Foundations

Spending Review Summary 2015

November 2015

Background

On Wednesday the Chancellor George Osborne made his autumn statement which sets out his spending plans to 2020. This briefing sets out the policy statements that have implications for the HIA sector along with some instant reactions from Foundations.

A £27 billion improvement in the public finances as a result of higher forecast tax receipts and lower forecast debt interest payments mean that the government has greater scope on achieving the following priorities:

1. The accelerated integration of National Health and Social Care services
2. The devolution of powers to tax and spend to local authorities and other devolved authorities
3. The doubling of Investment in Housing particularly to encourage home ownership.

Health and Care

The NHS will get an additional £10 billion a year by 2020-21 with £6 billion made available in the first year. In line with its own Five Year Forward Plan, it is expected the NHS will make £22 billion in efficiency savings. These are expected to come from improvements in the quality of care, prevention, staff productivity and better procurement

The spending review also seeks to implement the integration of Health and Social Care at pace over the lifetime of this government. Every part of the country must have a plan by 2017, at which point the Better Care Fund will be enhanced by an additional £1.5 billion to ensure an integrated health and care service is delivered by 2020.

In addition to the extra money for the NHS and the Better Care Fund, the Autumn Statement allows for a social care 'precept' which will give local authorities additional flexibility to raise up to £2 billion in council tax, a possible Council Tax rise of 2% above existing thresholds, in order to provide essential adult social care.

The government argues that the spending review will provide local authorities with the means to access the funding it needs to increase spending on social care by the end of this parliament.

Foundations has encouraged HIAs towards a future in Health and Care for some time. The spending review provides a real opportunity for the sector to provide solutions to health and care commissioners faced with pressures to deliver services differently and rising demand. HIA services offer targeted and mainstream community based services that improve the resilience of older and disabled people to live in their own home with fewer interventions from more expensive health and care services.

More money for Adaptations

The treasury underscores this opportunity by making the announcement on the future of the Disabled Facilities Grant in the context of the implementation of the reforms under the Care Act. The government is more than doubling the Disabled Facilities Grant pot to £500m in the next couple of years. The spending review is explicit in linking the delivery of greater numbers of adaptations to positive outcomes for people in the Care system as it expects that the estimated 85,000 beneficiaries from the enhanced DFG in 2019-20 will prevent some 8,500 going into residential care.

Foundations very much welcomes the announcement that an additional £230 million will be available for the DFG nationally. Foundations has been working with government to construct the arguments for preventative housing services such as the DFG and the ways in which HIAs and adaptations are effective at focussing on wellbeing, prevention and delaying the need for social and health care interventions. Foundations' recent research on the impact of adaptations on independent living continues a process that provides government with the information and advice to make informed decisions about specialised services and enables providers to maintain and develop preventative housing services locally.

At Foundations we look forward to working with the Department of Communities and Local Government and the Department of Health to make the most out of the increase in the budget and the transition of the DFG into the Better Care Fund. At the same time we will be improving the quality and experience for older and disabled people of the DFG process locally.

Housing

The spending review considers housing largely in terms of supply and home-ownership and puts forward an ambitious Five Point Plan consisting of:

1. The delivery of 400.000 affordable housing 'starts' by 2020-2021
2. The extension of the Right to Buy
3. The acceleration of housing supply by means of reforms of planning processes and the release of public and undeveloped commercial land
4. The extension of the Help to Buy schemes
5. The raising of stamp duty on second homes and the buy to lets in order to provide first time buyer with a fairer chance.

Taken together the capital programme, loan schemes, Help to Buy and other measures amount to over £20 billion investment in housing over the Spending Review period and actually represents a concerted effort by the government to address the mismatch between supply and demand as well as market and process failures.

The Spending Review confirms the government's intention to extend the Right to Buy to tenants of Housing Associations with the first 5 pilots starting today and limits Housing Benefit to housing association tenants to the rate paid to private renters in the area from 2018.

