

Taxing times



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Over the last couple of weeks, you haven't been able to move for news of what a hike in taxes could do for public services. Late last month saw the release of the [Institute of Fiscal Studies and Health Foundation report](#), commissioned by the NHS Confederation looking to how to fund health and social care until the 2030's. The report makes clear that:

“Just to keep the NHS providing the level of service it does today will require us to increase spending by an average 3.3% a year for the next 15 years...adult social care spending is likely to have to rise by 3.9% a year over the next 15 years taking an extra 0.4% of national income, relative to today... [and] health and social care spending is likely to have to rise by 2–3% of national income over the next 15 years.”

This report by the IFS comes hot on the heels of the report by [the Kings Fund](#) and Health Foundation outlining the financial pressures on social care and a range of scenarios to pay for this, including a significant focus on how reform of the tax system might contribute to the meeting the shortfall now and in the future.

In addition to these two reports, IPPR has also thrown its hat in the ring, with a proposal outlining an [immediate increase of a penny on National Insurance](#) contributions to raise – you guessed it - £350m a week for the NHS by 2022 (mmm – I am sure I have seen that figure on the side of a bus...!?).

The predominance of tax for the furtherance of the NHS is in contrast to the headlines of even a year ago, where the notion of a Brexit windfall for public services remained a proposition that was still live and available for debate. However, the serious consideration of this within these hard hitting reports about how these vital services will be funded in the future does not feature, it seems like a year of Brexit negotiations has had a sobering effect on us all.

The IFS report goes onto say ***“Funding these projected increases in health spending through the tax system would require taxes to rise by between 1.6 and 2.6% of GDP – that's between £34 billion and £56 billion in present-day terms, equivalent to between £1,200 and £2,000 per household (out of projected net income growth of about £8,500 per household).”***

To achieve this, the paper recognises the need for a significant cultural shift in UK attitude to taxes, seeking a much more 'European' relationship with funding public services (predominantly the NHS) through high levels of personal taxation. However, based on the Chancellor's experience of seeking to introduce higher taxes on self-employed people in the March 2017 budget – and the widespread political and media backlash, it would suggest that the appetite for tax increases is far from evident.

Despite that, the report struggles to find a solution that does not include increases to one of the major taxes, and believes there remains an appetite for a hypothecated tax. The headlines for this tax rise have not, however, focussed on the implications of the changing demography in the same way that the Kings Fund report last week did. There is little emphasis on the ability of the population to continue to pay for this tax in a shrinking employed market. Of course, the demographic challenges that impact the ability of the changing population to contribute to these additional taxes, are also providing a different narrative, which the government has been perhaps quicker to adopt, that of the notion of personal responsibility for longevity

through increased pension and savings. Combining the narrative of books such as the 'One Hundred Year Life' which suggest personal saving requirements of 17% upwards, and a hypothecated tax requirement potentially increasing household contributions by up to £2000 per annum sit as unlikely bed fellows with a population that has already lived through 8 years of wage squeezes and real term reductions in household income.

The report is also clear that any relaxation of the eligibility criteria for social care will lead to an increase in required funding. Whilst the point is well made, in this period as we move further into the public proclamation of the NHS at 70 years, it runs the risk of sounding like a warning for reformers, rather than a recognition of the vital need to improve both systems in parallel and towards a common goal. If anyone is under any illusion about the straightforwardness of the task for politicians ahead, the IFS and Health Foundation study provides you with [your own tool](#) to plan how you would meet the funding gap, reducing spending, or raising taxes – have a go to see how you would make the complex decision.

The call at the end of May by the cross party alliance of Liz Kendall, Norman Lamb and Sarah Wollaston [welcoming the IFS report](#) into the funding of health and social care will be met with relief by the politicians tasked with making the Green Paper and long term NHS funding announcements, but they may find that the general population is still waiting for that Brexit bus to come along to solve all our financial woes.

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