

On the day briefing - 2010 Budget Report

Wednesday 24 March 2010

Key points for the NHS

The Chancellor of the Exchequer, Rt Hon Alistair Darling MP, has today delivered the 2010 Budget Report.

While there was little reference to the NHS during the Chancellor's Budget speech, the Budget Report confirms the NHS is expected to deliver annual efficiency savings of £15 to 20 billion by 2013-14 and outlines a number of areas where these will happen.

This has been followed up today by a statement from the Department for Health about what contribution the Department and the NHS will make towards £11 billion savings that are being made across Government.

There were also a number of interesting announcements with regard to employment, particularly on public sector pay and the Default Retirement Age.

The Government is expected to make an announcement tomorrow about Total Place pilots. The Budget report also indicated that the long awaited White Paper on reform of social care can be expected shortly.

Details affecting the NHS are summarised below.

NHS to deliver annual efficiency savings of £15 to 20 billion by 2013-14

The Budget Report states that the NHS is to deliver annual efficiency savings of £15 to £20 billion by 2013-14 with £10 billion of value for money and quality improvements to be delivered by 2012-13. Areas already identified for savings include:

- £3.5 billion through raising staff productivity by systematically spreading best practice, improving staff health and well-being and reducing dependency on agency staff
- £2.7 billion by transforming the lives of people with long-term conditions through best practice in care planning and case management, empowering patients to self-care, reducing emergency admissions levels to be on a par with the best levels internationally and providing more efficient, integrated community services
- £2 billion through better procurement, savings in management and back office costs and more efficient use of the hospital estate
- £1.5 billion through more effective commissioning by reducing unnecessary referrals and prescriptions, and improving mental health

services 'to ensure the most effective interventions in the most effective settings'

- £60 million from reducing NHS energy usage as set out in the NHS Carbon Reduction Strategy, which will deliver a 10 per cent cut in carbon emissions.

After the Budget, the Secretary of State for Health issued a statement outlining how the Department and the NHS will deliver £4.35 billion of savings by 2012-2013. This statement gave the following details:

- Up to £1.5bn to be saved by driving down the costs of procurement through securing best prices for goods and services
- £100m to be saved by taking a new approach to the National Programme for IT that offers greater choice to local hospitals; this is part of the £600m reduction in lifetime costs announced in December 2009
- £60m to be saved by reducing the amount of energy the NHS uses, to deliver a 10 per cent cut in carbon emissions
- Up to £70m to be saved from more efficient use of NHS estates
- Up to £555m by reducing staff sickness absence in the NHS

Adult social care

During the Budget speech, the Chancellor announced a freeze on the inheritance tax threshold for a further four years, which "will help pay for the cost of care for older people".

The Budget Report states that the Government will shortly set out its long-term plans for a fair and comprehensive reform of care and support alongside the steps needed in the next Parliament to move towards that goal. It also states that a new taskforce will be established to ensure that the reforms are accompanied by major efficiency and cost improvements.

This strongly implies that the White Paper on Social Care is now likely to be published before the General Election.

Health guarantees

During his Budget speech, the Chancellor confirmed plans to guarantee the NHS health checks every 5 years for over 40s and for cancer patients a referral to cancer specialists within two weeks

Employment issues

The Chancellor confirmed a number of plans, which are summarised below.

Public sector pay

- A 1% cap on basic pay uplifts for 2011-12 and 2012-13, saving £3.4 billion a year (as announced in the Pre Budget Report 2009).

- A new Code of Practice on senior pay setting, with greater use of independent Remuneration Committees and escalation of decisions to ministers, or audit or regulatory bodies, where there is a proposal to pay above agreed norms.
- The Senior Salaries Review Body (SSRB) will draw up sector-by-sector benchmark pay ranges for the wider public sector, reporting first on local authority chief executives and senior managers across the health sector by the end of the year.
- Savings will also be generated through 'cap and share' provisions for the NHS pension scheme, to cap employer contributions, as announced in the 2009 Pre-Budget Report.

