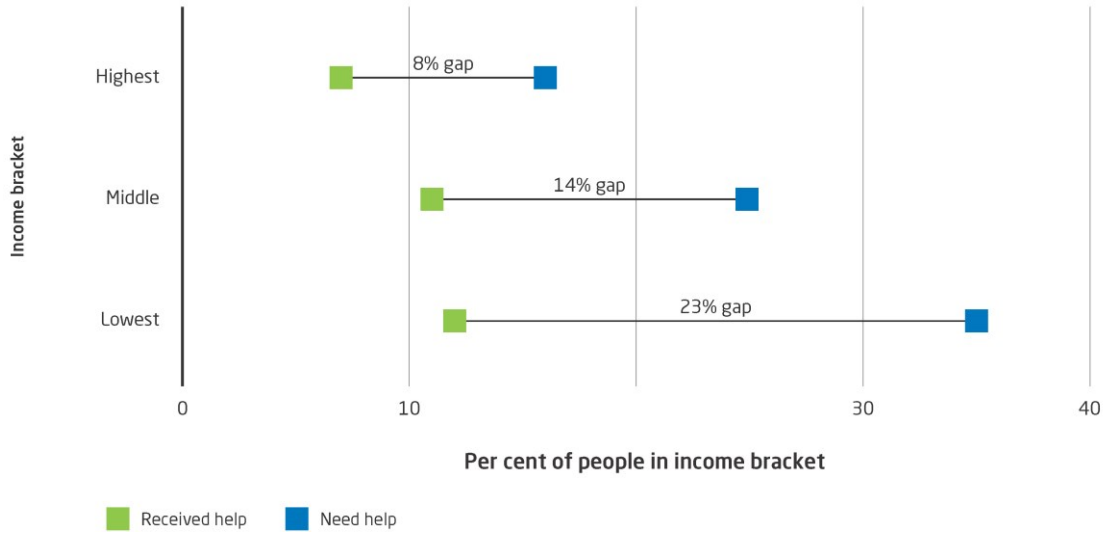
The OBR also models additional non-demographic cost pressures, predominantly from increasing relative health care costs and advances in technological innovation. In this scenario, the OBR estimates that health spending would need to rise to 8.9 per cent of GDP in 2030/31, £102 billion more than 2015/16. However, if there is a form of cost containment over this period the OBR estimates that health spending would rise to 8.8 per cent of GDP in 2030/31, £99 billion more than in 2015/16.

[8] UK-wide NHS productivity growth 1979–2013. This is higher than the figure of 1.4 per cent quoted earlier, which relates to the past decade.

4 Social care

After six consecutive years of funding cuts, spending by local authorities on social care for older people fell by 9 per cent in real terms between 2009/10 and 2014/15. This has led to a reduction of at least 26 per cent – more than 400,000 people – in the number of older people accessing publicly funded social care, with a further reduction in 2015/16.[9] This is imposing significant human and financial costs on older people, their families and carers, and exacerbating pressures on the NHS. Although people on low incomes receive more publicly funded services, they also often have a much greater need for care, so the gap between care needed and received is larger for them than people on higher incomes (*see* Figure 3).

Figure 3 Gap between receipt of and need for help with activities of daily living, people over 65 by income bracket



Reductions in funding for local authorities have been passed on to care providers in the form of reduced fees or below inflation increases. Combined with staff shortages, higher regulatory standards and the introduction of the National Living Wage, this is placing social care providers under unprecedented pressure. Many are surviving by relying on income from self-funders, but those dependent on local authority contracts are in increasing difficulty.

[9] Changes to data collection mean that figures cannot be directly compared.

In its recent *State of care* report, the CQC warned that the adult social care market is reaching 'a tipping point' (CQC 2016). Although the majority of care providers were rated good or outstanding (72 per cent), a larger majority of directors of adult social services (84 per cent) reported that providers are currently facing financial difficulties (ADASS 2016). Fifty-nine councils have had home care contracts terminated, affecting 3,700 people (ADASS 2016), while three large national home care providers have withdrawn from the publicly funded market or are planning to do so.

