

Fixing the foundations

By Rob Whiteman | 12 August 2015 | Municipal Journal

The fundamentals of the UK's public finances have been moving in the wrong direction for a long time.

While some have recognised this shift, very few public policy-makers seem to be able to tackle the core challenges we face.

The truth is that we need a bottom-up or zero-based review of how and where we spend public money.

And while the NHS and its funding are perhaps the best example of this, it is by no means the only area.

Healthcare in the UK is under great pressure.

Our population is getting older and the size of our workforce is getting smaller along with our tax take.

At the same time, the cost of public health provision and general health costs have increased.

It is unfortunate, but while most political dialogue focuses on the trajectory of our country's deficit and the size of our debt, very few policy-makers seem prepared to confront the longer-term fiscal and demographically-driven challenges we face.

Of all the major parties, not one of them seems seriously engaged in actually thrashing out solutions to the long-term funding problems both in the NHS and other public services.

Rather, they all seem locked in an omertà-like refusal to move beyond repeating the bidding war of the past few years, trading on their various perceived trustworthiness on issues.

Such an approach is simply not sustainable – certainly not for the medium or long-term.

As our recent paper on the health of NHS finances stated on funding: 'It will be necessary either to add further to the NHS budget, charge users more, or reduce services.

'To choose none of those is not a realistic option'.

But not making a choice seems to be a hard habit to break for many politicians, especially when it comes to reform or future funding of the NHS.

Our paper also examined the two key government figures for the NHS of £30bn funding pressures as well as the £22bn savings and efficiencies proposed to help meet these pressures.

The paper concludes that both numbers are too optimistic.

When you have low-balled your fiscal pressures at the same time as over-estimating your potential to address these with savings, you are likely to fail at least one of them and end up in financial trouble.

Ahead of the forthcoming Comprehensive Spending Review, our NHS funding paper makes recommendations for the Government to improve the realism of its plans for NHS finance.

However, we also point out that the NHS does not operate in a vacuum.

As public servants at the front line of delivery, we know that cuts to seemingly separate public services can have huge ramifications on the sustainability of each other.

So while cuts to local government and other budgets can seem easier and therefore more politically attractive to decision-makers, the impact of cuts to social care, housing, benefits and public health budgets are all bound to have a significant impact upon NHS.

This is the elephant in the room of public service delivery, that while the NHS and a few other departments remain protected, the resulting greater cuts to other areas of public services pose the real risk of feeding back into the pressures on the NHS and other services.

As we face another five years of ad-hoc reductions to some departmental budgets, we must acknowledge the possibility of an unvirtuous circle of funding cuts, where protected services become unsustainable due to the greater pressures through lack of provision in other public services.

The Chartered Institute of Public Finance and Accountancy (CIPFA) analysis shows that since 2009-10, local authorities' per capita spending will have decreased by 17.2% in cash terms.

Adjusted for inflation, this represents a drop of 32% and with further reductions to come, we urgently need to have a serious conversation, not just about the impact of this upon local government, but also on other complementary services.

That's why I believe that no matter who is in government or what choices they make, it is now absolutely essential that we start to adopt a whole system approach to leadership of public services.

As resources remain stretched for the foreseeable future, we can no longer afford to separate out provision and delivery into the neat Whitehall empires of our past.

Healthcare is just as reliant on housing and employment as it is upon lifestyle choices.

To have responsibility for all of these areas separated out into historic government departments not only wastes resources but also leads to perverse competition between departments and bad long-term strategic decisions.

In many ways, the funding challenges for the NHS are a parable to learn from.

The refusal of the Government to seriously engage with the issues facing the NHS beyond promising optimistic efficiency targets and additional funding, while also allowing its growing budget to suck up funds from all other public services is perverse short-termism, poor strategy and unlikely to be sustainable.

Above and beyond this debate perhaps the most fundamental question of all should be: what should the Government be providing in terms of public services and should it prioritise health above others?

If we are to find a sustainable way forward for the public sector in the UK, it is vital that these matters are addressed seriously and studiously and as part of a realistic long-term

plan which should form the core of the Government's forthcoming Comprehensive Spending Review.

We can only hope that the Government is wise enough to have taken heed of the shifting foundations of our public finances and the demographic changes that are driving them and will take this opportunity to start to fix the foundations, for all our benefit.

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