Performance Tracker

A data-driven analysis of the
performance of government

About Performance Tracker

Performance Tracker brings together more than 100 data series to provide a comprehensive picture of the performance of government in running key public services. This second edition expands on the first edition, which was published in March 2017. This new analysis focuses on GPs, hospitals, adult social care, schools, the police, criminal courts, prisons, neighbourhood services and UK Visas and Immigration.

This analysis – produced in partnership by the Institute for Government and the Chartered Institute for Public Finance and Accountancy – reveals the key decision points that the Chancellor faces in the run-up to his first Autumn Budget.

Find out more: www.instituteforgovernment.org.uk/performance-tracker

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Forewords

This is the second edition of *Performance Tracker*, the Institute for Government's data-driven analysis of the performance of government, produced in partnership with the Chartered Institute of Public Finance and Accountancy (CIPFA). *Performance Tracker* brings together government data on spending, staffing, activity and quality of key public services. Building on the Spring 2017 report, this edition expands our scope of analysis to include general practitioners, local neighbourhood services, criminal courts and UK Visas and Immigration – services which have a significant impact on people's lives.

This edition comes at a critical time. Continued spending controls and difficulty in making savings from reform risk leaving the Government trapped in a reactive spending cycle, bailing out services when they reach crisis point. If the Government wants to break out of this cycle, then ministers and officials need to understand better how public services are performing.

Performance Tracker shows where the needs are greatest and what can be done. It provides a model that government can emulate to inform decisions and drive reform. Along with the Institute for Government's *Whitehall Monitor*, it lies at the heart of our drive to improve the accountability and performance of government.

Bronwen Maddox
Director, Institute for Government

We have known for a long time that areas of the public sector face mounting resource challenges and that those responsible for delivering services are stretched. Under such circumstances it is more important than ever that funds are used as efficiently and effectively as possible.

By analysing numerous data series, *Performance Tracker* has been designed to provide a comprehensive picture of how well public services have been delivered and to highlight where the real pressure points lie. For some services, notably prisons, hospitals, schools and adult social care, there is now a real urgency to address the perennial short-termism of our financial planning and inconsistency in the development of policy.

In this, the second edition of *Performance Tracker*, the Institute for Government and CIPFA hope that the report will prompt the Government to reassess its approach to funding by working towards better financial planning and improved oversight of our essential public services. The Government needs to break the reactive cycle of crisis, cash, repeat, and begin planning effectively for the medium and long term. To do this, it needs a full and honest assessment of its current performance.

Rob Whiteman
Chief Executive, CIPFA

Summary

Performance Tracker brings together more than 100 data series to provide a comprehensive picture of the performance of government in running key public services. Our analysis reveals the key decision points that the Chancellor faces in the run-up to his first Autumn Budget.

The era of tight spending controls, initiated under the Coalition Government, is far from over. The spending squeeze, which has seen government spending fall by around 1.7% in real terms since 2010[*] is set to continue into the next decade. The 2015 Spending Review set out plans for day-to-day spending to be £5.2 billion (bn) lower in real terms in 2019/20 than in 2015/16 (having fallen to £10.4bn lower the year before).

Performance Tracker sets out the context in which this will happen. The data show that some services – such as criminal courts and some neighbourhood services – are continuing to make efficiencies but there are pressures building up in others.

A lack of successful action to reform services and mitigate these pressures has created an imperative to act in certain services – particularly, as the analysis in this report will show, in prisons, hospitals, schools and adult social care. This is a poor state of affairs: no government should end up in such a situation, unless there is a natural disaster or similar unpredictable emergency. Ultimately, then, government needs to improve the way it makes spending decisions, to break out of a reactive cycle of crisis, cash, repeat.

The performance of public services

Health and social care

After an initial period of decline, spending on **general practitioners (GPs)** has increased by nearly 12% since 2010. Challenges remain: the Government is struggling with GP numbers, and demand pressures are rising as long-term conditions become more prevalent. New ways of working are emerging to face these challenges but there are signs that more patients are facing difficulties accessing general practice.

Hospital spending and staff numbers have continued to rise, but so has demand. In this challenging context, clinical standards and patient satisfaction are being maintained. But queues for services are growing.

Despite an ageing population, spending on **adult social care** is currently 5% lower than in 2009/10. The number of people receiving services (particularly community care) has fallen, while providers are facing increasing financial strains. User satisfaction is being maintained, but the general election revealed significant public concern about how future demand will be funded and provided.

Schools

Spending on **schools** is now falling, but it is still 6% higher than in 2009/10. Teacher numbers have kept pace with rising pupil numbers, although there are recruitment gaps in some key subjects and more teachers are leaving the profession. Pupil attainment, meanwhile, has remained broadly flat.

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[*]   Figures are for Total Managed Expenditure (TME) between 2010/11 and 2016/17 and are taken from HM Treasury's Public Expenditure Statistical Analysis (PESA) 2017, Table 4.3.

Law and order

Despite sharp cuts to **police** spending and officer numbers since 2009, official inspection ratings and satisfaction with the police have largely held up. However, victim dissatisfaction is slowly rising, and the public perceive the police to be less visible. The recent terrorist attacks, alongside an increase in recorded crime and changing demand, have provoked renewed debate over police numbers.

Spending across the entire courts and tribunals system has fallen by 19% since 2010/11, with additional fees introduced in non-criminal parts of the system. **Criminal courts** are dealing with fewer, but more complex, criminal cases, more of which are going ahead as scheduled. But problems with court administration persist, and government will need to keep an eye on waiting times as transformation to a smaller, more digital estate gets under way.

Reflecting significant reductions to the Ministry of Justice budget, **prisons** spending fell by around 22% between 2009/10 and 2016/17, and there are a quarter fewer prison officers than in 2010. Violence within prisons continues to rise, with the number of assaults on officers 124% above 2009 levels. Government is committed to recruiting 2,500 extra officers as part of a broader package of safety measures, but it will take time for the impact of this to be felt – and problems with retention remain.

Local neighbourhood services

Spending on many services that affect people's **local neighbourhood** – waste collection, road maintenance, food safety, trading standards, libraries – has fallen sharply in the past seven years. During this period, some activities have been scaled back, re-prioritised or more selectively targeted – but public satisfaction has broadly held up, suggesting real efficiencies. However, the Government lacks sufficient data on service volume and quality to judge how much further these efficiencies can go.

UK Visas and Immigration

UK Visas and Immigration (UKVI) has managed a Brexit-related surge in its workload – a 200% increase in the number of applications from European Union (EU) residents over the course of 2016 – remarkably well, increasing its level of activity without a large increase in staff numbers or a drastic drop in quality. However, this is only the first phase of a much more challenging series of changes UKVI will have to make as the Brexit process unfolds.

The decisions facing the Chancellor

The Chancellor and his Cabinet colleagues ought to have a wide range of options for controlling spending and for dealing with service pressures. They could pursue strategies to deliver the same level of service for less money – through better use of technology, for example, or by improving the way that services relate to each other. They could choose to reduce the level of service they provide – through sentencing reform, for example, or by more explicit rationing. They could allow the quality of services to fall. Loosening spending control, and putting more money from tax or borrowing into certain services, is also an option.

In reality, however, the options faced by the Chancellor right now are limited by the state that the services are in – and by the decisions that he and his predecessor made

in the past. For seven years, successive governments have relied on a combination of locally driven efficiency savings and pay restraint to manage spending. Where this proved insufficient, the scope of services narrowed or quality fell, without explicit national political debate. This is laid out in Chapter 7 of this report.

This approach has now run out of road. Although further efficiencies may well be possible, these cannot be delivered by setting hard budgets and sticking to them. These efficiencies will only come through the kind of changes that require time and national political leadership.

The Government's failure to make successful transformative changes, or make explicit national decisions on the quality or scope of services, has left it trapped in a reactive cycle: allowing problems to mount, being confronted with a crisis (practical or political) and being left with the only option of injecting emergency cash.

This report makes it clear where the risk of continuing that cycle is greatest: in prisons, hospitals, schools and adult social care.

- In **prisons and hospitals**, the Government has little choice but to put in more money. Hospitals are set to continue running a deficit – the question is whether the Government wants to allow that overspend, or put in the cash up front. In prisons, with a serious operational crisis under way, and no policy changes on the horizon to reduce prisoner numbers, the Government needs to do whatever it can to recruit and retain prison officers as a matter of urgency.
- In **schools and adult social care**, the Chancellor has already made emergency cash injections. This will allow the services to carry on operating in much the same way in the short term. But these 'sticking-plaster' solutions have a time limit. If the Government does not want to have to return with more money in a few years' time, it will need to start preparing the ground for genuine changes to the way these services are delivered or funded. The same goes for **hospitals**: the Government will need to make good on the transformative promises of the Sustainability and Transformation Plans (STPs) if it wants to break out of the deficit spending cycle.

There is a political imperative in other services, but the operational imperative is less clear – because the state of the services is less clear.

- The **police and neighbourhood services** have both absorbed large spending reductions since 2010, and are not showing the clear signs of immediate distress evident in other services. But in both cases, the Government and the public need better evidence to make a coherent choice about next steps.
- **UK Visas and Immigration (UKVI)** has fared well with the Brexit-related surge in its workload, but it now faces a much more challenging task: transforming its processes so they are fit to process applications for settled status from EU nationals resident in the UK (approximately three million people), and to manage the as-yet undesigned post-Brexit immigration system.

Finally, there are two services – criminal courts and GPs – for which the Government has set out clear plans for the future, and which appear to be on a stable course.

- A new plan for **GPs** was initiated in 2016, which was matched with new investment to transform the service and recruit 5,000 more GPs.

- **Criminal courts** have made substantial efficiencies, even before their ambitious transformation programme – to reduce the number of court buildings and make greater use of digital technology – has really got under way. The Government now needs to deliver on those reforms.

Ultimately, however, a single set of good decisions made at this Budget will not solve the underlying problems which have allowed this Government to get into this reactive spending cycle. The Treasury operates a highly effective system for spending control, but it has no standard framework for assessing what has been achieved – or not – with the spending. The Government needs to change the way it makes spending decisions: looking beyond the short term and making an honest assessment of the balance between funding, quality and efficiency.

We recommend:

1. The Chancellor should instruct the Treasury, working with departmental finance and analytic professionals, to develop its own Performance Tracker, as a planning and performance management tool. The Tracker should set out clearly assumptions about demand, inflation, efficiency and quality at least three to five years ahead and be regularly updated.
2. The efficiency assumptions should be supported by clear and realistic delivery plans including timescales and national and local responsibilities.
3. The Treasury should publish this Tracker or, at a minimum, make the key assumptions public and available for scrutiny by Parliament.
4. The Government should subject these assumptions to independent review to assess their viability, potentially through an 'OBR for public spending'.

The Government needs to take action to ensure that foreseeable problems do not become expensive crises.

1 Introduction

Performance Tracker shows what government is getting for its money

Spending on public services and benefits payments – which make up around 85% of government spending – has fallen by about 1% since 2010.* Within that total, however, there are services which have seen large spending cuts – such as prisons (down 22% since 2009/10) – and services which have seen spending rise – such as hospitals (up 15% since 2009/10).

Much of the public debate around these spending decisions focuses on money going in: the scale of spending cuts or the size of the rises. These things are important. But if we only look at the cash, we miss half the story. In order to understand these decisions – and evaluate them – we need to know what government is getting for its money.

That is what *Performance Tracker* sets out to do. We take key public services, and analyse not only changes to spending and staff numbers since 2009/10, but also what has happened to the scope and quality of those services. Have the Coalition and Conservative Governments succeeded in making those services run more efficiently, and get more for less? Or are the services being rationed, shrunk, or allowed to get worse?

We want to improve financial planning in government

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*.

How we track government performance

The analysis in this report is drawn from more than 100 data series – mostly produced by government itself – alongside other information gathered from inside and outside government.

The services we cover
In this edition of *Performance Tracker* we have continued to track the performance of the five services covered in the last edition:[1] hospitals, adult social care, schools, prisons and the police.

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*   Figures are for Total Managed Expenditure (TME) between 2010/11 and 2016/17 and are taken from HM Treasury's Public Expenditure Statistical Analysis (PESA) 2017, Table 4.3.

While we analyse the services separately, we know that they do not operate in isolation. That is why, for this edition, we have included services related to those in our last edition. To the health and social care chapter we have added GPs, who are supposed to play a big role in relieving demand on hospitals. To the law and order chapter we have added criminal courts, part of the criminal justice pipeline from police to prison.

It was clear in our last edition that local authorities were attempting to protect spending on adult social care despite large overall spending reductions. For that reason, we have included a chapter on local neighbourhood services in this edition: services such as waste collection and road maintenance, which have a big impact on the environment people live in, but have borne the brunt of local authority spending cuts.

In the coming years, tracking the performance of government will mean tracking the impact and implementation of Brexit. In this edition, we look at a service that is already feeling that impact: UK Visas and Immigration, the directorate of the Home Office which processes all applications to visit or stay in the country.

Our analytic frame

We define 'performance' in terms of the aim of the current Conservative Government, as well as the previous Conservative and Coalition Governments, to control spending while maintaining – or even expanding and improving – the scope and quality of public services.

The 2017 Conservative manifesto promised "world-class public services", and included commitments to deliver a seven-day NHS and improve the quality of road surfaces.[2] Post-election, the Conservative Government currently remains committed to the plans outlined in the 2015 Spending Review, which implies a reduction in day-to-day government spending of over £10bn between 2015/16 and 2019/20.[3]

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

• **CASH:** What has happened to spending on individual services since 2010?
• **PEOPLE:** How has the workforce changed since 2010 in 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 Health and social care

General practice

After an initial period of decline, spending on general practice has increased by nearly 12% since 2010. Challenges remain: the Government is struggling with GP numbers, and demand pressures are rising as long-term conditions become more prevalent. New ways of working are emerging to face these challenges but there are signs that more patients are facing difficulties accessing general practice.

Spending in general practice has increased by nearly 12% in real terms since 2009.

Figure 2.1 **Change in spending on general practice in England (real terms), 2010/11 to 2016/17**
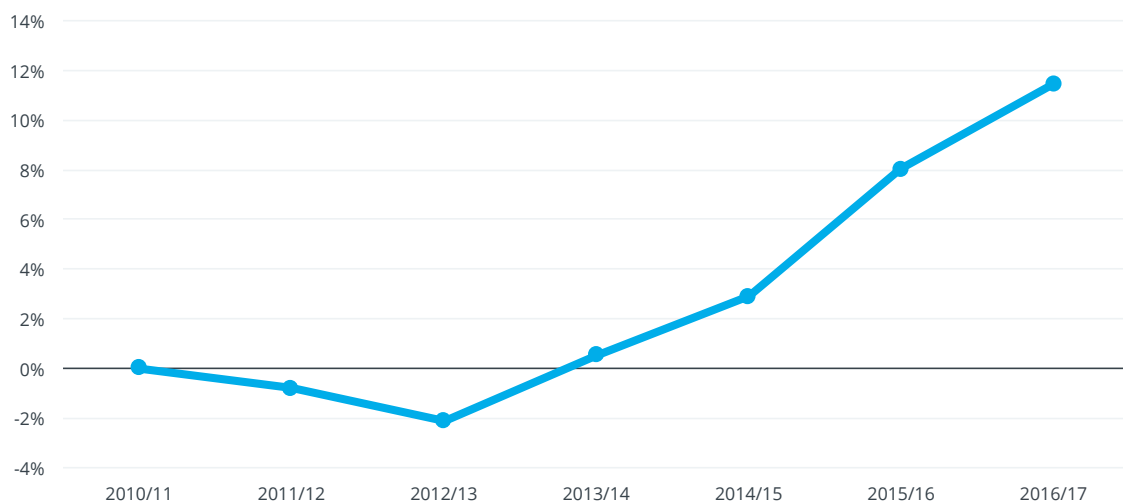
Source: NHS Digital, *Investment in General Practice*

Between 2010/11 and 2016/17, annual current and capital spending on general practice increased by 11.5% in real terms overall. However, this increase did not take place across the whole period. There was a 2.1% real-terms drop in spending up to 2012/13. Spending began to rise in 2013/14, and has been supported since 2016 by the publication of the *General Practice Forward View*, which committed to spend an additional £2.4bn a year on general practice by 2020/21. Simon Stevens, Chief Executive of NHS England, has emphasised the importance of this increase in spending, writing that "if general practice fails, the whole NHS fails".[1]

Complex cases are increasing GPs' workload.

GPs are required to balance both rapid-access and ongoing care. Population ageing, the rising incidence of long-term conditions and improved techniques for early diagnosis have increased the volume and complexity of their workload, as people live for longer with medical needs (see Box 2.1).[2] General practice workload is thought to have increased faster than population growth, with Deloitte estimating a 26% increase between 2009/10 and 2016/17.[3]

However, there have been no nationally collected data on general practice activity (such as the number and length of consultations) since 2008. This obscures how demand and workload within general practices are changing, necessitating the use of proxy indicators and making performance monitoring difficult.

One measure of the complexity of GPs' workload is the number of referrals they make to hospitals. Between June 2009 and June 2017, the number of referrals from GPs to provider trusts increased by 21%, from 2,902,626 to 3,499,613 (see Figure 2.2). As a referral occurs when a patient requires a clinical specialist, this can be taken as a proxy of either increasing demand or increasing complexity of cases, given the lack of other data on consultations.[*] A policy-driven emphasis on treating more patients through primary care, rather than in acute settings (that is, hospitals), will only add to the general practice workload.

Figure 2.2 **Number of GP referrals made to provider trusts, 2009 to 2017**
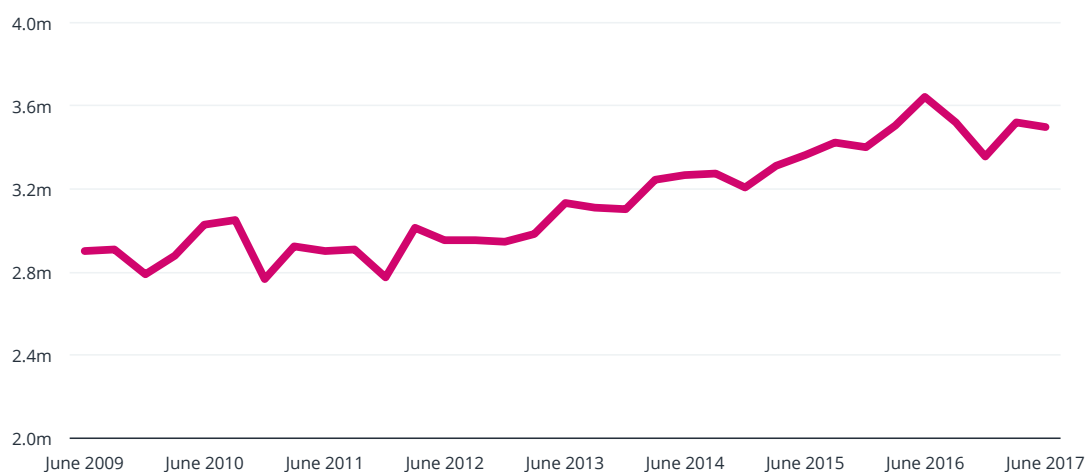
Source: NHS England, *NHS Inpatient Elective Admission Events and Outpatient Referrals and Attendances (Providers) (Quarterly Activity Return data)*

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*   Referral management practices in some clinical commissioning groups have contributed to this increase, by preventing consultant-to-consultant referrals. This means patients are referred back to their GP if they need to see a different specialist.

**Box 2.1: Living longer with health complications**

Between 2009/11 and 2013/15:

- **Life expectancy** (LE) rose by 0.7 years for men (to 79.5 years) and rose by 0.4 years for women (to 83.1 years).
- **Healthy life expectancy** (HLE) rose by 0.4 years for men (to 63.4 years) and was unchanged for women (at 64.1 years).
- **Disability-free life expectancy** (DfLE) fell by 0.4 years for men (to 63.0 years) and fell by 1.3 years for women (to 62.6 years).

As the rise in LE is outpacing both HLE and DfLE, people are living longer lives but with more years of poor health (an additional 0.3 years for men and 0.4 years for women) and more years of disability (an additional 1.1 years for men and 1.7 years for women).

The future of the general practice workforce is under question.

Figure 2.3 **Percentage change in the number of GPs and nurses in general practice (full-time equivalent), 2010 to 2016**
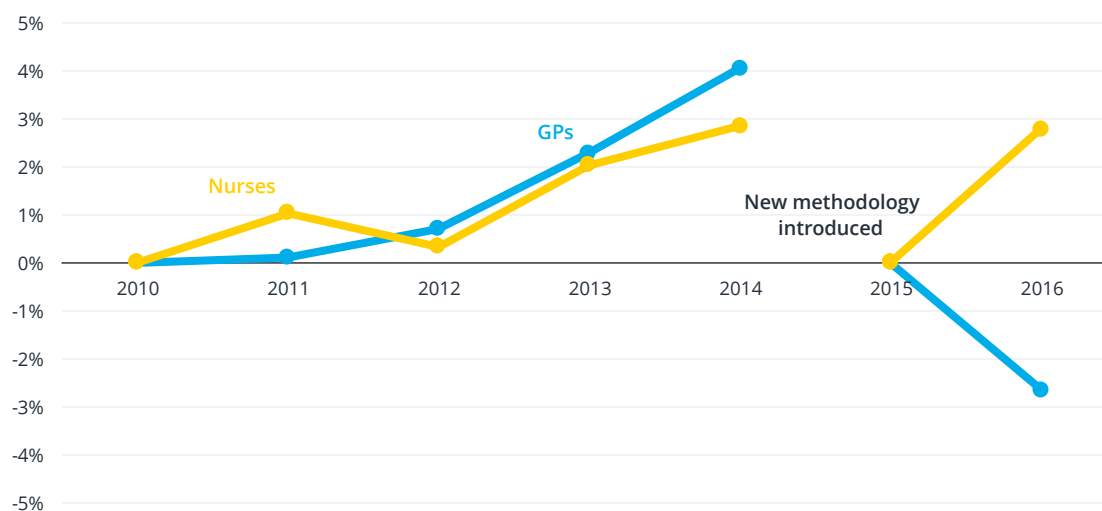
Source: NHS Digital, *General and Personal Medical Services in England, 2005 to 2015* and *General and Personal Medical Services in England, 2006 to 2016*

The data suggest that the number of full-time GPs is falling. As of September 2016, there were 28,458 full-time equivalent (FTE) GPs in England (excluding locums, registrars and retainers), equating to 2,033 patients per GP. Following growth between 2010 and 2014, the data indicate that there was a 2.6% fall in FTE GPs between September 2015 and 2016 (although methodological changes prevent like-for-like comparison across the period) (see Figure 2.3). Provisional figures for June 2017 suggest a further drop to 3.1% below 2015 levels.[4] Meanwhile the number of FTE locum GPs increased by nearly 80% (from 567 to 1,006) between September 2015 and June 2017.

The Government has promised to achieve by 2020 an overall net growth of 5,000 extra GPs from 2014 levels, although there are signs of difficulty in reaching this target.[5] Part of this ambition was training 3,250 new GPs each year, but only 85% of these training places were filled in 2015/16, and 93% in 2016/17.[6] Furthermore, the Government appears to have increased the extent to which it will rely on international doctors. While the General Practice Forward View stated that up to 500 GPs would be recruited from overseas, recent evidence suggests they could make up half of the new practitioners.[7]

There are also issues with retaining and fully utilising existing GPs. General practice has an ageing workforce; in June 2017, there were twice as many FTE GPs (excluding registrars, locums and retainers) over the age of 55 (6,233) as under 35 (3,043). Between September 2015 and June 2017 the number of GPs under 35 fell by 6.6%, while the number over 55 rose by 17.5%.[8]

GPs are also reporting high levels of stress relating to rising workloads. Between August 2016 and February 2017, a Royal College of General Practitioners' survey saw an increase in respondents 'unlikely to be in the profession in three years', from 32% to 39%.[9] Furthermore a survey of more than 300 GPs in training by The King's Fund, a health think tank, found that less than a third of respondents intended to work full time in practice one year after qualification, due to the "intensity of the working day".[10]

In the face of increasing workloads, there has been a concerted effort to ensure that GPs are not dealing with patients who could be treated by other medical professionals. The General Practice Forward View committed more than £150 million (m) by 2020 to help other staff in practices play a role in care giving and navigation.[11] The data indicate that the number of FTE nurses in general practice has risen, by nearly 3% between 2010 and 2014, and a further 3% between 2015 and 2016. There has also been an increase in other FTE practice staff responsible for direct patient care (such as dispensers, pharmacists and physician associates), by 32% and 9% in the respective time periods.[12]

GP practices are beginning to adopt new ways of working to meet challenges.

Figure 2.4 **Percentage of GP Patient Survey respondents reporting specific consultation types, 2012 to 2017**
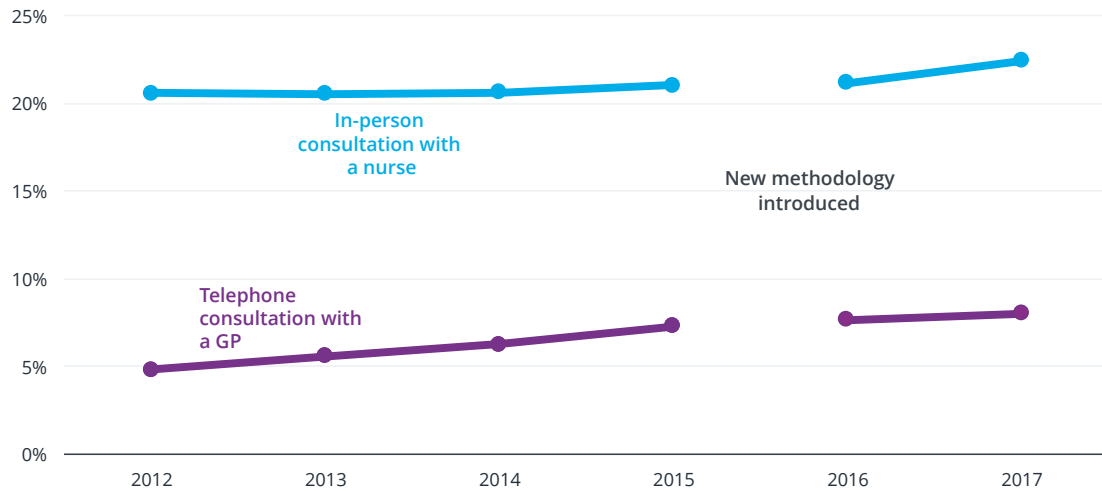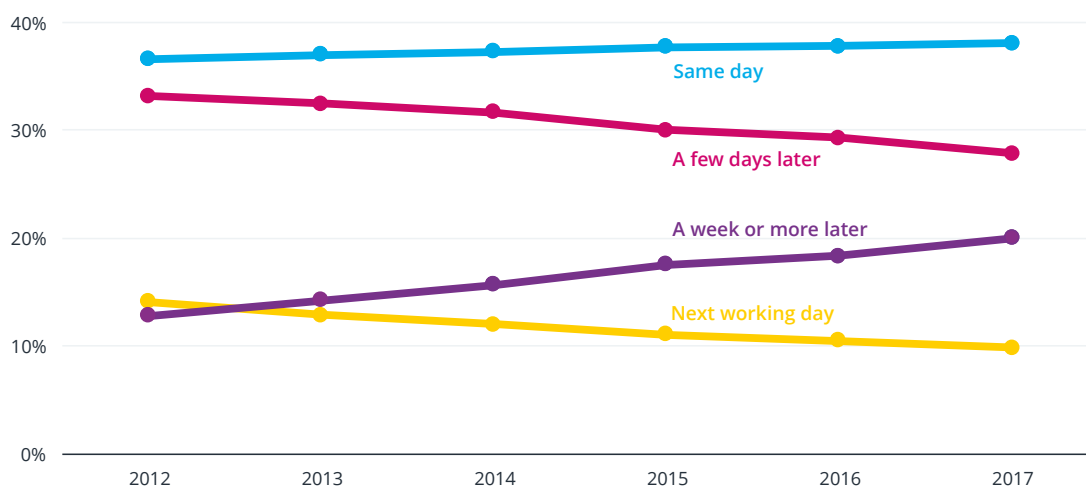

Source: NHS Digital, *GP Patient Survey*

The nature of consultations has slowly begun to change, as GPs have found new ways to spread resources further. Between 2012 and 2017 the percentage of participants in the GP Patient Survey who said they had a telephone consultation with their GP rose by just over 3 percentage points (from 4.8% to 8%), while the percentage who had an in-person appointment with a nurse in a surgery also rose slightly (from 20.6% to 22.4%). However, the percentage reporting an in-person appointment with a GP still remains a large majority (72.5% in 2017).

