

DEPARTMENT OF HEALTH 2021/22 DRAFT BUDGET OUTCOME

RESOURCE BUDGET

1. The total proposed Resource Budget settlement for the Department of Health in 2021/22 is some **£6,451.9 million**.
2. However, we understand that further discussions in relation to NDNA and Confidence and Supply funding will likely lead to the Department receiving further allocations of:
 - **£85 million** for the costs of the 2020/21 AfC pay rise (previously included in the Department's baseline);
 - **£11.7 million** funding for Mental Health and Severe Deprivation; and
 - **£49 million** for NDNA transformation
3. Therefore for the Department's financial planning purposes we have assumed that this funding will be reinstated and taking this into account would give a proposed budget settlement of **£6,597.6 million**, which is **£495.2 million** of additional funding in 2021/22 when compared with the 2020/21 baseline of **£6,102.4 million**.
4. In summary, the proposed additional funding of **£495.2 million** includes:
 - **£52.1 million** for Agenda for Change (AfC) pay increase in 2021/22 (as previously committed to by the Executive);
 - **£49 million** for NDNA transformation;
 - **£11.7 million** previously funded from Confidence and Supply - **£10 million** for Mental Health and **£1.7 million** for Severe Deprivation;
 - **£380 million** for COVID Response and Rebuild;
 - **£0.3 million** for EU Exit;
 - **£2 million** EU Match Funding.
5. Only **£52.1 million** of the Draft Budget settlement represents additional recurrent mainstream funding and this is specifically to cover Agenda for Change (AfC) pay increase in 2021/22. Therefore the budget settlement will be very challenging to

manage against our total funding requirements as it is not adequate to meet the rising demand and the growing needs of our aging population. The fact that the available recurrent mainstream resource funding has only marginally increased means it will not provide a basis for the sustainable rebuild of our health service.

6. Prior to the Covid-19 pandemic, the Health and Social Care system was already under mounting pressure. The costs associated with maintaining existing models of service were increasing at a pace which could not be sustained within the budget available and these issues have been further compounded by the pandemic.
7. We require major investment on a sustained basis to rebuild our struggling services and reduce waiting times. In particular, increasing the capacity of our elective care system, whether in house or in the independent sector, requires a recurrent funding commitment to enable us to invest in the staff and infrastructure required to start to make progress. Unfortunately the funding available within our Draft Budget allocation just does not allow us to make any significant headway into this issue, which was already estimated to cost £750m-£1bn before the impact of the pandemic is taken into account.
8. Similarly, the Draft Budget will not allow us to undertake a transformation programme with any level of ambition. Such a programme also requires significant investment to enable us to make the transition needed to a more sustainable service – investment which is again not possible with the level of funding that this budget provides.

Pay and Safe Staffing

9. While confirmation of the additional **£52.1 million** funding for the AfC pay uplift in 2021/22 is to be welcomed, as this will alleviate some of the pay pressures we face this still leaves a shortfall of some **£53 million** (to cover Salaried Doctors and Dentists, FHS, and National Living Wage) pay uplifts.
10. The draft allocation also does not provide funding to cover the Executive's commitment to Safe Staffing with some **£20 million** required in 2021/22. The

Executive has previously committed to providing **£5 million** in 2020/21 increasing thereafter to **£60 million** over 5 years. However the Finance Minister has now advised that this will be provided as a first call on funding in the June monitoring round and we are therefore planning on this basis.

11. Whilst this provides some certainty with regard to Safe Staffing funding for the 2021/22 year, the Department would need to secure this funding recurrently going forward as staffing costs cannot be properly addressed on a non-recurrent basis as is normally the case with in-year monitoring allocations

NDNA

12. While the Draft Budget allocation anticipates some **£49 million** for NDNA Transformation, as a minimum we needed to secure some **£70 million** to maintain Transformation programmes at their current spending levels as a result of the non-recurrent funding we received in 2020/21 and this had been built into our forecast expenditure to maintain existing services. If projects are to continue it is therefore likely that COVID-19 rebuilding funding will need to be used to fill this gap in 2021/22.

13. The Draft Budget allocation also does not provide funding for the Department to deliver on the further priorities set out in NDNA for which an additional **£165 million** was estimated to be required as follows:

- **£75 million** for Transformation growth;
- **£20 million** for Power to People – Review of Adult Social Care;
- **£6.5 million** for 900 extra nursing and midwifery students over three years (300 per year);
- **£10.6 million** for the Mental Health Action Plan;
- **£3.2 million** for successor strategy for alcohol and drugs;
- **£10.7 million** to Rebuild/Stabilise Cancer, Oncology and Haematology;
- **£9 million** to fully implement service improvements for Palliative and End of Life Care;
- **£8.1 million** for three cycles of IVF treatment;
- **£0.6 million** for Graduate Medical School at Magee;

- **£1.3 million** for Post Registration Nursing and Midwifery; and
- **£20 million** for Safe Staffing.

14. With the exception of Safe Staffing, we will also need to examine the extent to which these can be funded from COVID-19 funding, again noting the constraints of the non-recurrent nature of this funding source.

COVID-19

15. The allocation of **£380 million** to cover our COVID/Rebuild identified pressures is broken down as follows:

- **£25m** for Covid-19 vaccine deployment
- **£105m** for ongoing operational response (**£35m/month** for 3 months)
- **£250m** for rebuilding

16. Some **£25 million** will need to be set aside for vaccine deployment, while **£105 million** is expected to be needed to deal with the ongoing response, based on this being required at average 2020/21 levels for 3 months. Further assessment is currently ongoing to determine the adequacy of this funding, and in particular to assess whether the 3 month assumption, made before Christmas, remains valid.

