

AMENDED VERSION

Date: 23 October 2002

Venue: Committee Rooms 3 & 4 National Assembly for Wales

Title: Budget Proposals for 2003-04

CONSIDERATION OF THE DRAFT BUDGET FOR 2003-2004

Purpose

1. To explain the health and social services implications of the draft Budget for 2003-2004 as tabled by the Minister for Finance, Local Government and the Communities and presented to Plenary on 15 October 2002.
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 the Communities.

Recommendation

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

Background

4. The budget round was launched in May with a paper from the Minister for Finance, Local Government and the Communities. The Committee set out its priorities for the Budget Planning Round in a letter from Kirsty Williams to me of 9 July 2002(Annex 1).
5. The Finance Minister announced the Partnership Government's draft Budget to Plenary on 15 October. On 16 October, I announced my spending proposals for health and social services in the light of the planned increases announced by the Finance Minister. This included the funding in the draft Budget tables and an announcement of
 - a £20 million package of EYF in 2002-03 (see paragraph 10)
 - additional capital investment and public funding for community hospital replacement schemes in

a number of locations.

I have subsequently, on 17 October, announced capital investment at West Wales General Hospital, Carmarthen for the Accident and Emergency Department and refurbishment of theatres. The final Budget will be laid on 29 October, followed by Plenary debate and vote on 6 November. At that point, additional capital will be included in the LHB/Trust capital BEL funding these and other schemes, I shall be announcing. I will need the Chair to write to me confirming the Committee's views on the draft Budget by 25 October.

6. I welcome the Finance Minister's announcement that Derek Wanless has agreed to review Health and Social Care in Wales and report to the Welsh Assembly Government. His report will assist us to set the agenda for the NHS and its further modernisation and reform in Wales.

Committee priorities

7. I am delighted that the Budget for next year means that we will be able to meet the key priorities of this Committee as set out in Kirsty Williams' letter to me of 9 July. I am particularly pleased that we shall be able to progress so many capital schemes – with a significantly enhanced investment programme in the final Budget tables in addition to the 2002-03 EYF. There is a major increase in training and education, including three new clinical education schemes, and we are driving forward on health inequalities through direct funding for LHBs for implementing the Townsend formula and sustaining the Health Inequalities Fund at the current year level. I have delivered additional funding for these; and for the ambulance service - with £2.5 million additional revenue. On delayed transfers in care there is £12.4 million next year and £1.5 million over 2004-05 and 2005-06 for the Bryn y Neuadd resettlement programme.

Financial Implications

8. As set out in the draft Budget tables, and below. **NOTE – There has been a technical change – NHS provision formally classed as Annually Managed Expenditure - (LHB and Trust (Capital Charge, LHB depreciation & provisions BEL) is now classified as DEL). EYF tables will be published in due course.**

For health, this paper focuses on spending plan figures for 2003-04 only. The Finance Minister made clear in her speech on the draft budget that for 2004-05 and 2005-06 she had provided relatively modest uplifts for health budgets. There is significant additional funding for health in these two years but it is being held in the Assembly's Reserve pending the Derek Wanless Review of Health and Social Care.

Funding for health and social services - £4,158.2 million

Increases over baselines of £ 110 million.

9. This draft Budget represents substantial increases, which will enable us to make significant further progress in implementing our agreed priorities. The following commentary explains where new money will be allocated to health and social services BELs, as a result of the BPR and where there have also been changes as a result of reviewing spending priorities within baselines.