There has also been a movement away from traditional 'corner-shop models' of general practice. Between 2009 and 2014, polyclinic and larger practices with more GPs increased, as practices sought to pool resources, improve their finances and aid recruitment. The percentage of single-handed GP practices fell from 15.4% to 10.7%, whereas the percentage of practices with five or more GPs rose from 40.4% to 45.6% (although data between 2015 and 2016 suggest a slight resurgence in single-handed practices). Overall, practice numbers fell by 701 between 2009 and 2016, to 7,527.[13]

Another change has come in the form of greater use of technology within general practice: for example, between 2012 and 2017 the percentage of patients booking appointments online nearly tripled, from 3.0% to 8.7%.[14] Furthermore a 2015 study by The Health Foundation found that the UK is an international leader in the use of electronic medical records, with 98% of GPs routinely using them.[15] However this change is not all encompassing – 83.4% of 2017 GP Patient Survey respondents had not used online services for managing appointments, prescriptions or medical records – and the *General Practice Forward View* has committed a £45m national programme to stimulate the use of online consultations within every practice.[16]

General practice services are becoming harder to access.

Figure 2.5 **Patient waiting times for an appointment with a GP or general practice nurse, by percentage of survey respondents, 2012 to 2017**
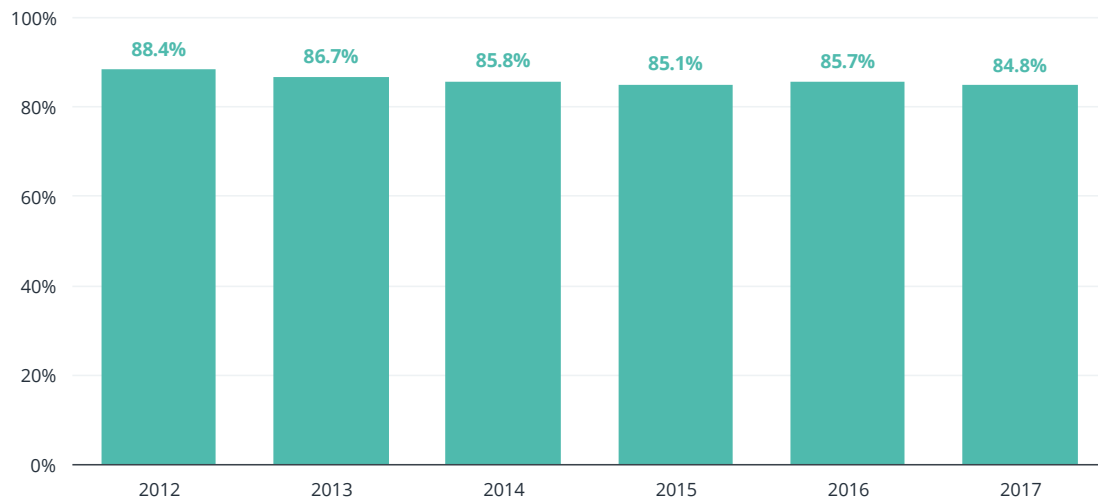

Source: NHS Digital, *GP Patient Survey*

Accessing general practice is becoming more difficult. While the number of people receiving an appointment on the same day as requested actually increased between 2012 and 2017 (from just under 36.6% to 38.1%), general practices are increasingly having to prioritise patients, and the percentage who reported waiting a week (or more) for an appointment rose from 12.8% to 20.0%. Between 2012 and 2017, patients' positive ratings of making an appointment decreased from 79.3% to 72.7%, while the percentage of patients who said it was easy to contact their GP by telephone also declined, by nearly 10 percentage points, from 77.9% to 68.0%. There was also a slight increase in the percentage of people unable to make an appointment or speak to someone, from 8.9% to 11.3%.[17]

Government has initiated work to address difficulties with access, such as extending general practice to a seven-day service. As of March 2017, extended access offers (pre-bookable appointments outside of core contractual hours) were fully provided in 23.6% of practices, and partially provided in 87.1% of practices (both increases of 5.1 and 0.8 percentage points respectively from 2016).[18] But pressures persist. In 2017, 76.2% of patients were satisfied to a degree with their GPs' opening hours, a 5.1 percentage-point decrease from 2012.[19] NHS England has been instructed to ensure that everyone has access to routine weekend and evening GP appointments alongside effective access to out-of-hours and urgent care services by 2020. However, the National Audit Office (NAO) has argued that government has "not fully considered the consequences and cost-effectiveness of their commitment to extend access", which would cost around 50% more than normal working hours.[20]

Patient satisfaction is still high.

Figure 2.6 **Percentage of GP patients rating their experience 'good' or 'very good', 2012 to 2017**

Source: NHS Digital, *GP Patient Survey*

General practice has remained the most popular element of the NHS, but this popularity has decreased; 72% of people were satisfied with the service in the 2016 British Social Attitudes survey, compared with 80% in 2009.[21] People who described their overall experience as good or very good decreased slightly from 88.4% to 84.8% between 2012 and 2017, reflecting the trend of high but slipping patient satisfaction. In particular, the percentage of patients saying that GPs were good at giving them enough time fell by 2.4 percentage points (to 84.4%). Furthermore, pressures on access, the increase in larger practices and more part-time staff have had implications for continuity of care. Between 2012 and 2017 there was a decline in how often people with a preferred GP saw them 'always, almost always, or a lot', from 65.3% to 55.6%. However, patient confidence and trust levels in GPs have remained high, at 91.9% in 2017 (compared with 93.0% in 2012).[22]

Indicator scores from the Quality and Outcomes Framework (QOF) suggest that the quality of general practice services has been maintained, or even improved (see Box 2.2).[23] However, there has been a lack of clinical quality data for general practice. Recent Care Quality Commission (CQC) inspections have provided new, and broadly positive, insight into the state of general practice, with 90% of practices rated as good or outstanding. There was some variation in performance across indicators: 97% of practices were good or outstanding at 'being caring', but only 85% of practices achieved these levels of 'being safe'. However, there was also evidence of improvement among practices; of those that were initially rated 'inadequate', 80% had improved upon re-inspection.[24]

Box 2.2: QOF scores

QOF is a voluntary annual reward and incentive programme for all GP surgeries, which provides additional funding for good practice. The national **average QOF achievement score** for all indicators rose by 1.6 percentage points between 2009/10 and 2015/16, and now stands at 95.3%. Of the indicators that were measured consistently between these dates:

- 'Atrial Fibrillation', 'Cancer', 'Chronic Kidney Disease', 'Depression', 'Epilepsy', 'Learning Disabilities' and 'Palliative Care' achievement **increased**.
- 'Cardiovascular Disease Primary Prevention', 'Diabetes', 'Hypertension', 'Mental Health', 'Secondary Prevention of Coronary Heart Disease' and 'Smoking' achievement **decreased**.
- 'Asthma', 'Chronic Obstructive Pulmonary Disease', 'Dementia', 'Heart Failure', 'Obesity' and 'Stroke' achievement changed by **less than 1%**.

Hospitals

Hospital spending and staff numbers have continued to rise, but so has demand. In this challenging context, clinical standards and patient satisfaction are being maintained. But queues for services are growing.

Spending on hospitals increased in real terms between 2009/10 and 2016/17.

Figure 2.7 **Change in spending on NHS providers in England (real terms), 2009/10 to 2016/17**
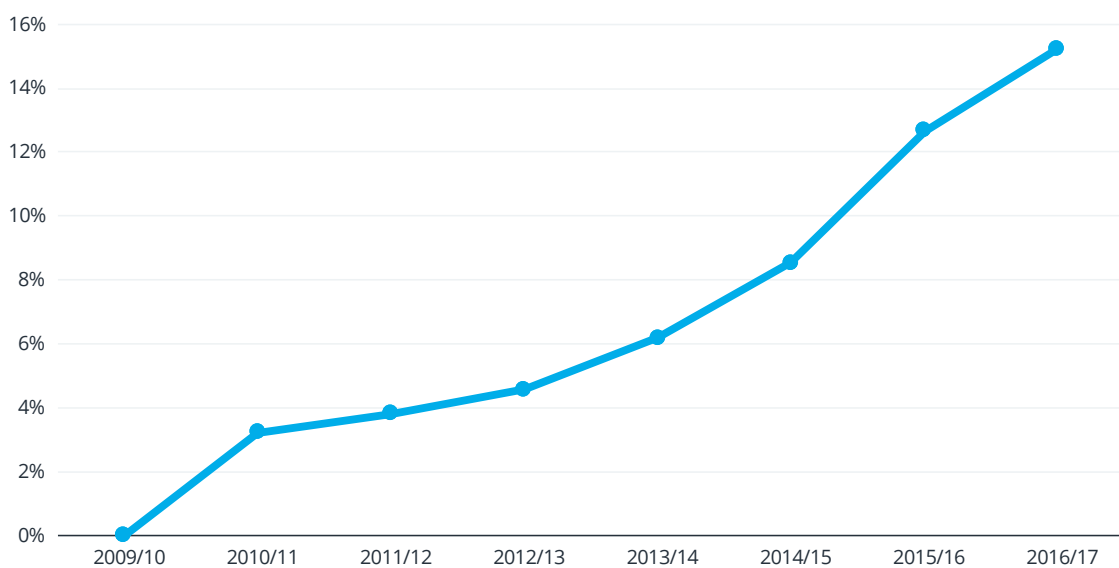

Source: Department of Health, *Annual Report and Accounts*

Spending on hospitals continued to rise over 2016/17: day-to-day government expenditure on NHS providers (which are predominately acute providers), now stands at around £80.9bn. This means there has been a real-terms spending increase of around 15% – or £10bn – since 2009/10. However, The King's Fund has noted that the front-loaded settlement of the 2015 Spending Review will mean that future funding growth between 2016/17 and 2020/21 will be low by historic standards.[25]

In 2010/11 the provider sector reported a surplus of £0.513bn. Since then, spending has outpaced funding within acute settings, creating a provider deficit which peaked at £2.45bn in 2015/16 (with acute providers at £2.6bn).[26] Over the course of 2016/17, steps were made to reduce this deficit. Through the front-loaded 2015 Spending Review settlement, a £1.8bn injection from the Sustainability and Transformation Fund and £3.1bn in efficiency savings, the provider deficit was reduced by a third to £0.791bn (with acute providers at £1.163bn).[27]

Following the first quarter of 2017/18, the provider sector is forecasting an overall deficit for the year of £0.532bn, and an acute deficit of £1.245bn (slightly higher than the original forecast of £0.496 and £1.122bn respectively).[28]

The upwards trend in activity is continuing at a significant pace.

Figure 2.8 **Emergency admissions via type 1 Accident & Emergency, Q1 2009 to Q1 2017**
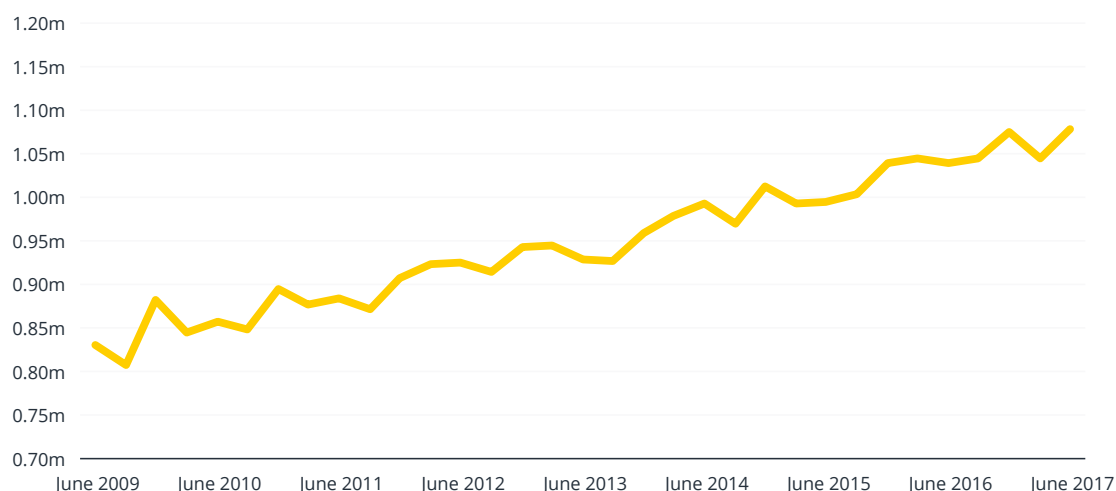
Source: NHS England, *A&E Attendances and Emergency Admissions*

Hospital activity has been increasing in order to meet rising demand. In the quarter ending June 2009, 829,637 people were admitted to Accident & Emergency (A&E) at major emergency departments in hospitals, referred to as type 1 admissions. These admissions first breached one million in the quarter ending December 2014, peaking at 1,078,329 in the quarter ending June 2017. This 30% increase is part of a much broader increase in hospital activity (see Box 2.3), which is feeling the impact of the growing population, as well as the growth of the ageing population and those with long-term conditions.[29]

Box 2.3: Hospital activity – key facts

- The number of people **receiving their first cancer treatment within two months from a GP referral** increased by over 40%, from 84,218 in 2009/10 to 119,798 in 2016/17.
- **Elective hospital admissions** increased by around a quarter, from 4.7m in 2009/10 to 5.8m in 2015/16 and then 5.9m in 2016/17.
- The number of **diagnostic tests to identify a patient's disease or condition** increased by nearly 50% between 2009 and 2016, from around 14.1m to nearly 21m.

The total number of doctors and nurses is growing, but there are warning signs about the future of the workforce.

Figure 2.9 **Change in the total number of doctors and nurses (FTE) in NHS trusts and clinical commissioning groups, September 2009 to June 2017**
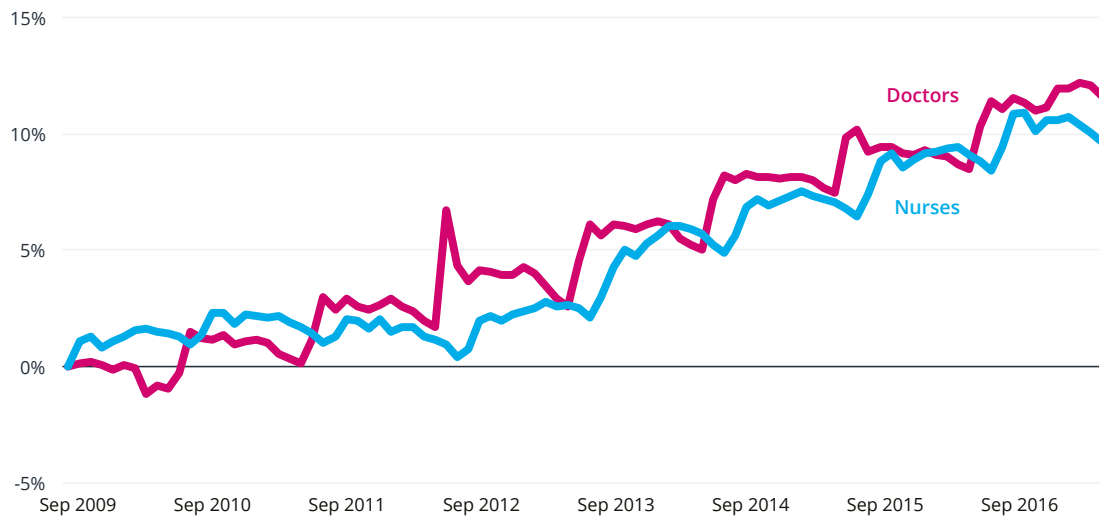
Source: NHS Digital, *NHS HCHS Monthly Workforce Statistics – Staff in Trusts and CCGs*

In June 2017, there were 96,748 doctors[*] and 199,738 nurses[**] (FTE), increases of nearly 12% and 10% respectively since 2009. A number of factors, beyond rising demand, have encouraged hospitals to maintain a steady pace of recruitment. Staff increases were incremental until the Francis Review into the Mid Staffordshire NHS Foundation Trust found that inadequate staffing compromised patient safety and the National Institute for Health and Care Excellence (NICE) published guidance on safe staffing levels.[30]

Efforts to recruit enough staff to meet rising demand safely saw the increased use of costly agency workers. Spending on agency staff rose from £2.1bn in 2012/13 to £3.7bn in 2015/16. Hospitals' focus on recruiting full-time staff and new measures introduced by NHS Improvement helped to reduce this figure to £2.9bn in 2016/17.[31]

However, there are pressing concerns about the future of the workforce. After rising between 2013 and 2016, the number of nurses on the Nursing and Midwifery Council register declined between 2016 and 2017 (from 620,797 to 618,863).[32] Meanwhile a Freedom of Information (FOI) request by The Health Foundation, a health think tank, determined that the number of new nurse registrants from the EU dropped from 1,304 in July 2016 to 46 in April 2017. This 96% decline was possibly the result of the Brexit referendum and new rules testing language skills.[33]

Furthermore, Universities and Colleges Admissions Service (UCAS) figures reveal there was a 19% drop in nursing applications between 2016 and 2017, from 65,620 to 53,010. This drop is believed to be at least partially the result of scrapped NHS

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[*]   This consists of consultants (including directors of public health), associate specialists, specialty doctors, staff grades, specialty registrars, foundation doctors and hospital practitioners/clinical assistants.

[**]   This consists of nurses (adults) and nurses (children).

bursaries, with a particular reduction in applications from students over the age of 19.[34] There was then a 3.8% drop in the number of nursing applicants placed 15 days after A Level results, from 26,920 to 25,900 (although numbers had been increasing between 2013 and 2016).[35] Government has reacted to this warning sign, with Health Education England committing to funding an additional 1,500 clinical placements for 2017/18 – but it will not be possible to determine the full effects of this response before final figures are released.[36]

Patients are waiting longer for essential services now than they did in 2009, with standards routinely missed.

The NHS Constitution provides a series of pledges on maximum service waiting times. These standards were generally maintained until 2012, after which breaches began to occur.

Figure 2.10 **Percentage of emergency admissions (type 1) admitted, transferred or discharged within four hours, Q1 2009 to Q1 2017**
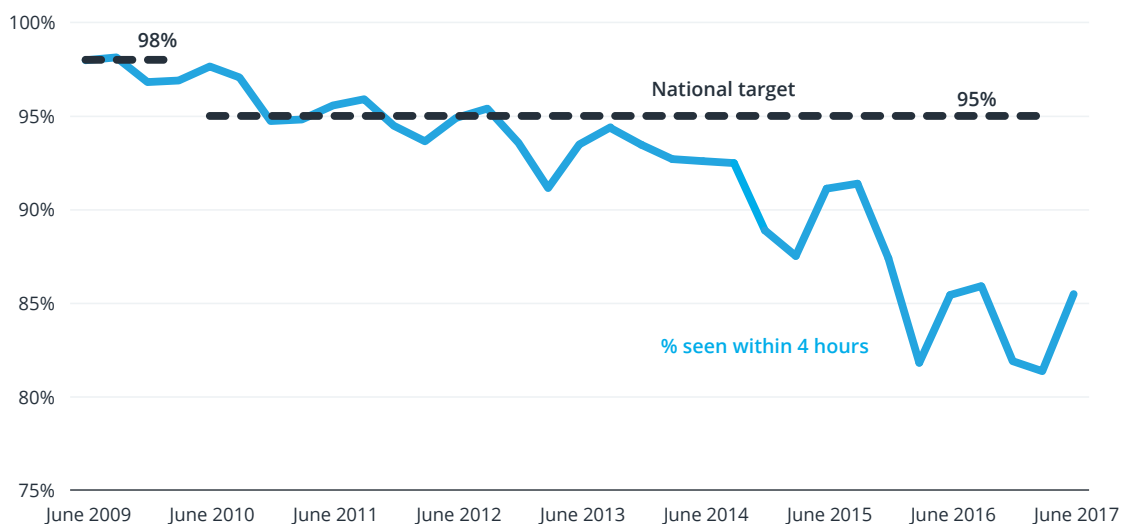
Source: NHS England, *A&E Attendances and Emergency Admissions*

In the quarter ending June 2009, 98% of patients attending major emergency departments in hospitals (referred to as type 1 emergency admissions) were discharged, admitted or transferred within four hours of their arrival, meeting the contemporary target. The standard for all emergency admissions was lowered to 95% in June 2010, but type 1 admissions have not met this standard since the quarter ending September 2012. By the quarter ending June 2017, only 85.5% of type 1 emergency admissions were seen in four hours. This trend is also true across all emergency admissions, with the percentage of emergency admissions treated within four hours of arrival falling from 98.6% to 90.3% between the quarters ending June 2009 and June 2017. Queuing can also be observed across other elements of hospital care (see Box 2.4).[37]

Box 2.4: Queuing in hospitals

- The target that 92% of people should begin **treatment for non-urgent conditions within 18 weeks** of referral was first breached in December 2015 (91.8%). As of July 2017 it was 89.9%. The recorded waiting list increased by over 60% between July 2009 and 2017, from 2.5m to 3.9m (the highest the waiting list has been in a decade).

- The number of **patients not treated within 28 days of a cancelled operation** rose by 167% between 2009/10 and 2016/17 (from 2,258 to 6,021).

- The target that 85% of people should **start their first treatment for cancer within 62 days of an urgent GP referral** was first breached in the quarter ending March 2014 (84.4%). The performance level reached 81.5% in the quarter ending March 2017. However, other cancer-related waiting targets (such as time between GP referrals and first consultations) are still being met.

Bed occupancy levels have been slowly rising in general and acute settings (from 86.3% to 89.1% in the first quarters of 2010/11 and 2017/18), which makes it difficult for A&E departments to admit patients within the four-hour window. Increased bed occupancy is usually associated with winter pressures, as cold weather and viruses both create new conditions and exacerbate existing ones, particularly among older people. However, all quarters in 2016/7 saw higher bed occupancy figures than winter 2010/11, suggesting that this reduced performance may be becoming the norm.[38]

The 2017 Conservative manifesto restated the party's commitment to NHS targets, including for elective treatment for non-urgent conditions within 18 weeks.[39] However, there are signs of a quiet acceptance of queuing within hospitals. NHS England's *Next Steps on the Five-Year Forward View*, published in March 2017, conceded that "median wait for routine care" might increase slightly, in what Simon Stevens later described as a "trade-off" in the light of "restrictions on funding and the demand... rising all the time".[40]

Despite queuing, patient satisfaction and clinical indicators suggest that quality is being maintained.

Figure 2.11 **Adult inpatient overall patient experience scores, 2009/10 to 2016/17**
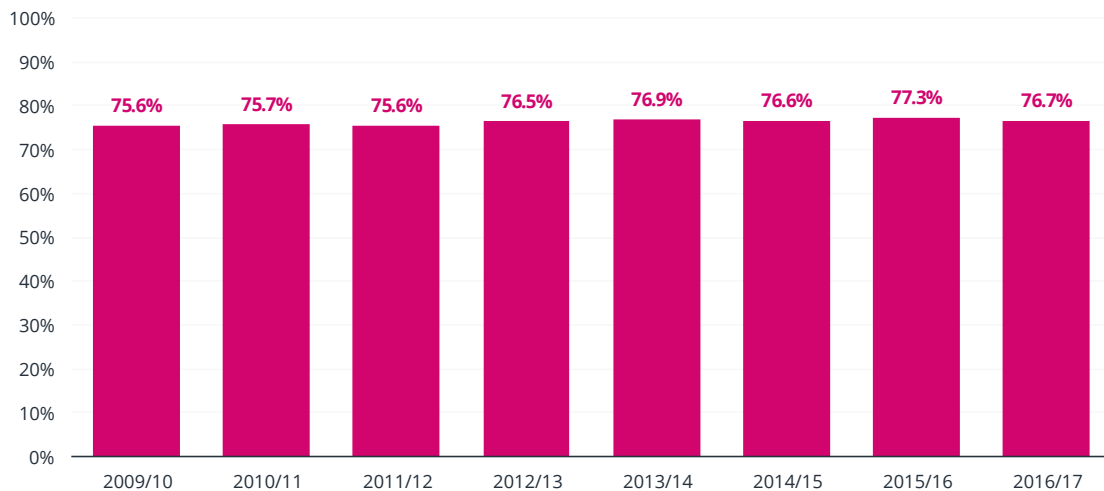
Source: NHS England, *Overall Patient Experience Scores, Adult Inpatients Survey*

Despite the challenges hospitals face, patient satisfaction has been stable or slightly rising. Overall experience scores have remained high at 76.7% in 2016/17, compared with 75.6% in 2009/10 (although this does not include those still waiting for admission to hospital). Similarly, the July 2017 Friends and Family Test found 95.9% of inpatients would recommend the hospital service and 85.9% of people would recommend the A&E service (comparable to scores of 94.0% and 87.8% in July 2013).[41]

The 2016 British Social Attitudes survey found that public satisfaction with the NHS and hospitals has largely been maintained; 63% of people were satisfied with the NHS (compared to 64% in 2009) and 60% were satisfied with inpatient services (compared to 59% in 2009). However, there were areas of greater concern; for example, satisfaction with A&E services had dipped to 54% (down from 59% in 2009).[42] Furthermore, there was significant public concern with the future of the NHS during the 2017 general election; the final Ipsos MORI/Economist Issues Index of the election found that 61% of Britons considered the NHS to be one of the biggest issues facing Britain (the highest level of recorded concern since April 2002).[43]

However, clinical indicators have demonstrated that hospital wards are generally maintaining or even improving the quality of patient care despite present pressures (see Box 2.5).[44]

Box 2.5: Clinical quality indicators suggest that patient safety is steady or improving slightly

- Incidence of **MRSA** scores fell from 1,898 in 2009/10 to 823 in 2016/17.
- Incidence of **C. difficile** scores fell from 25,604 in 2009/10 to 12,840 in 2016/17.
- Between August 2012 and July 2016, the indicator for **'harm free'** patients in acute hospitals increased from 91.6% to 94%. Furthermore, incidence indicators of:
  - **new pressure ulcers** declined from 1.2% to 0.8%
  - **new VTE** (venous thromboembolism) declined from 1.3% to 0.6%
  - **falls** declined from 2.6% to 1.6%.
- The number of hospital trusts reporting a higher-than-expected **summary hospital mortality indicator (SHMI)** was 10 in both January to December 2011 and 2016.

Adult social care

Despite an ageing population, spending on adult social care has fallen by 5% since 2009. The number of people receiving services (particularly community care) has fallen, while providers are facing increasing financial strains. User satisfaction is being maintained, but the general election revealed significant public concern about how future demand will be funded and provided.

Spending on adult social care has fallen by around 5% in real terms since 2009/10.

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 funded by the Department for Communities and Local Government (DCLG) and managed through local authorities.

