

A SPENDING REVIEW TO INCREASE WELLBEING

(Draft report of the APPG on Wellbeing Economics)

Executive Summary

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EXECUTIVE SUMMARY

Wellbeing includes everything that is important to people and their lives. We believe therefore that improving wellbeing therefore should serve as a central goal for our society and the overriding aim of government policy. As such, this is what should determine the country's spending priorities across all departments for the next Spending Round.

This requires recognition of the importance and validity of wellbeing outcomes and an understanding of its drivers, based on robust evidence. This report we highlight how such a wellbeing approach and using evidence already available identifies some key new priorities where the net cost would be small and the gains in the quality of people's lives enormous, specifically in the context of healthcare, education and community services

1. The top priority is the treatment of **mental illness**, which destroys lives and costs the government billions in benefits, lost taxes and additional physical healthcare. At present only one third of people with mental illness are in treatment. But the government is committed to parity of esteem for mental and physical health. This should mean that people with mental health problems have the same access to NICE-recommended therapies as people who are physically ill.

This is currently far from the case and the situation will only be rectified through strong leadership from the centre. We propose that the total NHS budget that has already been agreed up to 2025 should be divided into two separate parts, with mental healthcare growing at 6% a year in real terms and physical healthcare at 3% a year.¹ As we show, much of this additional expenditure on mental healthcare would be fully offset by equivalent savings elsewhere.

2. The next priority is investing in the wellbeing of **children in schools**. Schools should prepare children to lead fulfilling lives by developing strong characters, good values and passionate interests. As the evidence shows, happy children also do better in their schoolwork.² So pupil wellbeing should become an explicit goal of schools, alongside academic performance. Schools should be enabled to measure the wellbeing of their children each year, using government-sponsored methods of measurement. All teachers should in the next 5 years receive some training in mental health and all those who teach PSHE should have specific training in teaching these difficult subjects. We estimate the annual cost by year 5 at £0.45 billion.
3. The next priority for young people's wellbeing is their **entry into skilled employment**. It is crucial that young people feel wanted by society; they need to see a clear pathway to a skill. For those who go down the academic route this pathway is already clear, with

¹ In Year 5 this would provide at least an extra £4 billion on mental health.

² Seligman & Adler (2018).

automatic progression and funding for all who qualify. For the other 50% of young people the path is unclear and funding is cash-limited. Instead of this, further education should be funded on a per capita basis like higher education, where any qualified student who is accepted is automatically funded. This high-priority policy could cost £3 billion in the fifth year in gross terms. But rates of return to part-time apprenticeship are currently around 30% per annum³ and much of the cost would return later to the Exchequer in higher taxes.

4. Loneliness and isolation are major sources of low wellbeing, but can be significantly helped by good **community services**. These include social care for individual children, disabled people and old people, as well as children's centres, youth centres and old people's centres. Under austerity such facilities have been closing all over the country, while at the same time social services have had to cut their support both to old people, disabled people and children. At least £4 billion annually will be needed to provide adequately in this area.
5. Finally, **prisons** must become places of rehabilitation, skill-acquisition and improved mental health. And family disputes should where possible be settled by mediation rather than in the family courts. Clearly policy on benefits is crucial but beyond the scale of this report.
6. The measures we have proposed would thus cost roughly as follows:

	£b in Year 5
Mental Health	Already in NHS budget
Schools	0.45
Further education	3.00
Community facilities	4.00
Justice	0.50
	7.95

The net cost would be much less. We believe such measures would have a measurable effect on the nation's wellbeing.

7. In what follows we explain these proposals in more detail, together with our proposals for the scrutiny of policy initiatives.

³ McIntosh & Morris (2016).

INTRODUCTION

The 2019 spending reviews offers the chance to look in a new way at total government spending across the UK and link spending plans for different government departments to an overall strategic goal for the country. Spending reviews always needs to address tough choices and tradeoffs between spending in different areas and competing demands between departments. In 2019 these choices are compounded by economic uncertainty around BREXIT.

A spending review focussed on wellbeing will enable the government to explicitly prioritise spending on areas that have the most impact on people's lives. Since 2011 the ONS have been asking people directly how satisfied they are with their lives, and we know much more about what can improve people's life satisfaction. This presents us with the opportunity to apply this knowledge to the spending priorities, such that the government achieves the best value for money, in terms of national wellbeing outcomes.