It has to be acknowledged that coming on top of the announcements limiting rent, easing affordable housing planning requirements, limits on Housing Benefit and the extension on Right to Buy, Housing Associations are challenged to transform their activities. Nevertheless in the detail of the statement there are opportunities for them to develop rent to save schemes and specialist homes for older people and people with disabilities as well as shared ownership schemes. Furthermore, if Housing Associations continue to value their social mission they will look more closely at the opportunity to provide mainstream and targeted housing support services in the communities they serve.

The Challenge of Delivering Local Services

The Spending Review provides real opportunities and access to funding to address some of the greatest challenges facing health and care related services including housing support and HIAs. The extent to which local services will benefit will depend enormously on the way local plans and settlements are implemented.

The Local Government settlement includes:

- More than halving the local government grant by £6.1 billion in 2019-20
- Offsetting this by changes to the local government finance system that pave the way for the implementation of 100% business rate retention by local authorities.
- Allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects
- The ability to raise Council Tax by an additional 2% and after 2017 an additional £1.5 billion for local Better Care Funds.

Nevertheless, both the process of localising business rates at the same time as year on year reductions in the local government grant and the discretionary nature of the Social Care 'precept' as well as the variable effectiveness of local Better Care Fund planning structures mean that commissioners and providers of services will be challenged to model services in a very fluid funding environment. The extra resource and devolution of decision making is to be welcomed but relative lack of detail on implementation means that there continues to be a great deal of uncertainty:

1. Whether overall local government spending will actually be higher in cash terms by 2019-20
2. Whether that rise will actually be sufficient to fill the growing gap between funding and demand as more disabled and older people come to rely on their local NHS and council to help them stay independent
3. Whether those local authorities with the highest needs will actually be able to raise sufficient tax to address it
4. Whether local Better Care Fund planners are actually able to shift resource from acute to prevention.

We believe that the devolution of tax and spend provides the means for local commissioners and providers to construct solutions that work best for their own communities. Furthermore the detail of the Spending Review sets out additional opportunities for local commissioners, providers of local services as well as Foundations to influence the implementation of the settlement.

- The government is committed to consult on the best way to implement these changes
- The spending review announces greater flexibility in the use of surplus assets to fund services that allow them to deliver more for less – for example in home improvements that can help keep older people from needing to go to hospital.
- The continuing commitment to the Better Care Fund with enhanced pooled budgets and funding levels means that through local Health and Wellbeing Boards, commissioners and local providers can ensure that local services offers provide a range of options to older and disabled people at the point of need.

Foundations will provide resource to any local authority or CCG looking at reshaping housing support where these may better contribute to preventing and delaying needs escalating and maintaining the wellbeing of people in the home of their choosing.

Implications for Pensioners

- More money for DFGs means that more people who need adaptations should be able to get them in a timely fashion without too much fuss
- The Basic State Pension will continue to be subject to a ‘triple lock’ which means it continues to rise faster than wage and retail inflation. A full basic State Pension will rise to £119.30 a week, an increase of £3.35.
- The single rate of the Standard Minimum Guarantee will rise in line with earnings by £4.40 to £155.60 per week, and the couple rate will rise by £6.70 to £237.55 per week.
- The Savings Credit threshold will rise to £133.82 for a single pensioner and to £212.97 for a couple, which will reduce the single rate of the Savings Credit maximum by £1.75 to £13.07 and the couple rate by £2.68 to £14.75.
- Pension Credit awards for those currently receiving Savings Credit will be frozen where income is unchanged
- The current Energy Company Obligation (ECO) scheme will be replaced from April 2017 with a new cheaper domestic energy efficiency supplier obligation which will run for 5 years. It is expected to improve energy efficiency of 200.000 homes per annum and reduce energy bills for these households by an estimated £30 a year.
- The government will end the payment of Housing Benefit and Pension Credit to claimants to who travel outside of Great Britain for longer than 4 weeks consecutively, from April 2016.
- The government will extend the Warm Home Discount to 2020-21 at current levels of £320 million a year, rising with inflation.

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