

2024/25
HEALTH BUDGET
ASSESSMENT

May 2024

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Introduction

This document provides an overview of the impact of the 2024/25 budget on the health and social care system in Northern Ireland.

The Department of Health's budget allocation for 2024/25 represents a 2.3% reduction in funding compared to our expenditure in 2023/24. Although the Department will bid for and may receive some additional in-year allocations, these are highly unlikely to be at the scale seen in 2023/24 with the return of the Executive. This means that the health and social care system will likely remain significantly worse off even before we take account of the factors that drive increased year on year costs such as increased demand and price and pay inflation in 2024/25.

The Department has explained previously that it estimated an extra £1 billion would be needed on top of last year's opening budget. This was after accounting for some £200 million of savings and anticipated additional income. Budget 2024/25 provided an additional allocation of some £515 million and we have assumed for financial planning purposes that around a further £100 million would be received through further savings and in-year allocations as a result of Barnett Consequentials. This left a remaining gap of some £400m in order to achieve breakeven, which was broadly split between a shortfall of £250m in Trusts and an estimated £150m for a 3% pay uplift in 2024/25.

The budget settlement for 2024/25 means that there is no provision for 2024/25 pay settlements to staff, with the likely recurrence of the serious industrial relations consequences experienced in the past 12 months.

The level of savings required to address the remaining funding gap would involve the implementation of measures that would be contrary to the interests of health and social care, requiring the shrinking of the HSC and placing more pressures on services and staff.

This will result in yet more gaps in provision at a time when there is a strategic need to invest in services and employ more doctors, nurses and other health professionals.

Nevertheless, it is our statutory obligation to set out the potential measures necessary to achieve a breakeven position, whilst taking all possible steps to ensure that these preserve services to citizens as much as possible.

The delivery of our 2024/25 financial plan was always expected to be underpinned by a level of savings. This has been the case for many years now, with efforts intensifying in the recent past in response to the worsening financial climate.

Productivity and efficiency

Significant work is being undertaken across Health and Social Care to improve productivity and efficiency.

- i. Reducing agency spend – As a result of the ongoing work of the agency reduction programme, for 2023/24 there is an overall projected £15m-£20m net reduction in agency spend and an estimated £90m reduction in off-framework spend.
- ii. Ongoing reform, innovation and capacity building within elective care has resulted in a sustained reduction in the number of patients waiting for inpatient and day case submission since 31 December 2022. The treatment waiting list is down 14.4%. Waiting lists overall remain unacceptable.
- iii. The NHS England Getting it Right First Time (GIRFT) team has undertaken reviews of our Emergency Departments and Urology, Orthopaedics and Gynaecology services to help maximise capacity and productivity in the system and to ensure a sustainable service and effective patient throughput.
- iv. A programme of service configuration reviews is underway to further improve efficiency including Workforce, Urgent and Emergency Care, Digital, Cancer, Social Care and Primary Care. Each workstream is overseen by a Programme Board with the Performance and Transformation Board (PTEB) providing overarching governance.
- v. The Delivering Value Programme Board has been established to bring together the efficiency and productivity gains of existing programmes of work and to identify further areas that could generate either cash releasing savings or productivity gains. As part of this work, GIRFT are also undertaking a piece of work to identify opportunities for further savings across the system.

Whilst we need to transform our HSC, and to be willing to think differently about how we deliver services to our citizens and how we innovate to ensure we can continue to meet growing needs with diminishing resources, this is the work of years. Stabilising services has unavoidably been a key priority in recent years, particularly in the wake of the COVID-19 pandemic. The 2024/25 budget will be another destabilising factor.

The aim of reform and reconfiguration is to improve services and meet the unmet needs that are all too commonplace across all health and social care areas. To portray it principally in cost-saving terms is misleading.

The by-product of transformation in some cases will be greater efficiency and productivity. However, in most areas - such as reforming and growing social care and expanding Multi- Disciplinary Teams in primary care - significant additional investment is needed to deliver core services and enable secondary care to work optimally. Transformation, therefore, cannot resolve the funding issues we face in 2024/25.