These problems are exacerbating pressures on the NHS. The number of bed days lost as a result of delays in discharging patients who are medically fit to leave hospital increased by nearly 30 per cent in the year to August. The cost of keeping older patients in hospital who no longer need to be there has been estimated at £820 million a year (National Audit Office 2016). The major cause of this increase in the number of delayed discharges is the number of patients waiting for care packages at home and for nursing home placements (CQC 2016).

The Spending Review 2015 announced a number of key changes which have an impact on social care funding.

- A new social care precept to enable local authorities to increase Council Tax by up to 2 per cent a year to fund social care.
- An increase in funding for social care through the 'improved' Better Care Fund which will see an additional £1.5 billion a year in cash terms (£1.4 billion in real terms) provided by 2019/20.
- A reduction in grant funding for local authorities of £6.1 billion by 2019/20 and significant changes to local government funding which will see councils retain all income from business rates, as grant funding from central government is phased out.
- A commitment to integrate health and social care across the country by 2020.

What this means for adult social care

The new social care precept provides some financial flexibility for local authorities. It was adopted by all but eight authorities this year and will raise £382 million (Donovan 2016). However, this will meet less than two-thirds of the cost of the National Living Wage this year. It is clear that the funding delivered will fall well short of the £2 billion the government estimated the precept would raise by 2019/20, while the high uptake of the precept is unlikely to be politically sustainable across the life of this parliament. Another significant concern is that, without measures to address the wide variations in how much councils can raise through their tax base, areas with high levels of income deprivation among older people (a good proxy for high levels of social care needs) will be disadvantaged compared to wealthier areas. To

some extent this will be managed by adjusting allocations through the 'improved' Better Care Fund, although the details of how this will be done are not yet clear.

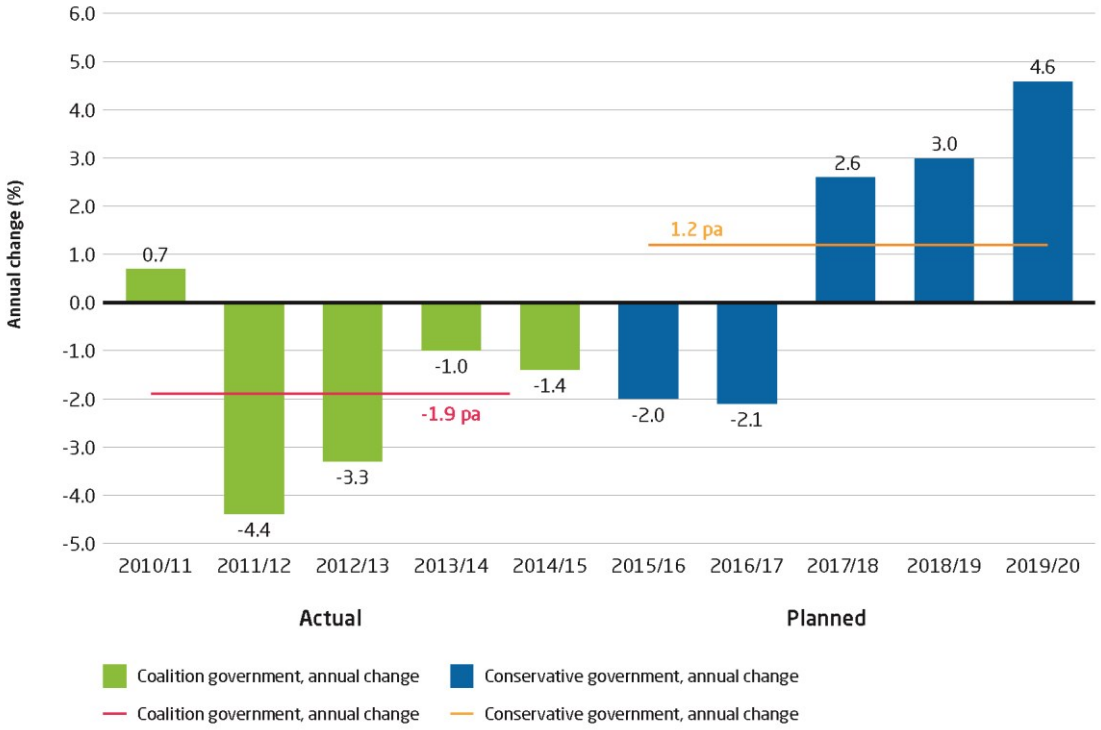
The existing Better Care Fund, which is largely composed of money transferred from the NHS, does not offer adequate protection to social care services, with just 33 per cent of the fund used for this purpose in 2015/16. While the additional money provided through the 'improved' Better Care Fund is therefore welcome, it is back-loaded – it will not begin to come through until 2017/18 and the full £1.5 billion will not be delivered until 2019/20. This does nothing to address the immediate funding crisis facing the sector and is not consistent with the NHS settlement, which is front-loaded towards the beginning of this parliament.

