

Health & Social Services Committee HSS-11- 01(p.2)

Date 4 July 2001
Venue Committee Room 3, National Assembly for Wales
Title NHS Resource Allocation Review - Townsend Report

1. Purpose

1.1 The Committee is asked to consider Professor Peter Townsend's report of the Welsh Assembly's National Steering Group on the allocation of NHS resources and agree it as a basis for consultation once outstanding work is complete. The report is attached at Annex A [Annex A comprises three volumes – Volume 1: Townsend Report ; Volume 2: Research Team Report and Volume 3 : Task Group Executive Summaries]

2. Background

2.1 The Committee commissioned the Resource Allocation Review in February 2000 and received an Emerging Findings report on 28 February 2001. The terms of reference and process of the Review are summarised in the Introduction to the report.

3. Recommendations

3.1 The key recommendations of the Townsend Report are as follows :-

In relation to the resource allocation formula itself the report makes the following recommendations (Chapters 5 and 6):

- that the Assembly adopt the new 'direct' approach to measuring relative need for health resources recommended by the Research Team – subject to detailed refinement and completion of outstanding work on quantifying additional costs of provision in rural and urban areas (timetable for outstanding work at Annex B)
- compared with the existing formula the report (Chapter 5, table 2) estimates that the new formula would redistribute some [1.3%] of the HCHS budget between health authority areas – this is subject to revision in the light of refinement and further work on rural and urban cost factors
- that implementation should start in 2003-04 and the new target shares be phased in gradually through differential growth - the timescales to be determined in the budget round and subject to the overall growth available for the NHS.

- that action in the interim to target resources on areas of greatest need should continue through the Health Inequalities Fund.

The report also places the resource allocation formula in the context of an overall strategy to tackle health inequalities. It concludes that the role of the formula is less important than

- tracking the way the health budget is spent both between different types of health care services and within (as well as between) local areas
- wider action by the Assembly and the UK Government in relation to the underlying determinants of health.

Accordingly the report places considerable emphasis on securing more meaningful, consistent and reliable information on how health budgets are spent at national, regional and local level - to improve accountability and future decision making (Chapter 3).

It also recommends the adoption of a dual strategy of action (Chapter 2)

- by the NHS to reduce inequities in access and quality, including greater sensitivity to unmet need
- by the Assembly corporately to tackle the socio-economic determinants of health as well as advocacy by the Assembly to the UK Government in relation to levels of benefit and other relevant policies which fall outside devolved powers.

4. Timetable for Consultation and Implementation

4.1 The proposed timetable is as follows :-

Townsend Report to HSSC	4 July
Informal/'expert' participation	July/August
Complete outstanding work(research & modelling)	July/August
Incorporate 'Structural' changes	July/August
Prepare package for consultation	Sept
Consultation	Oct/Nov
National Steering Group (Chaired by Professor Townsend)	December
Post-consultation Townsend Report to HSSC	January 2002
Plenary (to be confirmed)	
Start of full implementation (alongside structures changes)	April 2003

4.2 Annex B details outstanding work which is required to be completed before the formula is ready for consultation and implementation. A key element is the need for work on rurality and urban issues to be completed. The research work which has been commissioned is likely to conclude that there are grounds

for a cost factor for community nursing services but not for hospital services. Task Group B has highlighted the need for modelling work to assess the redistribution effects of the formula in relation to social deprivation and disadvantage. Task Group chairs have agreed to meet and consider how to take this research forward in the timescales outlined in paragraph 4.1.

4.3 The outstanding work and the consultation timetable mean that it will not be possible to begin implementation in 2002 –2003 ; the target date for issuing 2002-2003 health authority allocations is December 2001. However this timing will enable us to take account of new structures, currently under development in "Improving Health in Wales", in the consultation package for October/November.

4.4 On the timescale for moving to the new target shares, the recommendation (para 7.32) is that " the change should be achieved as rapidly as is possible consistent with a minimum level of growth for all which the Assembly considers necessary to ensure a planned transition to the new shares " and also needs to be consistent with agreed recovery plans for the health communities. Further analysis will need to be done by the NHS Finance division to arrive at proposals for a transitional period, consistent with the outcome of the Budget Planning Round, for inclusion in the consultation in October / November 2001.

4.5 In view of the recommended 2003-2004 start date for implementation the report recommends that scope for continued interim action through the Health Inequalities Fund should be considered as an important route for achieving the aim of targeting resources on those in greatest need.

4.6 The National Steering Group (NSG) under the leadership of Professor Townsend will meet in December following consultation to consider next steps and recommendations for the Committee

4.7 Delivery of the proposed dual strategy - the report makes a number of recommendations in relation to the performance of the NHS and the Assembly corporately in addressing health inequalities. It is proposed that these should be addressed in relation to the NHS through the implementation plan for "Improving Health in Wales", the new NHS (Wales) Bill, and in relation to the Assembly corporately through Better Wales and the National Assembly's policy programmes which stimulate action on the socio-economic determinants of ill health.

5. Compliance

5.1 The allocation of NHS resources is authorised by the NHS Act 1977, Part IV, Section 97.1 and was included in the National Assembly for Wales (Transfer of Functions) Order 1999 which transferred the functions to the Assembly. The establishment of a Steering Group and a Working Group is covered by The Government of Wales Act 1998, Part II, Section 40, to facilitate the functions under the NHS Act. These functions have been delegated to the Minister for Health and Social Services. There are no issues of regularity or propriety.

6. Financial Implications

6.1 The Review is concerned with the distribution of the NHS Budget and not with the amounts available - although Professor Townsend highlights the implications of budget pressures for individual items such as capital - as already recognised in Improving Health in Wales. However the Review impacts on the Budget planning round in 2 ways:

- the amount of growth available to the formula driven items of expenditure will determine the speed at which the moves towards the new target shares can be achieved
- the recommended implementation date of 2003-04 and the recommendation of continued interim action through the Health Inequalities Fund will call for a Review of the size of the fund in 2002-03 - (current plans assume a Fund of £6m in that year rising to £7.1 in 2003-04.)

7. Action

The Committee is asked to agree that the Townsend report be circulated for consultation as in the timetable proposed above. At the conclusion of consultation, responses will be considered by the Health & Social Services Committee. It will then be for the Minister to bring forward a set of final proposals. The Committee is also asked to note the action proposed in relation to the dual strategy to address health inequalities

Contact Point:

Nick Patel, Project Director Resource Allocation Review, ext 3780