Figure 2.12 **Change in spending on adult social care in England (real terms), 2009/10 to 2016/17**
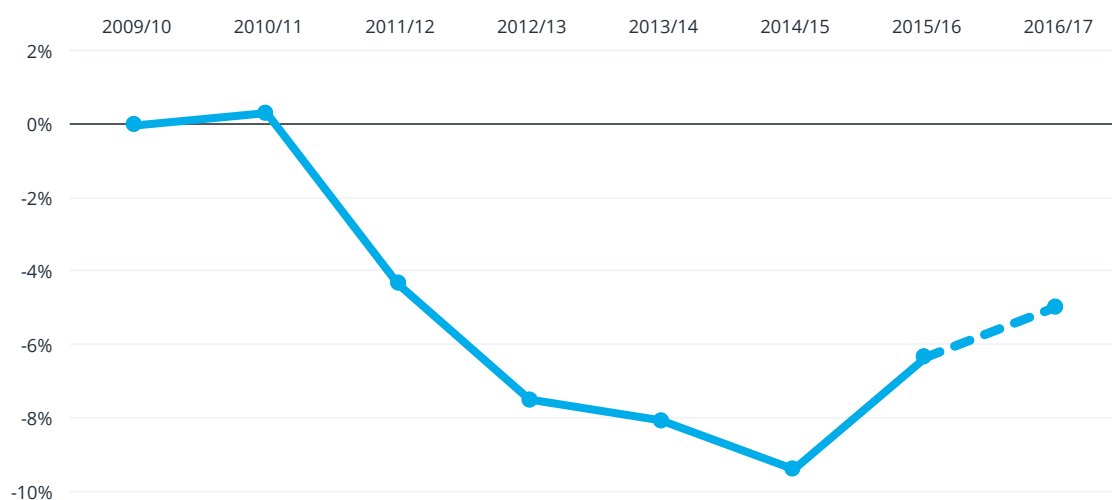
Source: NHS Digital, *Personal Social Services: Expenditure and Unit Costs,* 2009/10 to 2015/16, England; DCLG, *Local Authority Revenue Financing,* 2015/16 to 2016/17

Day-to-day spending on adult social care fell by nearly 10% in real terms between 2009/10 and 2014/15, but since then it has begun to grow; our estimate suggests that in 2016/17 spending was around 5% below 2009/10 levels.* The recent increase in funding has been supported by the 2015/16 Better Care Fund (a programme to join up health and care services) and the commitment in the 2017 March Budget of an additional £2bn in funding between 2017 and 2020 (with £1bn front-loaded in 2017/18).[45]

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*   2016/17 numbers are an estimate derived from a different source – actual figures may be different.

However, financial pressures persist, with The Health Foundation, The King's Fund and Nuffield Trust jointly estimating in November 2016 a funding gap of £1.9bn in 2017/18.[46] While the national picture obscures local variation across different demographic and socio-economic profiles (with greater challenges in authorities with more deprivation and older people), pressures do appear to be widespread.

Local authorities have sought to protect their adult social care budgets as their overall spending has shrunk. In the 2017 Association of Directors of Adult Social Services (ADASS) Budget Survey, it was estimated that adult social care made up 35.6% of 2016/17 council-controlled budgets* (compared with 30% in 2010/11) and that it would rise again to 36.9% in 2017/18. Furthermore, 100 councils reported overspending their adult social care budget, to a cost of £448m, with the most common means of financing coming from council reserves (67%) and underspending in other services (66%).[47] These implications for local authorities are detailed in Chapter 5.

Demand is set to keep growing.

Figure 2.13 **Change in the population aged 65+, 2009 to 2016**
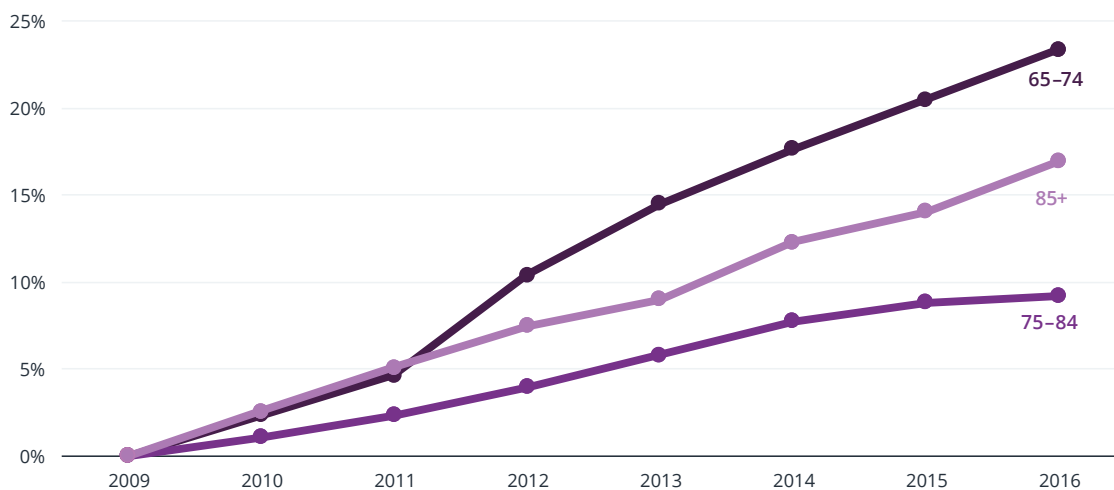
Source: *ONS Population Estimates England*, Table MYEB1

The majority of people who receive state-funded long-term social care are aged 65 or over: two thirds in 2015/16.[48] The growth of the older population is therefore set to put significant strain on social care services. Between 2009 and 2016 the number of people in England aged over 65 grew by 17.7%, to 9.9 million. Furthermore, the Office for National Statistics (ONS) forecasts that between 2014 and 2039 the number of over 65s will grow by 60% to 15.2 million.[49] While not all over 65s require care, healthy and disability-free life expectancy is not keeping pace with total life expectancy. At 65, most people have at least one long-term health condition; at 75 most people have two.[50]

As better health care has improved the life expectancy of people with certain conditions, the number of working-age adults with long-term care needs has also increased. For example, between 2009/10 and 2013/14 the number of adults with learning disabilities rose by around 20%.[51] Demand is rising not just because of ageing, but also as more adults with physical or mental health needs are living longer.

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* This is not a percentage of total local authority spending.

However, the number of people receiving state-funded care has fallen by a quarter.

Figure 2.14 **Change in the number of people receiving state-funded social care services, 2009/10 to 2015/16**
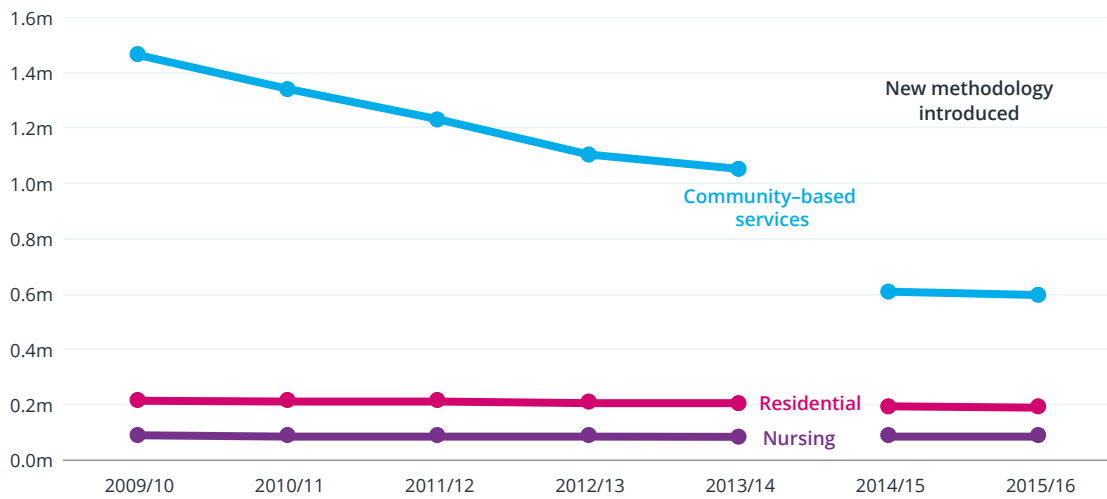
Source: NHS England, *Community Care Statistics, Social Services Activity, England*, Tables P1.1 and LTS001a

Unlike health care, there is no universal access to social care. The provision of state-funded care to an individual is based on two things: the severity of their need, and their ability to pay for it. Between 2009/10 and 2013/14, the total number of people receiving state services fell by 25%. This decline is recent, as the number of people receiving state-funded social care increased by 2.3% between 2005/06 and 2008/09.[52]

Intensive and expensive types of care are being prioritised, while community care has been squeezed. Between 2009/10 and 2013/14, the total number of community care clients fell from 1,464,140 to 1,051,540. This included a 249,700 drop in clients receiving long-term support or professional treatment and a 154,400 drop in clients provided with equipment. A reduction in service levels is not necessarily a sign of service failure. Local authority spending might be more efficient and prioritising short-term care; in 2015/16, 12% of requests for support were answered with intensive periods of 're-ablement', helping clients to be more independent.

On the other hand, more people may be having to rely on unpaid care. It is estimated that across the UK there was a 9.5% increase in hours of unpaid care between 2009 and 2014, from 7.4bn to 8.1bn, with 14.3% growth in people receiving unpaid continuous care (that is, receiving 168 hours per week).[53] Another possibility is that as services are reduced, unmet need increases. This would be difficult to determine: only 26.8% of councils in the 2017 ADASS Budget Survey stated they had arrangements to monitor unmet need. Research by Ipsos MORI and NatCen has argued that need is often hidden, with half of those with care needs possessing at least one unmet need.[54] Conversely, Health Survey England found that from 2011 to 2015 the percentage of over 65s with unmet need for Activities of Daily Living (ADLs) fell from 26% to 22%, despite a 15% to 11% drop in those receiving care.[56]

Whether reduced services represent a rationing or efficiency story is not apparent with current levels of data. Regardless, pressures are clear: only 29% of councils in the 2017 ADASS survey were 'fully confident' they could meet their statutory duties for 2017/18 (dropping to 3% for 2019/20).[57]

There has been an increase in unnecessary hospital stays because of social care, although recently it appears to have slowed.

Figure 2.15 **Delayed transfers of care due to social care, by days delayed, 2010 to 2017**
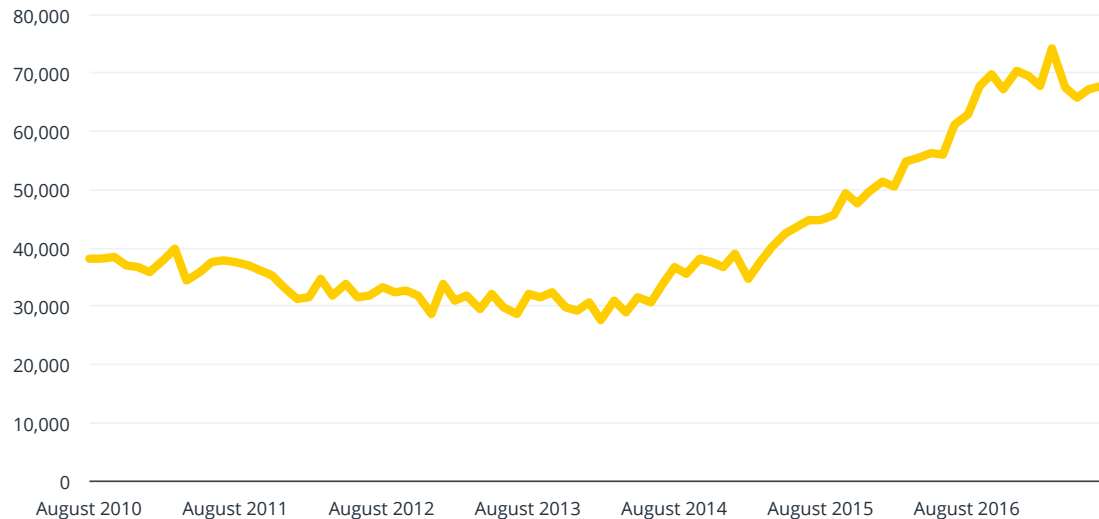

Source: NHS England, *Delayed Transfers of Care, NHS Organisations England*

Delayed transfers of care (DTOC) occur when someone is clinically fit to be discharged from their care setting, but they remain there longer than they need to. DTOCs are costly (the NHS spends around £820m a year treating older patients who no longer need to be in hospital) and inefficient, reducing the availability of beds for other patients.[58] There is also an impact on patient health; a 2014 report estimated that a wait of more than two days negates the additional benefit of intermediate care, and seven days is associated with a 10% decline in muscle strength.[59]

Between August 2010 and July 2017, the total number of delayed days across all organisations rose by 65%. Delayed days due to social care rose the most, a 77% increase from 38,324 to 67,969 (peaking at 74,288 in March 2017 before stabilising). The most common reason for social care delayed days was the patient waiting for a care package in their own home; this rose from 8,547 days in August 2010 to 22,100 days in July 2017, nearly a 160% increase.

The sector is growing, but providing care has become increasingly difficult.

Figure 2.16 **Estimated percentage change in adult social care jobs, 2009 to 2015**
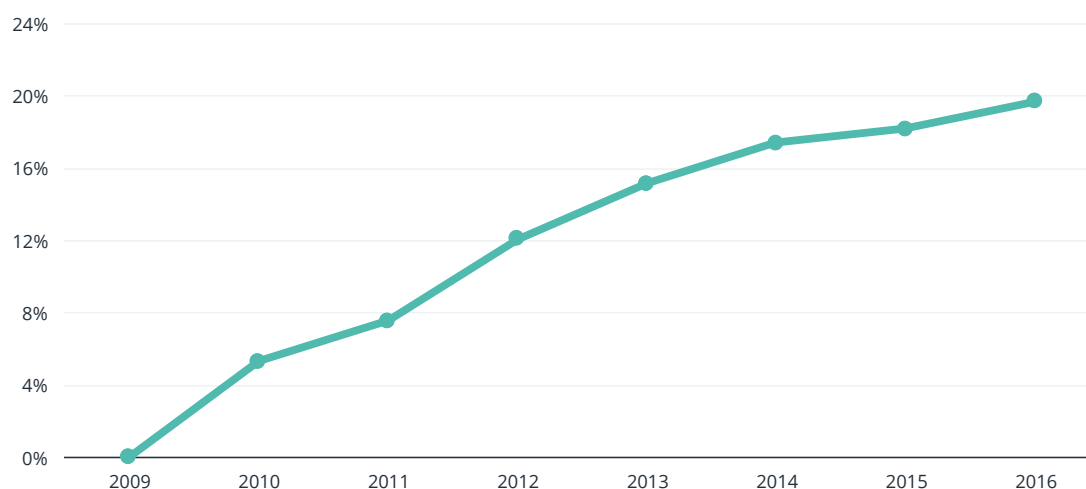
Source: Skills for Care, *National Minimum Dataset* and *The Size and Structure of the Adult Social Care Sector and Workforce in England, 2017,* September 2017

Skills for Care estimates that between 2009 and 2016, there was a 19.7% increase in adult social care jobs, to around 1.58 million. This was made up of notable shifts, including a 37% decline in local authority jobs through service closures and outsourcing. The number of FTE jobs also increased, from 1.025 million in 2012 to 1.11 million in 2016.

However, as the sector has grown there have been difficulties with retaining workers; between 2012/13 and 2015/16, turnover rose from 22.6% to 27.8%.[60] Furthermore, the CQC has stated that "staffing levels were a key factor in providers being rated as inadequate or requires improvement for safety", especially when providers did not effectively make use of staff time. Another issue reported by the CQC was a lack of knowledge by providers about what skills their workers already possessed or would need training on, in order to manage complex patient needs.[61]

The greater concern is the financial sustainability of providers. The average fee they are paid by local authorities fell by 6.2% between 2011 and 2016.[62] According to the UK Home Care Association, in 2016 the average hourly price paid by councils for domiciliary care was £14.58, with only 10% paying the £16.70 estimated as the minimum sustainable price for home care services.[63] Furthermore, it is estimated that meeting the National Living Wage will cost providers £2.3bn in wages by 2020 and could crowd out some of the additional funding promised to social care.[64] In light of these pressures, 77% of councils in the ADASS Budget Survey said providers were facing financial difficulty currently (and this rose to 84% for 2018–20). There are concerns that providers might cut their losses and provide services for privately funded clients only (for example, in 2016/17, 36.8% of councils reported home care contracts being 'handed back' in the previous six months).[65] At worst, financial pressures may shut down providers; between January and June 2013, 260 care homes closed, but between January and June 2016, this rose to 380.[66]

The people who do receive state-funded care remain satisfied, but public concern with social care is high.

Figure 2.17 **Users satisfied with the care and support services they receive, 2010/11 to 2015/16**
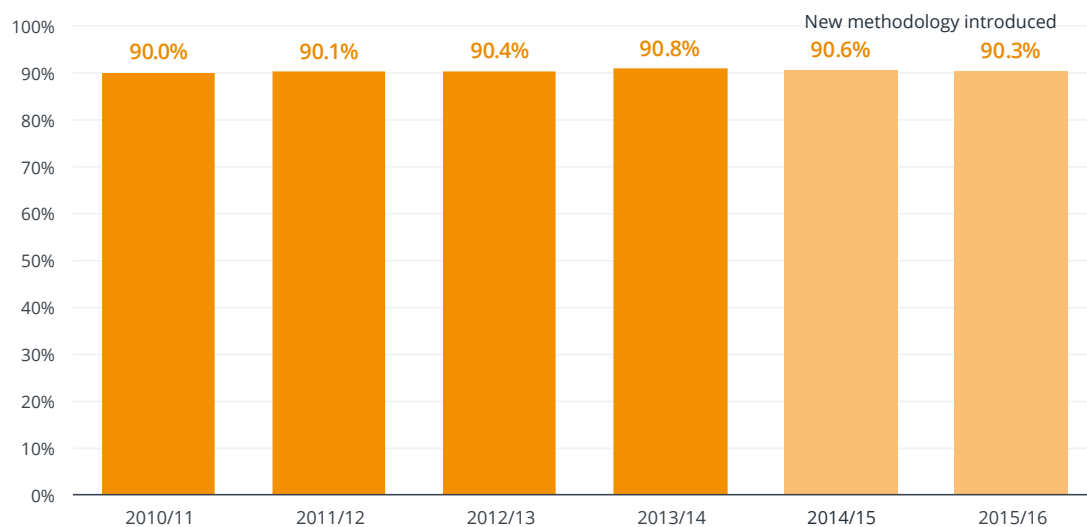
Source: NHS Digital, *Personal Social Services: Adult Social Care Survey*

Despite changes to service provision, the satisfaction of recipients has been consistent. In 2015/16, 90.3% said they were satisfied with their care and support, comparable to previous years. Yet public concern is high; social care became a focal point of the 2017 general election and a British Social Attitudes survey found that only 26% of people were satisfied with it, down from 30% in 2012 (although it should be noted that fewer people experience social care directly, compared with other elements of health care).[67]

Recent CQC evaluations have provided new insight into the clinical quality of social care. They are quite positive, with 79% of all services rated as good or outstanding. Providers also showed some capacity for improvement: upon re-inspection, 56% of providers rated as 'requires improvement' were upgraded to 'good'. However, there were variations between quality indicators, which reflect the pressures on services: 95% of services were good or outstanding at 'being caring' but this was only true of 75% for 'being safe' and 76% for 'being well led'.[68] Moreover, 74% of councils in the ADASS Budget Survey said more providers were facing quality challenges (and this rose to 83% for 2018–20).[69]

3 Schools

Spending on schools is now falling, but is still 6% higher than in 2009/10. Teacher numbers have kept pace with rising pupil numbers, although there are recruitment gaps in some key subjects and more teachers are leaving the profession. Pupil attainment, meanwhile, has remained broadly flat.

Spending on schools has risen by 6% in real terms since 2009/10.

Figure 3.1 **Change in spending on schools in England (real terms), 2009/10 to 2016/17**
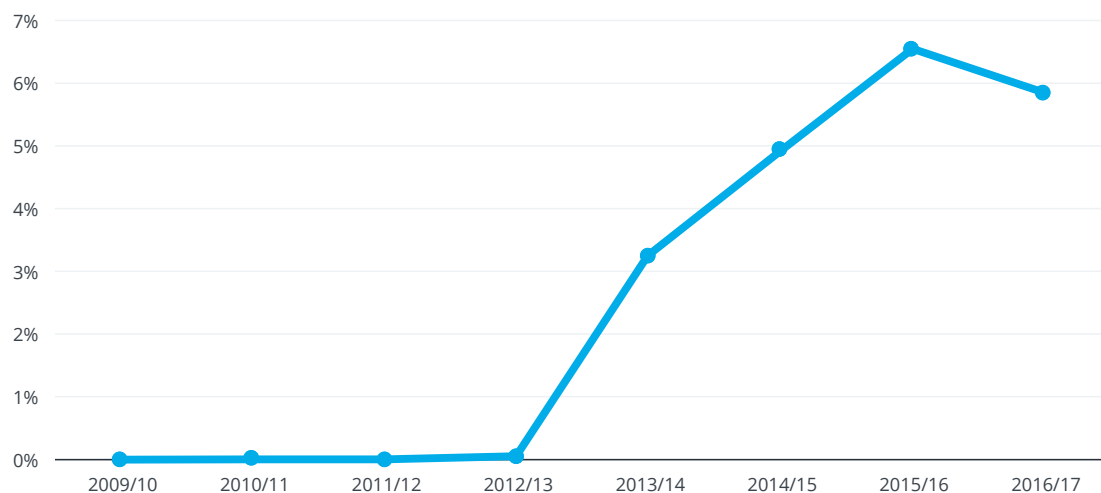
Source: Department for Education, *Dedicated Schools Grant Allocations* and *Pupil Premium Allocations*

Since 2009/10, day-to-day spending on schools has risen by 6% in real terms, having taken a slight dip in 2016/17. This purely covers schools – primary (ages 5–11) and secondary (up to age 16) – and not other components of the education budget, such as youth services or early years provision, or post-16 education (which is funded separately).

At the 2015 Spending Review, the overall school budget was protected in real terms, but not in per-pupil terms. So, while overall spending is set to remain fairly stable, individual schools will feel a squeeze. The Institute for Fiscal Studies (IFS) has estimated that when rising costs are also taken into account – specifically rising pensions and National Insurance contributions – these plans imply an 8% drop in per-pupil real funding between 2014/15 and 2019/20.[1]

But this is not the whole story. On top of these changes, the distribution of schools funding is also set to change under the new National Funding Formula (NFF). These plans will protect some schools from the worst of the spending squeeze, but signal additional funding pressures for others. According to analysis from the think tank, the Education Policy Institute, the proposals published in March this year would have seen around a half of primary and secondary schools face real-terms per-pupil spending cuts of between 6% and 11% by 2019/20.[2]

Following significant public pressure, the Government has now modified these implementation plans. In July this year, Education Secretary Justine Greening promised an extra £1.3bn over two years for schools, taken from elsewhere in her department's budget. The formula will be introduced in 2018/19 (with a 'soft' launch allowing local authorities to determine their own allocations within their total budgets), but extra cash will be made available between 2018/19 and 2019/20 to ease the transition. At worst, schools will receive a 0.5% cash increase in their per-pupil budget this year – which, given inflation, still constitutes a real-terms cut.[3] So, the worst of the squeeze has been postponed, but by no means eliminated.

The recent growth in primary pupil numbers is beginning to feed into secondary schools.

Figure 3.2 **Pupil numbers in primary and secondary schools, 2009 to 2017**
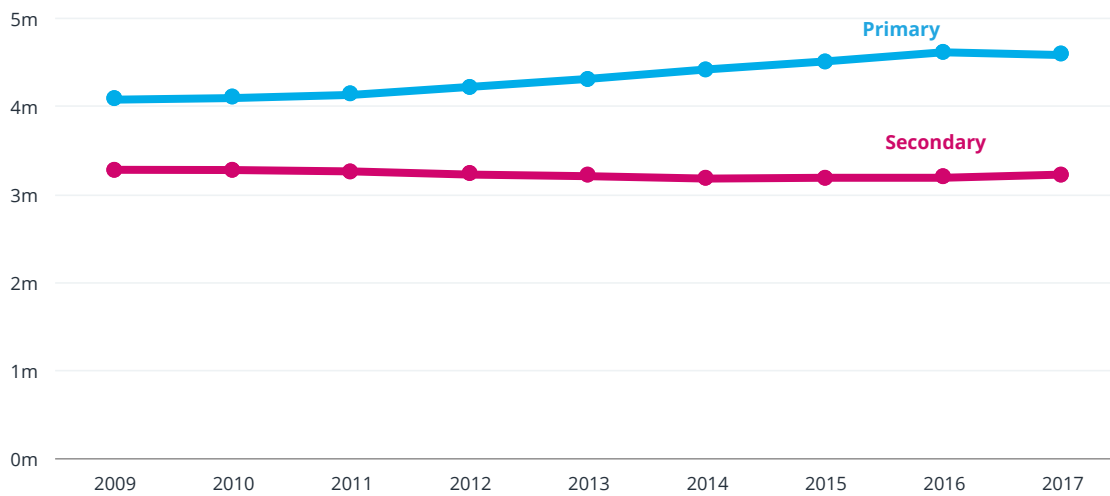
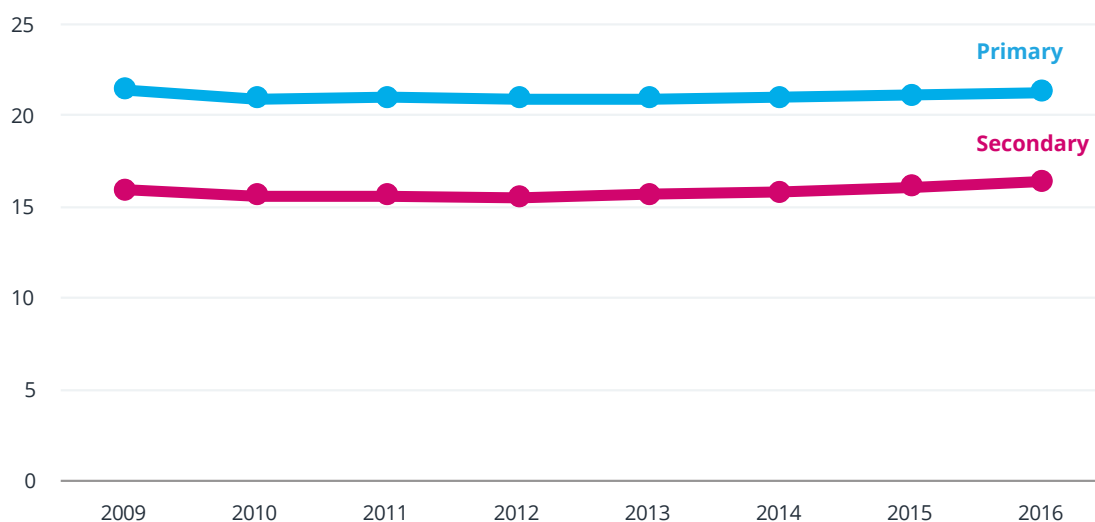Source: Department for Education, *Schools, Pupils and their Characteristics*, Table A

Overall, the number of pupils in state-funded schools has risen by 6% since 2009. This has been driven by primary-age students, numbers of whom have risen 13% since 2009 (from around 4.1 million to 4.6 million), reflecting a high birth rate in the early years of the century.

That increase is now beginning to feed through into secondary schools. Numbers of secondary school pupils are currently 2% lower than they were in 2009 (3.22 million in 2017, down from 3.28 million), but they have risen consistently since 2014. By 2026, the secondary school population is forecast to increase by a further 19%, while the primary school population will level off.[4]

There are signs that this is beginning to create more competition for places in popular secondary schools. While 90% of pupils received an offer from their first-choice primary school in 2017, 83.5% received an offer from their first-choice secondary school, down from a high of 86.7% in 2013 (although still higher than 83.2% in 2009).[5]

Teacher numbers have so far largely kept pace with rising pupil numbers – though there are signs this is beginning to change.