Health Funding

10. The draft Budget provides:

- **Total planned Health Budget (DEL Provision) £3,825.1 million**
- **Increase Over Baselines (DEL Provision) £88.0 million**
- **Year on Year Cash increase £332.9 million (9.29%)**
- **End Year Flexibility (EYF) -** As I announced on 16 October, I have agreed with the Finance Minister an additional £20 million package of EYF funding for 2002-03. This will cover £5 million to the NHS to ease Winter Pressures and improve waiting times; £13 million for equipment and a small-scale capital spending investment package in- year and £2 million for social services to tackle delayed transfers in care.
- I have already announced that, subject to business case approval, there will be capital funding over and above the funding in the draft Budget tables for:
 - An £8 million scheme, including land acquisition for new services in Tenby and South Pembrokeshire;
 - Public funding for the new community hospital for Ebbw Vale/Blaenau Gwent;
 - Public funding for the new community hospital in Merthyr Tydfil;
 - Public funding for the redevelopment of community health care services in Cynon Valley.

11. The budget increases for health (as apportioned between budgets) will provide:

BEL 0020 – LHBs and Trusts and Central Budgets – Revenue Expenditure

12. These budgets cover:

Local Health Board revenue funding for unified budgets covering Hospital, Community and Family Health Services (HCHS) discretionary and protected allocation/drugs prescribing/cash limited General Medical Services (GMS); Assembly support for specialist registrars and training grades; primary care funding, including prescription pricing and transitional support for mental illness hospital closure programme; Information Management and Technology; NHS Direct; revenue costs (SIFT) of clinical education.

Total Budget provision - £3,262.3 million

Increase of £122.1 million

13. These budgets provide:

- A £205 million increase for Local Health Boards in their revenue allocations next year to fund hospital services and primary health care. This means a 9.4/5.9/6.0 per cent increase on discretionary hospital and community health services, drugs prescribing (increase of 9.0/9.0/9.0 per cent on net funding) and cash-limited General Medical Services (increase of 2.5/2.5/2.5 per cent). This funding will enable further progress to improve our key health services, including cancer, coronary heart disease and mental health. Funding in future years will be subject to our consideration of the Wanless review and to future Budget Planning Rounds. On top of this there is also:
- £44 million for the Director's Performance and Financial Management Fund, including money towards the new consultants' contract. This will be augmented by a claw-back of 1 per cent of LHB's uplifts;
- An extra £1.3 million for Innovations in Care;
- An extra £7 million for resource accounting issues;
- An extra £3.2 million for Investment in IM&T;
- An extra £2.5 million for Emergency Ambulances;
- An extra £2 million for the expansion of NHS Direct;
- £1 million for low vision aids;
- Funding towards the implementation of the Townsend Formulae across the LHB allocation (£4.1 million);

BEL 0040 – LHBs and Trusts and Central Budgets – Revenue Receipts

Total Budget provision - £(58.7) million

14. £3k technical adjustment

BEL 0080 – LHBs and Trusts – Capital

Addressing the major capital requirements of NHS Wales: Trust Discretionary Capital and All-Wales Capital Programme

Total Budget provision - £86.4 million

Reduction of £(22.0) million

15. The baseline has reduced in the draft Budget tables to sustain the LHB allocation increases and assist with the other revenue developments (BEL 0020 and BEL 0140). However, this is more than offset by £20 million EYF available in 2002-03 and the additional capital package I have agreed with the Finance Minister for which there will be additional capital funding in the final Budget tables. The Finance Minister announced that she will underwrite a further £20 million for the Local Health Boards (see paragraph 20).

BEL 0100 – LHB and Trust AME

Annually managed expenditure which provides cover for capital charges, HA depreciation and provisions.

Total Budget Provision - £154.3 million

16. No change on this BEL.

BEL 0120 – Depreciation double count in LHB allocation and Trust capital

Total Budget provision - £(103.0)

Increase of £(4.2) million

17. Adjusted to reflect expected increase in depreciation costs.

BEL 0140 – Education and Training

Training for all NHS Wales medical and non-medical staff groups, including doctors, dentists, nurses, pharmacists and ophthalmists.

Total Budget provision - £151.5 million

Increase of £6.6 million

18. The total increase over 2002-03 is £21 million (16 per cent) for NHS Education and Training. This will further increase the numbers of medical, nursing and allied health profession students. This also includes funding clinical schools in North Wales, Gwent and the Swansea Clinical Graduate School. We

shall be announcing the capital provision for these schemes shortly.

