

Date: Wednesday 5 November 2003

Venue: Committee Room 1, National Assembly for Wales

Title: Budget Proposals 2004-2005

Purpose

1. To explain the Health and Social Services implications of the Draft Budget for 2004-2005 as tabled by the Minister for Finance, Local Government and Public Services and presented to Plenary on 22 October 2003.
2. Standing Order 19 provides that each Assembly Minister who is a member of a subject committee shall seek its views on the Draft Budget and convey them to the Minister for Finance, Local Government and Public Services.

Recommendations

3. That the Committee gives me its comments on the Draft Budget.

Background

4. The budget round was launched in June with a letter from the Minister for Finance, Local Government and Public Services to Committees. This made clear that as this was not a Spending Review year in England, the round would deal with distributing a total level of resources that was already set. The Committee set out its priorities for the Budget Planning Round in a letter from David Melding to me of 18 July 2003 (Annex 1). It is important to bear in mind that spending in future years is always affected by what we are able to achieve in the current year. During 2003-04 we will have:

- reduced the backlog waiting list for tonsillectomies having funded additional surgery and single use equipment;
- completed the Bro Taf phase of the screening programme for diabetic retinopathy – this scheme will cover 80% of the population of Wales in 2004-05 and 100% by 2005-06;
- provided £750k for continuing local projects across Wales in preparation for the NSF;

- invested in new linear accelerators for North and South Wales;
- delivered £2 million matched funding for palliative the voluntary hospice movement;
- improved primary care premises;
- improved sterile services by £2.2 million;
- continued the development of our new Clinical Schools which will open next year;
- progressed the development programme for cardiac catheter laboratories;
- delivered the first phase of funding for the children's hospital;
- doubled investment for the rollout of the new-born screening programme.

5. During 2003 the Health Service in Wales, and its partners, have seen the implementation of Local Health Boards and have received the Wanless Review of our spending and the results are obtained for it. Inevitably 2004-05 will be a year both of consolidation and of challenge – consolidation in allowing LHBs to build on their start, and challenge in the implementation of the Government's response to the Wanless agenda.

6. The Finance Minister announced the draft Budget to Plenary on 22 October.

Committee Priorities

7. I am pleased that the Budget for next year means that we will be able to meet the key priorities of this Committee as set out in David Melding's letter to me of 18 July. Specifically:

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meeting the cost of the GMS contract

The Family Health Services SEG has increased by £174.7million over 2003-04. This increase is because all the funding for the GP Contract has been brought together in one line. Within this the total increase for GP Contract and Out of Hours is £24 million. There is also an increase of £14.5 million for other Contractor professions.

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full introduction of the direct needs based funding formula

The Assembly's focus on reducing Inequalities in Health will continue. Next year's budget therefore continues the implementation of the Townsend formula reforms. In 2002-03, £7 million made a start on this process and this was consolidated with a further £4 million this year. With an additional £5 million in 2004-05, within the LHBs and NHS Trusts SEG, the targeted funding for health inequalities increases to £16 million. The Health Inequalities Fund SEG continues at £6 million. This is a substantial investment which demonstrates that we are backing up our commitment to spend more of our money where the health need is greatest.

- **ensuring that the recommendations of the Review of Health and Social Care can be implemented**

This is covered in depth in the next agenda item for the 5 November meeting. The Draft Budget Tables include £25 million located in the Other Health and Social Services SEG. NHS funding of £16 million will also be earmarked to deliver increased investment in ICT through Informing Healthcare. Implementing Wanless is a 10-year programme and it will be an important focus for the NHS over the next few years. I have agreed with the Minister for Finance, Local Government and Public Services that the challenge next year for local government will be to shift social care to the very top of the agenda. Improved hospital discharge services will appear as the top priority of the policy agreements and we will be aiming to secure this in partnership with local authorities for next year with the Local Health Boards acting as catalysts for change.

- **support for "Fulfilling the Promises"**

There is a £4.5 million increase for the Community Services for Adults BEL within the Other Health & Social Services MEG. This will ensure that our target to complete all social care resettlements by the end of 2006 remains on track. The funding will ensure that our responses to 'Fulfilling the Promises' are implemented.