Figure 3.3 **Pupil-teacher ratio in primary and secondary schools, 2009 to 2016**

Source: Department for Education, *Schools Workforce Census*, Table 17a

Since 2009, pupil-to-teacher ratios have remained broadly steady, especially in primary schools, despite rising pupil numbers. Ratios were also broadly flat in secondary schools up to 2014, but have subsequently begun to rise: from 15.9 in 2014 to 16.4 in 2016, the highest ratio across the whole 2009–16 period. While this is not a major increase, it means that, as the increased numbers of primary school pupils begin to reach secondary age, class sizes are starting to get bigger. In 2014, 9.4% of pupils in English secondary schools were in classes of over 30 pupils; by 2017, this had risen to 11.5%.[6]

Targets for the recruitment of new teachers continue to be missed, despite signs of improvement.

Figure 3.4 **Comparison of postgraduate entrants into Initial Teacher Training to target, 2009/10 to 2016/17**
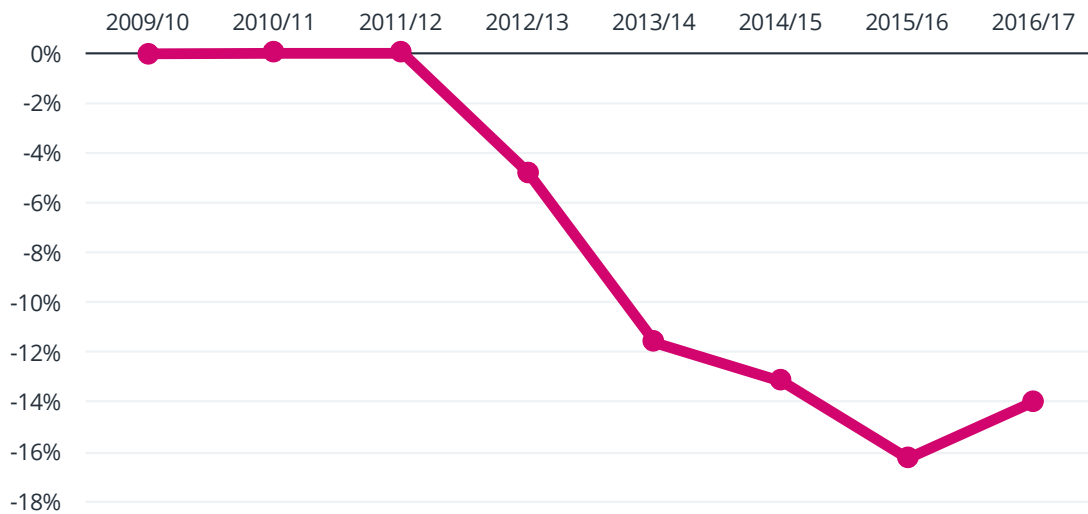
Source: Department for Education, *Initial Teacher Training – Trainee Number Census*

The Department for Education (DfE) publishes an annual estimate of the number of new teachers it needs to train. Since 2012/13, this target has been missed by a considerable margin: in 2015/16, numbers of trainee teachers were 16% below target.* In the past year, there have been signs of improvement, as numbers of new recruits fell back to 14% below target. Yet numbers of new trainees remain far below what the DfE estimates is needed.[7]

Shortages are also especially acute in particular subjects. Last year, the targets for trainees were missed by 32% (228) in Computer Science; by 16% (497) in Maths; by 19% (204) in Physics; and by 59% (611) in Design and Technology.[8] The Government's plans to increase uptake of particular subjects at GCSE through the 'English Baccalaureate' will create additional pressures on recruitment in some of them – most notably modern foreign languages – although schools now have until well into the next decade to implement these changes.[9]

The number of open vacancies for teachers has also increased. At the time of the 2016 November workforce census, 27% of secondary schools reported at least one vacancy, up from 23% in 2015 and 15.9% in 2010. In primary schools, the proportion rose from 4.2% in 2010 to 6.9% in 2015, and then to 8.9% last year.[10] These figures may underestimate the true extent of the problem: by November, school leaders may have rearranged their plans if they failed to recruit the teachers they needed at the start of the year. The Commons Education Select Committee stated earlier this year that teacher shortage is a "continuing challenge" for the sector, and called on the Government to do more to improve both the recruitment and retention of teachers.[11]

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* Total trainee teachers recruited compared with target. Subjects which recruited more than their target number have been recoded to their target levels, to discount the effects of over-recruitment in some subjects.

More teachers are leaving secondary schools teaching than joining it.

Figure 3.5 **Teacher entry and 'wastage' rates, 2011 to 2016**
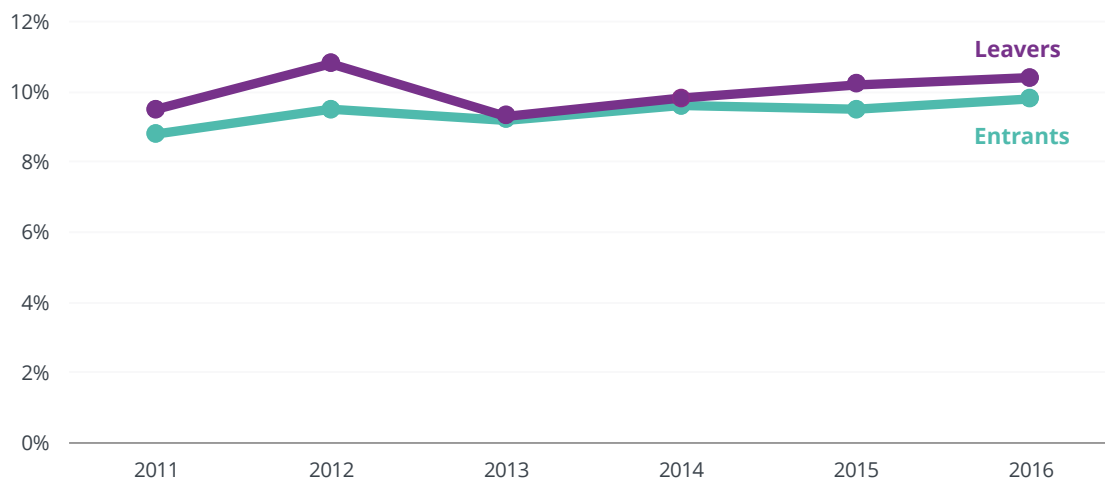
Note: The wastage rate compares the number of teachers in service at the beginning and end of the academic year.
Source: Department for Education, *Schools Workforce Census*, Table 7b

In secondary schools, the number of teachers leaving the profession outstrips the number who are entering it. In 2016, the equivalent of 10.4% of the secondary teaching workforce left state school teaching, up from 9.5% in 2011.* An equivalent of 9.8% of the total workforce joined the profession last year. During this period, of course, the number of pupils in secondary schools was falling.

Only 18% of teachers leaving the profession in 2016 retired: the vast majority were of working age. The number of teachers going 'out of service' (that is, not retiring) rose from 25,260 in 2011 to 34,910 in 2016, a 38% increase.[12] As with recruitment, retention issues do not fall equally across the subjects. Science, maths and language teachers have higher than average leaving rates in the first few years after training – despite the higher bursaries offered to trainees.[13]

Better employment prospects for those with science, technology, engineering and mathematics (STEM) backgrounds may tempt those teachers away from the profession.[14] But overall, leaving teachers are not going to higher-paid jobs: analysis by the National Foundation for Educational Research (NFER) shows that, after one year, the wages of teachers leaving were on average 10% lower than the wages of those who stayed (between 2001 and 2015). The vast majority of those teachers stayed in the education sector, for example becoming private school teachers or teaching assistants, or moving into work in further or higher education.[15]

Teachers' workload may be a more significant factor behind the difficulties schools face in retaining teachers. In a recent survey conducted by the NAO, 67% of school leaders cited workload as a barrier to retention (compared with 34% citing pay).[16] Teachers in England work on average 48.2 hours a week – higher than almost all other Organisation for Economic Co-operation and Development (OECD) countries.[17]

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* Teachers who are no longer in service in publicly funded schools in England.

Pupils' attainment is broadly flat.

Figure 3.6 **Pupil attainment at the end of Key Stage 2 and Key Stage 4, 2009/10 to 2015/16**
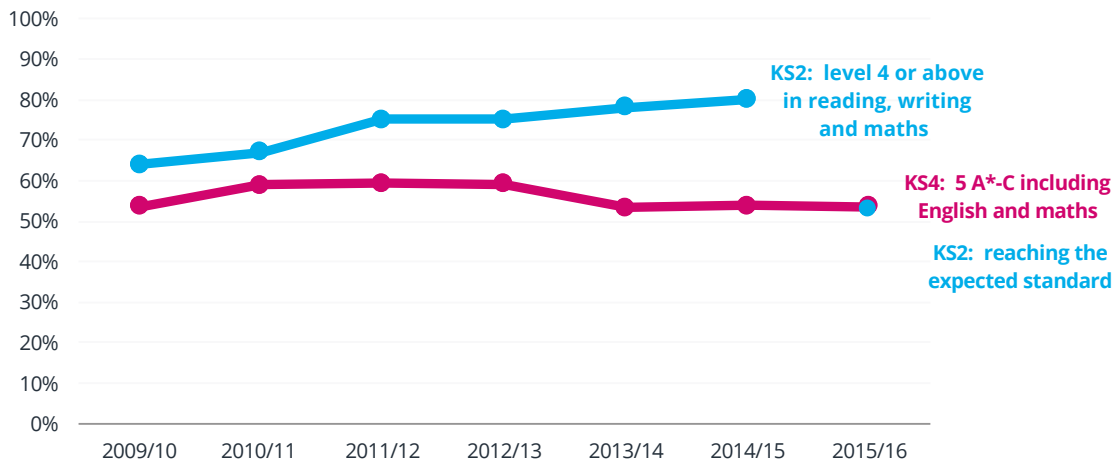
Source: Department for Education, *GCSE and Equivalent Results in England* and *National Curriculum Assessments at Key Stage 2*

The Government uses two key proxies to assess the quality of schools: Ofsted inspections and exam results. In March 2017, 89% of schools had been rated 'good' or 'outstanding' at their last inspection, with 8% rated 'requires improvement' and 2% rated 'inadequate'. This is an improvement on March 2014, when 21% of schools were in the two bottom categories, although the multi-year gap between inspections means we cannot make a clean comparison.[18]

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 five GCSEs at grades A*–C, including English and maths – have showed slight improvements since 2009/10 and 2015/16.

However, reforms to the way students are assessed, and changes to the way the data are collected, make it difficult to make comparisons over time. From 2013/14, resits (where students retake exams in pursuit of a higher grade) were no longer counted in the aggregate A*–C figures for GCSE, for example, leading to a drop in the headline number. Larger reforms to school assessment – including the abolition of numbered levels in primary school and the replacement of A–U grades at GCSE with grades from 1 to 9 – will further prohibit easy comparisons in the future.

International benchmarks offer potentially more consistent measures of student attainment over time. The OECD Programme for International Student Assessment (PISA) and Trends in International Mathematics and Science Study (TIMSS) surveys of educational performance also suggest that the quality of education in England – in terms of students' knowledge and skills in mathematics, reading and science – has not risen, but remained broadly flat in recent years.[19]

The attainment gap between the most and least disadvantaged children persists, although it has narrowed since 2009. Research by the Education Policy Institute suggests that, in 2016, pupils from disadvantaged backgrounds – defined as children who had been eligible for free school meals at any point in the previous six years – were on average 18.9 months behind the rest of their peers at the end of secondary school, in terms of their relative progress. At the end of primary school, the gap was 9.5 months. These gaps have narrowed since 2009, from 21.7 months and 11.5 months respectively.[20]

4 Law and order

Police

There are 14% fewer police officers than in 2009, reflecting sharp cuts to police spending. Despite poor morale, official inspection ratings and public satisfaction with the police remain steady. However, victim dissatisfaction is slowly rising, and the public perceive the police to be less visible. Recent terrorist attacks, alongside increased criminal activity and the changing nature of demands on the police, have provoked renewed debate over police numbers.

Spending on the police decreased by 17% from 2009/10 to 2016/17.

Figure 4.1 **Change in spending on the police in England and Wales (real terms), 2009/10 to 2016/17**
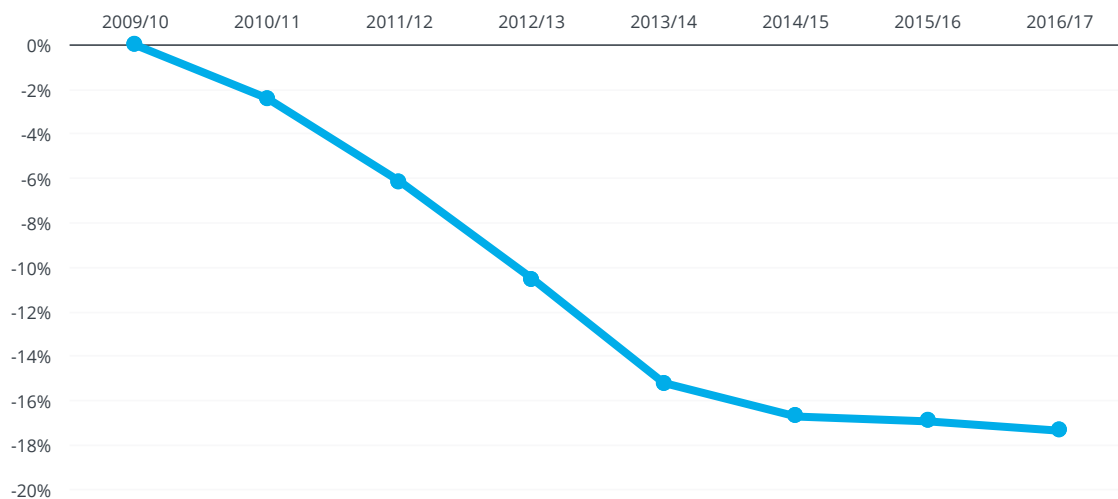

Source: Department for Communities and Local Government, *Local Authority Revenue Expenditure and Financing in England*

Day-to-day spending on the police fell from £13bn in 2009/10 to £10.9bn in 2016/17. This amounted to a 17% real-terms decrease in spending over the period. 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 it did not mandate a single uniform approach to managing spending reductions.

In June 2017, it was reported that the Government's planned changes to the formula by which the 43 forces across the country are allocated funding, on hold since 2015, are to be scrapped. This is meant to protect the budgets of larger forces, including the Metropolitan Police, although the overall spending envelope is not expected to rise.[1] The status of the proposed new funding formula remains unclear.

There are 14% fewer police officers than in 2009.

Figure 4.2 **Change in the number of police officers (FTE), year ending March 2009 to year ending March 2017**
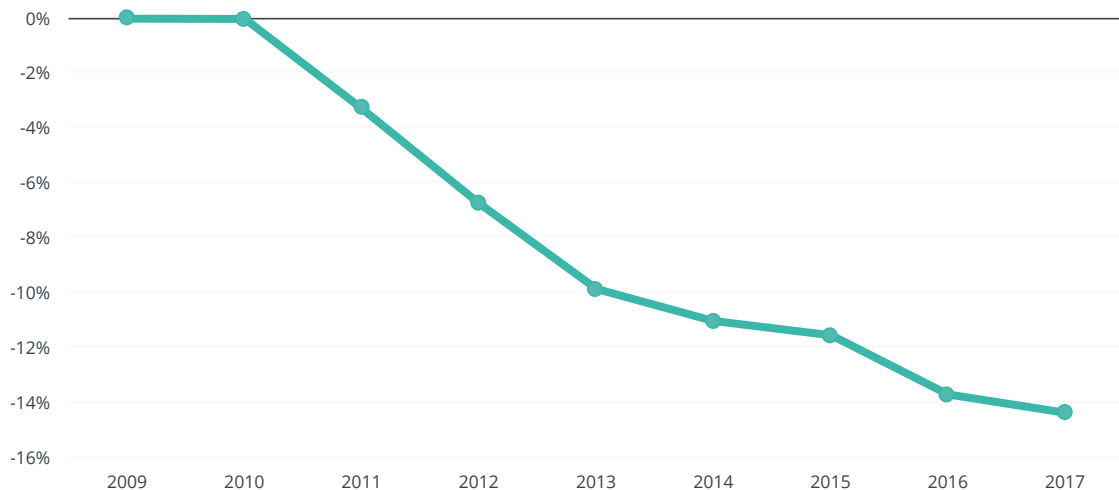
Source: Home Office, *Police Workforce England and Wales Statistics*, March 2017

As of the end of March 2017, there were 123,142 police officers across England and Wales, 14% fewer than the 143,769 in March 2009, and 0.7% fewer than last year. This represents the lowest number of officers at the end of a financial year since comparable records began in 1996.[2]

The functions and forms of policing have also changed, leading HM Inspectorate of Constabulary (HMIC) to express concern about levels of neighbourhood police.[3] Other police functions have seen their numbers rise in the past year. There were 6,278 armed officers at the end of March, an 11% increase on March 2016, reflecting drives by the Home Office to boost armed police capability.[4] However, this remains below the 6,976 armed officers in March 2010.[5*] The former Metropolitan Police Commissioner warned in February of difficulties in recruiting armed officers, due to a combination of high trainee failure rates and a reluctance to serve in such a role.[6] In the wake of the five terrorist incidents across Britain since March, the subject of police numbers has received renewed attention, with the Metropolitan Police Commissioner publicly warning that the service is being "stretched" as it tries to respond to a broader range of crime, ranging from terror attacks to knife crime.[7]

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*   Data for 2016 to 2017 were collected under a new definition of 'armed officer', which extends to all officers authorised to use firearms. The Home Office states that the effect of this change in definition is small, and therefore that 2017 figures are comparable to previous years.

However, it is difficult to understand the level of demand that the police face. Crime rates are one possible indicator of demand, but there are different ways of measuring crime and these are subject to different limitations. Figures for police-recorded crime showed that in the year to March 2017 there was an increase of 10% in overall crime, and an 18% increase in violence against the person.[8] By contrast, the Crime Survey for England and Wales (CSEW), an estimate of crime based on people's experiences, found that overall crime fell by 7% in the same period, and levels of violent crime remained flat.[9]* The variation in these figures points to the difficulties of accurately measuring changes in crime: for example, recorded crime rates may reflect changes in reporting practices, rather than genuine increases in crime. But survey data do not capture 'victimless' crimes, such as drug possession.[10] As well as these limitations, crime rates do not cover all demands on the police: it has previously been estimated that most police time is spent dealing with non-crime incidents, such as assisting those with mental health problems or providing public reassurance.[11]

While it is difficult to understand the level of demand, the data suggest that the nature of demand is changing, with cyber-crime becoming a key concern. Experimental data from the CSEW on fraud and computer misuse offences found 5.2m such crimes in 2017, similar to numbers of all other forms of crime. The changing nature of crime raises questions about the role and resources of the police in combating less traditional forms of crime.[12]

Crime rates may not give us a complete sense of demands on the police workforce, but they can help to give a sense of the levels of police activity. Higher rates of police-recorded crime mean more work for the police, regardless of whether the increase is due to changes in reporting patterns, suggesting that police activity has increased in the past year. This is also suggested by data on the volume of emergency 999 calls received by police forces. Data collected by the National Police Chiefs' Council (NPCC) found that the volume of emergency calls has risen 11% in the last year.[13] Individual forces have reported rising call volumes: for example, North Yorkshire Police received 6,115 emergency 999 calls between 2 July and 27 July 2017, compared with 4,920 in the same period last year, a 25% increase.[14]

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*   Excluding fraud and computer misuse offences, to ensure comparability with previous years' statistics.

The number of officers on long-term sick leave is beginning to fall, but remains far above 2013 levels.

Figure 4.3 **Number of police officers on long-term sick leave, 2013 to 2017**
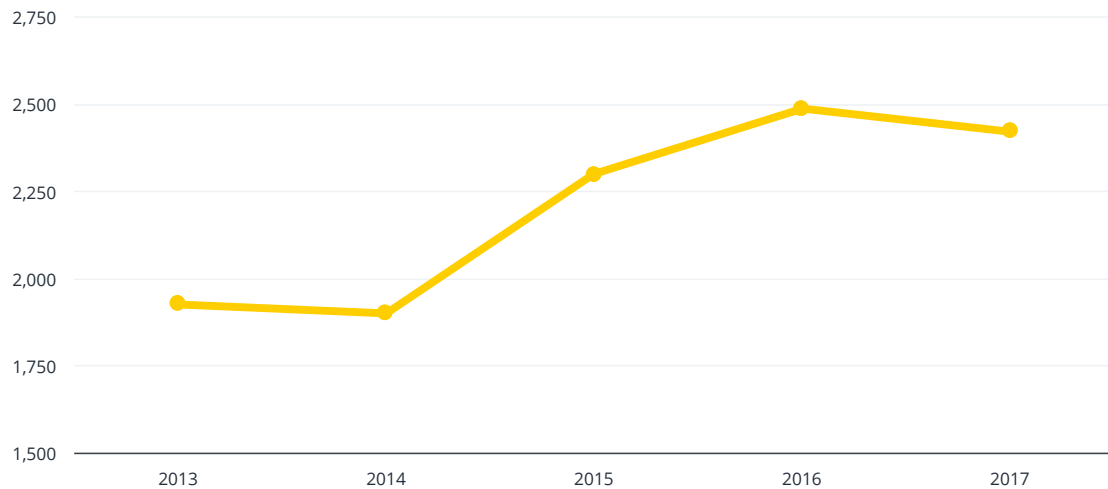

Source: Home Office, *Workforce Statistical Bulletin*, Table W1

Rates of long-term sick leave can be an indicator of workforce morale. As of March 2017, 2,424 police officers were on long-term sick leave, compared with 2,488 at the same point in 2016. This is the first fall in long-term sick leave since 2014. However, the number of those on leave remains considerably higher than 2013, when 1,928 officers were on long-term sick leave. Despite the fall, forces have reported an increase in the number of officers on sick leave as a result of mental health problems – although this can cover a range of issues from stress to family bereavement, and may also reflect better awareness of mental health issues.[15]

The latest survey of pay and morale, conducted by the Police Federation, found that 60.2% of respondents reported low personal morale, compared with 55.9% in 2016 – but below the 70.2% low morale in 2015's survey. Meanwhile, 93.5% of respondents reported low police service morale, the same as in 2016. This low morale is driven by concerns about pay and workload. In the past year, the proportion of officers stating that their morale is negatively affected by the workload and responsibilities has risen by nine percentage points, to 61.1%. Furthermore, 72.9% reported that their morale is negatively affected by their pay and benefits.[16] In September, the Government announced that officers would receive a 2% pay rise, comprising a 1% basic increase and a 1% bonus for 2017/18 – breaking the cap on public sector pay.[17]

Public confidence in the police is steady.

Figure 4.4 **Percentage of people rating the police as 'good' or 'excellent', 2009/10 to 2016/17**
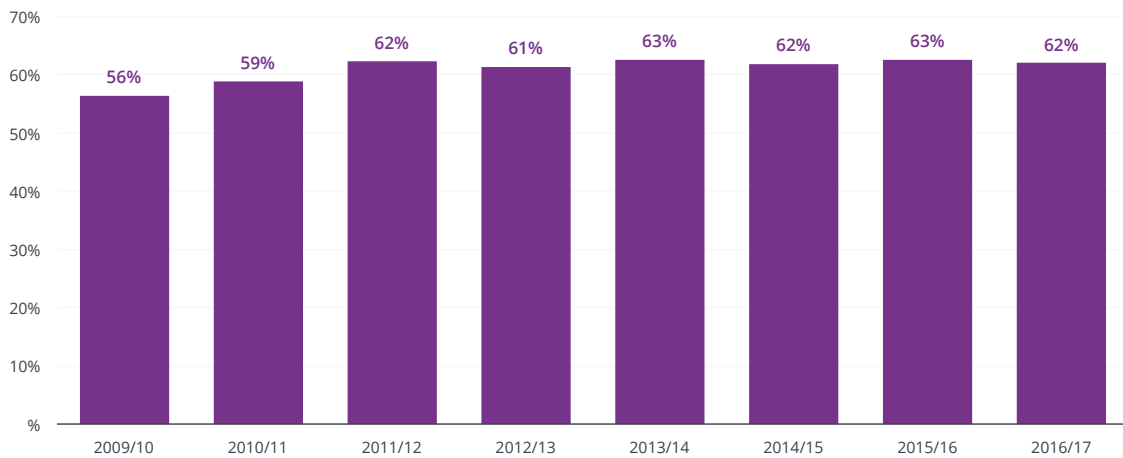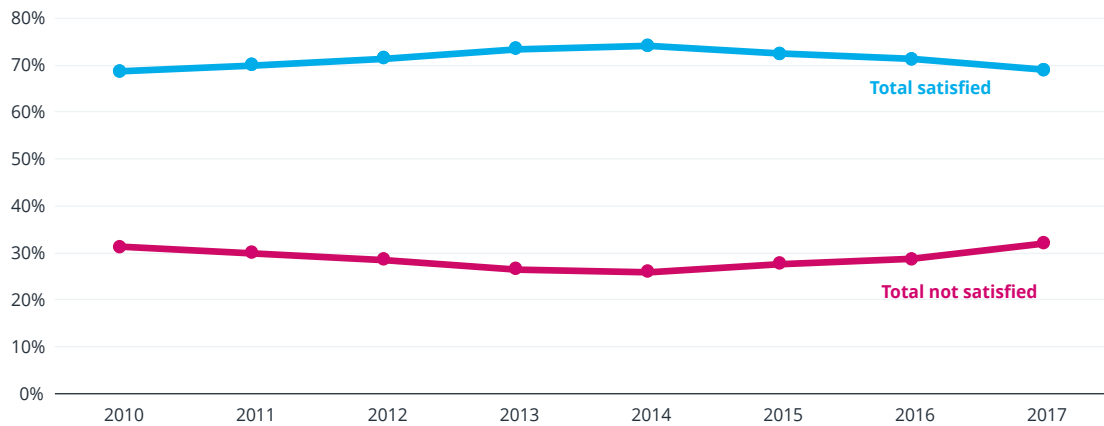

Source: ONS, *Crime Survey for England and Wales*, Table S4

One important indicator of the quality and performance of the police is public perception, especially as the British policing model relies on consent.[18] Crime rates are not a good indicator of police quality as they may be affected by a range of factors other than the police: for example, reduced rates of vehicle theft may be caused by improvements in vehicle security features. As measured by the CSEW, overall public satisfaction with the police remained constant at 62% in 2016/17, a one percentage-point decrease on 2015/16, but in line with satisfaction levels since 2011/12.

However, there are signs of public concern with some aspects of the service, particularly the visibility of the police. The percentage of respondents to the CSEW reporting high visibility of foot patrols has declined significantly, from 39% in the year to March 2010 to 22% in the year to March 2017. The proportion reporting that they "never" see police foot patrols rose from 27% in the year to March 2010, to 39% in the year to March 2017.

Victim dissatisfaction is rising.

Figure 4.5 **Victim satisfaction with the police, 2010 to 2017**


Source: ONS, *Crime Survey for England and Wales*, Table S13

Victim satisfaction rates also offer an important indicator of public perceptions of the police, and its performance. In 2017, 32% of victims were not satisfied with the way that the police dealt with an incident they reported – the first time that dissatisfaction has risen above the 2010 level of 31%, and continuing an upwards trend in dissatisfaction. At the same time, the proportion of victims satisfied was 69%, two percentage points below 2016 levels.

But most forces are still rated as 'good' or 'outstanding' by the Inspectorate.

