

- 6.64 On top of these 'business-as-usual' risks, there could be one-off events that generate demand for additional health spending, such as a large-scale outbreak of disease (e.g. an influenza pandemic, which the Cabinet Office considers to represent "*the most significant civil emergency risk*").⁴⁸ Long-term systemic cost pressures could also arise from sources such as an increase in antimicrobial resistance, which could greatly increase the costs associated with treating infections in all health care interventions.⁴⁹
- 6.65 When considering potential fiscal risks around health spending it is worth bearing in mind the size, complexity and opacity of the system that delivers public health care in the UK. The NHS is the world's fifth largest employer.⁵⁰ DH oversees nine non-departmental public bodies, including NHS England with its 209 clinical commissioning groups (CCGs). It also oversees three 'special health authorities', five other bodies, 153 NHS foundation trusts, 90 NHS trusts and NHS charities.⁵¹ Several commentators have highlighted the challenge that this size and complexity creates for managing health care provision.⁵²

Pressures on the adult social care budget and how Government has responded

- 6.66 As with health, there are visible signs of pressure on the adult social care system. In the past two years, governments have announced top up funding and delayed reforms that would increase costs further. This Government has stated that "*further reform is required to ensure that the system is prepared to meet the challenges of the increasing numbers of over 75s*" and that it will "*work with partners at all levels, including those who use services and who work to provide care, to bring forward proposals for public consultation*".⁵³
- 6.67 Signs and sources of pressure on the adult social care budget include:
- **Pressure on local authority budgets has fed through to adult social care:** For those authorities in England with responsibility for adult social care, it is their largest item of discretionary spending. Local authority budgets have been squeezed by cuts to grant funding and limits on council tax rises. As a result, English local authorities' total net current expenditure fell by 13.3 per cent in real terms between 2010-11 and 2015-16.⁵⁴ Within this, total spending on adult social care fell by less, but local authority spending on it still fell by 9.1 per cent over the same period, including transfers from the NHS. Spending on adult (and children's) social care exceeded local authorities' budgets in 2014-15 and, by a bigger margin, in 2015-16.⁵⁵
 - **Reduced service delivery and spillover effects on the NHS:** spending cuts have not been offset by higher productivity – indeed, in a labour-intensive sector, the scope for such an offset is limited. The volume of services being delivered has therefore fallen

⁴⁸ Cabinet Office, *National Register of Civil Emergencies: 2015 edition*, 2015.

⁴⁹ Review on Antimicrobial Resistance, *Antimicrobial Resistance: Tackling a crisis for the health and wealth of nations*, 2014.

⁵⁰ Forbes, *The World's Biggest Employers*, 2015.

⁵¹ Department of Health, *Annual report and accounts 2015-16*, July 2016.

⁵² See, for example, House of Commons Public Administration Committee, *Who's accountable? Relationships between Government and arm's-length bodies*, First Report of Session 2014-15, 2014 and PWC, *Redrawing the health and social care architecture*, 2016.

⁵³ Cabinet Office, *The Queen's speech and associated background briefing*, 2017.

⁵⁴ This fall in local authority spending includes a large fall in education spending due to the 'academisation' of schools. When schools switch to become academies, their spending is classified to the central government rather than local authorities sector.

⁵⁵ See Chart 4.10 in our March 2017 EFO and associated discussion.