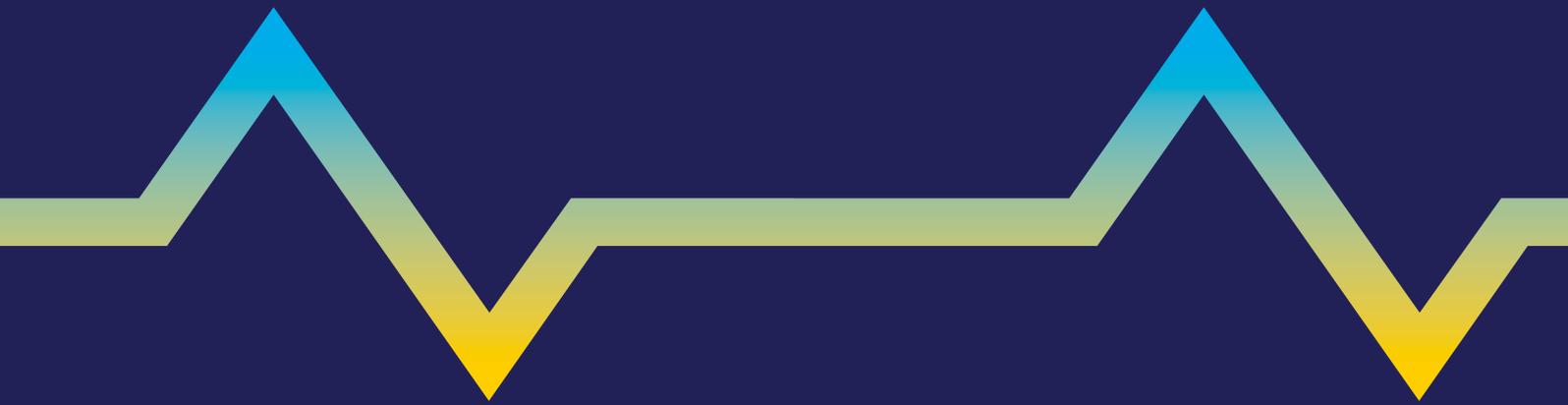


# Performance Tracker

A data-driven analysis of the  
performance of government



**Spring 2017**

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## About Performance Tracker

This first edition of *Performance Tracker* provides a data-driven assessment of the Government's performance in one crucial area – running public services. It focuses on five services: hospitals, adult social care, schools, prisons and the police.

The first independent analysis of its kind, *Performance Tracker* assesses performance in the light of the Government's stated ambitions to maintain – and in some cases expand – the scope and quality of services, and to control spending.

The Institute for Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) aim to help make government more effective. It is fundamental to its effectiveness that ministers, officials and the public know how well government is performing, and use this information to guide decisions.

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# Contents

<b>Forewords</b>	<b>2</b>
<b>Summary</b>	<b>3</b>
<b>1 Introduction</b>	<b>7</b>
<b>2 Hospitals</b>	<b>10</b>
<b>3 Adult social care</b>	<b>17</b>
<b>4 Schools</b>	<b>25</b>
<b>5 Prisons</b>	<b>31</b>
<b>6 The police</b>	<b>37</b>
<b>7 Assessing the performance of public services</b>	<b>43</b>
<b>8 Addressing the pressures and embedding efficiency</b>	<b>49</b>
<b>Abbreviations</b>	<b>53</b>
<b>List of figures</b>	<b>54</b>
<b>References</b>	<b>56</b>
<b>About the authors</b>	<b>62</b>
<b>Acknowledgements</b>	<b>63</b>

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## Forewords

I am pleased to introduce the first edition of *Performance Tracker*, the Institute for Government's data-driven analysis of the performance of government, conducted in partnership with the Chartered Institute of Public Finance and Accountancy (CIPFA).

If government is to be effective, it is essential that ministers and officials have a clear, evidence-based understanding of how it is performing. This is all the more important if ministers want to maintain the scope and quality of public services during a period of tight spending controls and pressure on public finances. In this first edition, we have focused on five public services, as they represent a significant slice of government spending and also reflect the services that are, for many people, their most frequent contact with government. Our analysis shows a clear pattern across the past six years: after initial success in improving public sector efficiency following the austerity drive of 2010, the Government is struggling to implement the second wave of spending reductions handed down in the 2015 Spending Review.

We hope that *Performance Tracker* will provide a model for government to emulate, systematically bringing together data on spending and performance to inform decisions and drive reform. Along with our flagship *Whitehall Monitor* publication, it will be one of our regular data-driven publications which will provide the material for many – not just the Institute – to press for better and more accountable government.



**Bronwen Maddox**

Director, Institute for Government

With limited resources and budget cuts, ensuring public services are providing effective outcomes, and are delivered efficiently, with the best possible use of public funds, needs to be the priority right across the sector. Having a thorough understanding of how well public services have been delivered will improve the policy decision-making process across public services and ensure that strategic objectives are met and outcomes successfully achieved. Capturing a rounded view of policy and service performance in a systematic way will improve short-, medium- and long-term planning.

This collaboration between CIPFA and the Institute for Government aims to facilitate this need to deliver more effective and efficient public services. Our *Performance Tracker* provides an independent, data-driven analysis of the overall effectiveness of service delivery in five key areas. And by using the findings we hope ministers, policy-makers and public service managers will be better able to make informed decisions, which means, ultimately, taxpayers get better value for money.



**Rob Whiteman**

Chief Executive, CIPFA

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## Summary

The Institute for Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) aim to help make government more effective. It is fundamental to effectiveness that ministers, officials and the public know how well government is performing, and use this information to guide decisions.

This first edition of *Performance Tracker* therefore provides a data-driven assessment of the Government's performance in one crucial area – running public services. People rely on public services in their daily lives, and their sense of how well government is doing is shaped by their direct experience of the front line. *Performance Tracker* looks in detail at five services: hospitals, adult social care, schools, prisons and the police.

The first independent analysis of its kind, *Performance Tracker* assesses performance in the light of both the 2010–15 Coalition and the current Conservative Governments' stated ambitions to maintain, and in some cases expand, the scope and quality of services; to control spending, cutting it in some areas and constraining its growth in others; and to achieve this by raising the efficiency of public services, ensuring they do more for less.

This new, independent analysis sheds light on the heated, but opaque, debate about whether our public services are at breaking point or whether there is room for more efficiency. The aim of our analysis is to prompt better financial planning in government, which will improve the oversight of essential public services.

## Our findings

The data in this first edition of *Performance Tracker* shows that:

- **The 2010 Spending Review\* was largely successful** in terms of the Government's stated objectives. Originally viewed as a one-off period of pain following the 2008 financial crisis, before an economic recovery led to a return of business-as-usual, the 2010–15 spending reductions took place after several years of investment and growth. At first, government succeeded in enhancing the performance of a range of services, maintaining their scope and quality while sharply cutting or controlling spending.
  - The **police** service successfully implemented large spending reductions between 2010 and 2015. Despite fewer police officers on the ground and signs of stress in the workforce, public confidence in the service grew.
  - Violence in **prisons** remained level up to 2013, despite an 18% reduction in spending and a 14% reduction in frontline staff.
  - In **schools** and **hospitals**, where spending growth was constrained, the data suggests modest improvements in efficiency, where services absorbed rising pupil and patient numbers respectively.

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\* Throughout the report, we include the 2013 Spending Round (which essentially extended Spending Review 2010 by one year to take the Coalition Government's plans beyond the 2015 general election) within the 2010 Spending Review period.

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- **However, the Government is struggling to successfully implement the 2015 Spending Review.** Even before the 2015 Review, there were clear signs of mounting pressures in public services. For example:
    - People had been routinely waiting longer for critical hospital services such as accident and emergency (A&E) and cancer treatments since 2013, and while clinical standards within hospitals were holding up, this was being achieved through record deficits.
    - Delayed transfers of care from hospital to home or social care had also risen sharply since 2014, up by 40% in two years.
    - Violence in prisons had been rising sharply since 2014, with assaults on staff up by 61% in two years.

Since the Review, carried out in November 2015, these trends have only intensified, pushing services such as adult social care and hospitals towards breaking point, and in the case of prisons beyond that point. Governments of all shades have long promised to transform public services by reducing demand, making better use of technology and finding new ways of working. But the growing pressures on services show these ambitions have yet to be realised.

The facts established by the data do not appear to be feeding into decision-making. Instead the pattern in this Parliament has been one of the Government:

- **failing to develop alternative strategies** despite the clear warning signs in the data
- **continuing to pursue** approaches that are no longer working
- **being forced into emergency actions** in response to public concern
- **providing emergency cash** to bail out deeply troubled services.

The Chancellor announced extra funding for the Ministry of Justice in the 2016 Autumn Statement, in the face of urgent prison safety concerns that had been emerging since 2014.

When adult social care received no relief in the same Autumn Statement, widespread criticism forced the Government to allow councils to bring forward further council tax increases to provide extra short-term funding.

The Government has continued to hold fast to its approach to National Health Service (NHS) funding and transformation, despite calls for a new direction from the chief executive of the NHS, sector advocates and experts.<sup>1</sup>

However, following a challenging winter for hospitals – which has recently seen Jeremy Hunt, the Secretary of State for Health, acknowledging that there are “extraordinary pressures” and characterising some performance as “completely unacceptable” – the Government may look to revise its plans around the Budget.<sup>2</sup>

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## Our recommendations

*Performance Tracker* highlights both immediate challenges facing the Chancellor and long-term weaknesses in the financial planning of government, which undermine his ability to meet these challenges and oversee public services effectively.

In the coming Budget on 8 March 2017, the Government must show that it is addressing:

- those areas where it has already been forced into emergency action. For **prisons**, this is likely to involve ensuring that there are enough resources to operate the prison estate safely and securely. Any further cuts are unlikely to come through greater efficiency, and would instead require a substantial reduction in prisoner numbers, whether through sentencing reform or major improvements in reoffending rates. For **adult social care**, the sector needs a clear direction of travel, following the postponement of the Dilnot Review implementation and the slow pace of genuine health and social care integration.
- those areas where pressure is building, most importantly in **hospitals**. The NHS Sustainability and Transformation Plans (STPs) – regionally derived plans to maintain and improve the quality of local healthcare services within current spending envelopes – are nowhere near the concrete organisational (and political) plans needed to prevent recurring overspending and service deterioration. The Government needs to show how STPs can deliver, or find a new approach, before the freeze in NHS funding built into the next two years’ plans really bites.
- efficiency across the board, setting out progress on the Government’s **Efficiency Review**.<sup>\*</sup> The Government needs this to be a serious, data-driven exercise. It should use information such as that in *Performance Tracker*, alongside wider findings, such as those of the What Works centres. Instead of repeating aspirations to transform services, it should analyse why such transformations have not occurred in the past, and develop strategies that can succeed this time around. And it must take seriously the emerging signs of pressure, such as recruitment problems in teaching and rising stress levels in the police.

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61%

Increase in  
violence against  
prison staff,  
2014 to 2016

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The Government should also consider how it can embed efficiency within public sector decision-making. It is in ministers’ and the public’s interest to prevent wishful thinking, and to stop pressures building to breaking point.

1. The Chancellor should instruct the Treasury, working with departmental finance and analytic professionals, to develop its own Performance Tracker, matching spending in public services to an assessment of demand, scope and quality. This

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<sup>\*</sup> Initially announced in George Osborne’s 2015 Budget speech, Philip Hammond has also committed to this new initiative to find £3.5 billion (bn) of efficiency savings by 2019/20 and ‘embed a culture where incremental improvements in the efficiency of public services are made year on year’. Cabinet Office, ‘Government announces efficiency savings for 2015/16’, 3 February 2017, <https://www.gov.uk/government/news/government-announces-efficiency-savings-for-201516>

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should be used as the basis for developing and managing improvements in efficiency over time.

2. The Treasury should publish this Tracker or, at a minimum, make the key assumptions underpinning spending decisions public and available for scrutiny by Parliament.
3. The Government should subject these assumptions to independent review to assess their realism, potentially through an 'Office for Budget Responsibility (OBR) for public spending'.

Right now, the pressures on services are real and easy to identify. In the upcoming Budget, the Chancellor cannot simply choose to 'tough it out', eschewing any reference to how the Government will deal with the mounting pressures in public services, as he did in the 2016 Autumn Statement, when his only announcement was emergency funding for prisons. The Government risks being bounced from crisis to crisis, unable to get a grip on the situation. Without action, within the next two years it could face a disastrous combination of failing public services and breached spending controls against a background of deeply contentious Brexit negotiations.

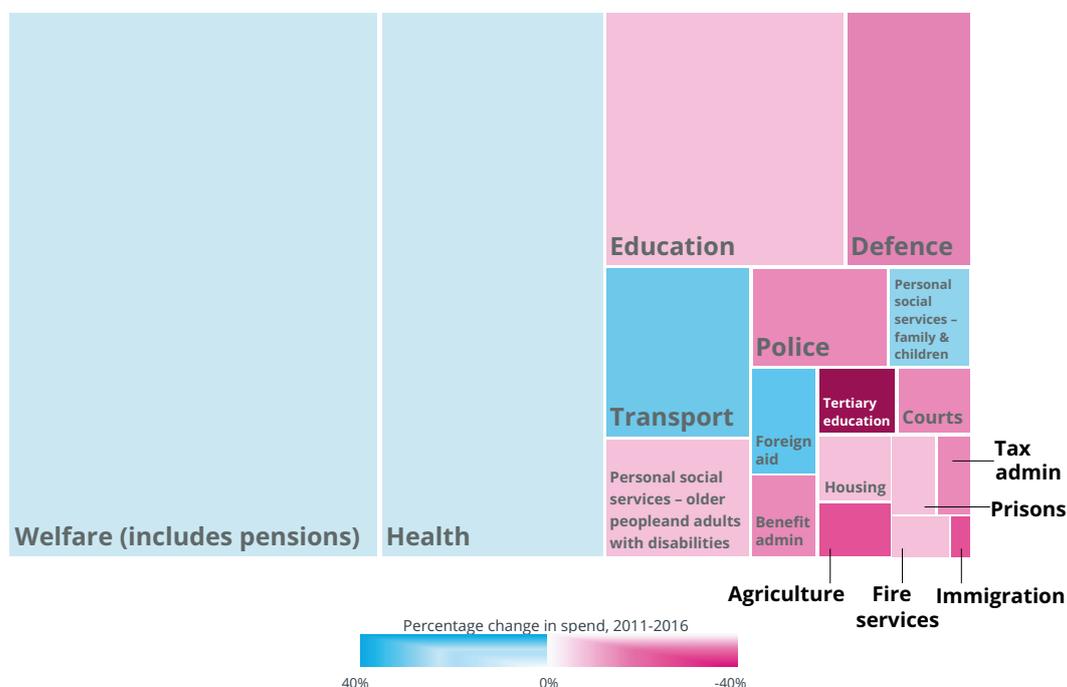
# 1 Introduction

Public services and benefit payments absorb the bulk of government spending. In 2015/16, they represented nearly 87% (£654bn) out of a total of £753bn.<sup>\*3</sup> In the 2010 Spending Review, the Coalition Government set out plans to control spending, cutting it in many areas and constraining its growth in others.

The current Government is committed to implementing the cuts set out in the 2015 Spending Review, while maintaining – or, in some cases, increasing – the scope and quality of key services: for example, creating a seven-day NHS and closing the attainment gap between school pupils from different backgrounds.

The extent to which spending has changed across 18 different areas of public spending varies significantly and is illustrated in the heat map below – the darker the shade of blue, the higher the increase, and the darker the shade of pink, the higher the decrease. In 2015/16, there was significant growth for foreign aid and transport (although they take a comparatively lower share of total government spending), and a small increase for welfare and health (which take the lion’s share of spending). At the other end of the scale are tertiary education, agriculture, and immigration and citizenship. In the middle sit education and personal social services for older people and adults with disabilities.

Figure 1.1: **Scale of allocation of UK public sector resources and capital spending by service areas, 2015/16**



Source: Public Expenditure Statistical Analyses (PESA) 2016, Tables 1.6 and 5.2 and HM Treasury’s OSCAR

\* Note that the remaining £99bn in 2015/16 consisted of public debt transactions of £36.7bn (central government, local government, public corporations and Bank of England), net total transactions to the European Union of £7.6bn, and accounting adjustments valued at £54.8bn.

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Government has clearly succeeded in controlling spending over the past six years, but levels of spending are only part of the story. They tell us little about the cost and demand pressures facing the service (for example, the National Living Wage has increased staff costs in adult social care, while an ageing population means that more and more people require the service). Differences between changes in spending and changes in pressure on services must be met by making economies (for example, holding down staff pay), improving productivity (for example, using technology to enable staff) or reducing scope or quality (for example, rationing access to certain services).

To understand how government has performed, we need to dig deeper to examine what it has actually delivered for the money it has spent.

## Tracking performance of key public services

Given the varying scale of the issues faced by different public services, how have they performed? Have they risen to the challenge of filling the spending 'gap' by finding economies and raising productivity? Or have they reduced their scope or allowed a diminution in quality? Put crudely, who is right: those that have argued that this is an efficiency agenda or those that argue it is all about cuts? And what does this tell us about what will happen going forward?

This report is a first attempt to answer these questions across a range of services. *Performance Tracker* uses publicly available data to identify where both the Coalition and current Conservative Governments succeeded in achieving their ambitions to control spending and maintain scope and quality. It also shows where the current Government faces the greatest pressure – where it is overspending or seeing services deteriorate, and where it risks doing both at the same time. This analysis sheds light on the heated, but opaque, debate about whether our public services are at breaking point or whether there is room for more efficiency.

The aim of this independent analysis is to prompt better financial planning in government, which will improve the oversight of essential public services. It is striking that this kind of exercise is not performed systematically in the Treasury or elsewhere in government. We want this publication to encourage the Treasury, in conjunction with Whitehall's finance and analytic professionals, to fill that gap and produce its own version of *Performance Tracker*.

This *Performance Tracker* focuses on five public services: hospitals, adult social care and schools (in England), prisons and the police (covering England and Wales). These were selected to provide variety in terms of the scale of the spending challenge (ranging from a real-terms reduction of 21% in prisons to an increase of 15% for hospitals), but consistency in terms of the importance of the service to the public.

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The following five chapters show what has happened to spending, scope and quality in the five public services over the past six years, drawing on publicly available information and data on different indicators. In particular, we focus on:

- **CASH:** What has happened to spending in individual services since 2010?
- **PEOPLE:** How has the workforce changed since 2010 in terms of size and morale?
- **DEMAND:** How much has the need for the service changed?
- **SCOPE:** What has happened to the volume of activity?
- **QUALITY:** What has happened to standards and people's experience of services?