The sections which follow identify areas which have an important impact on people's wellbeing, but have been relatively neglected. They hence represent an opportunity for the government to achieve substantial benefits, should they be prioritised in the forthcoming spending review.

1. HEALTH: Scaling up the treatment of mental illness

Context: Mental health is a strong predictor of wellbeing. A person moving from depression or anxiety disorders to full mental health is associated with an increase in life satisfaction of 0.7 points (out of 10) for each year. Effective treatment of mental illness can therefore offer substantial improvements to wellbeing in the short and long term.

About one in five adults and one in ten children is suffering from a diagnosable mental illness but only one third of them are in treatment. These conditions include:

Anxiety disorder and depression	(16% of adults)
Schizophrenia and bipolar disorder	(1% of adults)
Drug and alcohol dependence and severe personality disorder	(2% of adults)

These conditions cause extreme distress to the individual, but they also contribute to many of the most obvious social problems including domestic violence, family break-up, robbery, theft, and loneliness, with spill over effects on the wellbeing of the rest of society

Recommendations: NICE recommend that the relevant evidence-based psychological therapy should be offered to all who suffer from these conditions, but that is far from the case.

- The path-breaking programme for adults suffering from depression or anxiety disorders known as Improving Access to Psychological Therapy (IAPT) achieves over 50% recovery rates at a cost of under £700 per course of treatment.⁴ But the programme only sees around 17% of adults with anxiety disorder and depression. The target for 2022 is 25% and should rise to 35% by 2028. The gross cost of this expansion would be about £0.30 billion in the fifth year but there would be no net cost because the gross cost is less than savings on benefits, lost taxes and physical healthcare costs.
- A similar psychological therapy service is needed for children and adolescents who fall below the CAMHS threshold and currently receive no help. On the government's existing plans such "Mental Health Support Teams" will open in one third of the country by 2022. This should be accelerated, and there should be a service in every CCG by 2025. The gross cost in 2025 would be about £0.25 million, with substantial savings to follow.⁵ A further expansion will be needed in the years 2025-30.
- Evidence-based psychological therapy should become available, as recommended by NICE, for all patients suffering from psychotic conditions, drug and alcohol problems and severe personality disorder. There should also be increased provision of couples therapy, as recommended by NICE, as well as parent training around the time of childbirth using the Family Foundations Programme.
- In addition substantial expenditure is needed on crisis teams, inpatient treatment and other facilities where they have been cut with damaging consequences.
- The progress of all patients should be routinely monitored using standard tools of measurement.

Affordability: These interventions can be funded from the increase in funding allocations already announced for the NHS. The only way to make sure all this happens is if CCGs are given their funding in two separate packets, one for physical and the other for mental health. In addition this year's spending review needs to provide adequate funds for training new mental health staff.

⁴ Clark et al. (2018) and Richard Layard & Clark (2014), Chapter 11.

⁵ See McDaid et al. (2017).

2. EDUCATION: Tackling children's wellbeing in schools

Context: Emotional wellbeing of children is an important outcomes in and of itself, but is also an important driver of wellbeing in adults. Therefore investing in children's wellbeing has benefits both now, and for the future. Schools are an appropriate environment for identifying risk factors and tackling some of the main drivers of children's wellbeing.

- 1 in 8 young people aged 5-19 have a mental health disorder
- ¼ of young women aged 17-19 have a mental disorder, about half of these involving self harm or suicide.
- The common thread running through the Good Childhood report is that children's interactions with those around them – and the way in which children make sense of those interactions – are fundamentally important to how they feel about themselves and their lives.

Recommendations: Schools are the government's single most powerful lever for promoting wellbeing. The wellbeing of the children should be a specific goal for a school.

- Every school should have its own Wellbeing Code to which every teacher, parent and child has given their assent.
- Schools should be enabled to measure the wellbeing of their children on an annual basis and the government should pilot a common measure that could be used. Schools using it could receive extra funding to cover the cost of administering and processing the questionnaire.⁶ This would cost about £0.10 billion a year.
- All schools should provide a weekly lesson on PSHE. This should be evidence-based (using materials such as Healthy Minds) and every teacher who teaches PSHE should have received special training to teach the subject by the end of the Parliament. This would cost about £0.25 billion a year by the final year.⁷
- All teachers should have a short course on mental health by the end of the Parliament. This should cover the mental health of children and of teachers. This could cost about £0.10 billion.