The proposed changes to local government funding (on which consultation has recently closed) will see central government support for local authorities fall by 56 per cent by 2019/20, on top of a reduction of 37 per cent over the last parliament. Although the ability to retain income raised through business rates is intended to compensate for this, these changes also raise significant issues about fairness given the wide disparities in income-generating potential between richer and poorer areas of the country.

We welcome the commitment to integrate health and social care across the country by 2020. However, progress so far has been patchy, and the shift towards a social care system based on locally raised revenue risks deepening the fault line in the way the two systems are funded.

Figure 4 estimates spending on social care over the current parliament, based on the projections used by the government and the Office for Budget Responsibility in the Spending Review.

Figure 4 Social care spending 2010/11 to 2019/20, real annual changes



As Figure 4 shows, spending on social care would rise in real terms over this parliament, although, as set out above, this depends on optimistic assumptions about how much will be raised through the Council Tax precept.[10] It also highlights the extent to which the social care settlement has been back-loaded and the significant reduction in funding this year.

Although this is an improvement on the past five years, when spending on social care fell by an average of 1.9 per cent a year, it will not be enough to meet projected cost pressures of 4 per cent a year (Wittenberg and Hu 2015) and will result in a funding gap of at least £1.3 billion in 2017/18. A conservative assessment of implementing the National Living Wage will add another £600 million to these estimates (ADASS 2016). So the social care funding gap is likely to be at least £1.9 billion in 2017/18 and £2.3 billion by the end of this parliament.[11] Overall, despite a growing older population and increasing demand for services, spending on social care in the UK will slip back to less than 1 per cent of GDP by the end of the parliament.

[10] We have assumed that most councils will continue to increase the precept, as they did in 2016/17. If this is not the case, this would lead to a lower increase.
[11] Figures revised since the 2015 Spending Review to take account of updated National Living Wage estimates (ADASS 2016) and revised local government DEL (HM Treasury 2016).

5 Conclusion

The NHS and social care are under huge pressure. As a minimum, the Autumn Statement should address the critical state of social care by bringing forward the additional Better Care Fund money planned from 2018/19. Although this would fall a long way short of what is needed to put the social care system on a sustainable footing, it would help to address the immediate pressures facing the sector and would relieve some pressure on the NHS. Beyond this, fundamental reform of the social care system is required.

The increase in the Department of Health's budget is not enough to maintain standards of care, meet rising demand from patients and deliver the transformation in services needed to deliver the *NHS five year forward view*. The pressures on the NHS will peak in 2018/19 and 2019/20, when there is almost no planned growth in real-terms funding. While there is significant scope for productivity improvements in the NHS, the huge pressures now being felt right across the health and care system mean that the pace of change required to deliver £22 billion of savings by 2020/21 is unrealistic. New inflationary pressures are also emerging that will increase costs and make pay restraint harder to sustain. The government will need to address the additional NHS funding settlement in future financial statements. If additional funding is not forthcoming, politicians will need to be open with the public about how access to services and quality of care will be affected.

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