BEL 0160 Tribunals and Advisory Committees

Total Budget Provision - £2.7 million

Increase of £45k

19. The baseline has increased by £45k over 2003-04 plans and there is a total increase of £300k over 2002-03 provision. This is to cover increased club membership fees.

BEL 0180 Payments to Contractors

Total Budget Provision - £391.1 million

Reduction of £(14.6) million

BEL 0200 FHS Income

Total Budget Provision - £(27.0) million

Decrease of £(2.4) million

20. Demand-led funding for the Family Health Services will increase to £364 million (net), a 2.2 per cent increase on 2002-03. Although this is a lower increase than originally originally planned for, expenditure on this demand-led budget will be met, including implementing the GP contract and associated developments in primary care. The Finance Minister announced that she was prepared to underwrite expenditure on this BEL by up to £20 million, which would give a total increase of nearly 8 per cent over current year. FHS Income estimated to decrease by £(2.4) million.

BEL 220– PHLS/NBSB and Central Initiatives

To support the Government's food and communicable disease policies. Also support for central

initiatives such as the National Institute for Clinical Effectiveness and the Commission for Health Improvement.

Total Budget provision - £13.7 million

Reduction of £(0.3) million

21. The baseline has reduced in the draft Budget tables to sustain the LHB allocation increases and assist with the other revenue developments. However there is an overall increase of £0.7 million over 2002-03 provision.

BEL 0240 – Public Health Including Vaccines

Action to reduce health inequalities. Also guidance to health authorities about policy changes and information to public about the dangers of infection and methods of protection.

Total Budget provision - £2.2 million

Increase of £0.3 million

22. Baseline increase of £0.3 million is a transfer of a disease prevention budget from the Health Promotion BEL. This funding contributes to disease control/prevention and is more appropriately located in this BEL.

BEL 0260 – Research and Development

Welsh grant scheme for development of health and social research addressing urgent medical/policy problems.

Total Budget provision - £16.5 million

Reduction of £(0.3) million

23. The baseline has reduced in the draft Budget tables to sustain the LHB allocation increases and assist with the other revenue developments. However there is an overall increase of £0.8 million over 2002-03 provision.

BEL 0280 Health Inequalities Fund

Total Budget provision - £6.1 million

Reduction of £(1.0) million

24. Baseline reduction leaving an increase of £52k on 2002-03. Funding for health inequalities (Townsend implementation) contained in LHB and Trusts and Central Budgets – Revenue Expenditure BEL. Consideration of the previously planned uplift of £1m in the Health Inequalities Fund has been deferred but provision has been sustained at the current year level (with a minor inflation uplift). Additional funding of £4.1 million for LHBs for Townsend implementation is to be found in BEL 0020. Together with the current year allocation, next year's totals for LHBs amount to £10.5 million, a substantial contribution to the inequalities agenda.

BEL 0300 Health Promotion

Total Budget provision - £2.2 million

Reduction of £(0.3k)

25. This is not a reduction. This is a transfer to the Public Health (including vaccines) BEL referred to above.

BEL 0320 Tobacco Control

Total Budget provision - £2.1 million

Reduction of (£42K)

26. The baseline has reduced in the draft Budget tables to sustain the LHB allocation increases and assist with the other revenue developments . However there is still an increase of £10k over 2002-03 provision..

BEL 0340 Grants to Voluntary Organisations

Total Budget provision - £0.2 million

Reduction of (£5k)

27. Budget maintained at 2002-03 level.

BEL 0380 Foods Standard Agency

Total Budget provision - £2.3 million

Reduction of (£46k)

28. Reduction of £(46)k from 2003-04 plans, with a total reduction of £(74)k over 2002-03 provision. In addition there is funding in BEL 0020 for new burdens for local authorities which will be transferred to RSG in the Final Budget.