Figure 4.6 **HM Inspectorate of Constabulary Police Effectiveness, Efficiency and Legitimacy (PEEL) assessments of police forces, 2015/16**
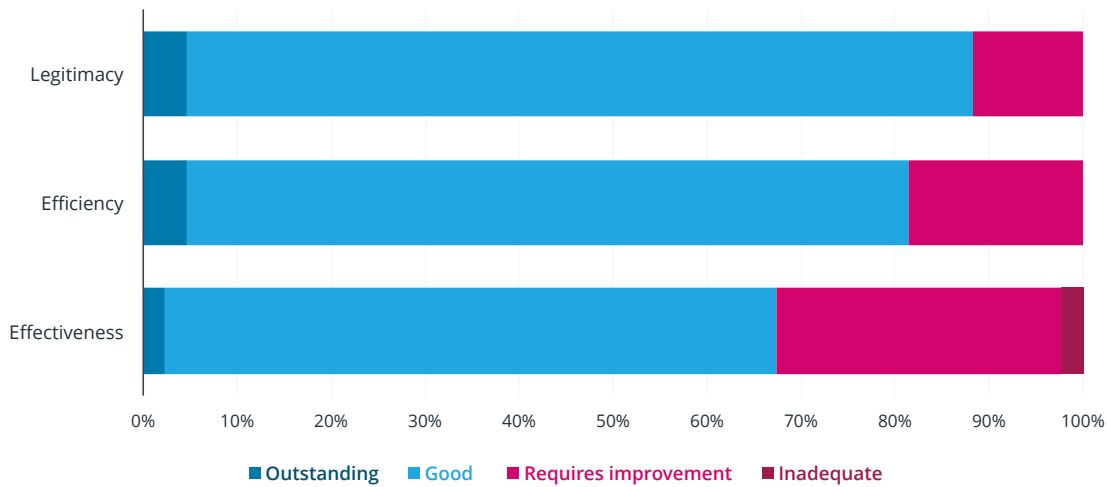
Source: HMIC, *State of Policing*, 2016

HM Inspectorate of Constabulary (HMIC), now HM Inspectorate of Constabulary and Fire and Rescue Services, conducts inspections of each of the 43 forces across England and Wales, assessing three different areas of performance: their effectiveness, efficiency and legitimacy.*

In 2015/16, at the end of the second complete cycle of PEEL inspections, 88% of forces were rated 'good' or 'outstanding' on legitimacy (the same as 2014/15), while 81% of forces were good or outstanding on efficiency, a two percentage-point improvement on the year before. On the theme of effectiveness, 67% of forces were judged good or outstanding, a nine percentage-point increase on 2014/15.

The number of forces requiring improvement on efficiency and legitimacy has not changed from the previous year. On the theme of effectiveness, 30% of forces were rated as requiring improvement in 2015/16, down from 42% last year. Yet at the same time, HMIC raised a "warning flag" about moves by some forces to "artificially suppress demand" by, for example, downgrading emergency calls in order to allow a slower response time.[19]

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*   HMIC defines effectiveness as "an assessment of whether appropriate services are being provided by each police force and how well those services work"; efficiency as "an assessment of whether the manner in which each force provides its services represents value for money"; and legitimacy as "an assessment of whether, in providing services, each force operates fairly, ethically and within the law". See HMIC (2016) *State of Policing*, p. 38.

Criminal courts

Spending across the entire courts and tribunals system has fallen by 19% since 2010/11, with additional fees introduced in non-criminal parts of the system. With almost a third less staff in the HM Courts and Tribunals Service (HMCTS) than in 2011, courts are dealing with fewer, but more complex, criminal cases – more of which are going ahead as scheduled. But problems with court administration persist, and government will need to ensure it has the flexibility to respond to changes in case volume as transformation to a smaller, more digital estate gets under way.

Spending on courts and tribunals has fallen by 19% since 2010/11.

Figure 4.7 **Change in total HMCTS operating expenditure, 2010/11 to 2016/17**
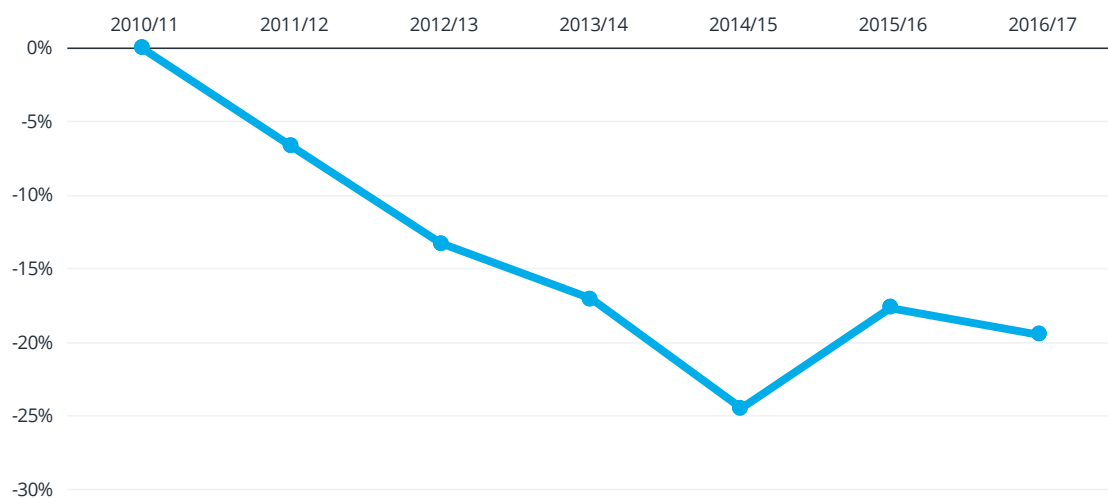
Source: HMCTS, *Annual Report and Accounts*

Operational – or everyday – spending by the HMCTS has fallen by 19% in real terms since 2010/11. HMCTS administers the entire courts system – which deals with criminal, family and civil cases – and the tribunals system, which deals mainly with employment, immigration and benefits cases. HMCTS is an executive agency within the Ministry of Justice (MoJ), a department that was not protected in the 2010 or 2015 Spending Reviews.

HMCTS's overall spending rose slightly in the last year, following a £700m investment at the 2015 Spending Review. This was made with a view to generating savings of £200m a year by 2019/20, through a major transformation programme encompassing greater use of digital technology, modernisation of court buildings, and rationalisation of the courts and tribunals estate (see Box 4.1).

Box 4.1: Courts transformation programme

More than £1bn is being invested in transforming the wider courts and tribunals system. This transformation has two key pillars:

Estates: The transformation programme aims to reduce the size of the courts and tribunals estate to encourage more efficient usage: HMCTS notes that in 2015, 48% of all court and tribunal buildings were empty at least half of hearing time; 86 court and tribunal buildings were slated for closure by September 2017. There is also a move towards more flexible operating hours, although this is on pause until February 2018 to allow for further consultation.

Digital: In some cases, online courts will make decisions 'on the papers', where representations are made online to a judge, who deals with them outside a traditional courtroom. For some minor offences, defendants will be able to accept convictions and pay fines online.[29, 30]

Government expenditure on HMCTS has fallen by more than the headline figure: by 35% between 2010/11 and 2015/16.[20] This difference is the result of charging additional fees to users in the non-criminal parts of the system, a move that was controversial. In July 2013, fees were introduced for those taking claims to employment tribunals, but the UK Supreme Court ruled against this change in July 2017, with the MoJ committing to refunding users who have been charged.[21] Although a criminal courts charge was introduced in April 2015, it was scrapped just nine months later.[22]

Other changes appear more enduring. In 2014, the Government introduced some new fees, and raised others, in the civil, family and probate parts of the system. This move aimed to ensure full cost recovery for relevant services, and the Government used its powers to charge enhanced fees – over cost – in some instances.[23] These fees must be used to ensure an efficient courts and tribunals service, meaning that there is some cross-subsidy within HMCTS, whose staff and estate cover criminal and non-criminal courts.[24]

HMCTS has lost more than a quarter of its staff since its formation in 2011.

Figure 4.8 **Change in HMCTS staff (FTE), Q2 2011 to Q1 2017**
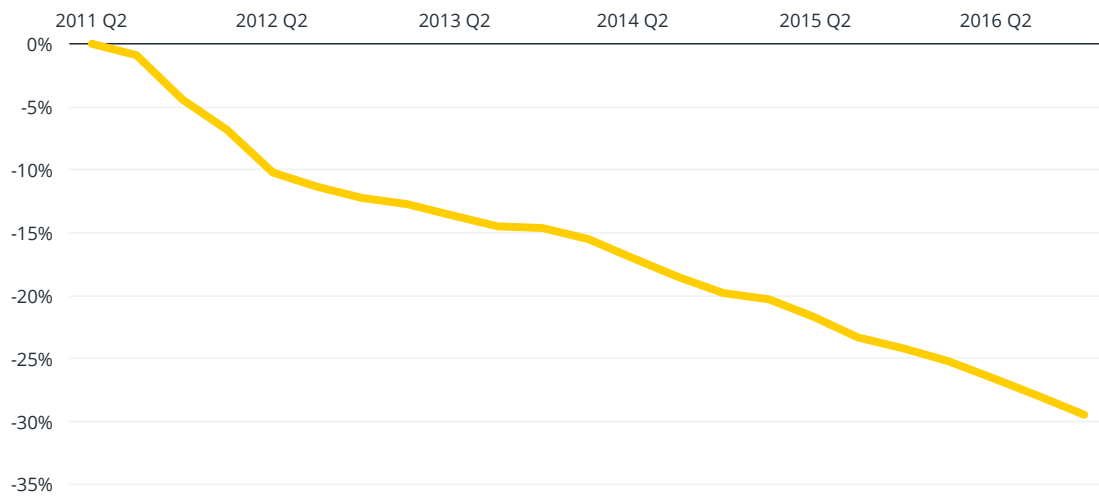
Source: Office for National Statistics, Public Sector Employment data, Table 9

Since the formation of the HMCTS in April 2011, numbers of FTE staff have fallen by 29% (from 19,850 in 2011 to 14,000 in 2016). The steepest reductions occurred in the year after HMCTS's formation, but have continued since. Further reductions, especially among administrative staff, are expected as the courts system continues its move towards greater use of digital ways of working.

Although HMCTS is responsible for the whole courts system, there are other bodies whose staff impact on the progress of criminal cases through the courts. This includes the Crown Prosecution Service (CPS) which decides whether to prosecute an alleged offender. Since 2010, the CPS has lost one third of its staff (from 8,240 to 5,490 by the end of 2016).[25]

The size of the judiciary may also affect the speed with which criminal cases progress. Magistrates must retire at 70 – and currently 57% of magistrates are aged 60 or over.[26] The Judicial Appointments Commission (JAC) and others have raised concerns about recruiting new judges, and there is some evidence of an emerging problem: in a recent recruitment drive for 55 new Crown court judges, only 44 roles were filled.[27] The 2016 Judicial Attitude Survey found that 74% of salaried judges feel their pay and pension entitlements do not adequately reflect the work they have done and will do before they retire.[28]

Courts are receiving fewer criminal cases...

Figure 4.9 **Change in the numbers of criminal cases received by Crown and magistrates' courts, 2010 to 2016**
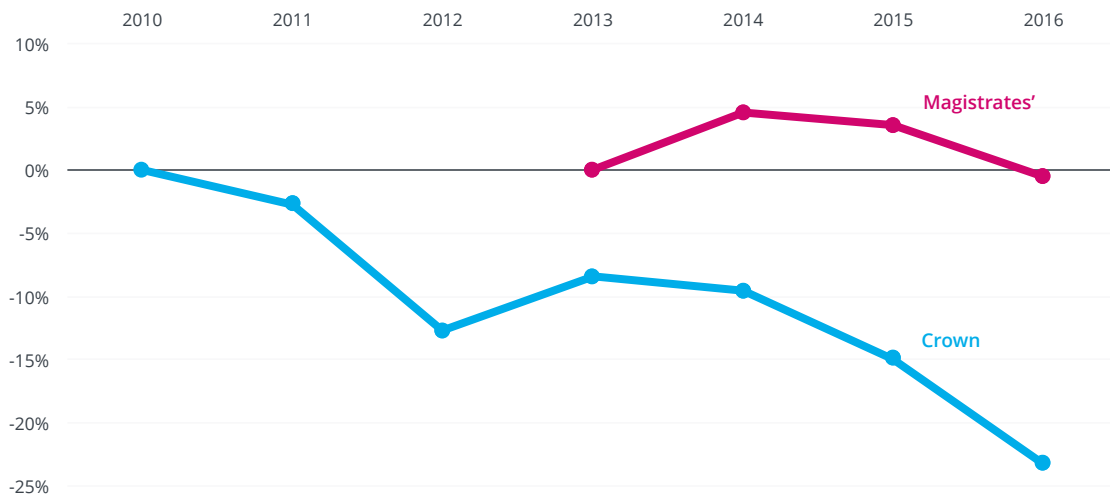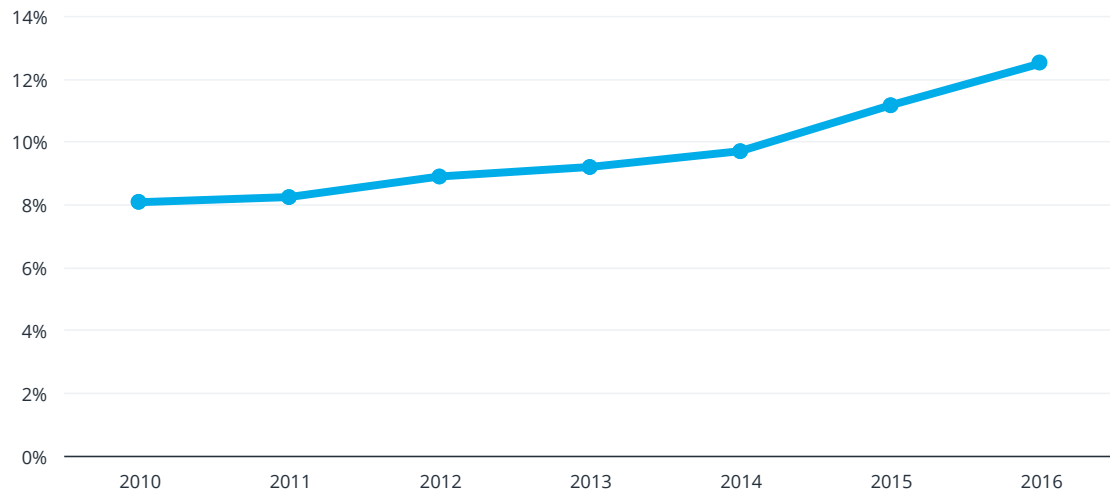

Source: MoJ, *Criminal Court Statistics Quarterly*, Tables C1 and M1

Three types of court are primarily responsible for dealing with criminal cases: magistrates' courts, Crown courts and youth courts. All criminal cases begin in magistrates' courts, and 90% of cases stay there – including all less serious 'summary' offences (such as motoring offences). Some more serious 'either way' offences may be passed on to Crown courts; and the most serious 'indictable' offences, such as murder and robbery, are always passed on to Crown courts.

Between 2010 and 2016, the number of criminal cases received by Crown courts fell by 23% (from 152,791 to 117,221), possibly reflecting a longer-term general downwards trend in surveyed crime – although crime rates are difficult to accurately measure, and only a small proportion of offences committed actually end up in courts.[31] Decisions made by those outside the courts system – such as the police and the CPS – as well as changes to law can all affect the number of criminal cases received by the courts. In magistrates' courts, which receive a much higher number of criminal cases, the number of cases has remained broadly flat: at 1,529,030 in 2016, 0.5% below 2013 levels (the first year for which there is complete data). This reverses a longer-term trend: in Crown courts, the number of cases consistently grew between the mid-2000s and 2010.

...but more complex cases and longer hearing times mean that court activity isn't necessarily falling.

Figure 4.10 **Sexual offences as a proportion of criminal trial cases in Crown courts, 2010 to 2016**

Source: MoJ, *Criminal Court Statistics Quarterly*, Table C1a

The activity of criminal courts is not solely determined by the number of cases received: the kinds of case being received also have significant implications for activity levels. The make-up of Crown courts' caseload is changing. The number of sexual offence cases has risen by 17.6% since 2010 (from 7,922 in 2010 to 9,316 in 2016), so that they now represent 13% of all cases before Crown courts. In part, this reflects a rise in historic sexual abuse cases.[32] The NAO has also pointed to rising numbers of cases related to organised crime, drugs and terrorism, which can involve complex evidence and multiple defendants.[33] This increasing complexity can add to courts' workload, even as the numbers of cases are falling: the Lord Chief Justice wrote in his 2017 annual report that "it appears that the reduction in the number of cases is counterbalanced by the increase in complexity and length".[34]

The impact of this on court activity is borne out by rising average trial hearing times. Between 2010 and 2016, the average hearing time for all Crown court cases in which defendants pleaded not guilty rose from 11.4 hours to 13.8 hours – an increase of 21%. The NAO has highlighted Birmingham Crown Court, which has seen an increase in complex trials with multiple defendants and related to drugs and fraud, and where average hearing times rose from 13.3 hours in the period between April and August 2014 to 24.5 hours in the same period in 2015.[35]

Therefore, despite the falling numbers of criminal cases before the courts, the changing nature of those cases means that activity within courts is not necessarily falling, as cases take longer to hear. Alongside the changing mix of cases before the courts, it has also been suggested that longer hearing times may reflect a rise in self-representation among defendants (see Box 4.2).[36]

Box 4.2: Increasing self-representation

Between 2010 and 2016, the proportion of defendants in Crown courts represented by an advocate, but with no solicitor rose, from 2% to 15%.[37]

In 2016, 36% of defendants with representation had two or fewer hearings, compared with 16% of defendants with unknown or no representation.[38]

31% of Crown court defendants with no or unknown representation had six or more hearings in 2016, compared with 17% of defendants with representation.[39]

The proportion of criminal trials going ahead as planned has improved – but delays due to problems with court administration persist.

Figure 4.11 **Percentage of effective trials in Crown and magistrates' courts, 2010 to 2016**
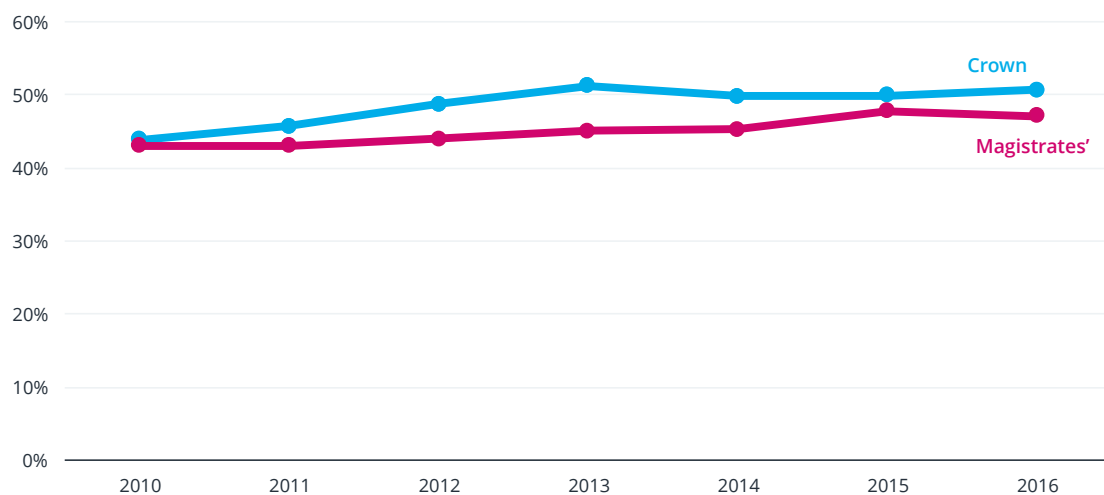
Source: MoJ, *Criminal Court Statistics Quarterly*, Tables C2 and M2

If a criminal trial goes ahead as scheduled, it is classified as 'effective'. In a Crown court, this means a jury being sworn in on the appointed day irrespective of whether a verdict is reached; in magistrates' courts, an effective trial is one that begins as scheduled and reaches a conclusion.

In both kinds of court, the proportion of effective criminal trials has risen since 2010: from 43% to 47% in magistrates' courts; and from 44% to 51% in Crown courts. The proportion of 'cracked' trials – which collapse on the opening day of a trial, for example because a witness doesn't turn up – has also fallen, from 43% in 2010 to 34% in 2016.[40]

However, problems with court administration remain persistent. In 2010, of all ineffective trials in Crown courts, 22% were due to problems with administration; this rose to 25% by 2016. This makes problems with administration one of the major drivers of ineffective trials.

Trial ineffectiveness can be due to factors outside of the courts system – for example, problems with passing information between the defence and prosecution. Two reform programmes are currently under way to improve effectiveness by better engaging all those involved in the system: the Better Case Management programme (which aims to reduce numbers of hearings on a case) and Transforming Summary Justice (which seeks to improve the sharing of information between all agencies).

And there are signs of queueing in the system.

Figure 4.12 **Average waiting times (weeks) for Crown court criminal trials, 2010 to 2016**
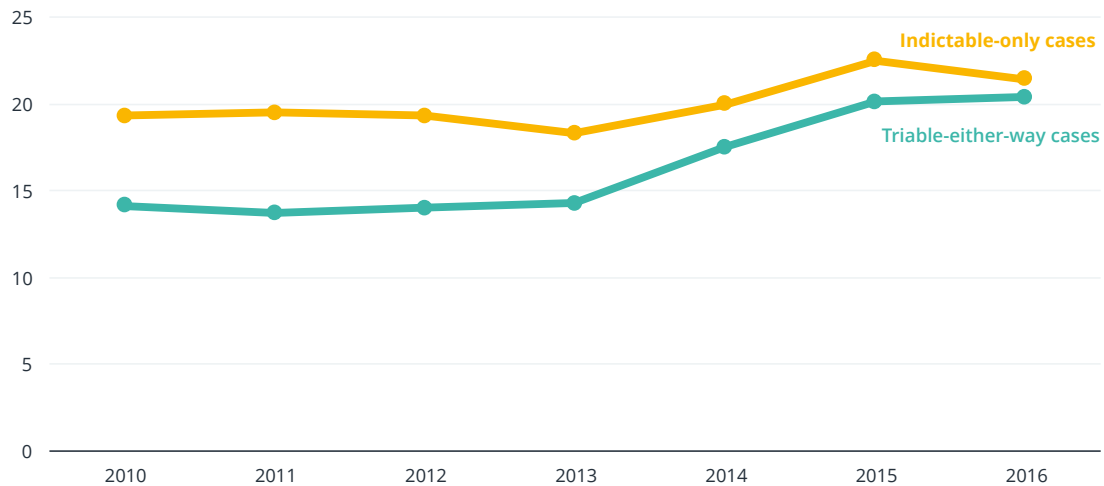
Source: MoJ, *Criminal Court Statistics Quarterly*, Table C6

It is important for all those involved in a case that a trial proceeds in a timely manner. Since 2010, the average time between a case being sent to the Crown court, and the beginning of substantive hearings, has lengthened. This increase has been greater for triable-either-way cases (from 14.1 weeks in 2010 to 20.4 weeks in 2016) than for more serious indictable offences (which rose from 19.3 weeks to 21.4 weeks in 2016). This indicates that Crown courts are prioritising more serious cases.

Courts also prioritise cases in which defendants are on remand, as such defendants can only be detained in custody for a limited time. Waiting times for the beginning of substantive hearings for defendants remanded in custody for indictable cases have fallen slightly from 15.5 weeks in 2010 to 15.1 weeks in 2016; and for triable-either-way cases have risen, from 9.2 weeks in 2010 to 12.2 weeks in 2016 – below the waiting times for non-remand defendants.[41]

A key determinant of waiting times between a case being sent to the Crown court, and the beginning of substantive hearings, is the volume of cases received. Waiting times can display a cyclical pattern, as HMCTS alters the number of judges available to hear cases in response to demand. This takes time, creating lags in the system where waiting times, and case backlog, increase. Between 2012 and 2013, the number of criminal cases received by Crown courts increased (from 133,371 to 139,922), requiring increased judicial resources.

This may explain much of the notable rise in waiting times in 2013. The number of outstanding cases in Crown courts jumped from 39,586 in 2012 to 49,227 in 2013 and then 55,116 in 2014.[42] It was not until 2015 that this backlog began to fall, reaching 42,149 in 2016. Some other factors may also contribute to increased waiting times, including the increase in the number of complex cases before the courts, which require more preparation: in 2016, offence groups with the longest waiting times were fraud and sexual offences.[43] The NAO has also identified the abolition of committal hearings – administrative hearings held in magistrates' courts to formally send either-way cases to Crown courts – as affecting waiting times in 2013, as Crown courts began to receive cases earlier.[44]

Prisons

Spending on prisons is down 22% since 2009/10, and there are a quarter fewer prison officers than in 2010. Violence within prisons continues to rise, with the number of assaults on officers 124% above 2009 levels. As well as boosting prison capacity, the Government plans to recruit 2,500 extra officers as part of a broader package of safety measures – and has broken the pay cap for prison officers. Recruitment is under way, but it will take time for the impact of new staff to be felt – and problems with retention remain.

Spending on prisons fell by more than a fifth between 2009/10 and 2016/17.

Figure 4.13 **Change in spending on prisons in England and Wales (real terms), 2009/10 to 2016/17**
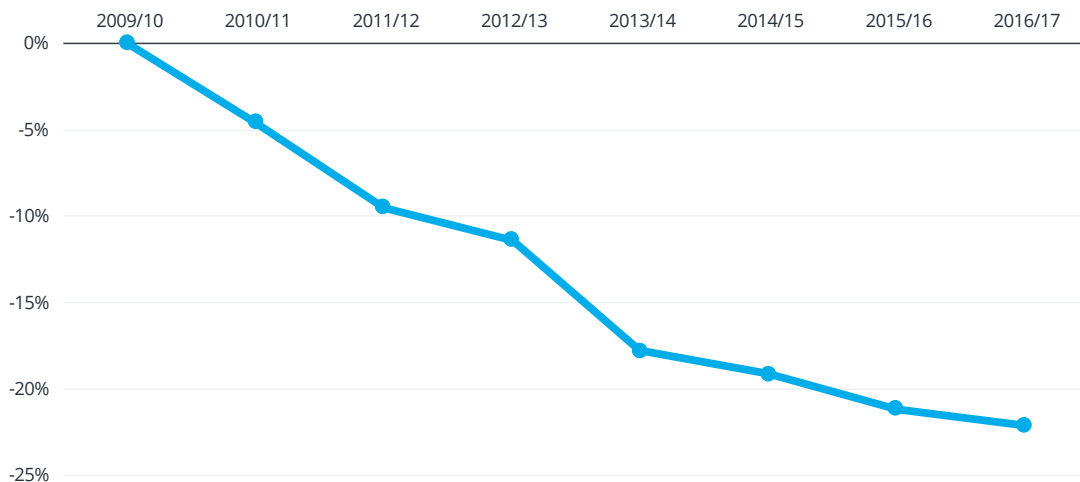

Source: 2009/10 to 2015/16: MoJ, *NOMS Annual Report and Accounts Management Information Addendum: Costs per Place and Costs per Prisone*r. 2016/17 derived from gross expenditure growth from NOMS accounts, applied to 2015/16 figure.

In 2009/10, day-to-day spending on prisons totalled £3.48bn. This fell by 22% to £2.71bn in 2016/17. Falling prisons spending reflects sustained reductions to the overall MoJ budget since 2009/10.

In November 2016, MoJ released the *Prison Safety and Reform* white paper, setting out a range of measures to help tackle rising prison violence in response to growing public concern.[45] At the 2016 Autumn Statement, the Government announced an additional £500m of funding for MoJ, including a £104m programme to recruit an additional 2,500 prison officers by December 2018.[46]

More officers are being recruited, but numbers remain 26% below 2010 levels.