We maintain a tight focus on 'inputs' (money and staff that go into a service) and 'outputs' (what they produce – such as operations and exam results), rather than the wider 'outcomes' they might be effecting (the changes they create in the world – such as improved public health and a reduction in crime).

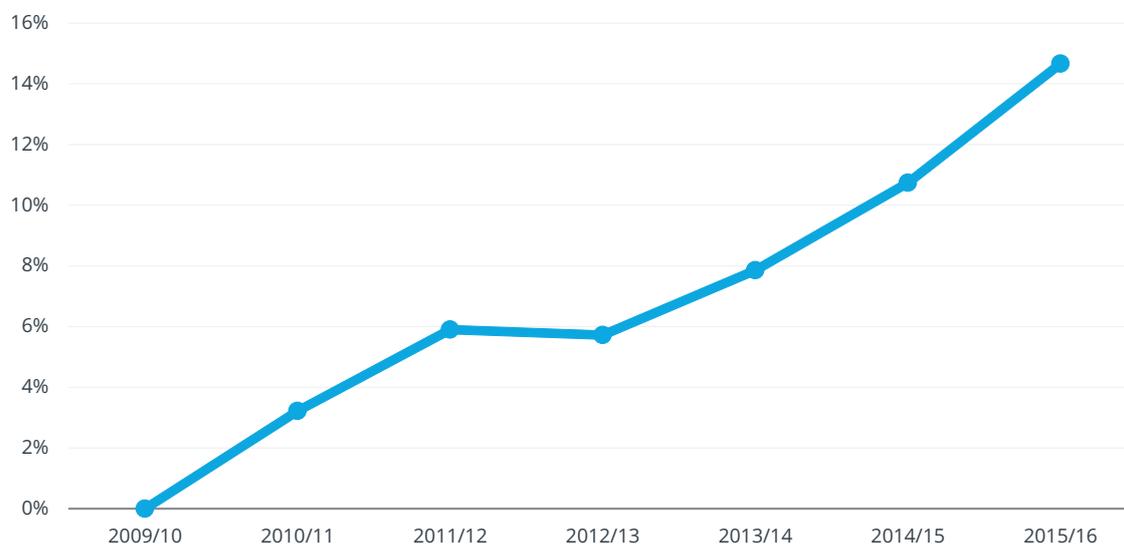
By looking across the public sector – rather than at one service in depth – *Performance Tracker* provides an insight into how government is faring in the round. Chapter 7 pulls together the analysis to identify common themes and trends. We then use this to look at the relative pressures facing the Chancellor in the forthcoming Budget, and outline in Chapter 8 how he might go about addressing them.

## 2 Hospitals

Spending on hospitals increased in the past six years, but admissions grew even faster. Nearly 90% of hospitals now run high deficits. In 2013, people began routinely waiting longer for critical services such as A&E and cancer treatments. Patient satisfaction levels have been maintained, but this may not last if waiting times and performance continue to slip.

**Spending on hospitals increased in real terms by 14.7% between 2009/10 and 2015/16.**

Figure 2.1: **Change in spending on acute hospitals and community health in England (real terms), from 2009/10**



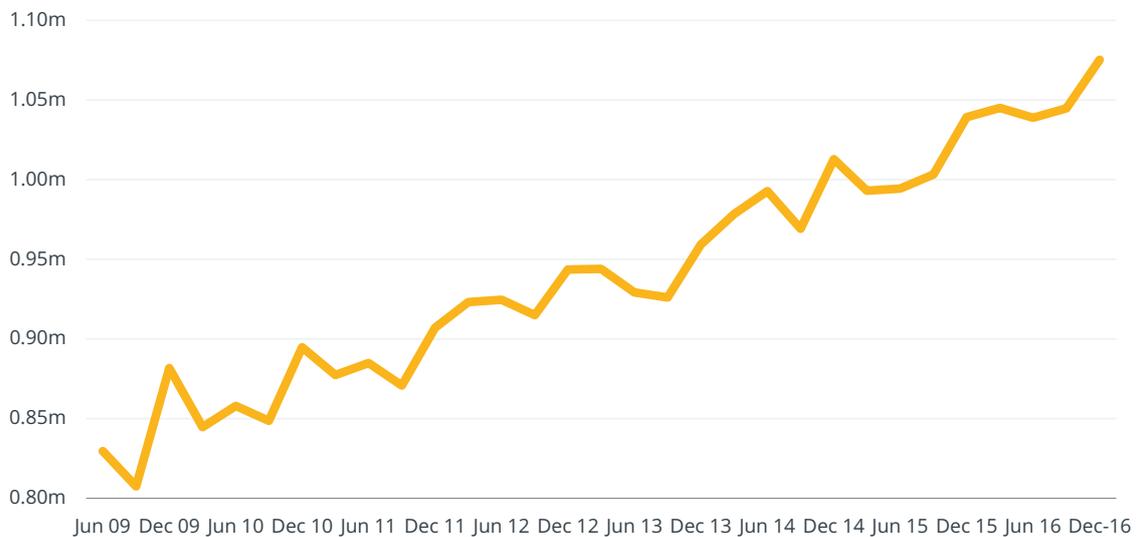
Source: Department of Health, *Annual Report and Accounts*

In 2009/10, spending on the NHS was £113.5bn,<sup>\*4</sup> of which spending on secondary care commissioned by primary care trusts was £68bn (this primarily covers hospitals and community health). This increased by around £10bn to £78bn in 2015/16.

\* The figure was converted to real terms at 2015/16 prices.

## But so did activity – for example, A&E admissions rose by over 20% during the same period.

Figure 2.2: **Emergency admissions via type 1 A&E, 2009–2016**



Source: NHS England, 'A&E Attendances and Emergency Admissions: Quarterly Time Series', 8 February 2017

In the quarter ending June 2009, 829,000 people were admitted to A&E at major emergency departments in hospitals, referred to as type 1 admissions (there were nearly 3.4 million type 1 admissions throughout 2009/10). This rose to over a million in the quarter ending June 2016\* (and over four million throughout 2015/16).

Once people do get through the doors, quality indicators suggest that the wards they arrive at are safer than ever. For example, the number of patients contracting bacterial infections (e.g. MRSA and Clostridium difficile)<sup>5</sup> and developing pressure ulcers<sup>6</sup> has been decreasing year on year, and hospitals are getting much better at reporting incidents that could cause harm to patients.<sup>7</sup> These improvements are likely to be the result of sustained, targeted interventions over the past decade to drive up standards in these areas.<sup>8</sup>

Nevertheless, pressures are clearly building as hospitals try to keep up with rising activity across a range of services, such as elective admissions, cancer treatments, outpatient services and diagnostic tests, as well as A&E (see Box 2.1).<sup>9</sup> A composite index of all hospital activity, produced by researchers at the University of York, suggests that across-the-board activity in hospitals increased by 11% up to 2013/14.<sup>10</sup>

This increase, combined with reduced tariff payments to providers, is placing hospitals under enormous financial strain, with the majority overspending in order to deliver essential services to more people. In 2015/16, acute providers overspent by around £2.6bn (compared with £421 million (m) in 2013/14) and nearly nine out of 10 ended the year in deficit.<sup>11</sup>

\* The latest data for September–December 2016 shows 1,075,245 admissions, compared with 881,670 during the same period in 2009.

### Box 2.1: Hospital activity – key facts

**Elective hospital admissions** increased by around 23% from nearly 4.7 million in 2009/10 to nearly 5.8 million in 2015/16.

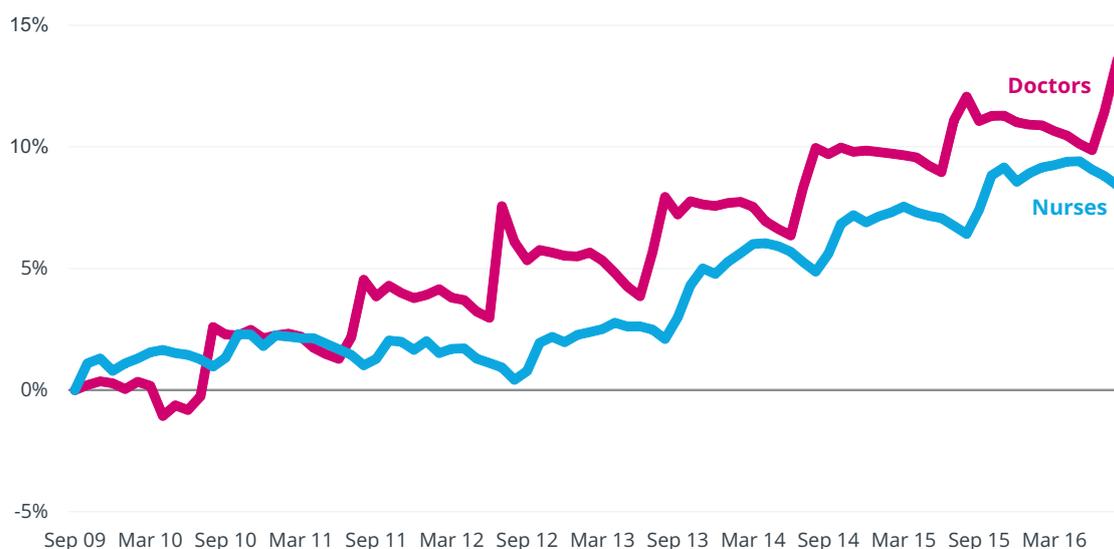
The number of people **treated for cancer within two months** from GP referral has increased by over a third from 84,218 in 2009/10 to 113,896 in 2015/16.

**GP referrals for outpatient services** rose by 19% from nearly 11.5 million in 2009/10 to over 13.6 million in 2015/16.

The **number of diagnostic tests** to identify a patient's disease or condition increased by 40% from around 14.4 million in 2009/10 to over 20 million in 2015/16.

## The total number of doctors and nurses is growing, but hospitals are relying increasingly on agency workers.

Figure 2.3: Change in the total number of doctors and nurses (FTE), from September 2009



Source: NHS Digital, 'NHS HCHS Monthly Workforce Statistics – Staff in Trusts and CCGs', England, 25 October 2016

In September 2009, there were 92,503 full-time equivalent (FTE) doctors\* and 182,127 FTE nurses.\*\* According to one estimate, clinical staff cost around £4.3bn each year to employ and account for around half of providers' costs.<sup>12</sup> Pay restraints and freezes were therefore introduced by the Coalition Government to keep staff costs down. The total number of doctors and nurses increased incrementally only between 2009 and 2012.<sup>13</sup>

\* This includes consultants (including directors of public health), associate specialists, specialty doctors, staff grades, specialty registrars, core medical training doctors, foundation doctors year 2, foundation doctors year 1 and hospital practitioners/clinical assistants.

\*\* This includes nurses (adults) and nurses (children).

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However, new National Institute for Health and Care Excellence (NICE) guidance published shortly after the Mid Staffordshire NHS Foundation Trust crisis and the subsequent Francis Review in 2013 highlighted that inadequate numbers of staff – particularly nurses – were compromising the quality of care.<sup>14</sup> Since then, hospitals have been encouraged to bring in more clinical staff to ensure safe staffing levels.<sup>15</sup> The number of doctors and nurses has been increasing; as of August 2016, there were 105,060 doctors (up 13.6% on September 2009 levels) and 197,458 nurses (up 8.4% on September 2009 levels).

However, efforts to recruit more staff have failed to meet growing demand. The National Audit Office (NAO) highlighted an overall shortfall of around 50,000 staff in 2014, with particular shortages of nurses, midwives and health visitors.<sup>16</sup> Trusts are meeting this need by using more costly agency workers to fill long-term vacancies. Spending on temporary staff increased from £2.1bn in 2012/13 to £3.7bn in 2015/16, according to one estimate, which is adding to the size of acute trusts' financial deficits.<sup>17</sup>

Although there are now caps on the amount hospitals can pay agency staff, many providers are breaching this. The King's Fund – the independent think-tank on health – the NAO and the Public Accounts Committee (PAC) have all concluded that this reliance on agency staff will not be tackled without first addressing the shortage of permanent staff.<sup>18</sup> This challenge is likely to become more acute as a result of new policies (such as the proposal to introduce seven-day services across the NHS by 2020).

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**9/10**

NHS acute providers were in deficit at the end of 2015/16

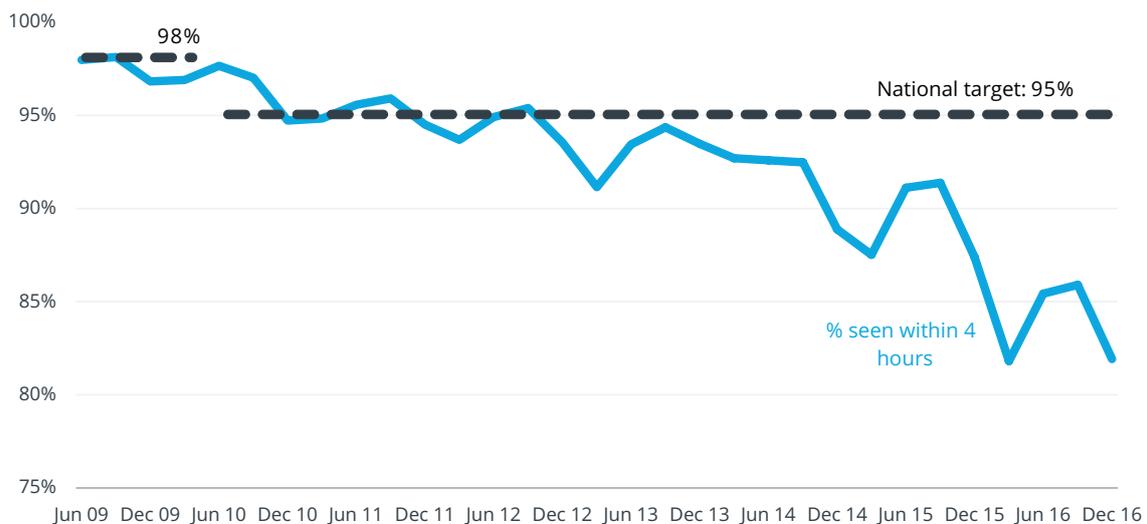
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## **Patients are waiting longer for essential services, with standards now routinely missed.**

The NHS Constitution was first published in January 2009 and provides a series of pledges on maximum waiting times for services such as A&E (maximum four hours' wait from arrival to admission, transfer or discharge), diagnostic tests (maximum six weeks' wait) and treatment for diagnosed cancer (maximum two-month wait from an urgent GP referral to first treatment, where cancer is suspected).<sup>19</sup> These standards were generally maintained until 2012, but signs of slippage are now showing. The Health Foundation and Nuffield Trust have concluded that 'when [the] pressures bite, the first thing to give is access to care'.<sup>20</sup>

For example, in June 2009, 98% of patients attending major emergency departments in hospitals (referred to as type 1 admissions) were discharged, admitted or transferred within four hours of their arrival, meeting the government target at the time. This standard was lowered to 95% in June 2010 and was first breached later that year, in December 2010. The target has not been met since September 2012 and, in the quarter ending December 2016, nearly 700,000 people waited in A&E for more than four hours.

Figure 2.4: **Percentage of emergency admissions (type 1) seen, transferred or discharged within four hours, 2009–2016**



Source: NHS England, 'A&E Attendances and Emergency Admissions: Quarterly Time Series', 8 February 2017

The variation in performance between providers is also striking. The Care Quality Commission's report on the state of care in 2015–16 noted that 'in July 2016, the percentage of patients spending less than four hours in major A&E departments ranged from 64% to 99%'.<sup>21</sup> This decline in performance is usually associated with winter pressures, but has now worryingly become the norm across the year for NHS provider organisations.<sup>22</sup>

This is because there are simply not enough beds to accommodate all the patients that need them. Bed occupancy levels are at their highest-ever recorded levels. A report by the Nuffield Trust found that 95% of hospital beds were occupied every single day last winter (December 2015–February 2016), well above the recommended level of bed occupancy (85%).<sup>23</sup> This winter (December 2016–January 2017), bed occupancy only fell below 85% at Christmas, and quickly rose again.<sup>24</sup> Higher bed occupancy makes it harder for A&E departments to admit patients within the four-hour target, resulting in longer waiting times. A&E waiting times and occupancy levels are a marker of stress across the whole system as service standards have begun to slip in many areas (see Box 2.2).<sup>25</sup>

### Box 2.2: Declining service standards

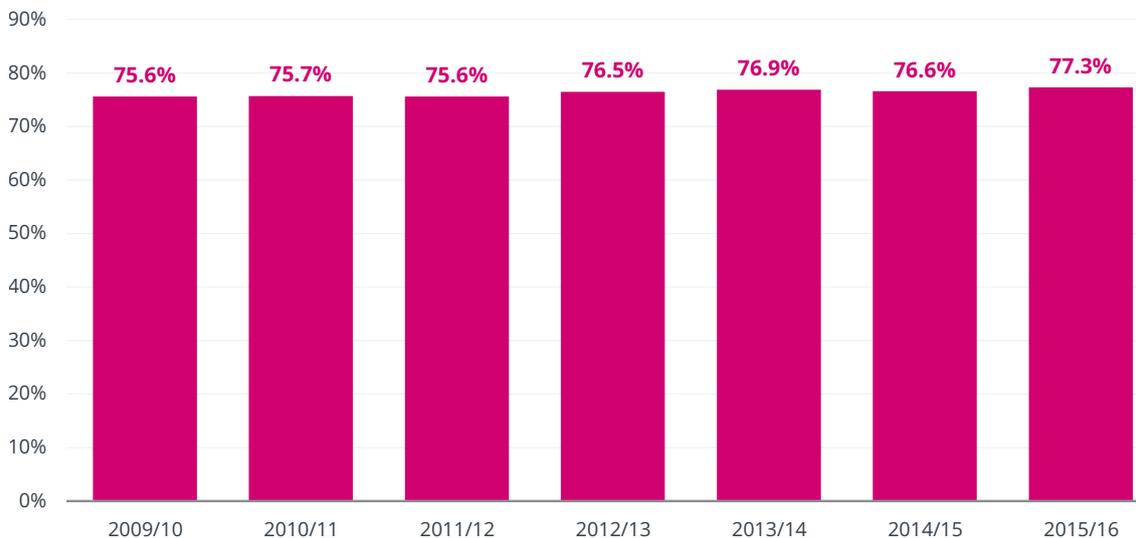
The target that 85% of people should **start their first treatment for cancer within 62 days of an urgent GP referral** was breached for the first time in March 2014 (84.4%) and has been declining since. As of December 2016, 82.2% of patients were treated within 62 days (with 6,489 patients still waiting for treatment). Other cancer waiting-time targets are being met.