BEL 0400 – Welfare Foods

To provide free cow's milk and infant formula milk for under-fives in families receiving Income Support or Job Seekers' Allowance.

Total Budget provision - £8.3 million

Reduction of (£0.7 million)

29. Baseline reduction to cover increases for the LHBs etc. However the full level of actual expenditure on this demand-led budget will be provided in –year, as arising.

Social Services

- **Total Planned Social Services Budget (DEL Provision) £ 245.1 / £289.5 /£342.9 million**
- **Increase Over Baselines (DEL Provision) £ 22.0 / £66.4 / £119.9 milliion**

BEL 0420 - GRANTS IN SUPPORT OF CHILD AND FAMILIES SERVICES

Total Budget Provision £ 6.4/6.5/6.6 million

30. Increase of £ 0.5/0.6/0.7 million To ensure that grants to families with severely disabled children via the Family Fund Trust, and core funding provided to a range of voluntary sector bodies providing child and family services via the Child and Families Organisation Grant, are maintained at an appropriate level and at least take account of increases in pay and prices.

BEL 0440 - SURE START

£16.0/£16.0/£16.0 million –no change on this BEL

BEL 0460 - SERVICES FOR CHILDREN

Total Budget Provision £ 25.2/31.1/49.0 million

Increase of £5.3/11.2/29.0 million

31. The increase in 2003-4 is consequential on legislative commitments in the Children (Leaving Care) Act 2000 and forthcoming changes in the Adoption and Children Bill, plus additional resources for service developments under Children First, in particular, on improving placement choice and stability for looked after children.

Subsequent years build on these areas, with extra resources to support the CAMHS Strategy, Children's NSF and services for disabled children.

BEL 0480 - CHILDREN'S COMMISSIONER

Total Budget Provision £ 1.3/1.3/1.4 million

Increase of £0.5/0.5/0.6 million

32. The increase is needed as a result of experience in the first year of running the Commissioner's office and includes additional funding for holding examinations and developments central to the Commissioner's statutory duty to communicate with children and young people.

NEW BEL - CYMORTH INCLUDING CHILDCARE

New Budget with increased provision being made of **£0.3/£3.5/£12.0million**.

33. The new unified grant "Cymorth" will subsume the existing provision shown for Sure Start, the National Childcare Strategy and the Children and Youth Partnership Fund. That change will be made at final budget stage. The new budget figures shown above will support childcare and a range of preventative interventions to be supported by Cymorth.

BEL 0500 NATIONAL CHILDCARE STRATEGY

£5.37/£5.37/£5.37 –no change on this BEL

BEL 0340 STRATEGY FOR CHILDREN AND YOUNG PEOPLE

£ 0.34/£0.34/£0.34 million -No change on this BEL

BEL 540 CHILDREN AND YOUTH PARTNERSHIP FUND.

£16.47/£16.47/£16.47 million –no change on this BEL

BEL 0541 DOMESTIC VIOLENCE SERVICES GRANT

£0.58/£0.58/£0.58 million- no change on this BEL

BEL 0560 SUPPORT FOR THE VOLUNTARY SECTOR/VOLUNTEERING

34. £6.91/£6.91/£6.91 million –no change on this BEL but a total of £3m over 3 years is being provided from the Flexible Care and Joint Working BEL to the voluntary sector to assist the implementation of the Building Strong Bridges report..

NEW BEL – CAPITAL COST OF NEW CARE STANDARDS

New Budget with Provision now being made of **£ 0/12.0/15.0 million**

35. These resources will help local authorities to improve the physical environment for those in their care homes by providing for improvements to the care infrastructure and ensure the new minimum standards are met. The funds will also help to promote improved choice and better facilities.