Figure 4.14 **Change in the total number of core operational staff (Bands 3–5) (FTE), March 2010 to March 2017**
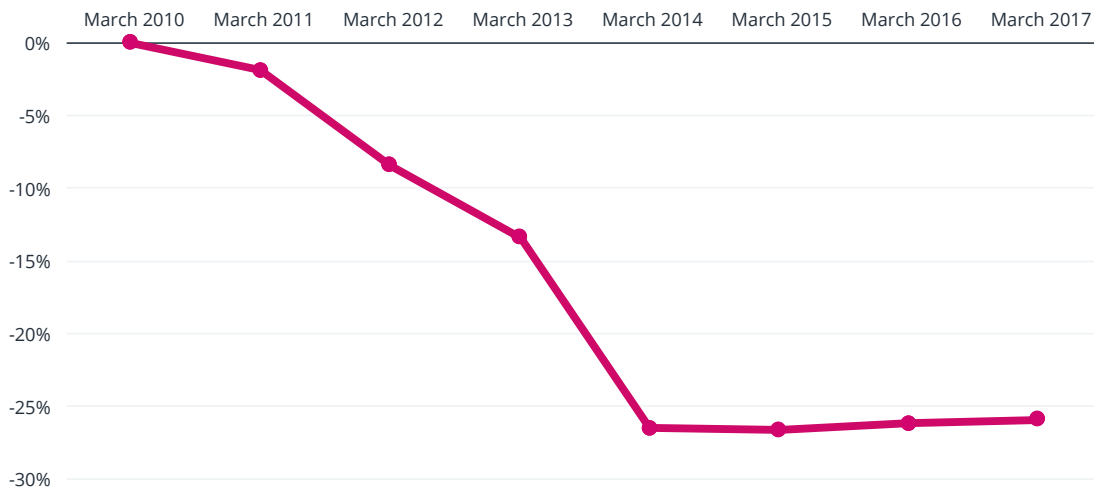
Source: NOMS, *Workforce Statistics Bulletin*, Table 3

Between 2010 and 2014, the sharp cuts to the prison budget were reflected in steeply falling staff numbers. The number of core prison staff (in public sector prisons) at Bands 3–5 – the key operational grades – fell by 27%. Numbers then began to stabilise, though they remained far below 2010 levels.[*]

Forced into action by rising public concern about prison violence, the Government announced plans to recruit an additional 2,500 officers by December 2018. Three months later, in January 2017, MoJ announced changes to pay and benefits for staff in 31 prisons across London and the South East, where recruitment problems have been especially pronounced. Through the package, Band 3 officers received up to £5,000 in additional pay, so that new recruits may receive starting salaries of up to £29,500.[47]

There are signs that these combined efforts are slowly increasing officer numbers. In March 2017, there were 18,403 Band 3–5 officers – a slight increase on the 18,372 in post in March 2016, but still 26% below 2010 levels. Between October 2016 and June 2017, there was a net increase of 800 FTE Band 3–5 officers, and at the end of June, a further 738 candidates had job offers and were booked onto Prison Officer Entry Level Training (POELT) courses – an indication of future officers in the pipeline, although some may drop out.[48] In September, the Government announced that it was accepting the recommendations of the Prison Service Pay Review Body and giving prison officers an average pay increase of 1.7% in order to help recruitment and retention – breaking the public sector pay cap.[49]

The combination of staff reductions since 2010, and current moves to recruit officers, means that experience levels among staff are changing, as detailed in Box 4.3.

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[*]   Workforce statistics from Her Majesty's Prison and Probation Service (HMPPS) – formerly the National Offender Management Service (NOMS) – cover "Staff who are employed by HMPPS, who are all civil servants. Other workers within HMPPS who are employed by third parties, either within contracted areas of delivery such as private sector prisons or CRCs or as contractors and other contingent workers, including other non-civil service public sector employees, within HMPPS are not included. Also excluded are voluntary workers, HMPPS staff on loan, on secondment out, and those on a career break". See Ministry of Justice (2017), *Guide to Her Majesty's Prison and Probation Service (HMPPS) Workforce Statistics*, p.7, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638273/guide-workforce-statistics-30-june-2017.pdf.

> **Box 4.3: Experience among prison officers[50]**
>
> The proportion of Band 3–5 officers with less than two years' experience is rising: from 15.7% in March 2016 to 24% in March 2017.
>
> At the same time, the proportion of officers with 10 years' or more experience is falling: from 63.4% in March 2016 to 61% a year later.

Many of the Government's efforts to boost staff numbers have centred around recruitment, but major problems persist with the retention of prison officers. In the 12 months to June 2017, the leaving rate for Band 3–5 officers was 9.3%, an increase of 1.4 percentage points on the previous year.[51] High turnover also means that, to have 2,500 net new officers in place, many more will need to be recruited. The House of Commons Justice Committee previously found that, in 2015, when 2,250 officers were recruited, high leaving rates meant that the net gain was only 440 staff.[52]

The size of the prison population remains broadly constant.

Figure 4.15 **Prison population in England and Wales, 2009 to 2017**
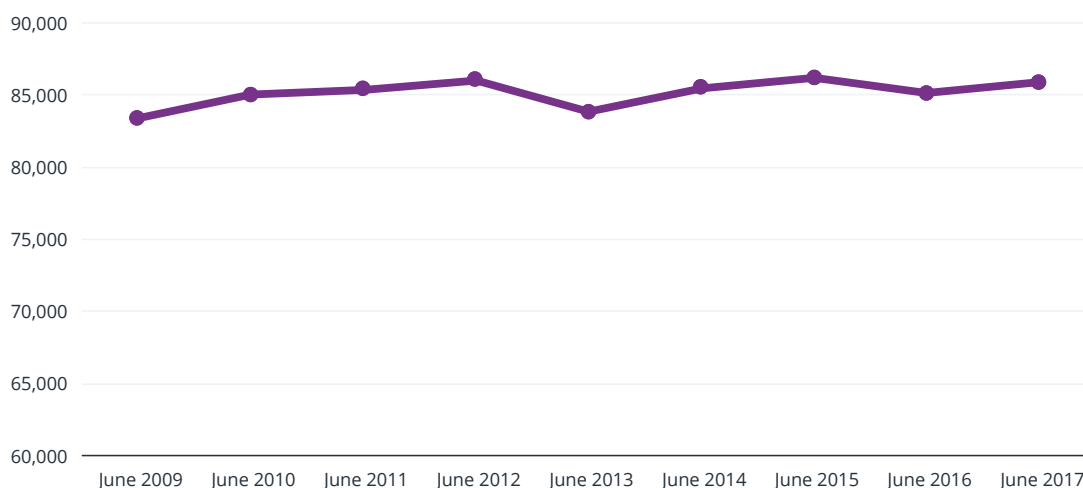
Source: MoJ, *Offender Management Statistics Quarterly: Prison Population*, Table A1.1 (2009 to 2014), Table 1.1 (2015 to 2017)

In June 2017, there were 85,863 prisoners across England and Wales – a slight increase on the 85,134 in June 2016. Due to the steady levels of the prison population, overcrowding has not significantly worsened in recent years. In 2016/17, 24.4% of prisoners were held in crowded conditions, compared to 24.5% in 2015/16.[53]

However, although the prison population has been stable in recent years, it has significantly increased since the mid-1990s: between 1995 and 2010 the population rose by 66%.[54] Therefore, while the number of prisoners held in crowded conditions has remained steady since 2009, it has increased over the longer term: the proportion of prisoners held in doubled accommodation – where two prisoners are held in a cell designed for one – rose from 16.5% of prisoners in 1995/96 to 23.6% in 2016/17, as the estate struggled to cope with an increasing population.[55] In February 2017, a new 'super-prison', HMP Berwyn, opened in Wrexham, with the capacity to hold over 2,000 inmates.[56] One month later, the Government announced plans to create 5,000 'modern' prison places by 2020, by opening two new facilities and redeveloping two existing prisons.[57]

The demography of the population is also changing, creating new and future pressures. For one thing, the prison population is becoming notably older: between 2002 and 2016, the number of prisoners aged over 50 almost trebled, with 12,600 prisoners aged over 50 in 2016 – around a seventh of the prison population.[58] The number of prisoners aged over 70 is expected to rise by 35% by 2020.[59] This is partly due to changes in the mix of offences, in particular historical sex offences, which have contributed to a higher average custodial sentence length.[60] These offenders are also more likely to be older. The ageing prison population may raise new challenges for HMPPS, for example in terms of the design of prison buildings, and the provision of health care services and end-of-life care.

But rates of violence continue to rise – assaults on staff have risen by 124% since 2009.

Figure 4.16 **Change in the number of prison assaults, year ending March 2009 to year ending March 2017**
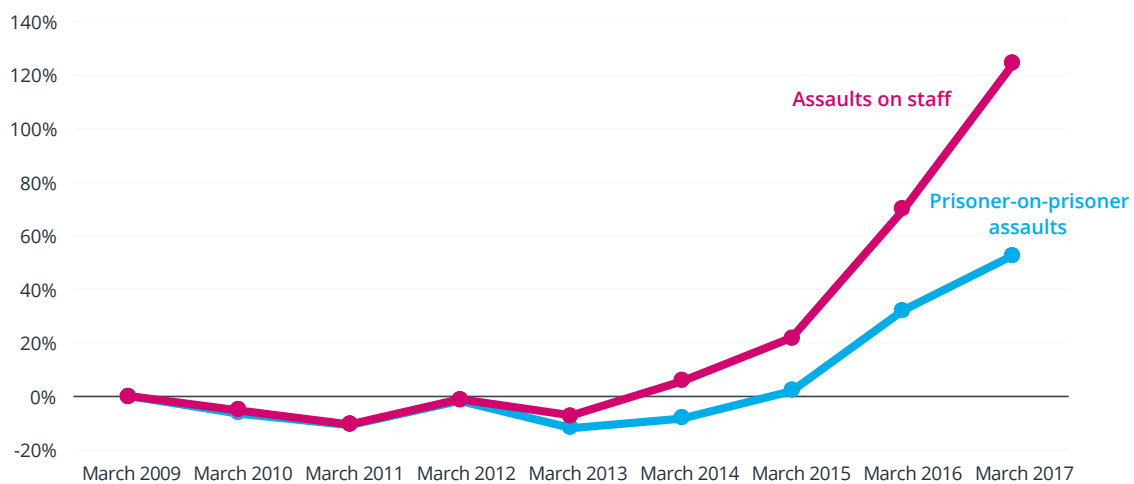
Source: MoJ, *Safety in Custody Statistics, Summary Tables*, Table 4

In the year to March 2017, there were 26,643 assaults in prisons – a record high. There were 7,159 assaults on staff, a 124% increase on the year to March 2009. This continues a trend seen since 2013. In the last year alone, assaults on staff have increased by 32%.[61] The number of serious assaults on staff has also risen – from 282 in the year to March 2009, to 805 in the year to March 2017. Much of this increase has also come since 2013 – rates of serious assaults on staff have almost trebled since then.[62]

Prisoner-on-prisoner assaults also continue to rise. There were 19,361 incidents in the year to March, a 53% increase on the year to March 2009. The number of serious prisoner-on-prisoner assaults has risen 21% in the last year, from 2,334 to 2,825.[63]

Levels of violence are such that, of the 29 local and training prisons inspected in the last year, 21 were rated 'poor' or 'not sufficiently good' in relation to safety.[64] HM Inspectorate of Prisons (HMIP) was clear that increased violence can be related, at least in part, to staff shortages, which "make it impossible to provide a decent, rehabilitative environment" and lead to restricted regimes, causing greater frustration.[65]

The increased presence of new psychoactive substances (NPS) in prisons is also thought to have worsened violence, given the specifically behaviour-altering properties of such substances.[66] Government has moved to curb NPS. The Psychoactive Substances Act 2016 made possession of NPS within custodial institutions an offence, and mandatory drug tests can now cover NPS. Greater use is also to be made of sniffer dogs in detecting drugs. However, in 2016, 225 kilos of drugs were found in prisons, suggesting that NPSs remain prevalent.[67] Some prisons have now begun to supply advice to new prisoners on how to reduce the risks of harm from drugs – although HMIP has warned that too many prisons lack effective strategies to respond to the problem.[68]

And rates of self-harm have increased by 56% since 2009

Figure 4.17 **Change in the number of self-harm incidents, 2009 to 2017**
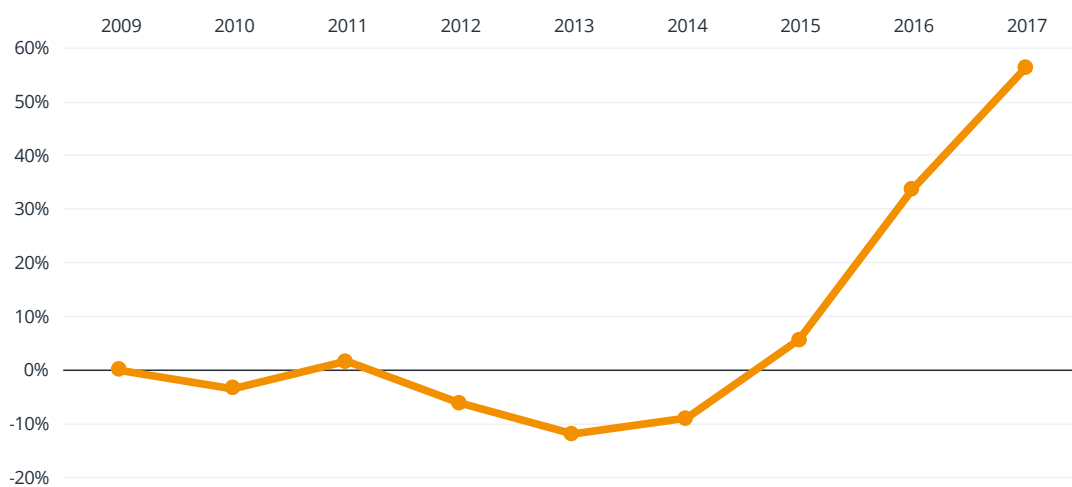
Source: MoJ, *Safety in Custody Statistics, Summary Tables*, Table 3

The increased presence of NPS in prisons has been linked to rising incidents of self-harm.[69] Between March 2009 and March 2017, the number of self-harm incidents in prisons across England and Wales rose by 56%, with 40,414 incidents recorded in the past year. This is a 17% increase on 2016 levels. While rates of self-harm have stabilised over the last five quarters, they have done so at record highs. The proportion of incidents requiring hospital attendance has also risen over the period, from 5.1% in 2009 to 6.9% in 2017 (a slight decrease from the 7.1% of incidents in 2016). Rising rates of self-harm and assaults led the Prison Reform Trust to conclude that those within prisons are "less safe than they have been at any point since records began".[70]

Mental health problems among the prison population are also a persistent concern, as detailed in Box 4.4.

Box 4.4: Mental health among the prison population

Prisoners are generally more likely to suffer from mental health problems than the general population, reflecting more common personal histories of complex problems such as abuse and substance misuse among the prison population.[71]

When screened on arrival at prison, 23% of prisoners report previous contact with mental health services.[72]

Surveys by HMIP suggest that at any one time, 37% of the monthly prison population have mental health or wellbeing issues.[73]

The provision of mental health services in prisons is subject to a partnership agreement between Public Health England, NHS England and HMPPS. The NAO has argued that this lacks clear objectives, and that the quality of government data about mental health in prisons must improve. It has called for a "step change in effort and resources".[74] Although HMIP has identified good psychosocial interventions for treating substance misuse in many prisons, it also noted that in many prisons, problems with violence and staff shortages mean that prisoners struggle to attend their appointments.[75]

Opportunities for prisoners to engage in purposeful activity remain far below 2010/11 levels.

Figure 4.18 **Change in offenders achieving level 1 or 2 qualifications in English and maths, 2010/11 to 2015/16**
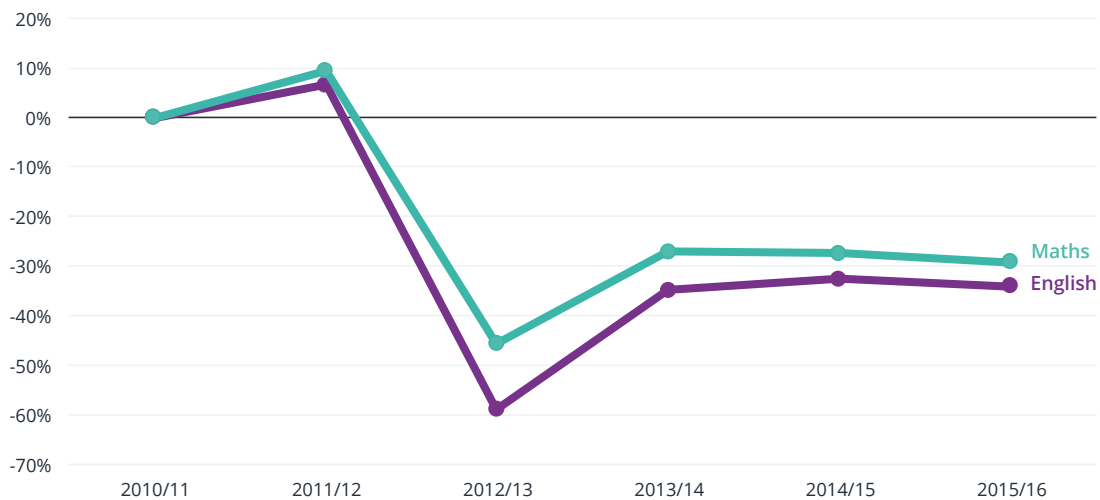
Source: Skills Funding Agency, *Participation and Achievement by Equality and Diversity* and *English and Maths Level*

Violence can also affect the functioning of prisons in other ways. The opportunity for purposeful activity – such as work or exercise – may be curtailed as prisons run reduced regimes, keeping prisoners locked in their cells for longer each day in order to curb the chance of violence. In some prisons, inmates may spend up to 22 hours a day locked in their cells – which can also contribute to a 'sense of frustration' that may

itself spill over into violence.[76] Disturbances at HMP The Mount in August 2017 were linked to increased hours spent locked in cells.[77] The Chief Inspector of Prisons found that in 2015/16, only 14% of prisoners were unlocked for 10 hours a day.[78]

The Government's 2016 *Prison Safety and Reform* white paper clearly outlined its commitment to prisons as places of reform and rehabilitation, including through giving prisoners the opportunity to gain qualifications.[79] However, the number of offenders gaining level 1 or 2 qualifications in English and maths has not improved since 2014/15. In 2015/16, 34% fewer prisoners gained a basic English qualification than in 2010/11, and 29% fewer a maths qualification. Both of these figures were slightly down on 2014/15.

5 Local neighbourhood services

Spending on many services which affect people's local neighbourhood – waste collection, road maintenance, food safety, trading standards, libraries – has fallen sharply in the last seven years, reflecting a large overall cut in local authority spending. During this period, some activities have been scaled back, re-prioritised or more selectively targeted – but public satisfaction has largely held up, suggesting real efficiencies. However, the Government lacks sufficient data to judge how much further these efficiencies can go.

Spending on services which affect people's local environment has fallen by around a quarter since 2009/10.

Figure 5.1 **Change in local authority net spending on waste collection, food safety, road maintenance, libraries and trading standards in England (real terms), 2009/10 to 2015/16**
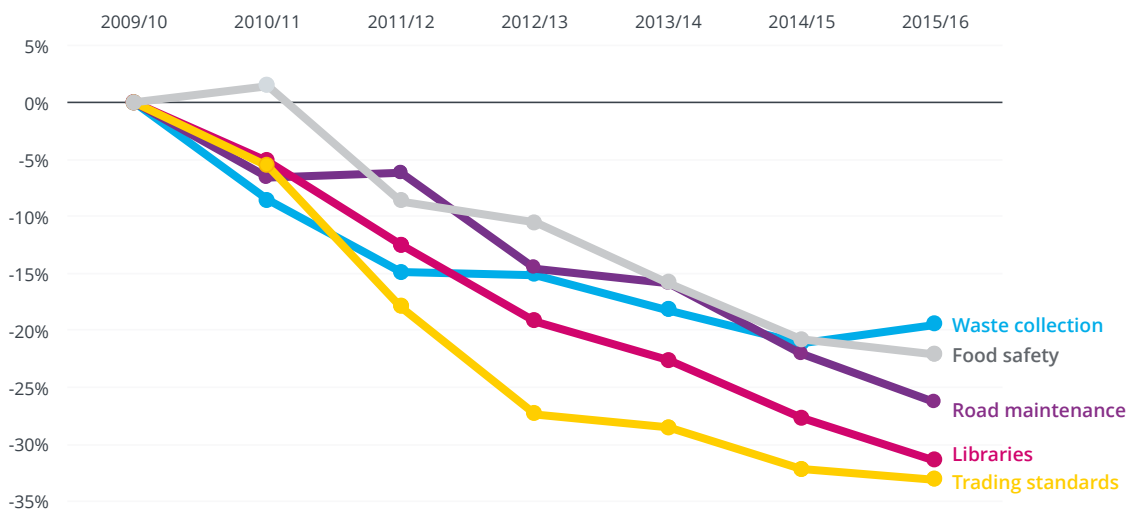
Source: DCLG, *Local Authority Revenue Financing*, Tables RO2 and R05

Spending on many of the services which affect the environment in which people live has fallen substantially in the last seven years. Since 2009-10 (in England), real-terms net day-to-day spending on local trading standards services has fallen by a third (from £229m to £153m)*; on libraries by 31% (from £1.17bn to £805m); on local food safety by 22% (from £134m to £104m); and on waste collection by 19% (from £1.37bn to £1.11bn).[1] Day-to-day spending on local road maintenance has also fallen by 26%

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*   The spending category 'trading standards' includes food standards; spending on food standards activity specifically is not provided.

(from £2.88bn to £2.18bn), although a rise in capital spending suggests that large-scale maintenance activity has been protected to an extent.[2]

All of these services are provided by local authorities. Overall, local authority expenditure on services (excluding education) fell by 13% during this period.[3]* That means that other services have been protected relative to these neighbourhood services: adult social care spending, for example, fell by just 6% over this period (as discussed in Chapter 2).

Local authority revenue comes from a number of sources, including a direct grant from central government, council tax, business rates and sales, fees and charges. Central government determines the size of the grant, but also sets the parameters within which local authorities can raise their revenue.

Central government also sets some of the parameters within which local authorities operate: some 'statutory duties' of local authorities are determined by legislation, and there are sets of non-statutory guidance and other regulations which guide supposedly 'discretionary' activities. Beyond this, decisions around spending on and activity in these local services are made by locally elected councillors and their officials, and determined by local priorities. Central government therefore has a significant role in determining the funding for these services, but a smaller role in delivering them.

Local authorities – which are not allowed to run deficits – responded to planned budget reductions by building up their reserves. The level of non-ringfenced local authority revenue reserves in England grew by 46% in real terms between 2010/11 and 2014/15, but then last year fell by around 2%.[4] A 2014 survey by the Local Government Association (LGA) found that 37% of local authorities were planning to use their reserves to support their revenue budgets in the coming years.[5] Central government should pay attention to any signs that local authorities are running down their reserves to plug gaps in day-to-day spending. Reserves are a one-off pot of money: a local authority that spent theirs in order to manage their regular activity would soon find themselves in significant financial distress.

Charging for services has become more prevalent in recent years. In 2012/13, the Audit Commission found that 76% of single-tier and county councils, and 54% of district councils, had introduced charging across a wider range of services.[6] The number of authorities charging for organic (i.e. garden) waste collection rose from 88 to 155 between 2010/11 and 2015/16, while the number offering free services fell from 236 to 175.

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* Total net current expenditure, excluding education and Housing Benefit expenditure (the latter 2009/10 only).

Staff numbers have been scaled back in some services.

The data show large staff reductions in some service areas, particularly regulatory services. The number of trading standards officers fell by 56% between 2009 and 2016 (from 3,534 FTE to 1,561 FTE),[7] and the number of inspectors with health and safety powers in UK local authorities fell by 30% (from 1,050 FTE to 736 FTE) between 2009/10 and 2014/15.[8] Concerns have been raised that low staffing levels are threatening some local authorities' ability to carry out their statutory and regulatory duties in these areas.[9]

In libraries, volunteers have filled the gap left by staff reductions: in 2012, the number of library volunteers overtook the number of paid library staff. Staff numbers (in England, Wales and Scotland) fell by 32% (from 24,800 to 16,900) between 2009 and 2015, while volunteers rose 153% (from 14,900 to 37,700).[10]

Figure 5.2 **Number of library employees and volunteers in England, Wales and Scotland, 2009 to 2015**
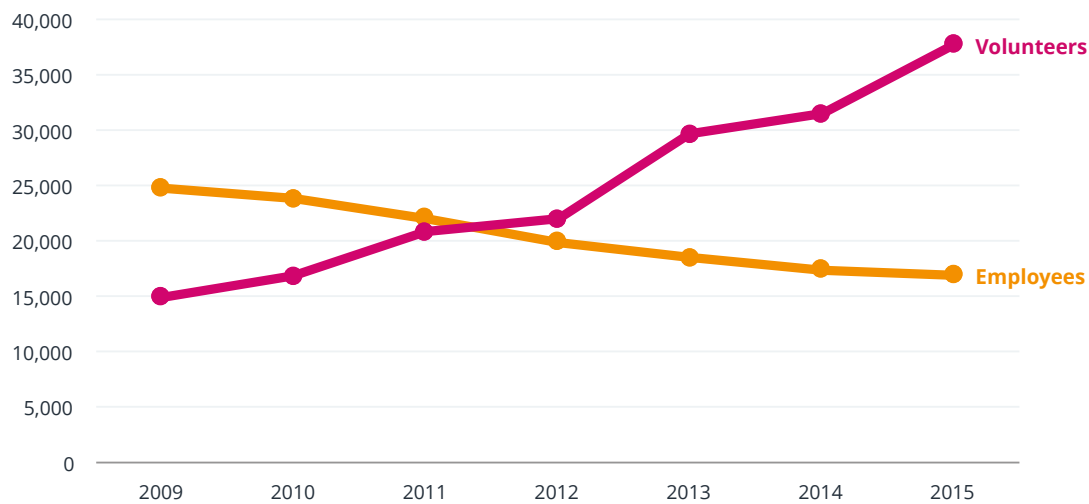

Source: Chartered Institute of Public Finance and Accountancy, via Woodhouse J and Dempsey N (2016) *Public Libraries,* briefing paper, House of Commons Library

It is more difficult to tell what has happened to staffing for other services – road maintenance and waste collection are largely managed through outsourced contracts, so the staff working in them are not technically local authority employees. In 2013, the (now abolished) Audit Commission – which appointed independent auditors to local public bodies and published analysis based on their work – found that reducing staff was the most commonly used strategy for managing financial constraints in local government (employed by 96% of single-tier and county councils and 86% of district councils) between 2010/11 and 2013/14.[11]

Some services have been scaled back.

Figure 5.3 **Number of local authorities collecting residual waste less than weekly, and weekly or more, 2010/11 to 2015/16**
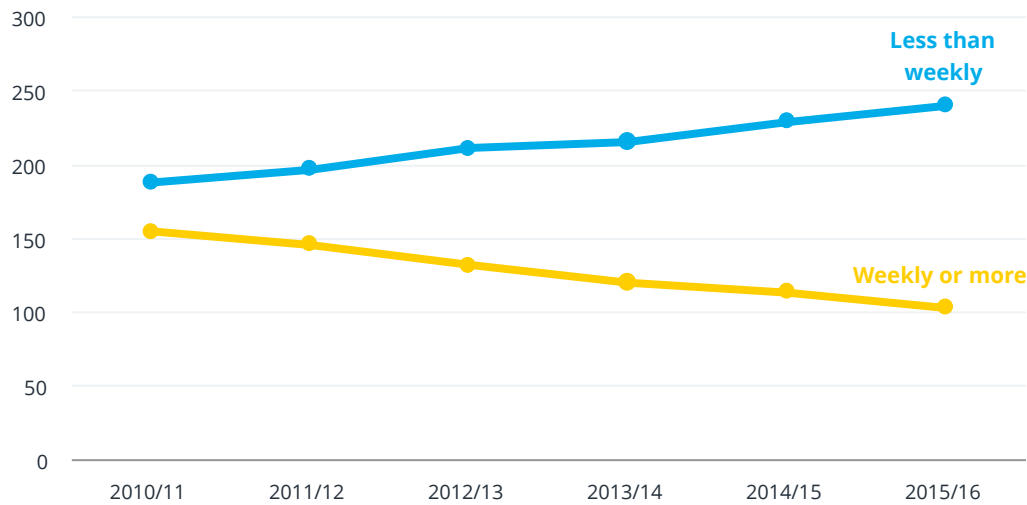
Source: *Waste and Resource Action Programme*, Local Authority Scheme data

The scope of some of these services has been scaled back since 2010. Waste collections, most notably, have become less frequent: the number of weekly residential waste collections fell by a third (from 152 to 100) between 2010/11 and 2015/16. Recycling collections do not appear to have filled that gap, at least not in the last three years: between 2013/14 and 2015/16, the number of dry recycling collections – weekly or otherwise – remained flat.* Between 2010 and 2015, the amount of residual kerbside waste collected fell by 4%, while the amount of waste sent for dry recycling rose by just 3%.