The target that 92% of people should start **treatment within 18 weeks from referral for non-urgent conditions** (introduced in April 2012) was breached for the first time in December 2015 (91.8%) and has consistently been below the target since March 2016. As of December 2016, the recorded waiting list stood at 3.66 million people, up from 3.30 million at the end of December 2015 and 2.37 million at the end of December 2009.

The percentage of **patients not treated within 28 days of a cancelled operation** has been rising year on year. In June 2009, it was 3.9% (539 patients). This reached a peak of 8.7% in March 2015 (1,787 patients). As of December 2016, 7.3% of patients (1,551) whose operations were cancelled were still waiting longer than 28 days to be treated.

## Yet patient satisfaction has held up and people would still recommend the services they have received to friends and family.

Figure 2.5: **Adult inpatient overall patient experience scores, 2009/10 to 2015/16**



Source: NHS England, 'Overall Patient Experience Scores: Adult Inpatient Survey'

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Despite the longer waiting times, NHS patient feedback suggests that satisfaction levels of those who do receive care have held up. Overall patient experience scores, which cover areas such as access to services, the quality of care and the information given to patients, have remained stable at around 75–77% over the past six years.\*

This is reinforced by the Friends and Family Test, which asks patients whether they would recommend the service they used to others. In April 2015, 96% of inpatients would have recommended the service (a level that was maintained in April 2016), while 88% of people using A&E would have recommended A&E services (with only a slight decrease to 86% in April 2016).<sup>26</sup>

At the same time, there has been an improvement in how those closest to the service – NHS staff – perceive the standard of care provided in their organisation. In the 2012 NHS Staff Survey, 65% of respondents strongly agreed or agreed with the statement: 'If a friend or relative needed treatment, I would be happy with the standard of care provided by this organisation.' This increased to 70% in the 2015 Staff Survey.<sup>27</sup>

It is encouraging that the NHS has been able to maintain positive feedback from staff and patients in the face of severe financial challenges. However, this shouldn't give grounds for complacency. These surveys focus on the perceptions of patients who do eventually get into hospital (where safety standards and quality have been improving for some time, as outlined on p. 11). We know less about how those still waiting for services feel.

The wider public are also more concerned than ever about the challenges facing the NHS. In the 2015 British Social Attitudes survey, the percentage of people who were very or quite satisfied with the NHS decreased from 70% in 2010 to 60% in 2015, while the percentage of people who were very or quite dissatisfied increased from 18% in 2010 to 23% in 2015. Waiting times, staff shortages, underfunding and financial inefficiency were the top four reasons for dissatisfaction.<sup>28</sup>

The critical question for politicians is whether further deterioration in access to care and in waiting times becomes the 'new normal' or whether there is a turning point at which the situation becomes intolerable to patients and the public more widely. The 2016 QualityWatch annual statement from The Health Foundation and Nuffield Trust concluded that we may be reaching that point, as longer waiting times increase the risks of patients' preventable conditions not being addressed and minor ailments becoming major ones.<sup>29</sup>

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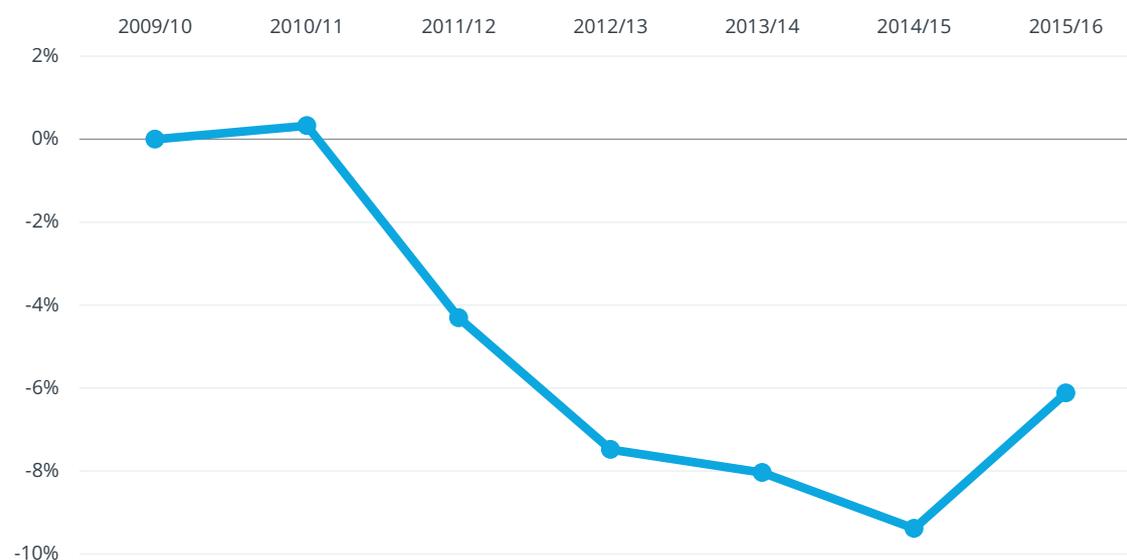
\* Figures for 'all trusts'. 60% of patients, on average, found the service 'good' and 80% of patients, on average, found the service 'very good'. NHS England, Overall Patient Experience Scores: 2015 Adult Inpatient Survey update, June 2016. <https://www.england.nhs.uk/statistics/2016/06/08/overall-patient-experience-scores-2015-adult-inpatient-survey-update/>

### 3 Adult social care

Adult social care rose to the top of the political agenda at the end of 2016, but local authorities have been grappling with tightening budgets, rising costs and rising demand for much longer. They are responding to these pressures by reducing the number of people who receive state-funded social care and squeezing the fees they pay to the independent organisations that provide it. Meanwhile, delayed transfer from hospital to social care has climbed rapidly.

**Spending on adult social care has fallen by 6% in real terms since 2009/10.**

Figure 3.1: **Change in spending on adult social care in England (real terms), from 2009/10**



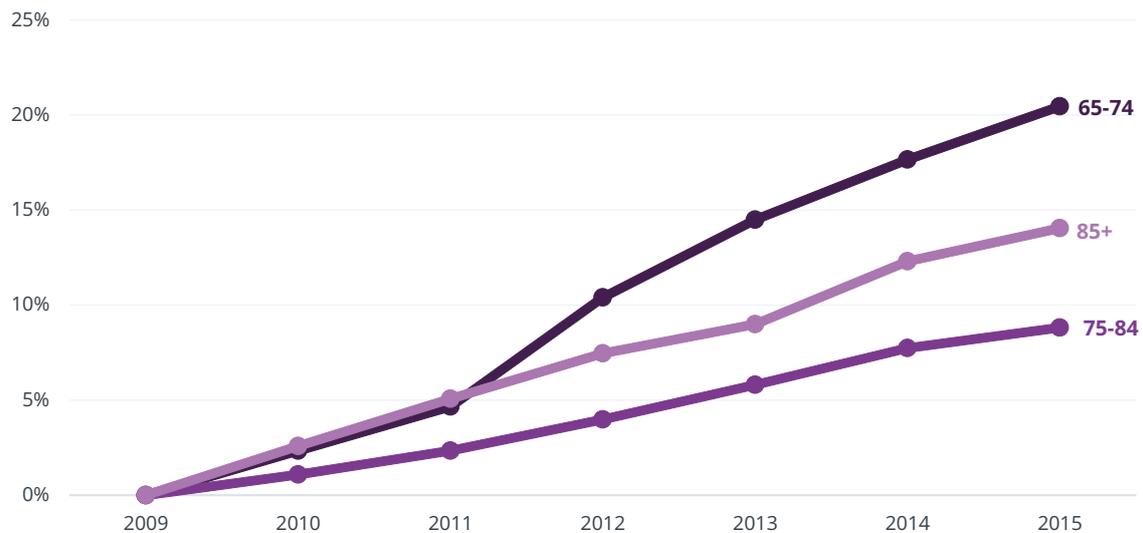
Source: NHS Digital, *Personal Social Services: Expenditure and Unit Costs, England*, Table 1

Adult social care – the provision of support and personal care (as opposed to treatment) to meet needs arising from illness, disability or old age – is not paid for by the Department of Health. In fact, the money for adult social care comes from one of the most squeezed departments in Whitehall: the Department for Communities and Local Government. Its budget for local government has been cut by 60% since 2011/12, and is set to fall to £3.3bn by 2020, an 88% reduction over nine years.

Within this challenging context, local authorities have shielded adult social care from the worst of the cuts, but spending in this area still fell by almost 10% up to 2014/15, rising last year due to the Better Care Fund. However, this national picture obscures substantial local variation: different local authorities have very different demographic and socio-economic profiles. Research by The King's Fund suggests that spending on adult social care fell by at least 20% in 25 local authorities between 2009/10 and 2014/15, while actually rising in another 36.<sup>30</sup>

## Demand is growing...

Figure 3.2: **Change in population (mid-year estimates) aged 65+, from 2009**



Source: ONS, 'Population estimates', MYEB1 and ONS, 'Mid-year population estimates of the very old, England'

The majority of people who receive state-funded long-term social care are aged 65 or over: 67% in 2015/16.<sup>31</sup> The growth of the older population is therefore set to put significant strain on social care services.

# 68%

Reduction in people receiving meals-on-wheels, 2009/10 to 2013/14

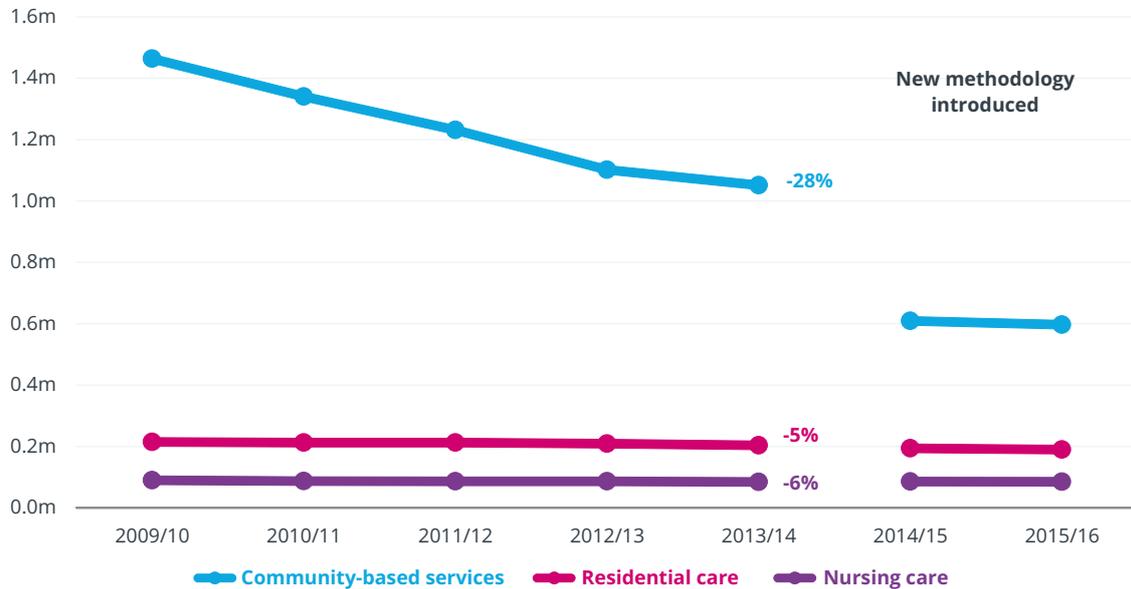
Since 2009, the number of people aged over 65 in England has increased by around 16% – with a jump in 2012 (when the unusually large number of people born in the 1947 baby boom turned 65). This is set to rise by a further 36% by 2030.<sup>32</sup> Not all of them will need care, of course, but at 65, most people have at least one long-term health condition; at 75 most people have at least two.<sup>33</sup>

Although the ageing society is often talked about as the biggest pressure on social care, there are many adults under 65 who receive state-funded social care services (285,020 in 2015/16).<sup>34</sup> As better

healthcare has improved the life expectancy of people with certain conditions, the number of working-age adults with long-term needs has also increased. Between 2009/10 and 2013/14, the number of adults (18+) living with learning disabilities rose by around 20%.<sup>35</sup>

**...but the number of people receiving state-funded care has been reduced by a quarter, with most of those reductions in community care.**

Figure 3.3: **People receiving state-funded adult social care services, by type of care, 2009/10 to 2015/16**



Source: : NHS Digital, 'Community Care Statistics, Social Services Activity, England', Tables P1a and LTS001a

Social care, like healthcare, is a demand-led service. But unlike the NHS, local authorities are not obliged to provide universal care regardless of income. Under the 2014 Care Act, everyone is entitled to an assessment of needs, but the provision of state-funded care is based on the severity of those needs and the ability of the client to pay for it.

Thus, despite demographic ageing and other demand pressures, the number of people receiving state-funded social care has actually fallen. Between 2009/10 and 2013/14, it fell by 24% (changes in data collection mean we cannot compare this with more recent figures). This decline is relatively recent – between 2005/06 and 2008/09, the number of people receiving state-funded social care actually increased by 2%.<sup>36</sup>

During this period, many councils explicitly restricted the numbers they considered eligible. Before the 2014 Care Act, councils were free to set their own minimum level of eligibility – whether they would pay for people with low, moderate, substantial or critical needs. Between 2010/11 and 2013/14, the number of councils paying for people with low or moderate needs fell from 27 to 19 (out of 152).<sup>37</sup>

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So this reduction in provision has not occurred across the board. Local authorities have prioritised the most intensive (and expensive) types of care, such as long-term nursing care for disabled older people, support for adults with learning disabilities, or extended-hours home visits for those with complex needs.\*

It is in the area of community care that there has been the largest decline (28%, or 412,600 fewer people receiving services up to 2013/14). Within this, care packages have been most squeezed, including long-term support or treatment from a professional (down 249,700 to 194,925 people in 2013/14) and provision of equipment such as stairlifts or bath rails (down 154,400 to 357,555 people in 2013/14). The number of people receiving 'meals-on-wheels'-type services has fallen by almost 70%, and stood at 68,505 in 2013/14.

### **Box 3.1: What about the rest?**

A wide range of things can happen to people who might previously have received state-funded social care, but currently do not. They may:

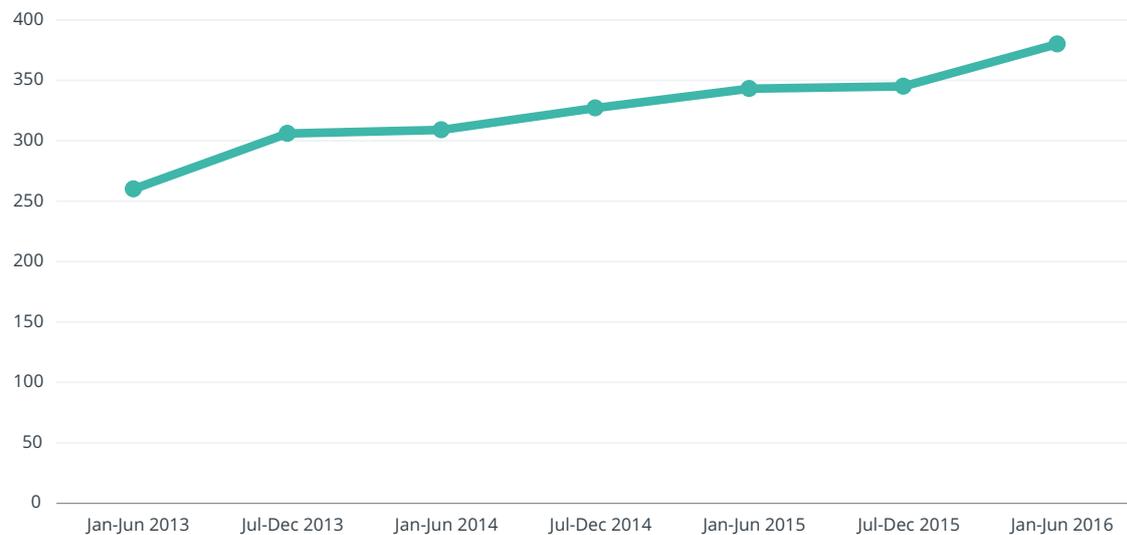
- **receive short-term state-funded interventions**, such as an intensive period of 're-ablement', where a professional helps a client to work out new ways to carry out tasks independently. In 2015/16, 17% of requests for support from local authorities were responded to in this way.
- **fund their own care**. In 2015, around 45% of care home places in England were self-funded.<sup>38</sup>
- **rely on so-called 'informal' care**, provided by friends or family. In just three years, between 2011 and 2014, the proportion of the population providing informal care rose from 16.6% to 17.6%.<sup>39</sup>
- **live with their basic needs – cooking, cleaning, getting out of the house – unmet**. The International Longevity Centre has estimated that, in 2015, one in 10 people in England had unmet care needs, an increase of 7% since 2006/07.<sup>40</sup>
- **end up in hospital**. The number of over-70s attending A&E rose 38% between 2009/10 and 2015/16, while the number of emergency hospital admissions among over-65s rose 18% between 2010/11 to 2014/15 (compared with a 12% increase overall).<sup>41</sup>

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\* In 2015/16, 25% of all adult social care spending went on long-term physical support for people aged 65 or over, and 27% went on long-term support for 18- to 64-year-olds with learning disabilities. NHS Digital, *Personal Social Services: Expenditure and unit costs, England 2015-16*, Figure 1.3. <http://www.content.digital.nhs.uk/catalogue/PUB22240/pss-exp-eng-15-16-fin-rep.pdf>

## Local authorities are squeezing the fees they pay to care providers, forcing some out of the market.

Figure 3.4: **Number of care homes (residential and nursing) to close down, January 2013 to June 2016**



Source: Institute for Government analysis of data estimates provided by the Care Quality Commission

Unlike the NHS, local authorities are not able to run up deficits to pay for growing demand. If they have been unable to find sufficient savings elsewhere, some have passed their financial pressures on to the independent (private or charitable) organisations that provide most state-funded social care.\*

The average fee paid by local authorities to social care providers has fallen by 6.2% since 2011.<sup>42</sup> Providers argue that this is insufficient to pay for their clients' care. According to the UK Home Care Association, only 10% of councils in the UK paid at least £16.70 per hour, its estimate of the minimum sustainable price for home care services last year.<sup>43</sup>

The financial pressure on service providers has been further compounded by the introduction of the National Living Wage, which is pushing up staff costs. One estimate suggests that this will add at least £1bn to workforce costs in the sector by 2020.<sup>44</sup> At the same time, social care providers are facing the same difficulties recruiting and retaining registered nurses as the NHS: one survey found a 55% increase in care-home agency nurses between 2013 and 2015.<sup>45</sup>