Indicative Trust cost saving measures

HSC Trusts account for the bulk of overall health and social care expenditure. The 2024/25 health budget will place an exceptional level of pressure on Trusts to achieve breakeven.

Planning for 2024/25 financial scenarios has been ongoing in the HSC system since December 2023.

Following the Executive's 2024/25 budget decision in April 2024, HSC Trusts were given indicative allocations by the Department and asked to detail measures that would be required to live within these totals. Indicative financial contingency plans from the five Health and Social Care Trusts have now been received and are undergoing detailed assessment by Departmental finance officials.

When this process is completed, a regional public consultation on savings plans will be held.

The emerging picture from the contingency plans is detailed below. These figures are subject to review by both the Department and Trusts and may be revised upwards or downwards but they represent the best possible projection of the impact of the budget at this stage. The Department's projected funding need for 2024/25 took account of the savings to be achieved by Trusts whilst recognising that these would require significant and sustained effort. The Trust returns have identified low and medium impact savings of £188m which are some £60m greater than the Department's original projection. These savings will require an unparalleled level of savings from across HSC and are not without risk in terms of achievement and having some impact on service provision. Nonetheless, in the current financial climate, the need to press for this level of savings is acknowledged.

The Trust contingency plans have identified a series of savings measures in a range of areas such as: delays in planned maintenance; recruitment freezes in "non-frontline" staff; pharmacy savings; expected budget slippage; procurement efficiencies; absenteeism reductions; further reductions in agency costs; reduction in locum costs; discretionary expenditure e.g. training, advertising, sustainability, IT and telephony, furniture, hardware, stationery and printing etc. Savings on this scale will be challenging in a single year and may not be achievable in their entirety. They will inevitably involve impact on services and some measures may also prove counterproductive in the longer term eg delaying planned maintenance may lead to additional long-term costs.

This leaves a remaining and significant deficit of £189m (assuming no pay increase in 2024/25). Whilst it is a positive development that this figure is lower than the £250m projected in the £400m funding gap, the returns from Trusts show that this level of savings cannot be achieved without High/Catastrophic impact measures.

All Trusts have expressed grave concerns about the impact on health and social care services at both local and regional level if such measures were required to be fully implemented. Projected indicative requirements would include:

- i. a reduction of circa 400 acute hospital beds across NI.
- ii. a further estimated reduction in staffing of 1,200 provincewide yielding an estimated 4% reduction in staffing costs. This would inevitably significantly reduce the ability of Trusts to maintain existing services.
- iii. a reduction of in the region of 1,100,000 hours of homecare/domiciliary care type support provincewide over the year.
- iv. an estimated reduction of care home beds of circa 500.

It should be emphasised that the indicative contingency plans will require further detailed assessment and discussion by Trusts and their Boards and by the Department. Ministerial approval would be required for High/Catastrophic impact measures ahead of public consultation. This document sets out the best assessment of the impact of the budget ahead of the proposed Assembly vote on 28 May 2024. Further work will be required to set out how the Health Minister plans to take forward the budget outcome and the nature of public consultation where significant service changes are required to break even.

The emerging picture is nevertheless of a cumulative catastrophic impact on the Health and Social Care system. The interdependency of the system means that reductions in acute beds, home care hours and care home beds would have significant and sustained consequences for elective care, hospital discharges, patient flow, Emergency Department overcrowding and ambulance handover times.

Pressures on services and staff, already at severe levels, will be significantly intensified.

Department led savings

We have also considered whether other regional cost saving measures led by the Department could make a contribution, albeit limited, to the £189m deficit. Options are set out below. These have also been identified because they can produce immediate cash-releasing savings. They would have direct consequences for patients and other service users and may not be achievable in their entirety in one year.

- Ceasing Core Grant Funding completely in 2024/25.
- Restrictions on the use of new drugs and therapies approved in Great Britain leading to lower levels of treatment for our patients.
- Reduction in support services provided by the Community and Voluntary Sector.
- A halt to Waiting List Initiative (WLI) activities that are not funded from the £34m specifically allocated for this purpose. Approximately £75-80 million is required to ensure those with cancer or time critical conditions can be treated as required. The £34 million provided for waiting lists is less than half of that needed.
- Suspending some vaccination programmes.
- Reduction in funding for enhanced GP services for example diabetes, psychology, carers health and palliative care.