Retirement

- The Government will launch a consultation that will consider reform of the Default Retirement Age of 65. Proposals are likely to including scrapping it completely, raising it and giving employees stronger rights.

Working Tax Credit

- Extending the eligibility of the Working Tax Credit to people aged 60+ if they work at least 16 hours a week, rather than the current 30 hours.

Reforming Arms Length Bodies

A Review of Arms Length Bodies (ALBs), published alongside the Budget Report, set out a wide-ranging series of measures:

- Save £500m by 2012-13 from ALBs and reduce their number by over 120 (a number of reductions have been announced previously)
- The justification for new ALBs will be published and any legislation creating an ALB will include a 'sunset clause' to make sure it does not outlive its useful function
- New restrictions on using lobbying or PR consultants, a prohibition on sponsoring commercial events and work to cut the duplication of functions (e.g. policy work) between ALBs and Departments
- New requirements of transparency about costs, performance and engagement with local public bodies
- Tough sanctions for failure at board level, including potentially extending the Company Directors Disqualification Act to ALB Chairs and Chief Executives – but also better guidance for board members.
- Extend the 20 per cent reduction in senior civil service costs announced in the Pre-Budget Report to cover senior staff at the equivalent level in Non-Departmental Public Bodies (NDPBs).

Taxes and national insurance

No further announcements were made on VAT, income tax, or National Insurance rates, although the Chancellor confirmed a 1% National Insurance increase from April 2011.

Economy

- Predicted growth of 1% to 1.25% in 2010, and between 3 and 3 ½ per cent in 2011
- Borrowing is forecast to be £167billion this year - £11 billion lower than predicted in December
- Public sector net debt to reach 54% of gross domestic product this year, increasing to 75% in 2014/15.

Opposition parties' responses

Conservative party leader David Cameron responded, focusing strongly on his party's view that the debt should be reduced more quickly: 'Every family knows that when your debts mount up, you need to start paying them off or things will only get worse.'

Liberal Democrat leader Nick Clegg also focused on the need to tackle the deficit and was critical of a lack of detail about efficiency savings: 'Rather than being honest with people about what the Government can and cannot afford, the Chancellor would rather let others indiscriminately shave departmental budgets'.

Neither Opposition leader's speech contained any new policy announcements affecting the NHS.

NHS Confederation media statement

Budget highlights the scale of challenge facing NHS

Commenting today following the release of the details in Alastair Darling's budget of the savings expected in the NHS and ONS figures on the productivity of the health service, the NHS Confederation's chief executive, Steve Barnett, said they demonstrated the scale of the challenge facing the service:

"At the NHS Confederation we forecast last year in our report, *Dealing with the Downturn*, that the NHS would need to find savings and efficiencies of between £15-20bn in the next five years and this statement provides part of the answer to how that will be achieved.

"Today's budget statement and the Government's assessment of where the required savings are required in the NHS will come as no surprise to anyone working in our health service.

"The task for the whole NHS is now to rise to the challenge presented by the financial squeeze that lies ahead – but it will require some tough decisions on the need to redesign, innovate and improve the service we provide to patients.

"These efficiency requirements, when considered alongside today's announcement on current productivity levels in the NHS from the ONS makes clear the challenges which face the health service in the next few years.

"The productivity figures demonstrate that the NHS is doing a great deal more for patients than ever before but also shows that when you have that kind of rapid expansion in investment and activity, overall efficiency is unlikely to increase at the same pace.

"The changing nature of patient care means that we are doing more for the same number of patients, something which is hard to reflect when using traditional measures of productivity.

For further information on any of the issues raised in this briefing, please contact David Buckle, Senior Public Affairs Officer, at the NHS Confederation, by emailing david.buckle@nhsconfed.org or phoning 020 7074 3219.