Some providers have made ends meet by charging higher fees to self-funding clients to help pay for local authority residents: an average of 43% higher, according to one estimate.<sup>46</sup> They might also pass the costs on to their staff – paying only for 'contact' time, and not time spent travelling between clients.<sup>47</sup>

# 234%

Increase in days spent waiting for a care package at home, 2010–2016

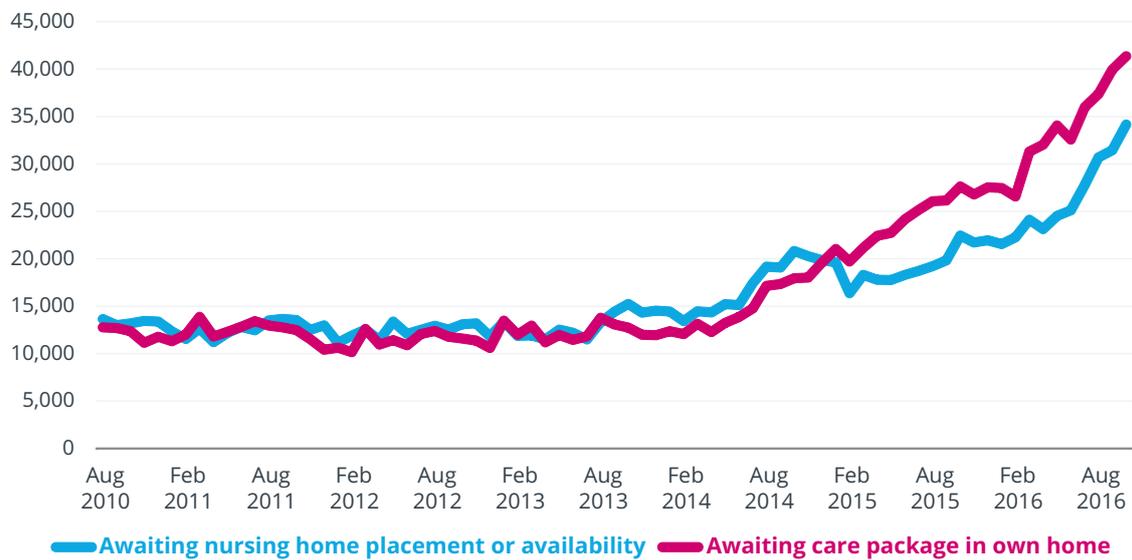
\* In 2015/16, local authorities in England spent £4,997,928 on their own provision, and £14,791,970 on provision by others. See NHS Digital, *Personal Social Services: Expenditure and unit costs, England 2015–16*. <http://www.content.digital.nhs.uk/catalogue/PUB22240>

Providers may eventually decide to cut their losses and provide services for privately funded clients only – the 2016 Association of Directors of Adult Social Services (ADASS) survey found that 91 local authorities had had at least one social care contract handed back to them.<sup>48</sup>

At worst, these financial pressures are causing social care providers to shut. The number of care homes closing down rose to around 380 between January and June 2016, compared with 260 during the same period in 2013. This is not only affecting poor-quality providers: 36% of the homes that closed between October 2014 and December 2015 were rated 'good' at their last inspection.<sup>49</sup>

## Meanwhile, people stay in hospital for longer than necessary while they wait for care packages.

Figure 3.5: **Delayed transfer of care: most common reasons for delay, by days delayed, 2010–2016**



Source: NHS England, 'Delayed Transfers of Care, NHS Organisations, England', 8 December 2016

Delayed transfers of care occur when someone is deemed clinically fit to be discharged from hospital, but for some reason they remain there longer than they need to. This incurs unnecessary costs to the NHS of around £820m a year.<sup>50</sup>

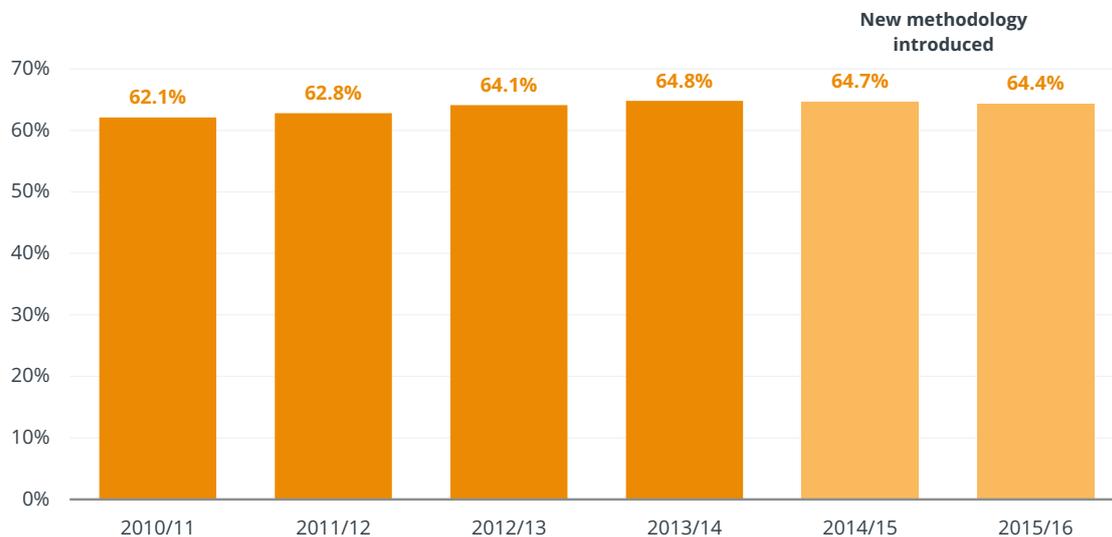
Overall, the number of people on a given day experiencing delayed transfers of care has increased by around 38% from 4,940 on 26 August 2010 to 6,810 on 27 October 2016. The majority of delays (57% in October last year) are attributable to the NHS, but the number attributed to problems with social care is climbing rapidly. Between 2010 and 2016, the number of days patients were delayed transferring due to social care rose by 45%, from 38,324 to 69,798.

Strikingly, in October 2016, eligible people waited 41,370 days for a care package in their own home, a 234% increase from October 2010.\* This is now the most common reason for patients being delayed in hospital.

Capacity problems within social care – shortages of staff and beds – are not the only cause of these delays, but they are a key contributor.<sup>51</sup> Delayed transfers from hospital also may be a sign of unmet need for social care, where a shortfall in care outside the hospital results in a person ending up at A&E with more acute problems.<sup>52</sup> Overall, the dramatic rise in delayed transfers indicates mounting pressures on both the health and social care systems, as well as the persistent disconnect between them.

## The people who do receive state-funded care are as satisfied with those services as they ever were.

Figure 3.6: Users 'quite', 'very' or 'extremely' satisfied with the care and support services they receive, 2010/11 to 2015/16



Source: NHS Digital, 'Personal Social Services Adult Social Care Survey, England', Table 2

Despite clear problems with access, the number of people responding that they are satisfied with the social care service they receive has held up, and currently stands at 64.4%. Of course, this does not tell us about the feelings and experiences of people who do not receive care.

More worryingly, the Local Government Ombudsman saw large increases in complaints last year (25% for home care, 21% for residential care), although complaints data can capture increases in reporting as much as increases in problems.<sup>53</sup>

\* This includes people waiting for community care packages – provided by the NHS – as well as home care packages provided by local authorities.

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Ultimately, people's experience of social care will vary greatly depending on their location and circumstances. The vast majority of providers inspected by the Care Quality Commission (CQC) up to July last year were rated 'good' or 'outstanding' (71%). But what about the rest?

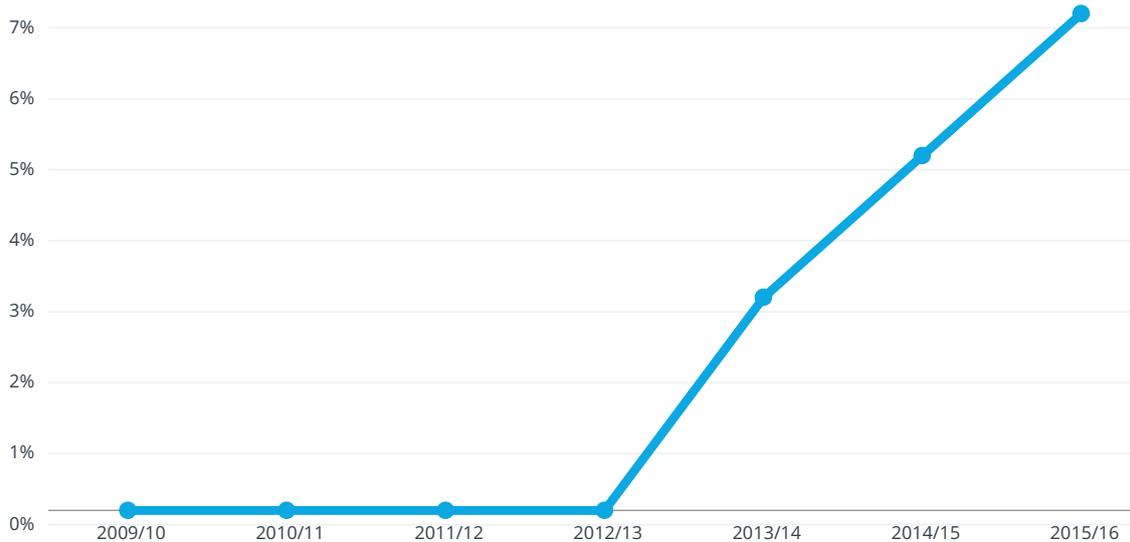
There are concerns that not only are almost 30% of providers providing low-quality care, but also that they may lack the capacity to improve. Last year, 47% of providers reinspected after a 'requires improvement' rating remained at that level, and 8% slipped further into 'inadequate'.<sup>54</sup> Continued financial pressures will only make improvement harder. In the ADASS survey, 82% of local authority social care directors reported that providers in their area were facing 'quality challenges' due to financial pressures.<sup>55</sup>

## 4 Schools

Spending on schools has risen over the past six years, and teacher numbers are keeping pace with rising pupil numbers. Standards have held up. But an imminent growth in the secondary school population, a shortfall in trainee teachers of key subjects, and new financial constraints, signal pressure ahead.

### Spending on schools has increased by 7% in real terms since 2009/10...

Figure 4.1: **Change in spending on schools in England (real terms), from 2009/10**



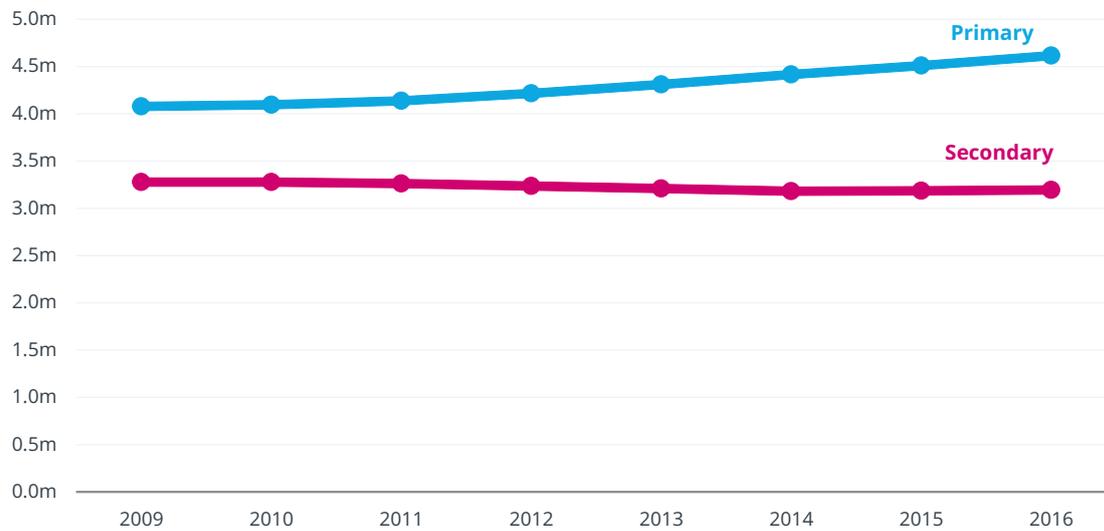
Source: DfE, Dedicated Schools Grant and Pupil Premium, 2009/10 to 2015/16

The past five years have seen a 7% real-terms increase in schools' day-to-day spending budgets. This purely covers schools – primary and secondary up to age 16 – and not other components of the education budget, such as youth services. The increase is the continuation of a long-term trend: education has been prioritised by successive governments.

However, despite the continued protection of the schools budget, schools are set to face a period of financial pressure greater than any have felt for some years. The Institute for Fiscal Studies predicts an 8% fall in spending per pupil between 2014/15 and 2019/20, due to rising pupil numbers, and rising national insurance and employer pensions contributions.<sup>56</sup> In this Parliament, schools will have to find £3bn of savings – something the Department for Education (DfE) has failed to clearly communicate to schools, according to the NAO.<sup>57</sup>

## ...and so has the number of pupils – the primary population has increased by 13%.

Figure 4.2: Pupils at state-funded secondary and primary schools in England, 2009–2016



Source: DfE, 'Schools, Pupils and their Characteristics: January 2016', 28 June 2016

A rising birth rate in the early years of the 21st century has fuelled a rise in pupil numbers.<sup>58</sup> So far, this increase has been felt only in primary schools, where there has been a 13% rise in numbers since 2009.

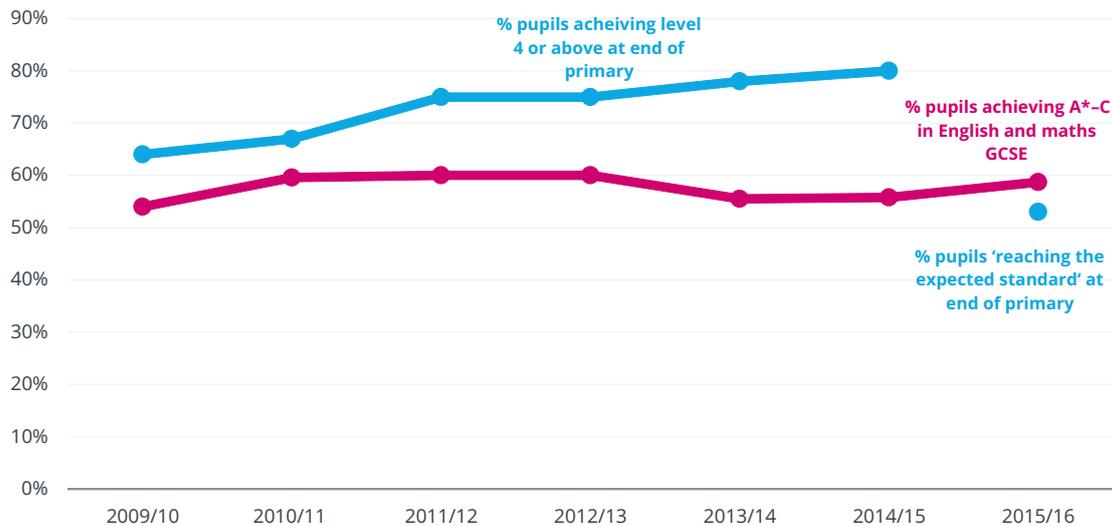
Those children are now beginning to enter secondary school, where pupil numbers (FTE) are expected to increase by 10% by 2020. Primary numbers will also increase, although at a slower rate – there are projected to be a further 174,000 primary and nursery pupils in 2019/20 (a 4% rise).<sup>59</sup>

This increase has not led to intensified overcrowding, or to a scrum for school places. Across the whole country, the number of children in overcrowded schools has fallen since 2009, and the percentage of pupils receiving an offer from their first-choice primary school actually rose from 87.7% in 2014/15 to 88.4% in 2016/17.<sup>60</sup>

\* Using the January 2016 census figure as a baseline.

## Pupils' attainment is holding up.

Figure 4.3: Student attainment at the end of Key Stage 2 and Key Stage 4, 2009/10 to 2015/16



Source: DfE, 'GCSE and Equivalent Results in England 2015 to 16' and 'National Curriculum Assessments at Key Stage 2'

### Box 4.1: Tackling educational inequality

Tackling educational inequality has been a strong part of all education secretaries' rhetoric since 2009, not just improving overall success.

Recent research from the Education Policy Institute suggests the gap has narrowed during this period. In 2015, disadvantaged children were on average 9.6 months behind their non-disadvantaged peers at the end of primary school (down from 11.5 in 2009). At the end of secondary school, the gap was wider: 19.2 months (down from 21.7 in 2009).

The best-known metrics of student attainment – achieving level 4 or above in reading, writing and maths at the end of primary school, and achieving grades A\*–C in English and maths at GCSE – have both slightly increased since 2009/10.

However, reforms to the way students are assessed, and changes to the way that data is collected, make it difficult to make comparisons over time. From 2013/14, resits were no longer counted in the aggregate A\*–C figures for GCSE, leading to a drop in the headline number.

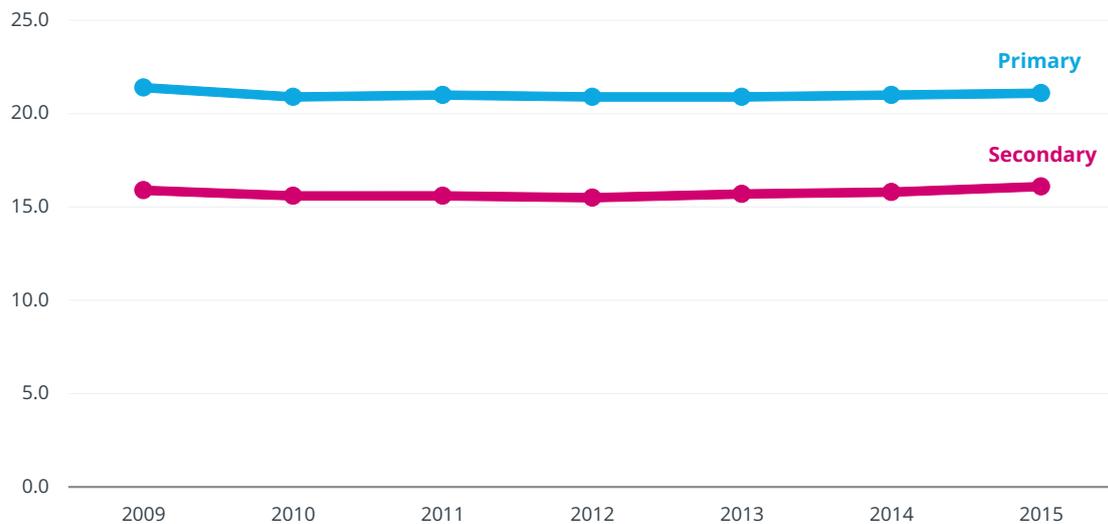
International benchmarks offer potentially more consistent measures of student attainment over time. The Organisation for Economic Co-operation and Development (OECD) Programme for International Student Assessment (PISA) and Trends in International Mathematics and Science Study (TIMSS) surveys of educational performance suggest that the quality of education in England – in terms of students' knowledge and skills in certain areas – has remained largely flat in recent years.<sup>61</sup>

New assessment regimes in England at both primary and secondary level will put pressure on the system, as teachers spend time getting to grips with them. 'Levels' in primary schools have been done away with, while A–G grades at GCSE are to be replaced with numbers 9–1 from this year.