BEL 0620 - COMMUNITY SERVICES FOR ADULTS

Total Budget Provision £ 65.4/68.4/69.4 million

Increase of £0/3.0/4.0 million

36. The increase is to meet in full the Bryn y Neuadd hospital resettlement plan social care costs in these years and the costs of implementing other Welsh Assembly Government responses to the Learning Disability Advisory Group's report 'Fulfilling the Promises'. I intend to allocate money from baseline provision in year 1 to take forward the commitment to institute an advocacy grant. There is also an extra £7.25 million over 3 years to progress "Fulfilling the Promises." Resources will be used to fully fund the social care costs of Bryn y Neuadd resettlement ; advocacy services for people with learning disabilities and funding for the Services and Support Grants to help authorities implement new learning disabilities

service principles.

BEL 0640 SOCIAL SERVICES WHITE PAPER IMPLEMENTATION

£3.15/£3.15/£3.15 million –no change on this BEL

BEL 0660 - ELDERLY AND LONG TERM CARE

Total Budget Provision £ 61.2/74.2/87.2 million

Increase of £ 12.4/25.4/38.4 million

37. The increase is provided to fund a range of measures designed to alleviate the problems in the care home sector and to further the policy of promoting independence and supporting people at home. This includes provision for the continuation of the Delayed Transfer of Care (DToC) scheme to fund extra care and support and to meet the cost of funding reforms and the continuance of the 6-weeks Free Home Care scheme.

NEW BEL - OLDER PERSONS STRATEGY

New budget with provision now being made of **£1.0/3.0/6.0 million**

38. The new provision is to enable locally based planning and initiatives to be developed within the strategic framework provided by the Older People Strategy Implementation Plan. It will enable statutory bodies and others to improve services for older people and plan for the impact of an ageing society.

BEL 0680 - FLEXIBLE CARE AND JOINT WORKING

Total Budget Provision £ 10/12/12 million

Changes to existing provision: £ -0.4/+1.8/+1.8 million

39. The reduction in 2003-4 relates to a transfer to the Elderly and Long Term Care BEL of funding for the 6 weeks Home Care scheme. The increased funding for the later years is to provide support to further strengthen local authorities' partnership working with the NHS -.

BEL 0700 NATIONAL STRATEGY FOR CARERS

£6.04/£6.04/£6.04 Million – no change on this BEL

0740 RESEARCH AND PUBLICITY

£1.30/£1.30 /£1.30 million – no change on this BEL

0760 NHS COLLECTION COSTS

£0.9/£0.9/£0.9 million – no change on this BEL.

BEL 0780 - SOCIAL SERVICES WORKFORCE AND QUALITY

Total Budget Provision £ 6.7/8.7/10.2 million

Increase of £ 2.0/4.0/5.5 million

40. The increase will support the delivery of the Care Council for Wales (ASPB) objectives including the introduction of Codes of Practice, a register of social care workers and reforms to social care education.

BEL 0800 - TRAINING SUPPORT PROGRAMME

Total Budget Provision £ 4.4/5.4/11.0 million

Increase of £ 0.5/1.5/7 million

41. The increase will allow local authorities in Wales to develop a sector wide approach to the development of training plans; to improve further the number of qualified social care staff; and to enhance levels of skill and knowledge by providing improved standards of training.

Compliance

42. 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 are content.

Jane Hutt

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Eich cyf / Your Ref

Ein cyf / Our Ref HSS-15-02

9 July 2002

BUDGET PLANNING PRIORITIES 2003 – 2004

At our committee meeting on 3 July you set out your budget priorities for the coming year and invited the Committee's comments. I am writing to confirm the Committee's recommendations.

The Committee supports the priorities you had identified. It endorsed the continuing commitment to implementing the National Service Frameworks (NSF) for coronary heart disease, cancer and mental health and welcomed the development of an NSF for diabetes.

The Committee also agreed that the following should be given priority for funding:

- the capital programme, including equipment;
- staff recruitment and retention programmes and education and training;
- measures to address health inequalities;
- measures to tackle delayed transfer of care;
- the completion of the resettlement programme for people with learning disabilities; and
- improvements to the ambulance service.

Kirsty Williams

Chair