Consideration

8. The Draft Budget Tables include funding increases as set out below,

Funding for Health and Social Services - £4,530.0 million; increase over 2003-04 - £368.9 million (includes £25.6 million the estimated transfer from the Department of Work and Pensions)

9. This is a total increase of 8.9 per cent over 2003-04 (or 8.3 per cent without the DWP transfer). This is the highest level percentage increase of any MEG across the Assembly, demonstrating our commitment to Health & Social Services as a top priority.

Funding for Health - £4,278.8 million; increase over 2003-04 - £297.3 million

10. The increase for Health is 7.5 per cent. Almost 2 percentage points of the increase will be directed towards the important programme of pay modernisation that includes the new contracts for consultants, GPs and Agenda for Change for all other NHS staff groups. The remaining sums will fund increases significantly above the forecast GDP inflation for the revenue allocations for Local Health Boards and

Local Health Boards and NHS Trusts SEG

Funding - £3,525.0 million; increase over 2003-04 - £113.3 million

11. The real increase in this SEG is £239.3 million, or 7.0 per cent, over 2003-04. The budget lines show a 3.3 per cent increase over 2003-04. This is because £126.0 million transferred to the Family Health Services SEG, under the restructuring of funding for the GP contract. Within this we are funding:

- pay modernisation, with Agenda for Change and a new contract for consultants;
- increases significantly above forecast GDP inflation for the Local Health Boards and Health Commission Wales revenue allocations, including primary care drugs prescribing;
- an increase of £13.7 million for NHS Capital, which takes the budget to £111.6 million. This includes funding for the development of angiography services;
- making recurrent the £15 million 2003-04 investment in orthopaedics, capacity/emergency pressures and waiting lists;
- £16 million for investment in Informing Healthcare to progress the Wanless recommendation on this;
- £5 million additional funding for targeted investment in health inequalities in areas of greatest need under the direct needs formula, increasing the total to £16 million.

12. As the Minister for Finance, Local Government and Public Services mentioned in her speech on 22nd October, in addition to the funding in this SEG, we will be reducing prescription charges by £1 mid-way through 2004-05. The Assembly will provide the NHS with funding that is additional to the draft Budget allocations to make up for this forthcoming reduction in prescription charge income.

Education and Training SEG

Funding - £152.4 million; increase over 2003-04 – zero

13. For this SEG there is no apparent change over 2003-04 because of transfers of funding to the FHS SEG for the GP Contract. The true increase in Education and Training is £10.2 million or 6.7 per cent over 2003-04. This is funding growth in clinical education and nurse training, where we will be delivering on all our commitments.

Family Health Services SEG

Funding - £538.8 million; increase over 2003-04 – £174.7 million

14. This is fully covered in paragraph 7 above.

Health Improvement SEG

Funding - £44.6 million; increase over 2003-04 – £5.3 million

15. This is an increase of 13.5 per cent over 2003-04. These funds include an increased vaccination and immunisation programme and other public health measures.

Health Promotion SEG

Funding - £4.9 million; increase over 2003-04 – £1.3 million

16. For this SEG, there is an increase of 34.6 per cent over 2003-04. This funds the reinstatement of the tobacco control baseline after a non-recurrent transfer of £0.9 million to Local Health Boards in 2003-04.

Food Standards SEG

Funding - £2.3 million; increase over 2003-04 – zero

17. There is no change over 2003-04.

Welfare Food SEG

Funding - £11.0 million; increase over 2003-04 – £2.7 million

18. This is an increase of 32.5 per cent over 2003-04. This reflects increased demand for the demand-led welfare food and vitamins.

**Funding for Social Services - £251.2 million; increase over 2003-04 - £71.6 million
(includes £25.6 million, the estimated transfer from the Department of Work and Pensions)**

19. This is a total increase of 39.9 per cent over 2003-04 (or 25.6 per cent without the DWP transfer).

Children SEG

Funding - £82.2 million; increase over 2003-04 – £9.3 million

20. In response to requests from local authority social services departments, the Children First grant has been retained as a specific grant. The baseline for Services for Children, out of which the grant is funded, increases by almost £6 million between 2003-04 and 2004-05. The baseline for the Cymorth grant scheme increases by some £3 million between the two years, confirming the indicative allocations that have been given to local partnerships.