These measures will be considered alongside the High/Catastrophic impact savings identified by Trusts to ensure any public consultation considers all viable options.

Summary

In summary, the scale of cuts to current levels of service provision proposed to deliver breakeven is unprecedented in NI. There are grave concerns about the deliverability of these plans by Trusts given the level of impact on their ability to deliver quality services, maintain flow and manage demand in both Acute and Community services.

Appendix

HEALTH BUDGET 2024/25: KEY FACTS

- * The Department of Health's budget allocation for 2024/25 represents a 2.3% reduction compared to expenditure last year.
- * It left the Health budget with a projected £400m gap between allocated funding and the expenditure needed just to maintain services at their current inadequate level.
- * Health funding requirements increase each year due to a range of factors including inflationary pressures on running costs, annual pay settlements for staff, new drugs and treatments and rising demand for care due to demographic changes.
- * The £400m gap is on top of £300m of savings and anticipated additional income already factored in. Breaking even – a statutory requirement – will only be possible with significant savings measures that will shrink the health and social care system. This would be to the detriment of services, those who rely on them and those who work in them. There is no feasible route to affording pay awards for HSC staff this year under the budget allocation, making disruption from further industrial action highly likely.
- * A concerted drive to maximise productivity and efficiency savings is ongoing and NHS efficiency experts have been deployed to assist this work. Productivity and efficiency improvements do not always yield immediate cash savings in a single year. While vitally important, they will not free up sufficient funds to come close to bridging the gap.
- * Transformation of the health service is often mischaracterised as a cost saving initiative. It is not. The aim of reform and reconfiguration is to improve services and meet unmet needs. The by-product of transformation in some cases will be greater efficiency and productivity. However, in most areas - such as reforming and growing social care and expanding Multi Disciplinary Teams in primary care - significant additional investment is required. As the Finance Minister said last month: "The Executive recognises the need for transformation and the reform of our public services. To do that, we need upfront investment."

<https://www.finance-ni.gov.uk/news/executive-agrees-2024-25-budget>

- * The NI budgetary process for this year began with Health accounting for 53.8% of the Executive's baseline budget. The newly approved 2024/25 budget reduces the Department's share to 51.2%.
- * Comparisons can be made between the new DoH budget allocation for 2024/25 and its starting point budget at the beginning of 2023/24. That however would provide an incomplete and potentially misleading picture.
- * The Department of Health's 2023/24 budget was set by the Secretary of State. It was increased during the year by £550m as part of the Treasury package for the restored Executive. This enabled the Department to meet pay and other pressures.

The pay settlements added significant recurrent costs to the DoH budget. The monies from the Treasury are not recurrent.

* The DoH budget allocation for 2024/25 does represent a 6.3% increase on the starting point allocation for 2023/24 [Departmental Resource DEL Outcome Excluding Earmarked Items]. This is a smaller increase than that received by Education (11.5%), Justice (8.3%) and Infrastructure (7.3%).

* The starting point DoH budget for 2023/24, set by the Secretary of State, was a “standstill budget” with no increase on the previous year. Its limitations were demonstrated by the scale of the additional funds injected by the Treasury during the year.

* In its assessment of the NI 2024/25 budget, the NI Fiscal Council noted: “The budget allocation for Health in 2024-25 represents the first time that its share of the total allocation to NI departments has fallen over the period covered by an NI budget, outside of the exceptional situation of Covid-19.”

The Fiscal Council report also stated that “in order to assess the quality and quantity of public services departments are likely to be able to deliver, most stakeholders (including the departments themselves) will be interested in whether departments will have funding to spend more or less this year than last”. That observation highlights the central relevance of comparing the new 2024/25 budget with total expenditure in 2023/24.

<https://www.nifiscalcouncil.org/publications/ni-executives-2024-25-budget-assessment>