These new regimes are explicitly designed to be tougher. One estimate suggests that, if the new system had been applied in 2015, only 35% of children would have achieved a good pass (a 5 or above) in their GCSE English and maths (compared with 58% who achieved a C or above).<sup>62</sup>

## And so far, teacher numbers are keeping pace with the increase in pupil numbers.

Figure 4.4: Pupil–teacher ratios, 2009–2015



Source: DfE, 'Statistics: School Workforce in England, November 2015', Table 17a

# 15%

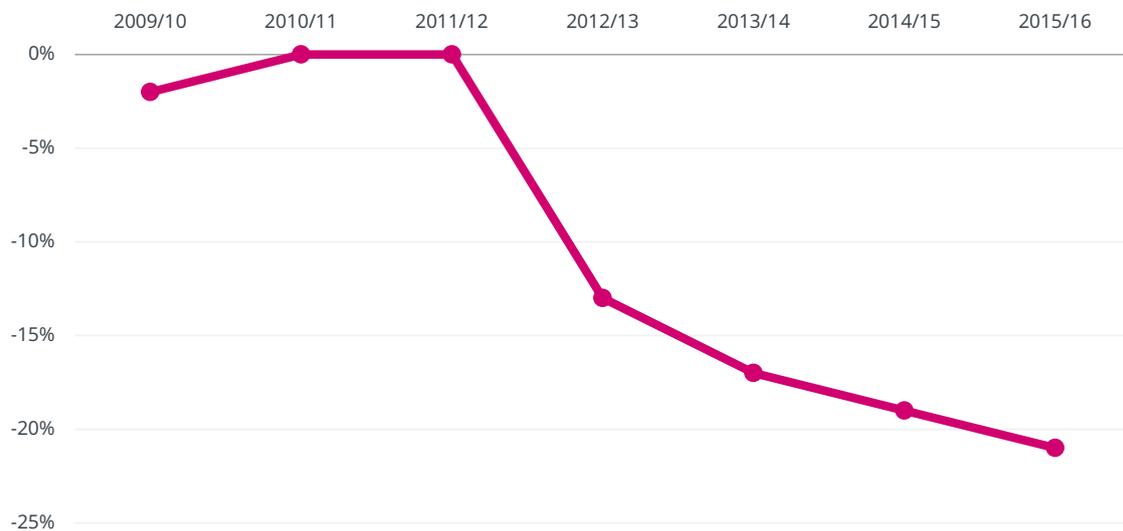
Percentage by which teacher training target in science was missed, 2015/16

The number of teachers per pupil has remained steady at both primary and secondary level since 2009/10. In terms of teacher numbers, the picture is different at the different stages: primary teacher numbers increased (by 11%), as did pupil numbers, while the number of secondary teachers went down (by 5%), as did pupil numbers (by 3%).

If the Government wants to maintain this ratio, and keep pace with the imminent growth in the number of secondary pupils, a sharp upturn in the number of teachers at that level will need to take place. But there are signs that this may not happen.

## But there are not enough new entrants to the profession in certain subjects – last year’s targets for secondary teacher training were missed by 21%...

Figure 4.5: **Comparison of new postgraduate entrants to Initial Teacher Training to target, 2009/10 to 2015/16**



Source: DfE, 'Statistics: Initial Teacher Training – Trainee Number Census', Table 1c

Note: Chart shows data for subjects where the target was missed only, to discount effects of over-recruitment in other subjects.

Ofsted has described teacher recruitment as a 'very real problem'.<sup>63</sup> The NAO noted in February 2016 that while overall teacher numbers have kept pace with pupil numbers to date, vacancies are increasing and teacher training targets are being missed.<sup>64</sup>

Every year, the DfE produces an estimate of the number of new teachers it needs to train (the teacher supply model). For the past four years, the target has been missed – trainee teacher recruitment for 2015/16 was 21% short of the target.

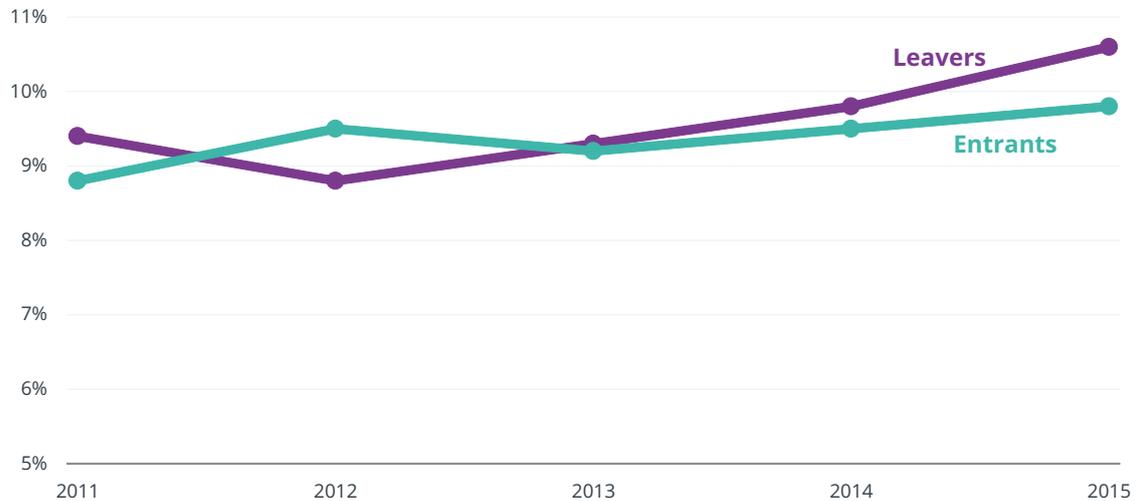
The problem is particularly acute in certain subjects. Last year, the maths target was missed by 174 teachers (7%), the science target by 487 (15%) and the computer science target by 214 (30%).

This has not resulted in large staff shortages within schools. Vacancy rates have more than doubled since 2010, but they remain at less than 1% of the size of the whole workforce.<sup>65</sup> However, these statistics may mask the scale of the recruitment problem. By the time the data is collected in November, headteachers have deployed different strategies to make sure no classes are left without a teacher in front of them – merging smaller classes into larger ones, or using non-specialist teachers for shortage subjects.<sup>66</sup> In one survey from the Association of School and College Leaders, 84% of school leaders reported unprecedented challenges in recruiting teachers.<sup>67</sup>

School leadership is a particular area of concern. A recent report from McKinsey and Teach First projected that by 2022, a shortage of between 14,000 and 19,000 school leaders will affect almost one in four schools – including 40% of the most challenged schools.<sup>68</sup>

## ...and more teachers are leaving state-funded secondary schools than entering them.

Figure 4.6: Entrant and wastage rates for qualified teachers at state-funded secondary schools, 2011–2015



Source: DfE, 'Statistics: School Workforce', Table 7b

Note: Wastage is those in service at the beginning of the year and not in service at the end of the year.

Perhaps more worryingly, the numbers leaving state-school teaching have risen steadily since 2012. The problem is again particularly acute at secondary level, where more teachers are now leaving the profession than entering it. Last year, the equivalent of 9.8% of the secondary teaching workforce entered the profession, but an equivalent of 10.6% left.

The actual number of teachers leaving the profession is therefore well below the high numbers reported to be considering leaving: different surveys have placed this at between 20 and 59%.<sup>69</sup> However, a growing proportion of teachers leaving state schools are of working age. In 2011, 35% of teachers leaving were retiring – by 2015, this figure had shrunk to 20%. This adds weight to the claim that more teachers are leaving because they are unhappy in their job. Teachers in England work on average 48.2 hours a week – higher than almost all other OECD countries.<sup>70</sup>

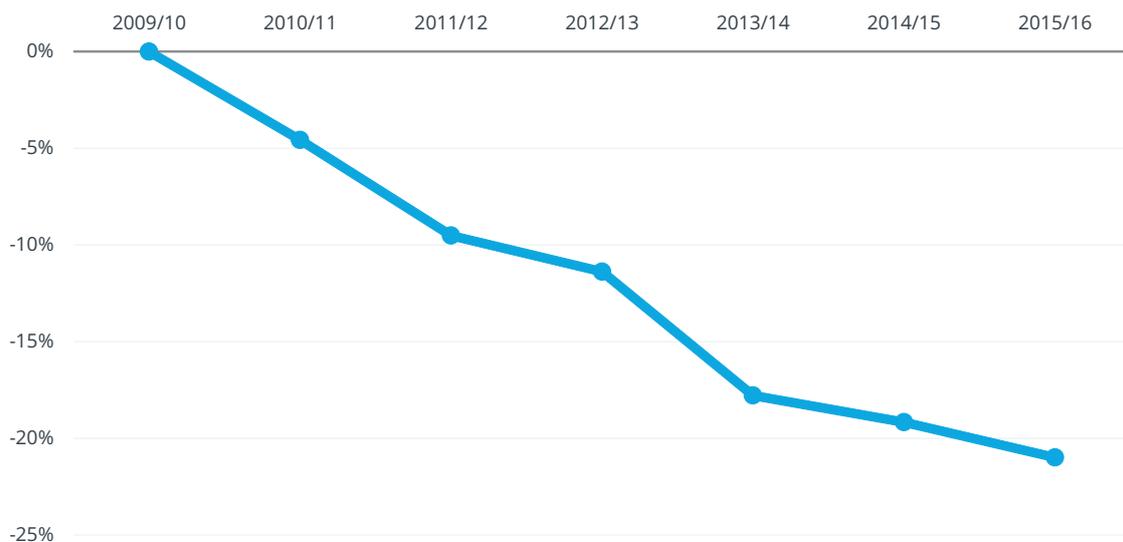
If these recruitment and retention issues at secondary school level are not addressed, then – as pupil numbers go up – pupil–teacher ratios will deteriorate. This will not necessarily harm educational quality; research suggests that class size has a limited impact on pupil performance until it is reduced to under 20.<sup>71</sup> But those teachers must be of a high calibre, teach the right subjects, and be motivated to build a career in teaching and school leadership.

# 5 Prisons

Spending on prisons has fallen over the past six years, leading to a large reduction in the number of prison officers, while the prison population remained the same. A sharp rise in violence and safety concerns eventually forced the Government to announce an additional 2,500 prison officers by 2018.

## Spending on prisons decreased in real terms by 21% between 2009/10 and 2015/16.

Figure 5.1: **Change in spending on prisons in England and Wales (real terms), from 2009/10**

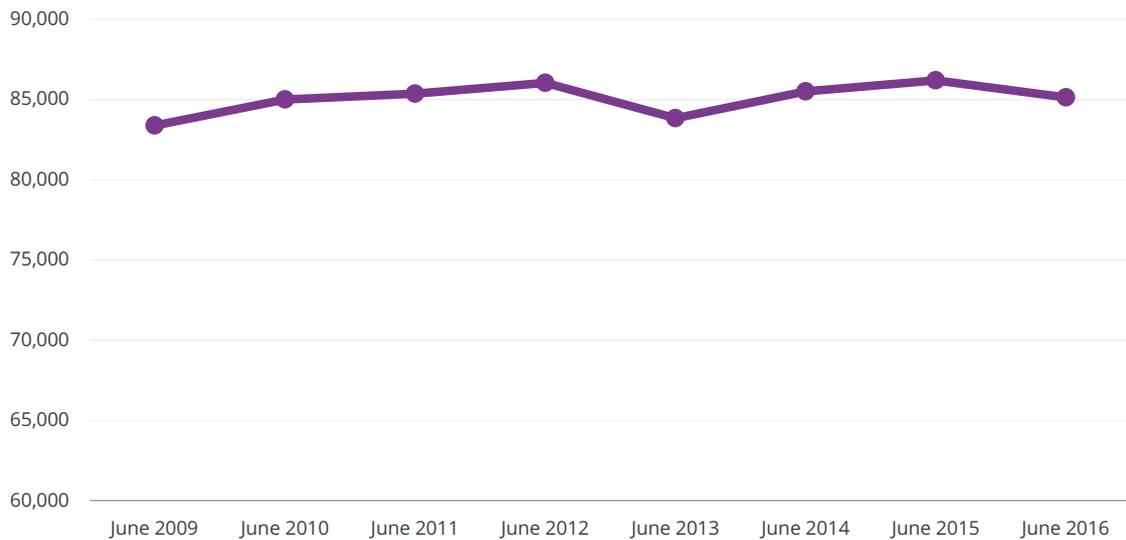


Source: MoJ, 'NOMS Annual Report and Accounts Management Information Addendum: Costs per Place and Costs per Prisoner'

In 2009/10, spending on prisons was £3.48bn. This decreased by 21% to £2.75bn in 2015/16, which accounted for 41% of Ministry of Justice (MoJ) spending (£6.7bn) that year.

## The prison population remained relatively static over the past six years.

Figure 5.2: **Prison population in England and Wales, 2009–2016**



Source: MoJ, 'Offender Management Statistics Quarterly: Prison Population', Table A1.1 (2009–2014), Table 1.1 (2015–16)

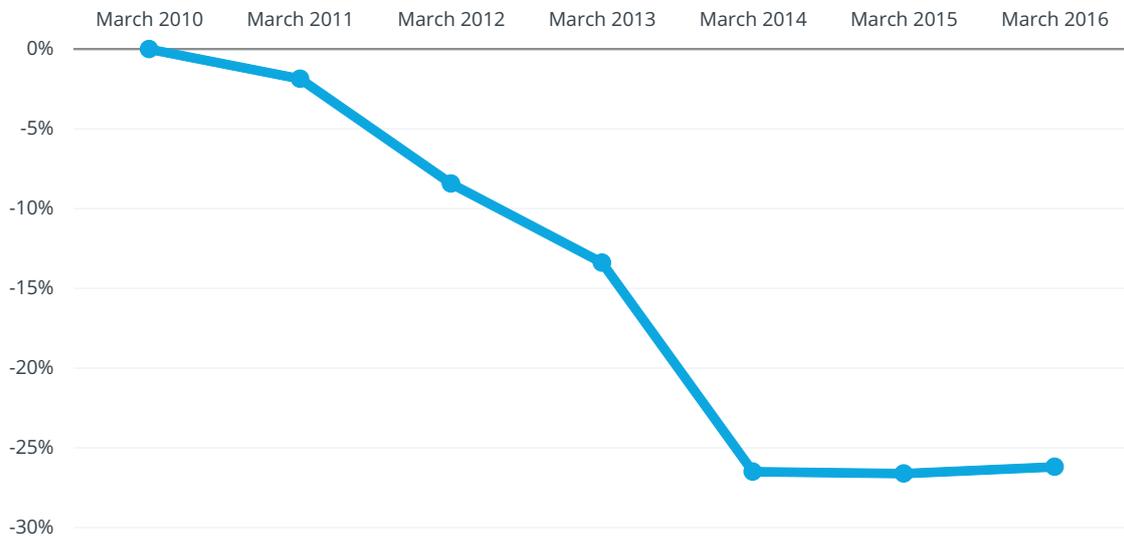
In June 2009, the prison population was 83,391. This increased by 2,657 prisoners to over 86,000 in June 2012; since then, the prison population has remained steady – ending a long-term increase in numbers over the previous decade. As of June 2016, the total prison population was 85,134.<sup>72</sup>

Prisons are not more overcrowded today than they were six years ago. In 2009/10, the prison population as a whole stood at 109% of in-use 'certified normal accommodation' (CNA), the level at which a decent standard of accommodation can be provided to all prisoners. It decreased to 106% in 2012/13 and returned to 108% in 2015/16. This meant that 6,434 more prisoners were held in prisons than they were designed to accommodate.<sup>73</sup>

Although the total prison population has remained the same, and overcrowding is not a new challenge, the complexity of that demand has increased with a more serious mix of offence groups coming before the courts (for example, those committing violence against the person, drug offences and sexual offences). This has made the prison population harder to manage.<sup>74</sup>

## There are now a quarter fewer prison officers than in 2010, responsible for similar numbers of prisoners.

Figure 5.3: **Percentage change in the total number of core operational staff (bands 3–5) (FTE), from March 2010**



Source: NOMS, 'Workforce Statistics Bulletin', Table 3

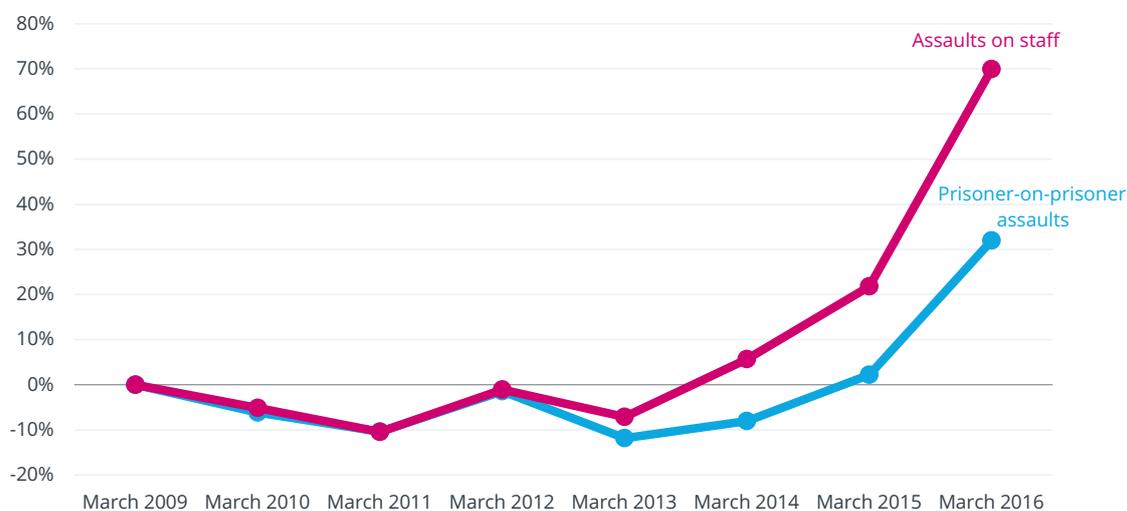
Between 2010 and 2014, the total number of core operational staff in public sector prisons – band 3 prison officers, band 4 officer specialists and supervising officers, and band 5 custodial managers – decreased by over a quarter (27%), from 24,830 in March 2010 to 18,251 in March 2014.<sup>75</sup> Since then, the headcount has remained broadly stable. Alongside the reduction in staff numbers, the National Offender Management Service (NOMS) made changes to pay and terms and conditions (for example, by offering lower starting salaries and freezing pay), and closed down 16 older prisons as part of a wider efficiency drive.<sup>76</sup>

These policies helped to keep spending under control, but strains are now appearing in the workforce. For instance, it is becoming increasingly difficult to recruit and retain experienced officers (many of whom left the service through voluntary redundancy arrangements).<sup>77</sup> The Prison Service Pay Review Body report in 2016 also highlighted staff shortages, increased workloads, unsociable working hours and inadequate pay as common complaints.<sup>78</sup> This is reinforced by the 2016 Civil Service People Survey,<sup>\*</sup> in which less than half (47%) of those who responded felt that they had an acceptable workload, less than a quarter (23%) were satisfied with their total benefits package and only 16% agreed that when changes are made in the prison service, they are usually for the better.<sup>79</sup> Although morale in the prison service has never been high (and has in fact improved since last year),<sup>80</sup> the recent sharp rise in violence is creating an increasingly challenging operational environment.