17. The **£250m** COVID rebuild funding has the potential to mitigate some pressures which were previously included within our maintaining existing services, meet some new inescapable pressures and fund some NDNA priorities. However it will not be without its challenges. While one off COVID funding can be effectively deployed in providing elective care, rebuilding services requires us to make multi-year commitments to training places, and to appoint people to permanent posts in order to attract and retain staff.

18. If we are to make the most of the COVID funding on offer to start to address these issues, it is essential that we make a reasonable assumption on the degree to which we can make commitments beyond 2021/22. Ensuring that the 2022/23 ongoing budget commitment does not exceed an amount that can reasonably be assumed to be affordable will likely be our main constraint on expenditure in 2021/22. The level of non-recurrent funding has now reached such a high level

that it is vital that we guard against the assumption that additional funding will become available when needed.

19. The Department and HSCB are currently in the process of reviewing all our funding pressures in order to prioritise these whilst ensuring our inescapable commitments are covered. These will then inform detailed proposals to be brought to the Minister on how the COVID Rebuild funding might best be allocated and overall proposed recommendations for the budget settlement.

CAPITAL BUDGET

20. The proposed 2021/22 Capital Budget allocation for the Department of Health is **£326.5 million** which is net of **£12.5 million** of capital receipts. This one year budget represents a 10% increase in the opening budget position from 2020/21 and whilst this is a positive outcome that will enable the Department to meet the existing contractual and inescapable priorities, this one year settlement limits the ability to commence projects that will continue beyond the current financial year.

21. The DoH capital budget continues to support a significant capital investment programme. There is a high level of contractually committed expenditure in this and future years which include the Department's two flagship projects, existing projects which are in design or under construction and regular ongoing investment in estate maintenance and vehicle fleet for the HSC and Northern Ireland Fire and Rescue Service (NIFRS), ICT investment and the replacement of medical equipment. The proposed allocations are as follows:

Flagship Projects - £35.4 million

22. The Mother and Children's flagship project will provide a new Regional Children's Hospital which will deliver integrated and contemporary paediatric healthcare services and a new Maternity Hospital which will provide modern facilities for enhanced maternity and obstetric services. The project also includes associated site and energy infrastructure.

23. The Northern Ireland Fire and Rescue Service Learning and Development Centre will provide a centralised training function with practical scenario based training facilities. Phase 1 of the project which comprised a six storey tactical firefighting facility and teaching support building was handed over in July 2019. Phase 2 is due to commence in 2022.

Contractual and Inescapable Priorities - £43.3 million

24. Contractual commitments are inescapable and reflect amounts we are obliged to pay to ensure the projects are delivered to the agreed completion date. There are already a number of projects contractually committed within the capital programme where the main construction has commenced or is near completion. In addition there are a number of projects which either at the design stage or deemed as inescapable as they will ensure the sustainability of our services in those areas.

These projects are as follows:

- Ulster Hospital redevelopment
- Craigavon 2nd CT scanner
- Altnagelvin Phase 5.1
- New Children's homes at Glenmona
- Regional Radio Pharmacy
- Northern Mental Health Inpatient Unit – Stage 1 Design
- CAH Low Voltage
- Lisburn Primary Care Centre
- Lisnaskea Health Centre
- Cityside Health and Care Centre – Stage 1 Design
- Lagan Valley Elective Care Centre theatre

Critical ICT - £127 million

25. The pace of change over the next few years across the HSC ICT programme will require significant investment over and above routine funding. The projects listed below are regarded as critical to the continuity of service and functioning of the health service.

- Encompass

- Northern Ireland Picture Archiving and Communication System (NIPACS)
- Laboratory Information Management Systems (LIMS)
- Business Services Transformation Programme (BSTP)
- Technical Enablement

Maintaining Services - £126.8 million

26. Funding in this category whilst not fully contractually committed is required each year to provide regular and ongoing investment to the Health Service and the Northern Ireland Fire and Rescue Service. It should be noted that the cost to maintain a hospital is much higher than any other public sector building and as a result the Department has to direct a significant portion of our annual budget to this category. Regular ongoing investment is also required in vehicle fleet, in particular for the Northern Ireland Ambulance Service and the Northern Ireland Fire and Rescue Service, for the replacement of medical equipment, replacement of flu stocks, research and development and funding to the HSCB for the GP Improvement scheme.

Covid Funding – £6.5 million

27. The draft budget outcome includes an allocation of **£3.6 million** of Covid Funding. The Department's Arm's Length Bodies continue to identify capital pressures in response to the Covid pandemic to provide a safe environment for patients and staff. Whilst this allocation will go some way towards the existing 2021/22 Covid pressures we plan to set aside a total of **£6.5 million** which includes the **£3.6 million** outlined above to meet the ongoing Covid response.

Receipts – (£12.5 million)

28. The Department also has to account for the sale/disposal of property and assets owned by the Department (retained estate) and its Arm's Length Bodies. Income from asset sales is available for reallocation within the capital budget. In addition the HSC Research and Development team in the HSCB secure additional funding from external organisations such as Cancer Research UK and the Medical Research Council. Budget cover is also provided to our five main trusts for commercial income they receive to carry out clinical trials.

29. The deadline for responses on the draft Budget 2021-22 is **Thursday 25 February at 5pm** and can be submitted via the following link:

- Submit your responses online: www.finance-ni.gov.uk/consultations/budget-consultation
- Email your responses: budgetconsultation@finance-ni.gov.uk