These costs of about £0.5 billion need to be included in the Spending Review.

⁶ A possible questionnaire is proposed in R. Layard (2017).

⁷ There would be some 100,000 teachers at £2,500 per course.

3. FURTHER EDUCATION: Ensuring a proper start to working life

Context: If young people can see no prospect in life, they turn to despair and may cause havoc to others. Yet for the 50% of young people not going to university, we currently offer no clear pathway to a skill. The key need in the next five years is to build such a pathway. There needs to be a system of automatic progression whereby anyone who qualifies at one level can expect a place at the next higher level with automatic funding (as exists along the university route). This sequence will involve for those who need them: pre-apprenticeship courses, then apprenticeships at level 2 right up to level 5.

3 main changes are needed:

- A revolution in the finance of further education. Since 2010, this has been fiercely cut. While academic education is automatically financed on a per student basis, further education is strictly cash-limited. We should liberate the sector by providing automatic funding for further education on a per student basis.
- A major drive to find apprenticeships. The government should take responsibility for ensuring that every young person who qualifies for an apprenticeship receives at least one offer (as happens with academic education)
- A change in governance. This revolution in opportunities will only occur with strong leadership. We recommend that all funding of further education at level 3 or below is routed through a powerful Further Education Funding Council, as happened under previous governments. This would also have responsibility for generating enough apprenticeship places.

The cost of this would be about £3 billion by the final year.⁸ Some of this can come from the Apprentice Levy but most should be routed through the Council.

⁸ An additional 0.6 million students X £5,000 per annum.

4. COMMUNITY SERVICES: Investing in social support networks

Context: We are social animals. Mental wellbeing depends on continuous social interaction in meaningful activities. Without this, loneliness and purposelessness result. Thus community facilities such as children's centres, youth clubs, and old people's centres are vital. In addition there is the huge need for better social care of the elderly and the disabled, and for the protection and support of vulnerable children and disabled people.

- Over 9 million people in the UK say they are often or always lonely
- Over half of people aged 75 or over live alone
- 16% of people have no one to rely on, if they have a serious problem

Recommendations:

- Social care of the elderly and disabled. It is estimated that at least £2 billion a year is needed if the standards that prevailed in 2010 are to be re-established.
- Children's centres, youth clubs and centres for the elderly. At least £1 billion a year is needed if these are to perform the important functions they once did.
- Social services work on the protection of vulnerable children and require an additional £0.25 billion.

So total gross additional expenditure in these areas needs to increase by over £3 billion, but significant savings in the NHS and criminal justice will result.

5. OTHER PRIORITY AREAS

There is a crisis in our prisons and detention centres. Too many people are in prison who should receive community sentences, and with available resources it is often not possible to achieve the rehabilitation which is needed, leading to high rates of reoffending and ongoing ill-being. Better staffing is needed together with better facilities for education, meaningful work and mental healthcare.

In addition we need a massive improvement in our approach to family conflict. We have already discussed how the NHS can help. But if separation has to happen it should happen smoothly and with the minimum of conflict. This requires more use of mediation and less use of the family courts.

6. THE ROLE OF THE TREASURY and other government departments

If subjective wellbeing is to become the overriding priority of government, this will require a strong lead from the Treasury and Cabinet Office.

- It should be made clear that the goal of policy is the wellbeing of the people. All expenditure should be judged by the impact on wellbeing per pound of net cost.
- Savings accruing in different departments should be taken into account in evaluating net cost.
- Departments should systematically be asked to justify their spending bids in terms of their impact on population wellbeing relative to their cost.
- They should use whatever evidence they have.
- The Treasury itself should develop its own capacity to analyse proposals in terms of their impact on wellbeing. This would require the establishment of a small Wellbeing Evaluation Group in the Treasury.
- During the period 2020-25 major efforts should be made to develop the capacity of the government machine to estimate effects on wellbeing. This will require large-scale training effort within national and local government, led by the Government Economic Service. Government departments should also evaluate all new interventions in terms of their wellbeing effects, and there should be many more controlled trials of policy changes than up to now. Funding of such wellbeing research could become a standard use of government departmental research budgets.
- UKRI should take a lead in funding inter-disciplinary research on wellbeing and in helping to develop the analytical workforce needed to address the issue of wellbeing.

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