The number of sites which offer particular services were falling. The number of libraries (including mobile libraries) fell 8%, from 4,168 to 3,827, between 2009 and 2015.[12] The number of children's centres has also fallen: in July 2017, there were 2,421 children's centres in England, and 708 sites providing children's services alongside other activity, compared with 3,632 Sure Start centres in April 2010.[13]

This is not to say that blanket reductions have been applied across the board – nor that a reduction in the number of sites offering a service necessarily implies a reduction in activity. Local authorities have used a range of strategies to target their shrinking resources.

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* We would not expect these changes to happen progressively: most waste collection is done through large, multi-year contracts which are only likely to change substantially when they come up for renewal.

Visible and critical elements of services have been prioritised.

Figure 5.4 **Proportion of road lengths which should be considered for maintenance, 2009/10 to 2015/16**
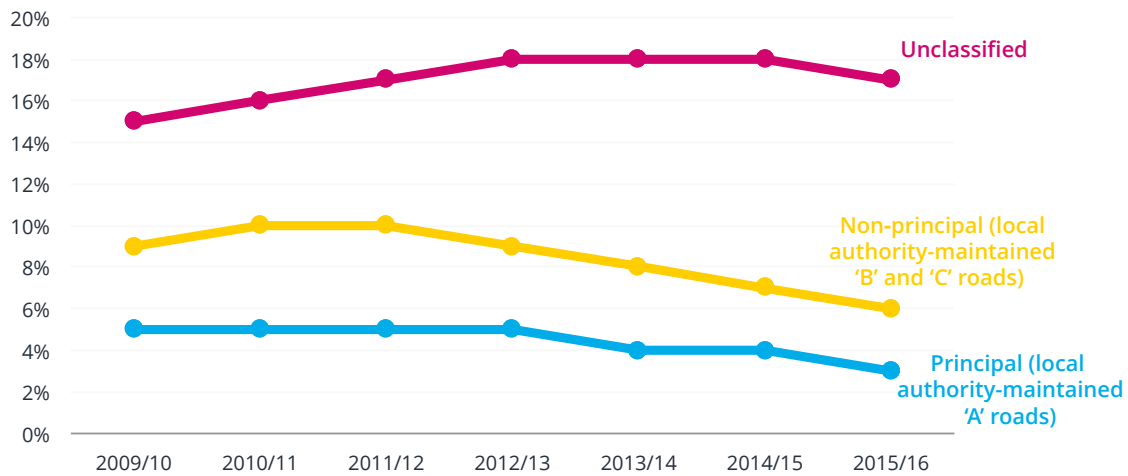

Source: Department for Transport, *Road Conditions in England*, Tables RDC0120 and RDC0130

There is evidence that councils are prioritising critical and visible services. For example, the evidence suggests that improving the quality of major roads has been prioritised over less-used ones. Since 2012, the deterioration in quality of unclassified roads which began in 2009/10 has halted, while the proportion of 'A', 'B' and 'C' roads which 'should be considered for maintenance' (the Department for Transport indicator of road quality) has fallen. The result is an overall improvement in road conditions, but also a widening in the gap between 'unclassified' roads and the rest.[14]

While structural maintenance has been prioritised, case study evidence from the NAO suggests that some authorities are cutting back on some less-urgent activities, such as maintaining drainage and gullies, risking long-term deterioration of roads.[15] The consequences may be starting to be felt: last year saw an uptick in the number of local authority roads in 'poor' condition, after four years of improvement in standards.[16]

Food safety and trading standards are 'regulatory services', which are also prioritising their most critical activity. In these kinds of services, officers work to ensure that local businesses are complying with regulations relating to safety or quality: through activities such as inspections, education and prosecution.

Figure 5.5 **Percentage of 'due' interventions achieved in food standards and food hygiene, 2009/10 to 2016/17**
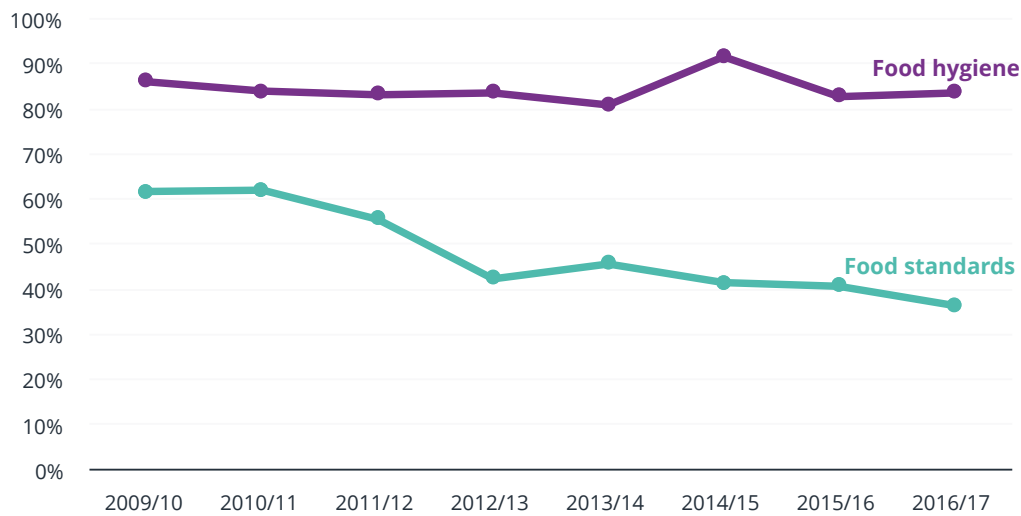
Source: Food Standards Agency, *Local Authority Enforcement Data and LAEMS*

Data from the Food Standards Agency (FSA) suggest that safety is being prioritised. Food hygiene interventions,* which assess issues such as microbiological quality and contamination, are mostly happening to schedule: the number of hygiene interventions completed on time has remained above 80% since 2009/10. At the same time, food standards interventions, which largely assess less health-critical issues, have fallen much further behind: the number of standards interventions completed on time has fallen from 62% to 36% in this period.

Within both of these categories, the highest-risk establishments have been prioritised. The largest declines in timeliness have taken place in the categories of establishments designated the lowest-risk.[17]

Targeting activity where known problems exist – taking an 'intelligence-led' approach – can be a sensible way to run a more efficient service, and is being encouraged by some professional bodies. For example, the number of 'proactive' health and safety inspections fell by 95% between 2009/10 and 2014/15, following the release of a new national enforcement code explicitly designed to improve the targeting of resources.[18] At the same time, concerns have been raised about the potential consequences of this shift. A 2015 study commissioned by the Department for Business, Innovation and Skills (BIS) found that many trading standards officers were concerned that a more reactive working style could allow problems to be missed, or to escalate before they were dealt with.[19]

In road maintenance, 'reactive' maintenance has clearer, negative consequences. Pothole repairs do not have the same longevity as a new road surface, and cracks in poorly maintained roads can swiftly become new potholes.[20] The Asphalt Industry Alliance (AIA) – who undertake an annual survey of local highways authorities –

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* 'Interventions' are mostly inspection, surveillance and sampling visits, but also include advice and education. This category does not include 'enforcement' activity, such as prosecutions, issuing warnings and prohibition notices and seizing food.

estimates that reactive repairs cost a third more than a planned maintenance programme.[21] Despite fears that cost pressures would encourage local authorities to take a 'worst-first' approach to road maintenance,[22] the evidence suggests that a strategic, planned maintenance approach is being protected: since 2010/11, the proportion of local authorities' carriageway maintenance budget spent on reactive maintenance has fallen from 27% to 22%.[23]

In spite of sharp spending reductions, residents' satisfaction with these services has largely held up.

Figure 5.6 **Percentage of residents 'very' or 'fairly' satisfied with their local waste collection, library and road maintenance services, September 2012 to June 2017**
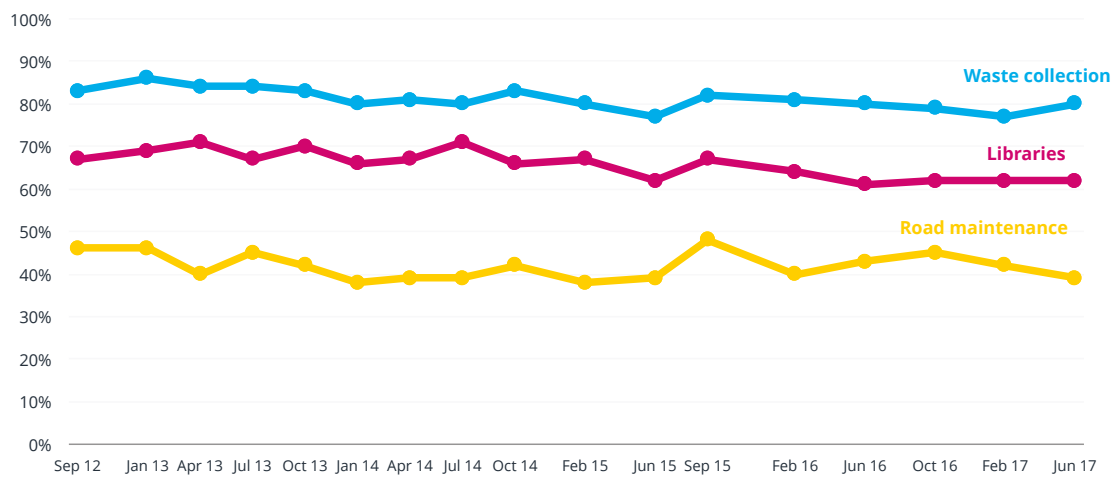
Source: Local Government Association, *Polling on Resident Satisfaction with Councils*, August 2017

Polling by the Local Government Association suggests that public satisfaction with local authorities as a whole – and with the individual services they provide – has dropped since 2012, but only slightly. Satisfaction with waste collection has fallen by three percentage points (from 83% to 80%); with road maintenance by seven percentage points (from 46% to 39%) and with libraries by five percentage points (from 67% to 62%). These data suggest that if the public has felt a reduction in the scope and quality of locally delivered services, it has not been on anything like the same scale as the spending reductions.

Richer and more informative data on the quality of services may well be held at a local level. This is the most important place for it to sit: ultimately, locally elected council members hold a large share of the responsibility for the direction and performance of local services. But while they have control over budget allocations, local authorities can only manage their finances within the parameters set by Whitehall: the rates of council tax they are allowed to set, and the funding they are provided by the Treasury.

There are other services that have a significant impact on people's local neighbourhood, which have seen substantial budget reductions, such as open spaces (23% reduction), culture and heritage (26% reduction) and sports and recreation (34% reduction), but for which there is even less national-level data to show what has happened as a result. The 2013 Spending Review was supported by a cross-government assessment on potential savings and impact on services, but not all service areas were covered (including libraries, youth services and trading standards).[24]

The lack of data on the scope and quality of these services means that Whitehall – the Treasury, the Department for Communities and Local Government, and the departments which set local authorities' various statutory obligations – is unable to understand the performance of locally delivered services. It cannot be sure how much further efficiency savings can be achieved. As the NAO argues, this means there is room for service quality to fall significantly in a number of areas before central government takes notice – risking a repeat of the deterioration, crisis and cash injection cycle which we have seen elsewhere.[25]

6 UK Visas and Immigration

UK Visas and Immigration (UKVI) has managed a Brexit-related surge in its workload remarkably well, increasing its level of activity without a large increase in staff numbers or a drastic drop in quality. The biggest challenges lie ahead: managing a potentially large change to the immigration system, the future shape of which remains uncertain.

UKVI's spending rose by 24% between 2013/14 and 2016/17, but it more than covered its costs through charging.

Figure 6.1 **Change in UKVI gross expenditure (real terms), 2013/14 to 2016/17**
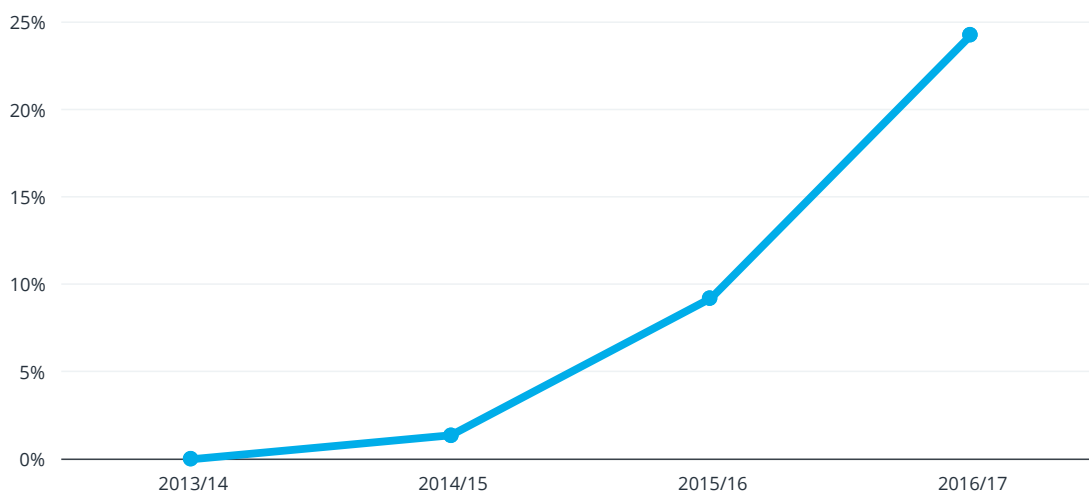
Source: Home Office, *Accounts SOPS 2.1 and 1.1*

UK Visas and Immigration is a directorate within the Home Office which processes visa and immigration applications for people wishing to stay in the UK, temporarily or permanently. It was established in March 2013, when the UK Border Agency (UKBA) was abolished.

Since then, gross expenditure by the directorate has risen by 9% in real terms, from £841m in 2013/14 to just over £1bn in 2016/17. However, this is more than covered by the charges it makes to its customers. Over the same period, UKVI's net revenue rose by 38%, from £243m to £335m (although it dropped to £183m in 2014/15).[*]

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*   In 2016/17 prices.

This means that money is not the immediate constraint when it comes to handling the increased workload associated with Brexit, as more applications mean more revenue. Making an application for documentation certifying an EU citizen's residency status, for example, costs £65. Charges are currently rising in parts of the service. As of June this year, the part of UKVI dealing with enquiries from overseas has been outsourced to Sitel, and a charge of £5.48 to contact UKVI by email from overseas has been introduced, reportedly to make that part of the service cost-neutral.[1]

Staff numbers rose after the EU referendum vote.

Figure 6.2 **UKVI staff numbers, 2014 to 2017**
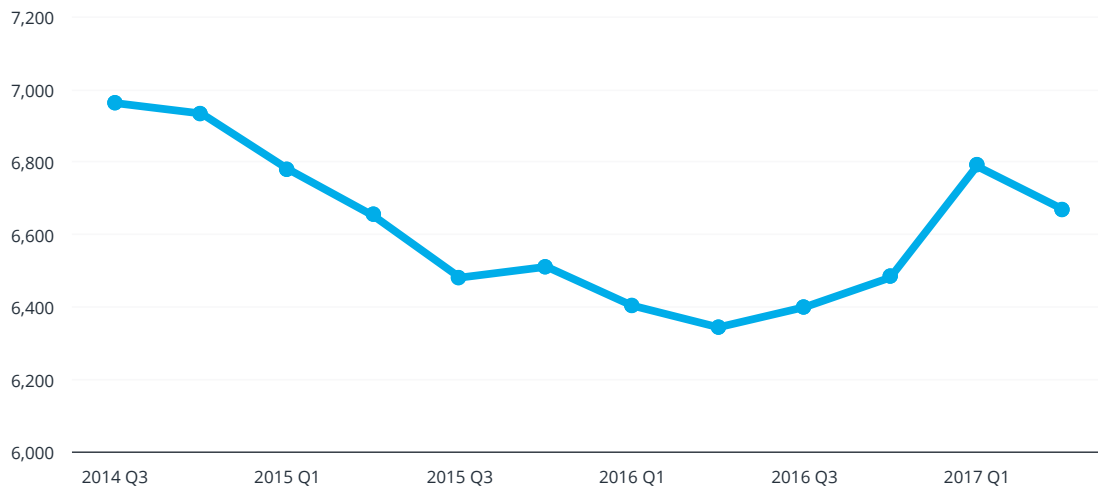
Source: Home Office, *Border and Immigration Cross-cutting Data,* Table Staffing_01

Despite flat (then rising) spending, staff numbers at UKVI fell by 9% between September 2014 and June 2016. They then started to rise again in the aftermath of the referendum, as the department took on more staff to deal with its growing workload. As of this June, there were 6,668 full-time equivalent (FTE) staff at UKVI – 5% more than the same time last year, but still 323 lower than the start of 2014.

Over the course of 2016, the number of applications for permanent residency documentation from EU nationals tripled.

Figure 6.3 **Applications for permanent residency documentation by EU nationals, received and input by UKVI, 2014 Q1 to 2017 Q2**
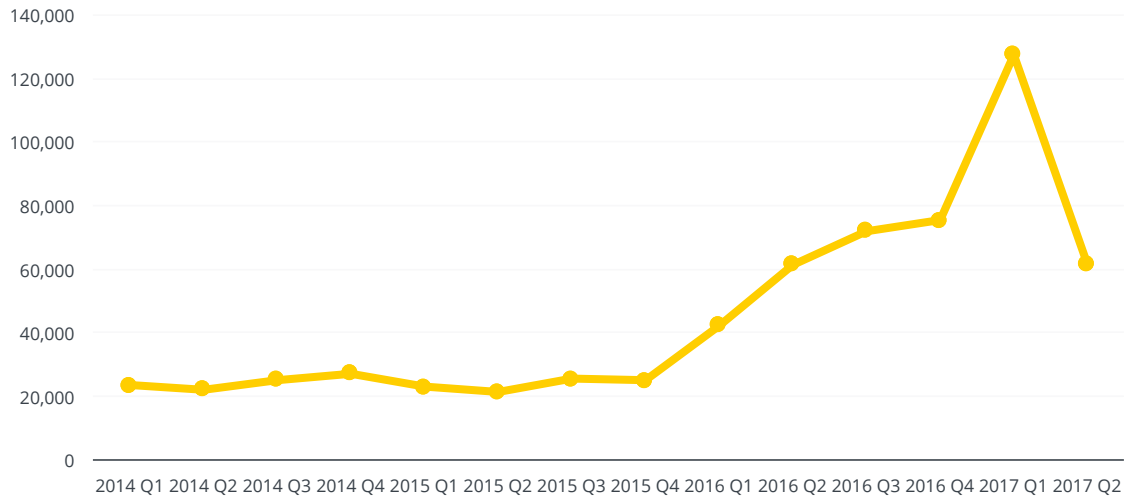
Source: Home Office, *Temporary and Permanent Migration Data,* Table InC_01 ('Euro')

UKVI processes the whole range of visa, immigration and residency applications, from tourist visas, to work visas, to asylum applications. The number of applications received by UKVI in most of these areas has either fallen or stayed relatively flat since 2014, with the notable exception of asylum applications (see Box 6.1).[2]

Applications made by EU nationals for documents certifying their right to reside permanently in the UK, which they have the right to do after five years of residency, followed a similar trend up to the end of 2015. Historically, few EU nationals living and working in the UK have taken this step, as it has not been necessary to do so in order to live and work in the UK under EU freedom of movement.

However, with their post-Brexit immigration status uncertain, many more decided to begin the process to acquire documentation certifying their status as permanent residents. Previously, the number of applications hovered around 24,000 each quarter. In the first quarter of 2017, applications peaked at 127,485; 200% higher than at the end of 2015.

In April, knowing that changes to the process were on the horizon, UKVI published guidance which urged EU nationals not to apply for residency immediately. The number of applications dropped significantly that quarter, but – at 61,731 – numbers still remain far higher than in previous years.

Box 6.1: UKVI application volumes

Between 2014 and 2016:

- Applications for asylum rose by 19% (from 32,344 to 38,517).
- Applications for visitor or transit visas rose by 6% (from 2,146,597 to 2,264,930).
- Applications for British citizenship rose by 3% (from 127,259 to 130,990), although they were 18% higher (150,767) in 2015.
- Applications for work visas stayed broadly stable (falling from 177,437 to 175,048).
- Applications for study visas also stayed broadly stable (from 320,881 to 320,670).
- Applications for 'settled status' (made in-country) – the equivalent of permanent residency for non-EU citizens – fell by 21% (from 74,223 to 58,399).

UKVI has processed more than 300,000 EU document applications since the start of 2016 – but new plans mean those people will have to re-apply.

Figure 6.4 **Permanent residency documentation applications issued, refused, or rejected as invalid, 2014 Q1 to 2017 Q1**
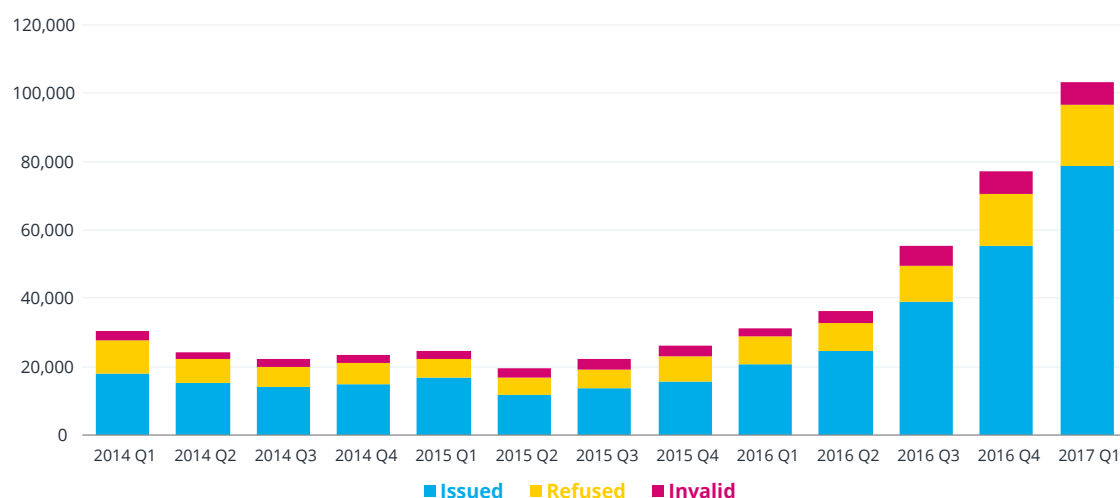
Source: Home Office, *European Economic Area Table*, Table ee_02_q

UKVI responded to the surge in applications by ramping up the rate at which it works. Between Q4 2015 and Q1 2017, the number of permanent residency applications processed by the department quadrupled, from 26,011 to 103,242.

The paper application for permanent residency is 85 pages long, and very complex; the online version – introduced in October 2016 – runs to a more modest 16 pages. The proportion of those applications being rejected – 24% at the start of 2017 – is much higher than in the equivalent process for non-EU applicants, which is around 5%.[3] However, although the number of applications returned 'refused' or 'invalid' is

high – 24,545 at the start of 2017 – as a proportion of the total it is currently lower than at any other point since UKVI was set up.

In June, the UK Government published plans to replace the EU's 'permanent residency' status, and replace it with a new legal category of 'settled status'. Current applicants for, or holders of, 'permanent residency' documentation will, according to these plans, have to make a further application.[4] Demand for the new status will therefore include those who have already applied for and been granted residency, as well as the people who have not – leaving UKVI with an even higher workload ahead.

UKVI has dealt with the Brexit surge without a notable fall in the service standards it uses to measure its performance.

Figure 6.5 **Proportion of 'straightforward' permanent residency applications completed within six months, 2014 Q1 to 2016 Q4**
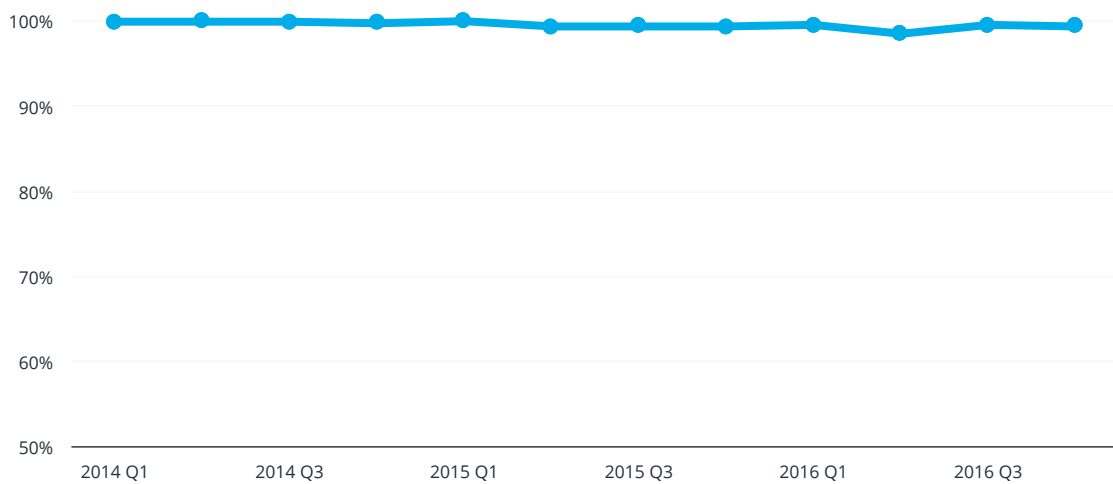
Source: Home Office, *Temporary and Permanent Migration*, Table InC_02

UKVI has dealt with the Brexit surge in applications without a notable fall in the standards it uses to monitor the quality of its work.[*] Over the course of 2016, when the number of permanent residency applications processed by UKVI tripled, the proportion processed within six months – the department's target – remained above 98%.

This does not, however, represent all applications. These numbers only cover cases deemed 'straightforward' by the department: where the department does not need to undertake additional investigation. In Q2 and Q3 2016, 25% of permanent residency applications – more than 33,500 in total – were labelled non-straightforward, where previously the proportion had hovered around 20%. In the final quarter of 2016, however, this fell to 17%. The Home Affairs Committee has previously raised concerns where such a high proportion of applications was not covered by the service standards. We do not know how much longer than six months those people whose applications were deemed 'non-straightforward' have had to wait for an answer on their status.[5]

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* The May 2017 data release contains a note clarifying that this type of application does not have a 'service standard' per se, but that this six month target – applied to 'straightforward cases' – is used to monitor performance.

With those caveats in mind, the data paint a broadly positive picture of a department that has managed a substantial increase in its workload in a short period of time. But without a parallel increase in staff numbers – or a radical redesign of the process – UKVI will almost certainly not be able to keep up with the sharply increasing demand it still faces. The Institute for Government has estimated that if work were to continue at its current pace, the department would have to hire an extra 5,000 employees (almost doubling its workforce) to deal with the estimated three million potential applicants by April 2019.[6]

The Government's June position paper on EU citizens' rights after Brexit[7] promised a 'streamlined' application process. It has already begun this work: at the end of 2016 it introduced a local authority passport checking service, allowing applicants to keep hold of their passports while their application is being processed. A new digital platform is currently being developed in the Home Office, offering fully online application services. However, it is not expected to be ready in time to deal with the bulk of the Brexit applications.[8]

40% of appeals against Home Office immigration decisions are granted.