\* The response rate was 29% (compared with a civil service average of 65%).

## Violence in prisons is rising sharply – assaults on staff have increased by around 70% since 2009.

Figure 5.4: **Percentage change in the number of prison assaults, from year ending 31 March 2009**



Source: MoJ, 'Safety in Custody Statistics, Summary Tables', Table 4, 28 July 2016

Up until 2011/12, safety outcomes were on an upward trajectory (continuing a trend seen since 2006/07). However, in 2014, the direction of travel changed and the situation began to worsen rapidly. Safety outcomes are currently worse than at any time over the past decade, and levels of violence are soaring.<sup>81</sup>

In the 12 months to March 2016, there were 22,195 assaults in prisons – an increase of 40.7% since 2009. During this period, the number of prisoner-on-prisoner assaults rose by nearly one-third from 12,674 to 16,724. However, the sharpest rise was seen in the number of prisoners assaulting staff, which increased by around 70% from 3,191 to 5,423. Of these, assaults designated 'serious' more than doubled, from 282 to 646, with some managers having been taken hostage in their own prisons.<sup>82</sup> In extreme cases, order has completely broken down – as the riots at HMP Bedford and HMP Moorland in November 2016 demonstrate.

Rising levels of violence across the board (see Box 5.1) are placing an already-stressed workforce under severe pressure.<sup>83</sup> The HM Inspectorate of Prisons annual report highlighted that prisons are struggling to resource safer custody teams,<sup>84</sup> and nearly one-third of prisons (29.7%) in 2015/16 did not have effective strategies in place to respond to growing levels of violence.<sup>85</sup>

In November 2016, staff shortages and escalating violence in prisons sparked mass walkouts by prison officers. In response, Chancellor Philip Hammond announced a £104m recruitment drive for an additional 2,500 prison officers by 2018 'to tackle urgent prison safety issues' and help prisoners turn their lives around.<sup>86</sup> The extra prison officers represent a 13.6% increase on the existing 18,327 officers, in effect reversing nearly half of the staff cuts made since 2010. It will take time, however, for new staff to get up to speed and fully operational.<sup>87</sup>

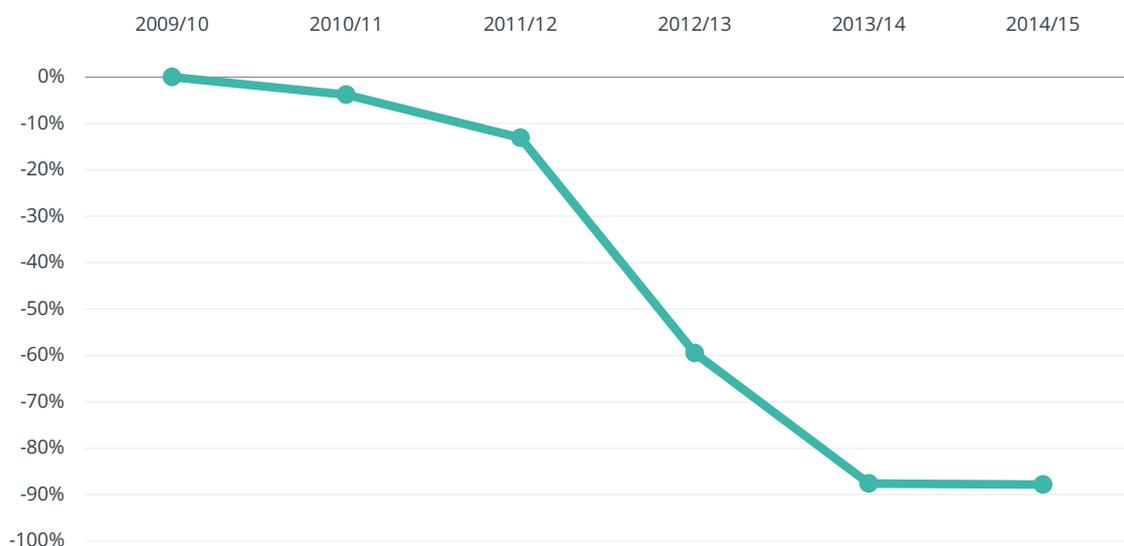
### Box 5.1: Violence in prisons

**Self-harm:** In the 12 months to March 2016, there were 34,586 self-harm incidents – an increase of around one-third on 2009 levels (with over 25% more incidents than in the 12 months to March 2015).

**Self-inflicted deaths:** In the 12 months to June 2016, there were 105 self-inflicted deaths – an increase of two-thirds on 2009 figures.

## Increasing violence in prisons is linked to the prevalence of new synthetic drugs, but there has been a steep drop in the number of offenders completing substance misuse programmes...

Figure 5.5: **Percentage change in the number of completed accredited substance misuse programmes, from 2009/10**



Source: MoJ, 'Accredited Programmes: Prison', Table 2.2

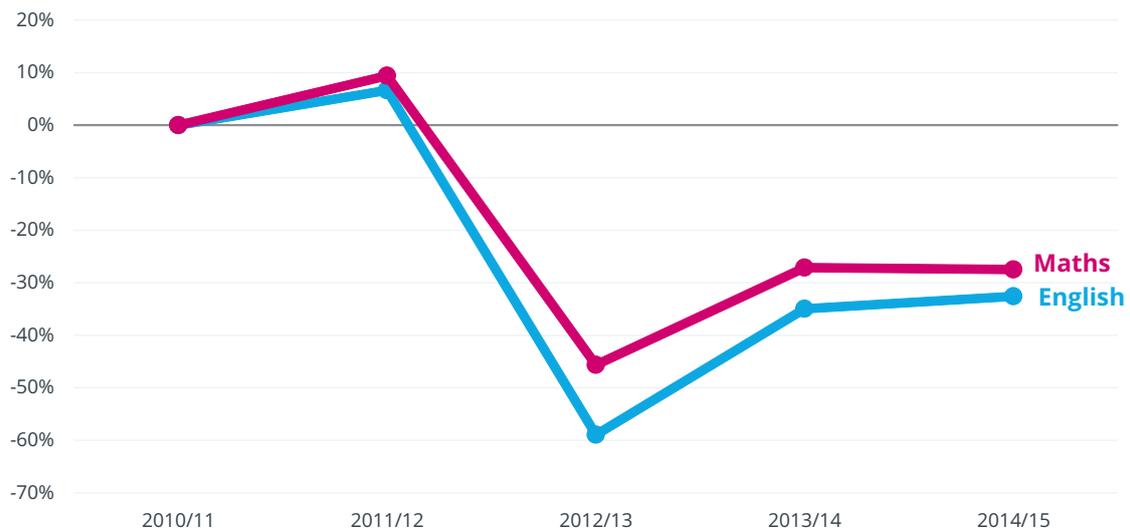
According to HM Inspectorate of Prisons, much of the violence in prisons can be linked to the availability of new psychoactive substances (NPS), which exacerbate problems of debt, bullying, self-harm and violence. The Prisons and Probation Ombudsman recently identified 39 deaths in prisons between June 2013 and June 2015 that can be linked to the use of NPS, but noted that many prisons did not have effective strategies in place to tackle drug trafficking.<sup>88</sup>

Indeed, there have been sharp reductions in the types of activity that could help to tackle drug dependency – for example, there has been an 88% fall in the number of offenders completing accredited substance misuse programmes, from 7,655 in 2009/10 to 931 in 2014/15. The turning point was 2012/13, which marked the largest drop in substance misuse programme completions. This can be partly explained by the transfer of responsibility for funding and commissioning substance misuse interventions from the MoJ to the Department of Health in April 2011.<sup>89</sup>

In November 2016, the Government announced a number of reforms to tackle the drug problem in prisons – for example, by introducing mandatory testing of all offenders on entry and exit from prison and creating ‘no-fly zones’ over jails to address the new use of drones to drop drugs over prison walls.<sup>90</sup>

## ...and prisoners have fewer opportunities to engage in physical exercise, education and work that could aid rehabilitation.

Figure 5.6: **Percentage change in offenders achieving level 1 or 2 qualifications in English and maths, from 2010/11**



Source: Skills Funding Agency, ‘Participation and Achievement by Equality and Diversity and English and Maths Level’

Despite the rhetoric surrounding the Coalition Government’s ‘rehabilitation revolution’, HM Chief Inspector of Prisons has found that acute staff shortages are forcing some prisons to introduce restricted regimes and limit access to purposeful activities, such as physical exercise, education and work.<sup>91</sup> For example, the total number of offenders achieving level 1 or 2 qualifications in English sharply declined by 59% from 11,760 in 2010/11 to 4,830 in 2012/13, while the number of offenders achieving level 1 or 2 in maths fell by nearly half (46%) over the same period, from 10,950 to 5,950. Since then, the rate of achievement has improved, but still remains much lower than in 2010/11.

MoJ and NOMS – soon to become HM Prisons and Probation Service – do have revised plans in place to address these difficult issues. In November 2016, the Secretary of State for Justice Liz Truss announced new measures to support rehabilitation in prisons, including giving governors greater control over education and health budgets.<sup>92</sup>

Time will tell whether this will have an impact on reoffending rates. The latest available data is for offenders released from custody between April 2014 and March 2015 – their reoffending rate was 44.7%. This represents only a 1.1 percentage point fall compared with the previous year, and a 3.9 percentage point fall since 2004.\*

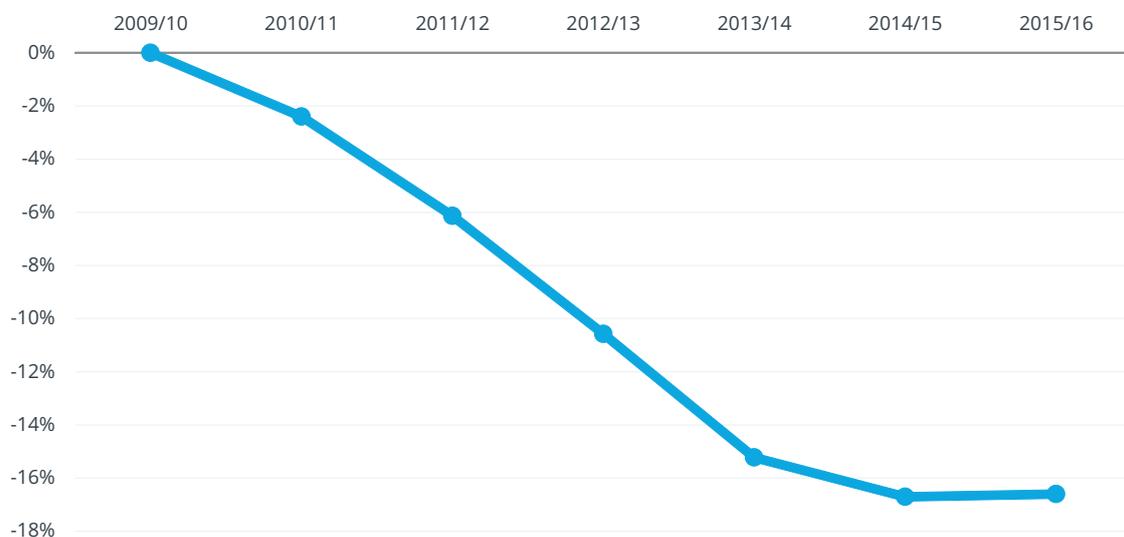
\* For a definition of how reoffending is measured, see Ministry of Justice, *Statistics Bulletin: Proven reoffending statistics quarterly bulletin*, January to December 2014, England and Wales, 27 October 2016, p. 3. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/563185/proven-reoffending-2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/563185/proven-reoffending-2014.pdf)

## 6 The police

The police service successfully implemented large spending reductions over the past six years. Despite fewer police officers on the ground and signs of stress in the workforce, public confidence in the service has grown. Traditional crime, such as burglary, continues to fall, but the rise in cybercrime and allegations of historical sexual abuse are placing new demands on the police and pose a challenge for the future.

### Spending on the police decreased by 17% from 2009/10 to 2015/16.

Figure 6.1: **Change in spending on the police in England and Wales (real terms), from 2009/10**

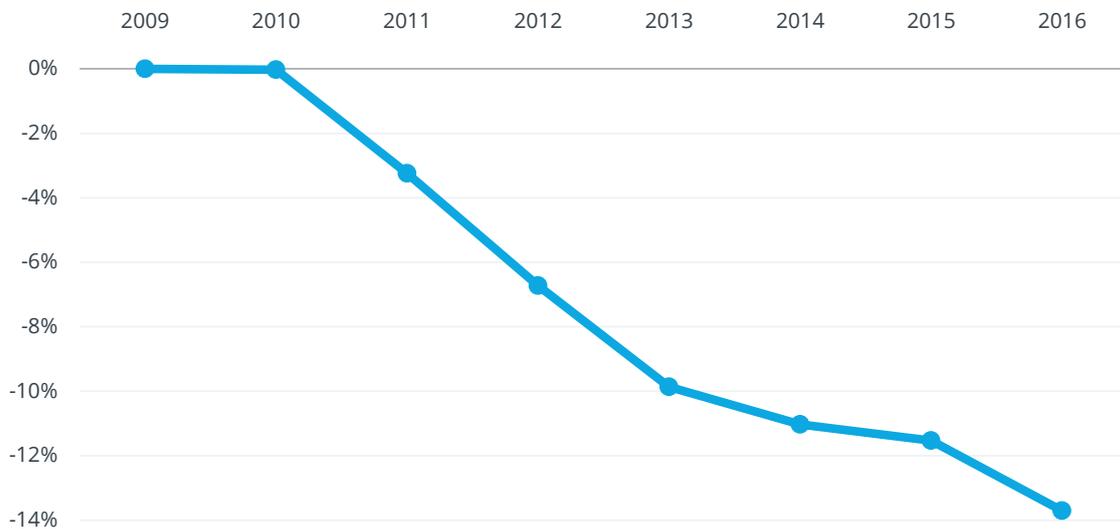


Source: DCLG annual police net revenue expenditure financial statistics

Spending on the police fell from £13.1bn in 2009/10 to £10.9bn in 2015/16. This amounted to a 17% real-terms decrease in spending over six years. Responsibility for implementing reductions was entrusted to 43 individual police forces. The Home Office encouraged collaboration between forces, sharing of best practice and reductions in back-office staff as a means of doing more with less, but a single uniform approach was not mandated.

## The number of police officers fell by 13.7% between 2009 and 2016...

Figure 6.2: **Percentage change in the number of police officers (FTE), from year ending 31 March 2009**



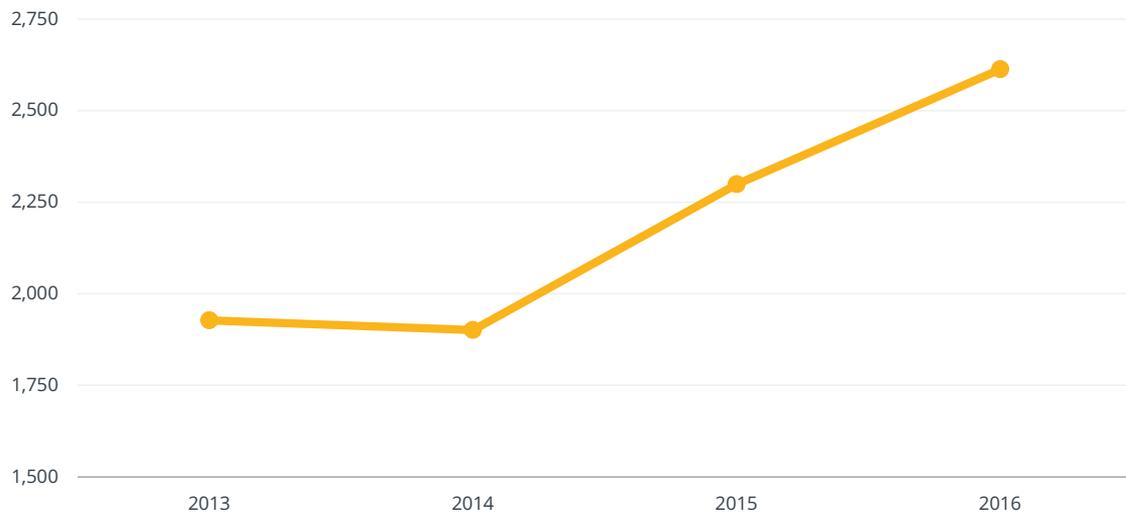
Source: Home Office, Police Workforce Statistical Bulletin, 31 March 2016, Table H3

The workforce is a major component of police spending (the NAO put the figure at 79%),<sup>93</sup> making it an obvious target for spending reductions. Some police forces froze recruitment, and the Winsor Review (March 2016) recommended reducing starting salaries for constables, introducing freezes to pay progression, and removing some allowances.<sup>94</sup>

The reduced size of the workforce has manifested itself most visibly in the area of neighbourhood policing. Her Majesty's Inspectorate of Constabulary (HMIC) found that neighbourhood teams are being stretched as officers are increasingly responding to emergency calls and investigating crime, in addition to their regular prevention and community engagement work.<sup>95</sup> The public has noticed: the percentage of people agreeing that foot patrols had a high visibility decreased from 39% in 2009/10 to 27% in 2015/16.<sup>96</sup>

## ...while the number of police officers on long-term sick leave increased substantially.

Figure 6.3: **Number of police officers on long-term sick leave, 2013–2016**



Source: Home Office, Police Workforce Statistical Bulletin, 31 March 2016, Table W1

There are signs of stress among the workforce. The number of officers on long-term sick leave grew by 35% from 1,928 in 2013 to 2,613 in 2016. As a proportion of the workforce, this represents an increase from 1.5% to 2.1%.