Personal Social Services – General Capital Funding

Funding - £6.5 million; increase from 2003-04 – zero

21. There is no change over 2003-04.

Other Health and Social Services

Funding - £148.3 million; increase over 2003-04 – £59.4 million

22. This includes a re-prioritisation of Social Services funding increases previously planned so as to provide a fund of nearly £25 million to take forward our response to the Review of Health and Social Care. We will make progress with, among other things:

- Promoting independence;
- Intermediate Care services;
- Supporting people at home in the community;
- Preventing avoidable admissions;
- Accelerating departure from hospital;
- Relieving pressure on the acute sector.

This will also include an extension and continuation of the programme that I started this year to reduce Delayed Transfers of Care.

23. As previously mentioned there is also an additional £4.5 million under Community Services for Adults to keep the resettlement programme on track and to deliver our other commitments in response to "Fulfilling the Promises". There is also an extra £2 million for the Older Person's Strategy. Within the Flexible Care and Joint Working BEL I have provided £2.2m To reflect the importance within Wanless priorities of Flexible Care and Joint Working (the Flexibilities Grant), to support the Local Authority involvement in Local Health Boards has increased by £2.2 million This also reflects Wanless priorities for joint working. . I am maintaining our support for the Carers' Strategy at £6 million, as a special grant. We will be ring-fencing the specific grant for these services for a further year The DWP estimated transfer figure of £25.6 million is mainly in respect of the phasing out of the residential allowance for existing claimants and the transfer of the funding responsibility to local government.

Social Services Inspectorate (Wales)

Funding - £14.2 million; increase over 2003-04 – £3.0 million

24. This is a 27.3 per cent increase over 2003-04. It allows the provision of increased funding for local authorities for training support of social services workers; for setting up a register of social care workers; and for bursaries for social services students. These were highlighted as priority items in the Wanless Report.

Health and Social Services of which: depreciation

Funding - £12.5 million; increase over 2003-04 – zero

25. There is no change over 2003-04.

Compliance

26. This paper relates to the Budgets in the Health and Social Services Main Expenditure Group of the Assembly's Budget. The Assembly's procedures in relation to allocation of programme Budgets are covered under Standing Order 19. The Assembly Compliance Office has seen this and is content.

Financial Implications

27. The financial implications are as set out in the draft Budget tables.

Cross Cutting Themes

28. The Draft Budget tables include funding for Health and Social Services for 2004-05 and proposals for 2005-06 will follow next year. The Minister for Finance, Local Government and Public Services has made clear that across the Assembly, there will be evidence of joint working. The implementation of the Wanless Review provides a good example of the joint working between the NHS and Local Government. The Draft Budget also provides for the further development of the expansion of clinical education that commenced last year and represents opportunities for cross cutting action between the NHS and Education. The proposals for free school breakfasts and access to swimming pools will assist cross cutting action leading to a healthier Wales.

Action for Subject Committee

29. The Committee is asked to give me its views on the Draft Budget by 19 November.

Jane Hutt
Minister for Health and Social Services

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Eich cyf / Your Ref
Ein cyf / Our Ref HSS(2)-03-03

18 July 2003

BUDGET PROPOSALS 2004 - 2005

Sue Essex's letter of 10 June to subject committee Chairs asked for Committees' responses to the budget proposals by 31 July.

The Committee considered your budget proposals set out in paper HSS(2)-03-03(p4) when it met on 16 July. The Committee endorsed your proposals, but emphasised the importance of:

- i. meeting the costs of the GMS contract;
- ii. full introduction of the direct needs based funding formula;
- iii. ensuring that the recommendations of the Review of Health and Social Care can be implemented;
- iv. support for "Fulfilling the Promises".

I look forward to seeing your detailed proposals in the Autumn.

David Melding AM
Chair