Figure 6.6 **Cases determined by First-tier Tribunal (Immigration and Asylum Chambers), by outcome, 2014 Q1 to 2017 Q1**

■ Appeals allowed/granted ■ Appeals dismissed/refused
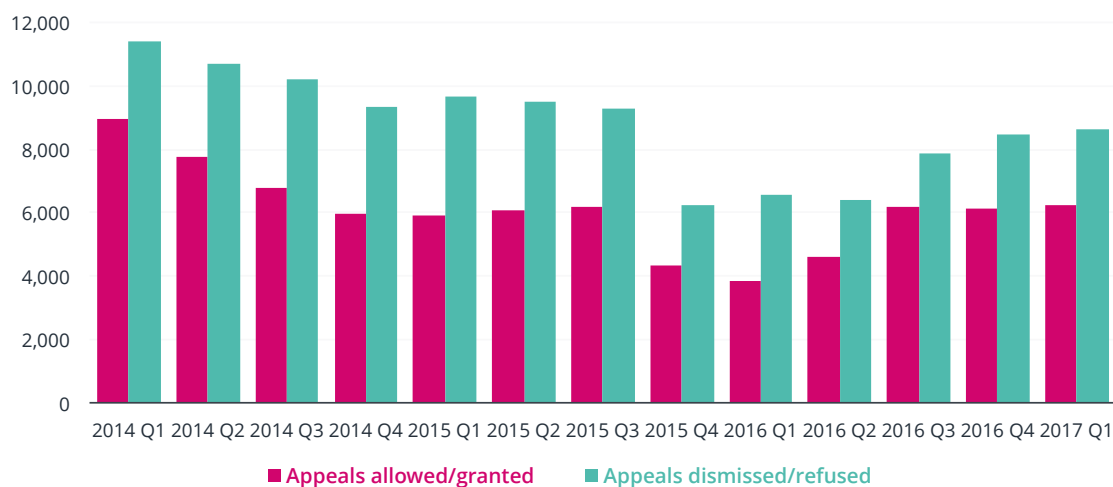
Source: MoJ, *Tribunals and Gender Recognitions Certificates Statistics Quarterly*, Table FIA.3

In Q1 2017, 14,882 immigration and asylum appeals were decided at a first-tier tribunal, down from 20,372 in Q1 2014. This decrease was at least in part driven by legislative change: under the 2014 Immigration Act, the number of immigration decisions which could be appealed fell from 14 to 7. However, numbers of appeals have begun to creep up since the beginning of 2016, from a low of 10,408.

Around 40% of immigration appeals heard by Immigration and Asylum Tribunals are granted, meaning that the initial decision made by the Home Office is overturned. A similar proportion of appeals that fall under the category 'EEA Free movement', which includes appeals over EU permanent residency decisions, are granted: 40% exactly in Q1 2017. This high proportion of decisions against the Home Office raises questions

about the quality of decision making in UKVI and about the potential burden which could be placed on the courts system by a large increase in the number of visa and residency applications.

These concerns are compounded by the uncertainty which still surrounds the future of the immigration system. At present, applications for permanent residency remain open, but the Government's guidance[9] now explicitly states that EU citizens seeking to apply for residency should not do anything at present. It is unclear when the new 'settled' status applications will open. Potential applicants do not yet know what form their new application will take. This uncertainty presents challenges, for the individuals concerned, for the department, and for anyone trying to track the performance of government in implementing a new immigration regime.

7 Assessing the performance of government

The previous chapters assessed what happened to each of the selected public services between 2009/10 and 2016/17. This chapter draws the data together to provide an overall assessment of performance.

We begin by reviewing spending, and assessing how well governments since 2009 have maintained control of it. But knowing how much spending on services has gone up and down only tells half the story. To assess performance, we need to assess how well government has used that money. This chapter therefore pulls together information on three other factors:

- **Demand:** We need to know if there is a potential 'spending gap' emerging, due to spending and the demand for services changing at different rates. An increase in spending is effectively a cut if it is accompanied by an even larger growth in demand.
- **Efficiency:** A potential spending gap does not have to mean a decline in scope or quality, if the Government can find ways to achieve more with each pound of the public's money that is spent.
- **Scope and quality:** If the Government fails to make the efficiency changes needed to bridge that gap, standards will decline, or people will be forced to wait for – or do without – services, often in unplanned ways.

In light of how public services have performed, the chapter ends by considering some lessons that can be learned from the implementation of both the 2010 and 2015 Spending Reviews.

Since 2009/10, the Government has largely controlled spending, but since 2016 emergency cash injections have become common.

Austerity provides the overall backdrop for all the 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 all nine, the total change in spending was in fact a 3.6% real increase between 2010/11 and 2015/16.[*] This ranged from a 22% real-terms reduction in prisons to an increase of 15% for hospitals.

In some cases, there was also a shift from general taxpayers to specific users meeting the cost of services. This is clearest in the case of visas and immigration, where some charges for services exceed the direct cost of providing those services.[**] In courts,

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[*] The total amount of spending covered is £164.1bn in nominal terms in 2015/16. This is 60% of total resource Departmental Expenditure Limit (DEL), after excluding DEL transferred to the devolved governments.

[**] Where charges exceed the cost of provision, this is essentially a tax levied on service users who are, by definition, non-nationals.

increased charges for civil and family cases, but not criminal ones, have helped to sustain spending. While formally there should be no cross-subsidy, it is likely that some of these charges have supported the common infrastructure of the courts system.

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 Reviews. There were exceptions – MoJ received extra money from the reserve, following the cancellation of planned sentencing reforms in 2011.

However, since 2015/16 the Government's ability to control spending in line with its initial plans has weakened significantly. In total, over £10bn of extra resources are being diverted to keep the various services going over a five-year period. Much of this has been funded by squeezing other parts of departments' budgets. These reversals are strongly related to what has been happening to demand, efficiency and quality of services, which we now consider.

Large potential spending gaps arose in most of the services, and were particularly pronounced in policing, prisons and adult social care.

Alongside the change in spending, there were major shifts in the demand for services between 2009/10 and 2016/17. In adult social care, police and prisons, around a 20% 'gap' emerged between actual spending and the counterfactual level of spending that would have been required in 2016/17 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 18% between 2009 and 2016) 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 a very slight increase in the 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 changes in the difference between spending and demand in courts, hospitals and GPs.

• For courts, while there has been some drop in the number of cases, spending fell by more. The biggest drops were in the more expensive county court cases, which fell by 25%, but most cases are dealt with in magistrates' courts where the fall in numbers was less. The data need to be treated with care, as it is difficult to establish exactly what was spent on criminal trials, but overall the data suggest that a potential spending gap of up to 10% opened up over this period.

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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.

- Demand in hospitals has been rising faster than the increases in spending: funding rose by 6% in real terms up to 2013/14, with activity in hospitals rising 11% over the same period. But the consistent missing of key waiting times targets since 2013, along with rising GP referrals and A&E admissions, suggests that relentless increases in demand have outstripped the service's ability to deliver, despite the continued increases in spending.
- For GPs, funding was flat in the early period, but started to rise more steeply after 2014–15. However, this is in the context of a growing population, especially among older age groups. Over the period, the data suggest that the same potential spending gap opened up for GPs as it did for hospitals. But this needs to be treated with care, as there are only survey- based estimations for the number of GP consultations.

Finally in two services, schools and UK visas and immigration, no significant potential spending gap opened up.

- 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 (also up 6% in real terms).
- Finally for visa and immigration services, spending kept pace with changing numbers as they are funded largely through user charges. After the EU referendum, there was a sharp rise in permanent residency applications, which were accommodated by the system.

Substantial efficiency improvements bridged the gaps in policing, in prisons up to 2013 and in visas after 2016, with smaller improvements elsewhere.

A potential spending gap opening up 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 with every pound spent. 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.[*]

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 of our services where specific wage data are available, 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 show 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.

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* Wages seldom fall in nominal terms, but services can effectively become cheaper in real terms if wage increases are kept below the rate of inflation.

PERFORMANCE TRACKER: AUTUMN 2017

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 has been improved by comparing the actual cost of providing a service with the cost implied if productivity improvements had not taken place. 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 – giving us a counterfactual cost to compare with the actual cost– suggests there could have been substantial increases in productivity across 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 over 20% less than the counterfactual cost, and policing achieving the same level of public satisfaction for around 10% less. Improvements in courts appear to be on roughly the same scale as those in the police. The numbers suggest that more modest improvements in productivity were achieved in hospitals and among GPs, and that increases in efficiency in schools were reversed as spending continued to increase in later years. There was little evidence of improvements in productivity in adult social care or UK visas and immigration.**

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 a comparable drop in service quality (although victim satisfaction is beginning to decline). This suggests that there were indeed substantial improvements in efficiency in policing across the period.
- While the data need to be treated with caution, the same pattern was clear in the courts, where the available indicators did not show any large drop in quality.
- For prisons, initially our proxies for quality held 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 in maths and English. It is clear that the apparent improvements in efficiency within prisons after 2014 were in fact largely a deterioration in quality.

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* In a counterfactual the values of all other elements – specifically activity, prices and wages – are at the actual level.

** Office for National Statistics, 'Economic Output and Productivity', retrieved 5 October 2017, https://www.ons.gov.uk/economy/economicoutputandproductivity

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

In hospitals, for those actually receiving treatment, the data suggest 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.

The available data make it difficult to judge quality in GP consultations, as there is no information about clinical outcomes.

So where did improvements in efficiency manage to bridge a potential spending gap? It appears that improvements in efficiency bridged the large gap in policing and the courts throughout the period, and the similarly large gap in prisons in the earlier years. In schools and UK visas and immigration, there was no sustained potential spending gap to be closed.

Finally we need to consider local neighbourhood services. The data are too weak to allow any assessment of the size of a potential spending gap, or of detailed changes in efficiency. The headline facts though – large falls in spending, the employment of a range of strategies to adapt to this, and overall satisfaction with services as broadly holding up – suggest that there have been substantial improvements in efficiency. Signs of pressures on council reserves, however, may suggest that a turning point is being reached.

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 other areas, however, efficiencies were not enough to bridge the potential spending gaps which opened up during this period. 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.

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 type 1 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 recent commitment to increase staff numbers has not yet had any effect.

The 2010 Spending Review was initially successful, but that success has not been repeated. The current Government is struggling to implement the spending limits set in Spending Review 2015.

The analysis laid out above tells a tale of two spending reviews: one successful (at least initially), and one less so. It shows that the tactics deployed in the initial period of spending control after 2010 began to run out of steam during the last parliament, but that neither the last government nor this one has successfully managed to change course. As pressures on the scale and quality of services have grown, so the Government has found it harder to maintain spending control. The current Government is showing signs of being caught in a reactive spending cycle, responding too late to long-evident problems.

The 2010 Spending Review: short-term success
Spending Review 2010's hard budgets were successful in the short term. Spending was controlled, and efficiencies were achieved, for the first three to four years of the spending review period – and continue to be achieved in the police and courts. Three key factors explain this:

- The Government set hard budgets and stuck to them. Departments were clear about their resource limits and understood that the Government's commitment to deficit reduction would not allow for any increase.
- The high levels of spending growth – by historical standards – in the 2000s meant that at least initially there were some easy savings to make, including reductions in administrative costs.
- Relatively weak growth of earnings in the rest of the economy may have made it easier to hold down input costs.

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*   Robertson R (2016) 'NHS rationing under the radar', blog, The King's Fund, 17 August, retrieved 5 October 2017, https://www.kingsfund.org.uk/blog/2016/08/nhs-rationing-under-radar

But this did not stimulate the transformation needed in the longer term. These measures may have been sufficient if 2014 had marked the end of austerity, as was originally planned. But while they allowed services to spend less money, they did not make the services fundamentally cheaper to run.

Not enough action was taken during this period to advance those politically and organisationally challenging 'transformational' reform agendas – for example, 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.[1] The MoJ's plans to introduce sentence 'discounts' for early guilty pleas – and save £130m in the process – were dropped in 2011.[2] Plans to integrate health and social care following the 2012 Lansley reforms have had little national impact, with delays in hospital discharges increasing dramatically.

Looking back from 2017, with further spending reductions tabled and economic uncertainty ahead, the early years of austerity look like a missed opportunity to successfully implement radical reforms.

The strains caused by services simply tightening their belts began to show in the run-up to the 2015 Spending Review, as it became clear that the economy was performing worse than expected. Government was increasingly relying on falling quality, explicit rationing and increased queueing to take the strain of managing spending constraint, in prisons, adult social care and hospitals respectively.

The 2015 Spending Review: crisis, cash, repeat?

In 2015, the new Conservative Government (but the same Chancellor, George Osborne) faced a very different challenge compared with 2010. The easy efficiency gains – holding down staff numbers and costs – had largely already been made. Some of the services which had enjoyed historically high levels of spending growth in the years preceding 2010 were now facing large pressures, which were clearly evident in the data. In a few areas, the Government changed course. So for GPs, the tight spending control post-2010 was reversed, with new commitments to spend more and to recruit more GPs.

But many 2015 Spending Review settlements were not driven by the data. In November 2015, more than £10bn was earmarked to be removed from departmental budgets in real terms by 2019/20. Yet there is little sign that the settlements handed to departments were fundamentally driven by an assessment of how services had fared after 2010.

• The Ministry of Justice 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 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).

Since the Review, the pressures have only intensified. 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.

Since 2015/16 the Government's ability to control spending in line with its initial plans has weakened significantly.

- In 2015/16 hospitals were running record deficits of over £2bn, though the Department of Health managed to remain within budget. In 2016/17, despite the injection of an additional £1.8bn from the Sustainability and Transformation Fund, hospitals were still running a deficit of around £800m.
- In November 2016, the Government provided an extra £500m over three years of resources for prisons.
- In December 2016, the Government provided around £400m of extra resources for adult social care in 2017/18, partly funded by changing the timing of council tax increases.
- In March 2017, the Government provided an extra £2bn over three years for adult social care, on top of the December 2016 announcement.
- In July 2017, the Government provided an extra £1.3bn over two years for schools.
- In September 2017, the Government abandoned its policy of allowing only 1% pay increases in the public sector, announcing pay increases of 2% for police offices and 1.7% for prison officers respectively.

The Government therefore currently has two sets of issues to tackle. The first is the actual pressures which are building up – or have built up – in different services. But the second concerns flaws in the process for making spending decisions. The absence of a consistent planning and performance framework to support spending decisions has left government vulnerable to making over-optimistic assumptions and missing key warning signs.

The next chapter outlines our recommendations for dealing with both sets of issues.

8 What the Government needs to do now

The era of tight spending controls is far from over. The Government's current spending plans, set out at the 2015 Spending Review, imply further restraint on public sector spending lasting into the next decade. In those plans, the last financial year was designated a relative year of plenty, with budgeted day-to-day spending in 2016/17 around £0.4bn higher than the year before. The squeeze is set to kick in again this financial year, with budgeted spending falling to £10.4bn below 2015/16 levels by 2019/20.[1]

The preceding chapters laid out the context in which this spending control will take place: while some services are continuing to make efficiencies – such as criminal courts and some neighbourhood services – there are serious pressures building up in others. The data are clear: a new approach will be necessary in these areas.

There are many things the Government could do to square this circle: reducing spending while addressing the pressures. It could pursue new ways of delivering services for less money – through the transformative use of technology, for example, or integrating the delivery of services. It could choose to reduce the level of service provided, through sentencing reform for example, or by more explicit rationing of access to certain parts of the health system. It could drop or lower certain quality standards. Loosening spending control, and putting more money from tax or borrowing into certain services, is also an option. But all of these interventions require time.

A lack of successful action in the recent past has limited the Chancellor's room to manoeuvre. Rather than making those changes, this Government has largely allowed services to carry on along their current trajectories, hoping that those running the services will be able to manage with less by making the necessary efficiencies. This approach has trapped them in the reactive cycle: allowing problems to mount, being confronted with a crisis (practical or political) and being left with the only option of injecting emergency cash.

The data in this report make it clear where the risk of continuing that cycle is greatest: in prisons, hospitals, schools and adult social care. By allowing political or operational pressures to build up, this Government and its predecessors have created an imperative to act. The greater the imperative, the fewer options available to the Chancellor.

In prisons and hospitals, there are immediate issues which limit the Chancellor's options to one: spending more money.

- **Prisons:** To tackle increasing rates of violence and self-harm in prisons, the Government must increase the staff-prisoner ratio as a matter of urgency. Despite the Justice Secretary's stated desire to reduce prisoner numbers, there are currently no policy changes on the horizon which would reduce the size of the prison population – indeed the latest numbers were higher than expected. So the

only short-term recourse is to recruit more officers and to slow currently high levels of staff turnover by incentivising existing officers to remain in the job. The new 1.7% pay increase for prison officers is therefore the right move. Government must now closely monitor the situation to ensure that this action is having the necessary effect, and be prepared to put more money in if it does not.

- **Hospitals:** In the short run, the Government has no choice but to spend more money on hospitals: it just has to decide whether it wants to accept continuing overspends and deteriorating performance, or whether it wants to explicitly put in more cash up-front. Despite a £1.8bn injection of cash in 2016/17, NHS providers ended that financial year with a reported deficit of £791m. Official projections put the 2017/18 deficit at £0.5bn – although detailed analysis of NHS cost pressures by the Nuffield Trust suggests that the underlying deficit is substantially higher.[2] If the Government wants to prevent this short-term solution on hospitals from becoming the long-term reality, and break this cycle of ongoing spending increases, then they – and the NHS – need to make good on the transformative promises of the Sustainability and Transformation Plans (STPs).

Sticking-plaster solutions will not solve the problems in schools and adult social care.

In schools and adult social care, the Chancellor has also already made emergency cash injections. This will allow the services to carry on operating in much the same way in the short term. But these **'sticking-plaster' solutions** have a time limit: if the Government does not want to have to return with more money in a few years' time, it will need to start preparing the ground for genuine service changes.

- **Schools:** the Government must make clear the basis on which it believes it is possible for some schools to operate with less money – or accept that those spending reductions will not be possible, and adapt their financial plans accordingly. Following the election, an extra £1.3bn over two years was found from the DfE budget, allowing the Government to meet its manifesto commitment that no school would lose money (in cash terms) when the new formula for distributing funding is introduced. This has headed off the worst of the criticisms about impending budget pressures, but only by postponing them.

- **Adult social care:** the Government must begin the process of long-term reform in the adult social care sector. In spring, an extra £2bn (over three years) was injected into the adult social care system, and there are signs that the system is stabilising: the numbers of delayed transfers of care from hospital to social care, for example, have stopped rising (although they remain high). The larger questions – about who should provide social care, who should pay for it, and how – remain unanswered. During the election campaign, the public outcry and subsequent Conservative u-turn on the so-called 'dementia tax' have demonstrated just how politically challenging the journey to those answers will be. Spring's investment has bought the Government some time to begin the wider public conversation. A choice to delay the promised green paper would therefore ultimately signal a return to the crisis, cash, repeat cycle further down the road.

Government and the public need more information about the police and neighbourhood services.

The police and neighbourhood services have both absorbed large spending reductions since 2010, and are not showing the clear signs of immediate distress evident in other services. But in both cases, the Government and the public **need more information** to make a coherent choice about next steps.

- **Police:** the Government needs a better understanding of the changing dynamics of crime, and the best interventions to tackle them. The police service is under pressure from rising activity and changing demand, with violent crime, cyber-crime and terrorism of specific concern. The Government could gain a quick political win by heeding calls to increase police officer numbers, but it may not be the most efficient way of tackling those practical issues.
- **Local neighbourhood services:** local authorities have successfully made efficiencies across a range of services, under severe financial pressure. However, that data on this are insufficient to give a clear picture of how well those services may be able to absorb further reductions. The recent fall in the size of local authority reserves suggests that some authorities are now starting to turn to unsustainable financial tactics, having squeezed their budgets as far as they can.

UK Visas and Immigration weathered the first phase of its post-referendum workload, but a new magnitude of demand lies ahead of it, demanding a fundamental transformation of its processes. It is not facing a spending squeeze: rising demand will bring in more money through charging. It successfully made short-term efficiencies, which have allowed it to deal with a surge in demand, processing over 300,000 applications since the start of 2016. But it has a new task ahead: registering approximately three million EU nationals resident in the UK under the new 'settled status'.

The Government must deliver on reforms in criminal courts and general practice.

Finally, there are two services – criminal courts and GPs – in which the Government has set out clear plans for the future, and which the available data suggest are on a stable course. The Government now needs to **deliver on those reform programmes**.

- Government will need to monitor progress closely to ensure that it meets its challenging pledge to recruit 5,000 more **GPs**. In 2016, the Government decided that spending control had started to place pressures on GP services. It committed to a new investment programme, aimed at increasing the number of GPs and widening access. This investment is due to continue until 2020, and it is too early to tell if it is having the intended effects.
- **Criminal courts** have managed substantial spending reductions since 2009/10, without a notable drop in service quality. As the service now undertakes an ambitious transformation programme that will reduce the size of the courts' estate and make greater use of digital technology, it will need to carefully monitor performance data – especially around waiting times – to ensure that it retains the flexibility to respond to changes in case volume.

The last service we looked at, **UK Visas and Immigration**, does not face a spending squeeze. It has successfully made short-term efficiencies over the last year, which have allowed it to deal with a surge in demand after the referendum. But the task ahead – registering approximately three million EU nationals resident in the UK under the new 'settled status' – is of a different order of magnitude, demanding a fundamental transformation of its processes.

The political context further limits the Chancellor's options.

With a minority Government behind him, and the challenge of Brexit to manage, the Chancellor may well be tempted to keep ducking the decisions outlined above – avoiding politically controversial or organisationally disruptive changes, and acting only where and when public pressure peaks.

In some areas, this may be the most politically judicious choice. Public support for austerity has fallen – 43% of people polled by the Institute for Government in July 2017 believed that spending cuts are necessary, compared with 58% just before the May 2015 general election. This makes big spending announcements, even if they are in response to a crisis, more appealing than ever. However, the short-term consequences of inaction – allowing prison violence and hospital waiting times to grow, or allowing fractious debates about police numbers and schools funding to rumble on – may be even less palatable than the alternatives.

These political pressures facing government are highlighted by the current debate on public sector pay. The 1% cap on public sector pay increases, put in place in 2015, rose to prominence as a political issue during the election campaign. Before the summer, various Cabinet ministers made contradictory comments on their willingness to remove it. Since then, the Government has more formally signalled its intention to revise this cap, beginning with the announcement of a 2% pay award for police officers, and an average of 1.7% for prison officers.

Crucially, these pay increases will be funded 'from within existing budgets'. Funding these pay increases will therefore involve money being squeezed from elsewhere: trade-offs will have to be made. This is a strategy which the Government has already employed a number of times in recent years, focusing its financial resources on day-to-day frontline service delivery to try and meet presenting demand.

This has allowed expenditure on a number of the most high profile services to grow at a faster rate than overall budgets. Last year Department of Health (DH) expenditure grew by just 2.1% but hospital expenditure funded by the department grew by 4.3%. This was achieved by restraining growth elsewhere; for example spending on pharmaceutical services and prescribing fell while spending on primary care and public health was broadly flat. A similar pattern can be seen in Education, Home Affairs and Justice where schools, the police and prisons were protected relative to other areas. Although this has mitigated some of the immediate impacts of spending cuts on service quality it may be storing up further problems for the future. It is also a strategy with limited capacity: budgets can only be raided a certain number of times before disappearing.

Before taking further action on the pay cap then, the Government must clarify what the trade-offs will be and what problem they are trying to solve. If recruitment or retention is the problem, then pay increases may be a good solution. However, if workload rather than pay is driving the problem, then paying existing staff at the expense of hiring more staff is likely to exacerbate the issue. The introduction of pay increases for all high-profile workforces – at the expense of other interventions – may lead to greater political problems further down the line.

Government needs to change the way it makes spending decisions.

Ultimately, a single set of good decisions made at this Autumn Budget will not solve the underlying problems which have allowed the Government to get into this reactive spending cycle. No government should be faced with an imperative to act, unless it has been beset by a natural disaster or similarly unpredictable event. Yet this is the position the Government has faced repeatedly since 2016 and currently faces in prisons and hospitals.

Our current process for making spending decisions incentivises a reactive, short-term approach. Spending decisions are made with the spending review (and electoral) cycle in mind, with the focus on how to survive now, rather than on what services will need to look like in five years' time if they are going to successfully fit within their budgets. As we wrote in our last *Performance Tracker*, layers of optimism bias creep in over time, resulting in over-optimistic assumptions about the potential for efficiency.

It is striking that a Performance Tracker-type exercise is not performed systematically in the Treasury or elsewhere. The Treasury operates a highly effective system for spending control, but it has no standard framework for assessing what has been achieved with the spending, or for consistently reacting to pressures as they emerge. The National Audit Office (NAO) and Public Accounts Committee (PAC) have both highlighted the lack of a consistent framework for planning and assessing performance within government. 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.

Therefore we recommend:

1. The Chancellor should instruct the Treasury, working with departmental finance and analytic professionals, to develop its own Performance Tracker, as a planning and performance management tool. The Tracker should clearly set out assumptions about demand, inflation, efficiency and quality at least three to five years ahead and be regularly updated.
2. The efficiency assumptions should be supported by clear and realistic delivery plans including timescales and national and local responsibilities.
3. The Treasury should publish this Tracker or, at a minimum, make the key assumptions public and available for scrutiny by Parliament.
4. 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 realistic, so that public money can be used as effectively as possible.

Abbreviations

Abbreviation	Description
A&E	Accident and emergency
ADASS	Association of Directors of Adult Social Services
ADL	Activities of Daily Living
BIS	Department for Business, Innovation and Skills
bn	Billion
CCG	Clinical commissioning group
CIPFA	Chartered Institute of Public Finance and Accountancy
CPS	Crown Prosecution Service
CQC	Care Quality Commission
CSEW	Crime Survey for England and Wales
DCLG	Department for Communities and Local Government
DEL	Departmental Expenditure Limit
DfE	Department for Education
DfLE	Disability-free life expectancy
DTOC	Delayed transfer of care
EU	European Union
FoI	Freedom of Information
FSA	Food Standards Agency
FTE	Full-time equivalent
GCSE	General Certificate of Secondary Education
GP	General practitioner
HCHS	Hospital and Community Health Service (statistics on the NHS workforce in England)
HLE	Healthy life expectancy
HMCTS	Her Majesty's Courts and Tribunals Service
HMIC	Her Majesty's Inspectorate of Constabulary
HMP	Her Majesty's Prison
HMPPS	Her Majesty's Prison and Probation Service
IFS	Institute for Fiscal Studies
JAC	Judicial Appointments Commission
LE	Life expectancy
LGA	Local Government Association
m	Million

MoJ	Ministry of Justice
MRSA	Methicillin-resistant Staphylococcus aureus
NAO	National Audit Office
NFER	National Foundation for Educational Research
NFF	National Funding Formula
NHS	National Health Service
NICE	National Institute for Health and Care Excellence
NOMS	National Offender Management Service
NPCC	National Police Chiefs' Council
NPS	New psychoactive substances
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PAC	Public Accounts Committee
PEEL	Police Effectiveness, Efficiency and Legitimacy Programme (run by HMIC)
PESA	Public Expenditure Statistical Analysis
PISA	Programme for International Student Assessment
POELT	Prison Officer Entry Level Training
Q	Quarter
QOF	Quality and Outcomes Framework
SHMI	Summary hospital mortality indicator
STP	Sustainability and Transformation Plan
TIMSS	Trends in International Mathematics and Science Study
TME	Total Managed Expenditure
UCAS	Universities and Colleges Admissions Service
UKBA	UK Border Agency
UKVI	UK Visas and Immigration
VTE	Venous thromboembolism

List of figures

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1 Introduction

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