In each of the past three years, over half of police officers who responded to the Police Federation of England and Wales annual survey said their own morale was low.<sup>97</sup> This peaked in 2015 at 70% but returned to 56% in 2016 – a level comparable to 2014. Reasons for low morale included pay and benefits, work-life balance, workload and responsibilities, and health and wellbeing.<sup>98</sup> In 2016, the Police Remuneration Review Body echoed concerns about morale and observed that police officers felt that they were 'not being valued by government and wider society, particularly through changes to pay and conditions and continuing pay restraint'.<sup>99</sup>

Despite obvious issues around wellbeing and morale, the review body found that the supply of police officers has held up, with applicants outstripping the number of available places. Officer attrition rates are also holding steady, at 5.8%.<sup>100</sup>

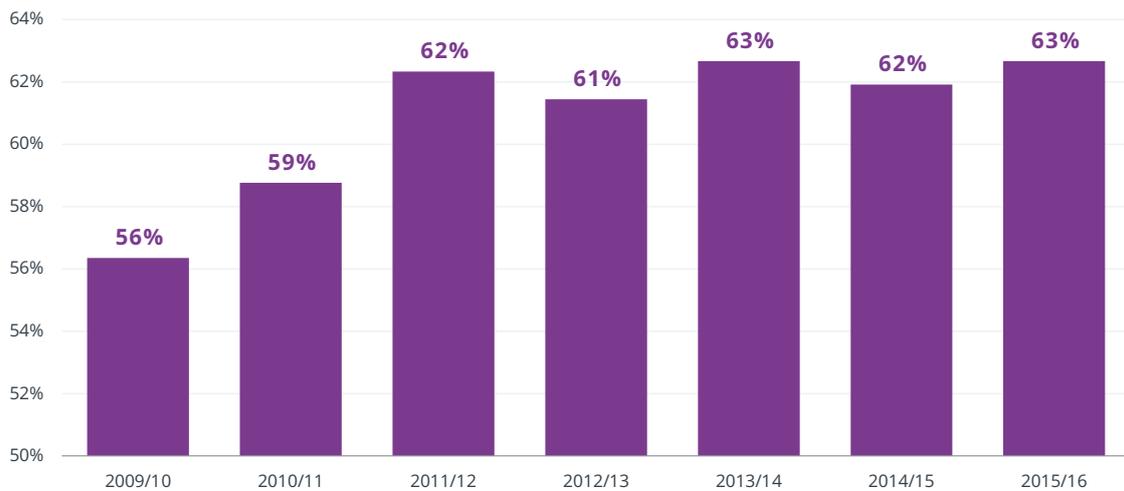
## However, public confidence in the police has grown, against the backdrop of less recorded crime...

Compared with other services (for example, operations in hospitals or exam results in schools) there is a lack of an objective measure of 'output' for the police. In the absence of such a measure, crime levels (which have been declining since 1995, according to recorded crime rates in the Crime Survey for England and Wales) are often mistakenly viewed as a proxy for police performance. However, crime rates are not actually a reliable indicator of police performance. For example, a decline in vehicle theft could be attributed to enhanced security features developed by car

manufacturers, as much as to police behaviour. Furthermore, changes to the way crime is recorded make comparisons between years difficult and can lead to sudden spikes in volume that do not reflect an actual increase in offences.

Difficulties in measuring police output mean that the most reliable indicators of police performance are public perceptions. A high and sustained level of public support for the police is necessary for the British model of policing by consent, where legitimacy derives 'not from fear but almost exclusively from public co-operation'.<sup>101</sup> The job of the police would be significantly harder without broad public support.

**Figure 6.4: Percentage of people rating the police as 'good' or 'excellent', 2009/10 to 2015/16**



Source: ONS, Crime Survey for England and Wales, 'Trends in ratings and perceptions of the local police', March 2016, Table S4

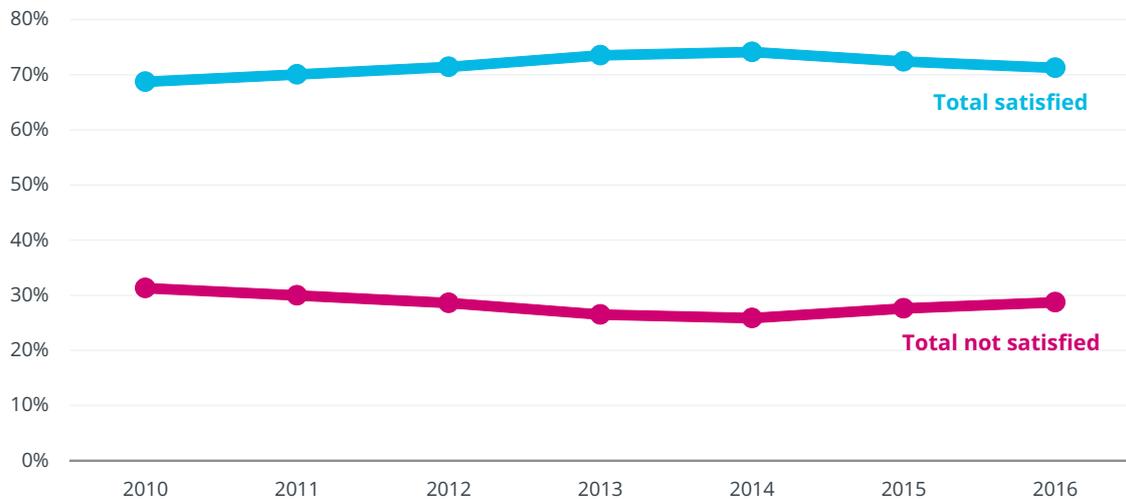
The data suggests a positive trend in this respect. The percentage of people who think the police are doing a good or excellent job rose by six percentage points from 56% in 2009/10 to 63% in 2015/16, rising sharply up to 2012 and holding steady through to 2016 as spending fell.

This is reinforced by an increase of nine percentage points over the past six years, from 59% to 68%, in confidence in the effectiveness and fairness of the criminal justice system (of which admittedly the police are but one element).<sup>102</sup>

However, most people do not have regular interaction with the police. Recent polling (separate from the Crime Survey for England and Wales) commissioned by HMIC found that 27% of the general public were unable even to express a view on whether they were either satisfied or dissatisfied with their local police.<sup>103</sup> As a result, it is arguably more important to assess perceptions of the police among victims – those who have the most interaction.

## ...and victims' satisfaction with the police has remained stable since 2009.

Figure 6.5: **Victims' satisfaction with the police, 2010–2016**

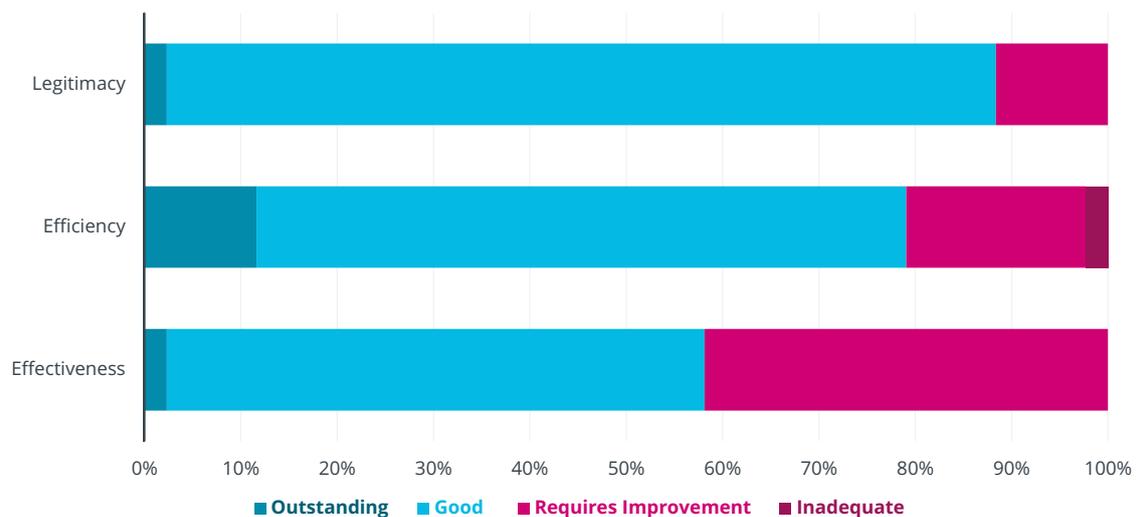


Source: ONS, Crime Survey for England and Wales, 'Trends in victim satisfaction with the police', Table S13

Despite reductions in spending and staff numbers, the percentage of incidents where victims reported a crime to the police, and were satisfied with how the matter was handled, remained steady during the past six years. The total percentage of incidents in which victims said they were fairly or very satisfied with the police increased slightly, from 69% to 71% over the six years, while the number of incidents where victims were not satisfied decreased slightly, from 31% to 29%. Victims' perceptions are a strong indication of how effectively the police are managing to respond to the demands they face across different types of crime.

## Police performance has held up, with most forces judged by the inspectorate as good or outstanding.

Figure 6.6: **HM Inspectorate of Constabulary police effectiveness, efficiency and legitimacy (PEEL) assessments of police forces, 2014/15**



Source: HM Inspectorate of Constabulary, *State of Policing: The annual assessment of policing in England and Wales 2015*

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Victim and public perceptions of police performance are reinforced by the inspectorate's assessment. Last year (2015/16) saw the first complete cycle of HMIC's new PEEL inspections, which consider the effectiveness, efficiency and legitimacy of police forces.\* The majority of police forces were rated outstanding or good in each of the three pillars: 88% on legitimacy, 79% on efficiency and 58% on effectiveness.

In order for the police to improve their effectiveness (18 forces were rated as 'requires improvement' in this area), HMIC wants forces to reallocate resources and adapt their skill set to meet the changing nature of the demand they face. Since 2009/10, recorded crime for 'traditional' offences, such as robbery and drugs, has decreased by 32% and 39% respectively, while sexual offences (and more recently high levels of historical allegations) have increased by 105% over the same period.<sup>104</sup> These crimes are seen as more complex and resource intensive to investigate, and require new thinking about what the appropriate skill set for the workforce should be.

At the same time, the volume of incidents in which the police operate almost as the 'service of last resort' – including responding to calls about individuals' welfare – has been widely commented on by HMIC, the NAO and the Home Affairs Select Committee. The College of Policing's work on the totality of police demand has indicated that around 83% of command and control calls are non-crime-related incidents.<sup>105</sup>

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\* A force's *effectiveness* is assessed in relation to how it carries out its responsibilities, including cutting crime, protecting the vulnerable, tackling antisocial behaviour, and dealing with emergencies and other calls for service. A force's *efficiency* is assessed in relation to how it provides value for money. A force's *legitimacy* is assessed in relation to whether the force operates fairly, ethically and within the law. See HM Inspectorate of Constabulary, *State of Policing: The annual assessment of policing in England and Wales 2015*, February 2016. <https://www.justiceinspectors.gov.uk/hmic/wp-content/uploads/state-of-policing-2015.pdf>

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# 7 Assessing the performance of public services

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The previous five chapters assessed what happened to each of the five public services between 2009/10 and 2015/16. This chapter draws the data together, to provide an overall assessment of performance.

It begins by reviewing spending, and the Government's ability to maintain control of this. An assessment of public service performance has to look well beyond the amount of money being spent, and the chapter therefore pulls together information on three other factors:

- **Demand:** We need to know what is happening to the 'gap' between spending and the demand for services. An increase in spending is in effect a cut if it is accompanied by an even larger growth in demand.
- **Efficiency:** A gap between spending and demand does not have to mean a decline in scope or quality, if the Government can find ways to achieve more with the public's money.
- **Scope and quality:** If the Government fails to make the efficiency changes needed to bridge the gap between spending and quality, standards will decline, or people will be forced to wait for – or do without – access to services.

The chapter ends by considering some lessons that can be learned from the implementation of Spending Review 2010.

## **Government largely controlled spending and prioritised our five services, though by 2015–16 major deficits had emerged in hospitals.**

Austerity provides the overall backdrop for the five stories we tell in this report, but that does not mean that all the services we have looked at had their funding slashed. We estimate that across the five – hospitals, adult social care, schools, prisons and the police – the total change in spending was in fact a 6.2% increase. This ranged from a 21% real-terms reduction in prisons to an increase of 15% for hospitals.

For the vast majority of the period, none of the departments overseeing these services overspent its planned day-to-day spending budgets.\* Spending levels were in line with those set at Spending Review 2010. There were two exceptions – MoJ received extra money from the reserve, following the cancellation of planned sentencing reforms in 2011; and in 2015/16 hospitals were running record deficits of over £2bn, though the Department of Health managed to remain within budget.\*\*

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\* Note that the DfE has in recent years overspent on its capital budget, in relation to a privately financed school building programme.

\*\* Although the Comptroller and Auditor General Sir Amyas Morse noted that, while the Department of Health remained within budget, it had 'again used a range of short-term measures to manage its budgetary position but this is not a sustainable answer to the financial problems which it faces'. <https://www.nao.org.uk/report/reports-on-department-of-health-nhs-england-and-nhs-foundation-trusts-consolidated-accounts-2015-16/>

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Within these departmental budgets, our frontline services were protected from the hardest edge of austerity. In all cases, the spending reduction at the level of the service was lower (or the increase higher) than in the Whitehall department overseeing that service.

## **Large gaps between spending and demand arose in policing, prisons, adult social care and more recently in hospitals.**

Alongside the change in spending, there were major shifts in the demand for services between 2009/10 and 2015/16.

In adult social care, prisons and the police, around a 20% 'gap' emerged between actual spending and the counterfactual level that would have been required in 2015/16 if spending had risen in line with demand.

- There was a rise in demand for adult social care, with growing numbers of over-65s (up by 16% in the past six years) and of working-age adults with long-term needs. At the same time, spending fell by 6% in real terms.
- In prisons, demand remained relatively constant, with roughly the same number of prisoners over the time period. But spending fell by over 20% in real terms.
- Demand in policing is harder to measure, but the overall population increase, around 5% during the period, could be said to have put pressure on this 'public good' service. This compares to a 17% real-terms fall in spending.

There were much smaller differences between spending and demand in hospitals and schools.

- Initially, demand in hospitals rose in line with spending: funding rose by 8% in real terms up to 2013/14, with activity in hospitals rising 11% over the same period.<sup>106</sup> But the consistent rise in A&E waiting times since 2013 suggests that relentless increases in demand have outstripped the service's ability to deliver, despite the continued increases in spending.
- While schools faced an increase in pupil numbers, they fared relatively well compared with other services. Pupil numbers (up 6% overall) rose by around the same amount as spending (up 7% in real terms).

## **Substantial efficiency improvements bridged the gaps in policing, and in prisons up to 2013, with smaller improvements in hospitals and schools.**

A gap between spending and demand does not have to mean a decline in scope or quality, if government can find ways to raise the efficiency of public services – to do more for less. We can look at two aspects of this: making economies and raising productivity.

**Making economies.** This is essentially about buying things cheaper. It involves reducing the amount paid for the people, goods and services used to produce the service. If prices or wages are lowered, then the same service can be produced for less money.

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Most of the money public services spend goes on wages: pay bills typically account for around 70% of the cost of providing public services. In all five of our services, median wages have grown at a slower rate than for the economy as a whole, and have fallen in real terms. For example, data from the Annual Survey of Hours and Earnings shows that median wages for police officers grew by 7% in cash terms, and median wages for prison officers grew by only 2.5% between 2009 and 2016. This compares to an increase of 11% across all jobs in the public and private sectors.

In other areas, the prices paid for goods and services have also fallen. For example, local authorities have reduced the amount paid for privately provided care places by around 6% since 2011.

**Raising productivity.** This is essentially about doing things better. It involves increasing the amount of a service that is produced by a given number of people or assets (say, prisons or schools). There are lots of ways to raise productivity, from simply using staff time better to developing a completely new technology to deliver the service.

We can get a sense of how much productivity might have been improved, by comparing the actual cost of providing a service with the counterfactual of how much it would have cost to provide if it hadn't. Given changes in demand, how much would services have cost to provide if they had continued to convert inputs to outputs at the same rate? This exercise suggests there could have been substantial increases in productivity across our five services.

This is most striking in the areas that faced the biggest reductions in expenditure, with prisons holding roughly the same number of prisoners for around 20% less than the counterfactual cost, and policing achieving the same level of public satisfaction for around 10% less. The numbers suggest that more modest improvements in productivity were achieved in hospitals, and increases in efficiency in schools that were reversed as spending continued to increase in later years. There was little evidence of improvements in productivity in adult social care.\*\*

**Efficiency or poorer quality?** Through both economies and productivity increases, the Government potentially managed to do more for less in many areas. But to establish whether there were actual efficiencies, we need to assess one other factor – quality. A service that is making efficiency gains will do the same (or more for less) to the same standard. Quality is, by its nature, hard to measure, but in the preceding chapters, we found a range of proxy measures to capture what might be happening.

Again the patterns vary, with the most striking divergence in the criminal justice system.

- The police faced the challenge of 17% spending reductions, which was managed without an apparent drop in service quality. This suggests that there were indeed substantial improvements in efficiency in policing across the period.

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\* All other elements – specifically the levels of activity, prices and wages – are the same as what actually happened in the counterfactual.

\*\* Indeed the ONS's Public Service Productivity Estimates 2014, the latest figures available, show productivity falling within adult social care over the period 2009–2014. <https://www.ons.gov.uk/economy/economicoutputandproductivity/publicservicesproductivity/articles/publicservicesproductivityestimatestotalpublicservices/2014>

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- For prisons, initially our proxies for quality hold up, again suggesting substantial improvements in efficiency. But from 2014 onwards, there was a clear and rapid deterioration in the indicators relating to violence and safety. There was also a fall-off in the provision of programmes that may be related to rehabilitation, for example there was a drop in the number of prisoners gaining formal level 1 and 2 qualifications. It is clear that the seeming improvements in efficiency within prisons after 2014 were in fact largely a deterioration in quality.

In hospitals and schools, it appears that the modest improvements in efficiency were real.\*

- In hospitals, for those actually receiving treatment, the data suggests that quality was holding up. For example, the number of patients contracting bacterial infections (e.g. MRSA and Clostridium difficile) and developing pressure ulcers decreased year on year. Similarly, satisfaction levels among service users hardly changed.
- The same is true for schools, which managed to keep teacher–pupil ratios and academic standards consistent.

So where did improvements in efficiency manage to bridge the gap between spending and demand? It appears that improvements in efficiency bridged the large gap in policing throughout the period, and the similarly large gap in prisons in the earlier years. In schools, there was no sustained gap between spending and demand, and relatively minor changes in efficiency.

## **Reductions in scope and quality were used to bridge the gap in adult social care throughout, and from around 2014 onwards in hospitals and prisons.**

In three other areas, however, efficiencies were not enough to bridge the gap between spending and demand. Here it is clear that the scope and quality of services took the strain.

In adult social care, the pressures have largely manifested themselves in formal restrictions on people’s ability to access services. Between 2010/11 and 2013/14 the proportion of councils paying for services for people with low or moderate needs fell to just 13%. There was a 25% reduction in the numbers receiving support – and since then, there appear to have been further reductions. There have also been knock-on effects from these restrictions. They are increasingly leading to delayed transfers from the NHS as people end up staying in hospital longer than necessary, waiting for care packages in their home or the community. This is damaging for individuals and places further pressure on the hospital sector.

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\* This is broadly in line with the ONS’s estimates. These show productivity rising in health (a wider measure than just hospitals) up to 2014. In education (again a wider measure than just schools), productivity rose up to 2012, but these gains were reversed in the period 2013–14. There are no estimates available for 2015 onwards.

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Hospitals, unlike adult social care, in most cases cannot directly restrict access to services by raising the eligibility threshold, given that the NHS is 'free at the point of delivery' for everyone.\* Rather than formally restricting access to services, they are simply requiring people to wait longer for them, while running up deficits as activity outstrips spending. The A&E four-hour target for admission, transfer or discharge has not been met on a quarterly basis since December 2012; the standard for treating cancer patients within 62 days of an urgent GP referral was breached for the first time in March 2014 and has been declining since; and the proportion of patients waiting more than 18 weeks to begin treatment for non-urgent conditions has been consistently below the target since March 2016 – the worst performance since the target was introduced in April 2012.

For prisons, we have already seen that a deterioration in quality, specifically around safety and security, was clear post-2014, setting the service on an unsustainable course. The reductions in staffing in this period were not a sign of efficiencies being achieved, but a change that would eventually have to be reversed.

## **The Spending Review 2010's hard budgets succeeded in the short term, but did not stimulate the transformation needed in the longer term.**

Our review of the performance of five key public services suggests that, despite predictions to the contrary, the 2010 Spending Review was successful in controlling spending and achieving efficiencies for the first three to four years, and still appears to be achieving this for policing. How was this possible? Three key factors explain this:

1. The Government set hard budgets and stuck to them. Settlements in the 2010 Spending Review (and the 2013 Spending Round that covered only 2015/16) were not reopened. Departments were clear about their resource limits and understood that the Government's commitment to deficit reduction would not allow for any increase.
2. The high levels of spending growth – by historical standards – in the 2000s meant that at least initially there were some easy savings to go for, including reductions in administrative costs. All the services we looked at were able to reduce or constrain staffing costs in the early years without any apparent impact on quality, reversing or slowing the rapid growth in the previous 10 years.
3. The ability to hold down pay and, perhaps to a lesser extent, other input prices such as the fees paid to social care providers, may in part have been made possible by the relatively weak growth of earnings in the rest of the economy.

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\* Although some NHS commissioners are beginning to consult the public on explicit rationing of things such as over-the-counter medicines and IVF. See Robertson, R., 'NHS rationing under the radar', blog, The King's Fund, 17 August 2016. <https://www.kingsfund.org.uk/blog/2016/08/nhs-rationing-under-radar>

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These factors, coupled with the targeting of expenditure on the front line, worked in the short term. But it is clear that not enough action was taken during this period to fundamentally change the way public services were delivered – for example, by reducing demand, making better use of IT, or integrating services. Changes to people’s behaviour and the way the NHS works have not succeeded in controlling hospital admissions.<sup>107</sup> The MoJ’s plans to introduce sentence ‘discounts’ for early guilty pleas – and save £130m in the process – were dropped in 2011.<sup>108</sup> Plans to integrate health and social care following the 2012 Lansley reforms have had little national impact, with delays in hospital discharges increasing dramatically.

Such changes are politically and organisationally challenging. They might not have proved necessary had 2014 marked the end of austerity, as was originally planned. But the economy performed far worse than expected. The strains caused by services simply tightening their belts began to show in the run-up to the 2015 Spending Review. Government was increasingly relying on unsustainable factors, including falling quality, explicit rationing and increased queueing, in prisons, adult social care and hospitals respectively. Looking back from 2017, with further spending reductions tabled and economic uncertainty ahead, the early years of austerity look like a missed opportunity.

The next chapter looks at what has happened as the 2015 Spending Review has been implemented, and in light of this, what the Chancellor should do in the coming Budget.

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## 8 Addressing the pressures and embedding efficiency

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After five years of austerity, during which UK government spending fell by 2.8%, the 2015 Spending Review set out plans for a second round of spending reductions.\* In November 2015, over £10bn was earmarked to be removed from departmental budgets in real terms by 2019/20.<sup>109</sup>

### Spending Review 2015 settlements were not driven by the data.

As the last chapter showed, significant demand and quality pressures – particularly in hospitals, adult social care and prisons – were already clearly evident at this time. But there is little sign that the settlements handed to departments were fundamentally driven by an assessment of how services had fared after 2010.

The MoJ received a 15% real-terms cut, with no protection for **prisons** despite spiralling violence. The funding settlement for local government was complex, but the net result was no real increase in funding for **adult social care**, despite continued growth in demand and accelerating problems in discharging people from hospitals. The NHS received extra real-terms funding, front-loaded into 2016/17, but much of this was absorbed in meeting the **hospital** deficits being run in 2015/16.

In schools and the police, there were fewer immediate pressures evident in the data in the run-up to the 2015 Spending Review: pupil attainment was holding up, as was public confidence in the police. Yet in both of these areas spending was protected, with police and schools budgets flat in real terms (i.e. broadly similar to adult social care, which faced severe pressures).

### The circumstances in which Spending Review 2015 must be implemented are more challenging than in 2010.

Spending Review 2010 was largely implemented successfully, at least for the first three to four years, as the last chapter showed. But the challenge for the Government in 2015 was much tougher. Many public services already faced large pressures that had built up over the preceding years, in contrast to 2010, which had been preceded by historically high levels of spending growth. The easy efficiency gains – holding down staff numbers and costs – had largely already been made.

Since the Review, the pressures have only intensified, pushing services such as adult social care and hospitals towards breaking point, and in the case of prisons beyond it. Governments of all shades have long promised to transform public services by reducing demand, making better use of technology and finding new ways of working.

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\* Figures are for Total Managed Expenditure (TME) and are taken from HM Treasury's Public Expenditure Statistical Analyses (PESA) 2015, Table 1.2.

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But the growing pressures on services show that these ambitions have yet to be realised. **The Government has failed to develop alternative strategies** – new ways to manage demand or make services more efficient – and has continued to pursue belt-tightening approaches that in many cases have already run their course.

## **The Government is struggling to implement the 2015 Spending Review, and has been forced into emergency action on prisons and adult social care.**

In the 18 months following the Spending Review, the Government was twice forced into **emergency action in response to public concern**, providing more cash in the short term to bail out troubled services.

- An injection of money was granted to the MoJ at the 2016 Autumn Statement to pay for 2,500 new prison officers – in effect reopening the 2015 Spending Review settlement less than a year after it was agreed.
- Within a month of the 2016 Autumn Statement, which was widely criticised for making no mention of social care, the Government announced further flexibility for local authorities to increase council tax in 2017 to help fund social care.

Given the depth of the problems in these services it will take more than cash bailouts to turn the situation around. The MoJ's additional spending cannot immediately alter the situation within prisons, as the 12-hour riot at HMP Birmingham in the weeks following the Autumn Statement and the recent BBC investigation into the state of prisons showed.<sup>110</sup> The Prime Minister herself admitted that the Government's recent action on social care does not constitute a long-term solution. Surrey County Council proposed (and then withdrew) plans to offer a local referendum on further council tax increases.<sup>111</sup>

The Government has continued to hold fast to its approach to NHS funding and transformation, despite calls for a new direction from the chief executive of the NHS, sector advocates and experts.<sup>112</sup> Following a challenging winter for hospitals, the warnings have recently become louder. Lord Carter, who produced the Government's independent review of NHS productivity, recently stated that: "We need to be incredibly proud that our hospitals are running so hot, and yet they haven't broken... This is like being [in] a war actually... but you can't continue on a war basis forever."<sup>113</sup> Sir Robert Francis, author of the report into catastrophic failures of care in Mid Staffordshire, said in mid-February 2017 that there was a risk of such failures being repeated as the NHS faced an "existential crisis".<sup>114</sup>

Jeremy Hunt, the Secretary of State for Health, has acknowledged that there are "extraordinary pressures" and characterised some performance as "completely unacceptable". In this context, the Government may look to revise its plans around the time of the Budget.<sup>115</sup>

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## The Government must address the pressures it currently faces and make longer-term reforms to embed efficiency within its decision-making.

The Government cannot continue to bounce from crisis to crisis in this way. Without action, within two years it could face a disastrous combination of failing public services and breached spending controls, against a background of deeply contentious Brexit negotiations. Therefore, in the coming Budget, on 8 March, the Government must address:

- areas such as **prisons and social care**, where it has already taken emergency measures. For prisons, this should involve ensuring that there are enough resources to operate the prison estate safely and securely. Any further cuts are unlikely to come through greater efficiency, and would instead require a substantial reduction in prisoner numbers, whether through sentencing reform or major improvements in reoffending rates. For social care, the sector needs a clear direction of travel, following the postponement of the Dilnot Review implementation and the slow pace of genuine health and social care integration.
- areas where pressure is building, most importantly in **hospitals**. The potential efficiencies outlined in the Carter Review need to be realised. But these have only ever been part of the solution. The NHS STPs – regionally derived plans to maintain and improve the quality of local healthcare services within current spending envelopes – are nowhere near the concrete organisational (and political) plans needed to prevent recurring overspending and service deterioration over the next two years. The Government must show how STPs can deliver, or find a new approach, before the freeze in NHS funding built into the next two years' plans really bites.
- the need to improve efficiency across the board, setting out progress on its **Efficiency Review**.<sup>\*</sup> The Government needs this to be a serious, data-driven exercise. It should use information such as that in *Performance Tracker*, alongside wider findings, such as those of its What Works and the Infrastructure and Projects Authority. Instead of repeating aspirations to transform services, it should analyse why transformation has not occurred in the past and develop strategies that can succeed this time around. And it must take seriously the emerging signs of pressure, such as recruitment problems in teaching and rising stress levels in the police. The Efficiency Review should also build on the recent work to improve Whitehall's finance function. This has developed new processes for understanding spending, and where there are potential improvements in efficiency, within and across departments, which can greatly help the Review.<sup>116</sup>

Addressing these issues – and ensuring the long-term sustainability and quality of public services – will require informed decision-making. Spending decisions tend to be tactical in the short term and overlaid with optimism bias in the medium to long term.<sup>\*\*</sup> All governments tend to focus on the next year and, beyond that, assume the

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<sup>\*</sup> Initially announced in George Osborne's 2015 Budget speech, Philip Hammond has also committed to this new initiative to find £3.5bn of efficiency savings by 2019/20 and 'embed a culture where incremental improvements in the efficiency of public services are made year on year'. Cabinet Office, 'Government announces efficiency savings for 2015/16', 3 February 2017, <https://www.gov.uk/government/news/government-announces-efficiency-savings-for-201516>

<sup>\*\*</sup> In this vein, the Comptroller and Auditor General, Sir Amyas Morse, in a recent speech at Kings College London, pointed to a series of problems with the sustainability of public services which, in his view, had not been reflected in central government decision-making, <https://www.nao.org.uk/wp-content/uploads/2017/02/CAG-speech-Kings-College-London-070217.pdf>

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best possible outcomes, understating risks and assuming everything will work exactly as planned, while plugging any gaps between demand and resources with often heroic efficiency assumptions. This approach should be turned on its head.

The analysis in this report shows that the data provides leading indicators, which demonstrate there are major pressures ahead. However, it is striking that a Performance Tracker-type exercise is not performed systematically in the Treasury or elsewhere: the NAO and PAC have both highlighted the lack of consistent framework for planning and assessing performance within government.<sup>117</sup> Nor is there an independent body that does this, in the way that the Office for Budget Responsibility scrutinises the assumptions behind the Government's tax and benefit spending forecasts.

The Government should therefore consider how it can embed efficiency within public sector decision-making. It is in ministers' and the public's interest to prevent wishful thinking, and to stop pressures building to breaking point. Therefore, we recommend that:

1. The Chancellor should instruct the Treasury, working with departmental finance and analytic professionals, to develop its own Performance Tracker, matching spending in public services to an assessment of demand, scope and quality. This should be used as the basis for developing and managing improvements in efficiency over time.
2. The Treasury should publish this Tracker or, at a minimum, make the key assumptions underpinning spending decisions public and available for scrutiny by Parliament.
3. The Government should subject these assumptions to independent review to assess their viability, potentially through an 'OBR for public spending'.

This is about more than just identifying warning signs of potential service failure. It is about driving performance improvements in the public sector. The Chancellor and the public need to know the real consequences of spending decisions, and understand where further efficiencies may or may not be possible, so that public money can be used as effectively as possible.

The Government is struggling to implement the 2015 Spending Review. At this point, the pressures on services are real and easy to identify, and it has already been forced to spend more than it planned on prisons and adult social care. Politically, the Government is bouncing from crisis to crisis, showing few signs of getting to grips with the situation.

Without action, we could face a disastrous combination of failing public services and breached spending controls just as we exit the European Union in 2019. In the upcoming Budget, the Chancellor cannot choose to simply 'tough it out' as he did in the Autumn Statement, largely eschewing reference to the mounting pressures in public services. He must lead the Government in a hard-headed assessment of where it is, and what it needs to do to get its plans back on track.

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# Abbreviations

Abbreviation	Description
A&E	Accident and emergency
ADASS	Association of Directors of Adult Social Services
CCG	Clinical commissioning group
CIPFA	Chartered Institute of Public Finance and Accountancy
CNA	Certified normal accommodation (prisons)
CQC	Care Quality Commission
DCLG	Department for Communities and Local Government
DfE	Department for Education
FTE	Full-time equivalent
GCSE	General Certificate of Secondary Education
GP	General practitioner
HCHS	Hospital and Community Health Service (statistics on NHS workforce in England)
HMIC	Her Majesty's Inspectorate of Constabulary
HMP	Her Majesty's Prison
HMT	Her Majesty's Treasury
IT	Information technology
MoJ	Ministry of Justice
NAO	National Audit Office
NHS	National Health Service
NICE	National Institute for Health and Care Excellence
NOMS	National Offender Management Service
NPS	New psychoactive substances
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
OSCAR	Online System for Central Accounting and Reporting
PAC	Public Accounts Committee
PEEL	Police Effectiveness, Efficiency and Legitimacy programme (run by HMIC)
PESA	Public Expenditure Statistical Analyses
PISA	Programme for International Student Assessment
STP	Sustainability and Transformation Plan
TIMSS	Trends in International Mathematics and Science Study

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# List of figures

## 1 Introduction

Figure 1.1: Scale of allocation of UK public sector resources and capital spending by service areas, 2015/16 7

## 2 Hospitals

Figure 2.1: Change in spending on acute hospitals and community health in England (real terms), from 2009/10 10

Figure 2.2: Emergency admissions via type 1 A&E, 2009–2016 11

Figure 2.3: Change in the percentage of doctors and nurses (FTE), from September 2009 12

Figure 2.4: Percentage of emergency admissions (type 1) seen, transferred or discharged within four hours, 2009–2016 14

Figure 2.5: Adult inpatient overall patient experience scores, 2009/10 to 2015/16 15

## 3 Adult social care

Figure 3.1: Change in spending on adult social care in England (real terms), from 2009/10 17

Figure 3.2: Change in population (mid-year estimates) aged 65+, from 2009 18

Figure: 3.3: People receiving state-funded adult social care services, by type of care, 2009/10 to 2015/16 19

Figure 3.4: Number of care homes (residential and nursing) to close down, January 2013 to June 2016 21

Figure 3.5: Delayed transfer of care: most common reasons for delay, by days delayed, 2010–2016 22

Figure: 3.6: Users 'quite', 'very' or 'extremely' satisfied with the care and support services they receive, 2010/11 to 2015/16 23

## 4 Schools

Figure 4.1: Change in spending on schools in England (real terms), from 2009/10 25

Figure 4.2: Pupils at state-funded secondary and primary schools in England, 2009–2016 26

Figure 4.3: Student attainment at the end of Key Stage 2 and Key Stage 4, 2009/10 to 2015/16 27

Figure 4.4: Pupil–teacher ratios, 2009–2015 28

Figure 4.5: Comparison of new postgraduate entrants to Initial Teacher Training to target, 2009/10 to 2015/16	29
Figure 4.6: Entrant and wastage rates for qualified teachers at state-funded secondary schools, 2011–2015	30
<b>5 Prisons</b>	
Figure 5.1: Change in spending on prisons in England and Wales (real terms), from 2009/10	31
Figure 5.2: Prison population in England and Wales, 2009–2016	32
Figure 5.3: Percentage change in the total number of core operational staff (bands 3–5) (FTE), from March 2010	33
Figure 5.4: Percentage change in the number of prison assaults, from year ending 31 March 2009	34
Figure 5.5: Percentage change in the number of completed accredited substance misuse programmes, from 2010/11	35
Figure 5.6: Percentage change in the offenders achieving level 1 or 2 qualifications in English and maths, from 2010/11	36
<b>6 The police</b>	
Figure 6.1: Change in spending on the police in England and Wales (real terms), from 2009/10	37
Figure 6.2: Percentage change in the number of police officers (FTE), from year ending 31 March 2009	38
Figure 6.3: Number of police officers on long-term sick leave, 2013–2016	39
Figure 6.4: Percentage of people rating the police as 'good' or 'excellent', 2009/10 to 2015/16	40
Figure 6.5: Victims' satisfaction with the police, 2010–2016	41
Figure 6.6: HM Inspectorate of Constabulary police effectiveness, efficiency and legitimacy (PEEL) assessments of police forces, 2014/15	41

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