

Budget 23/24

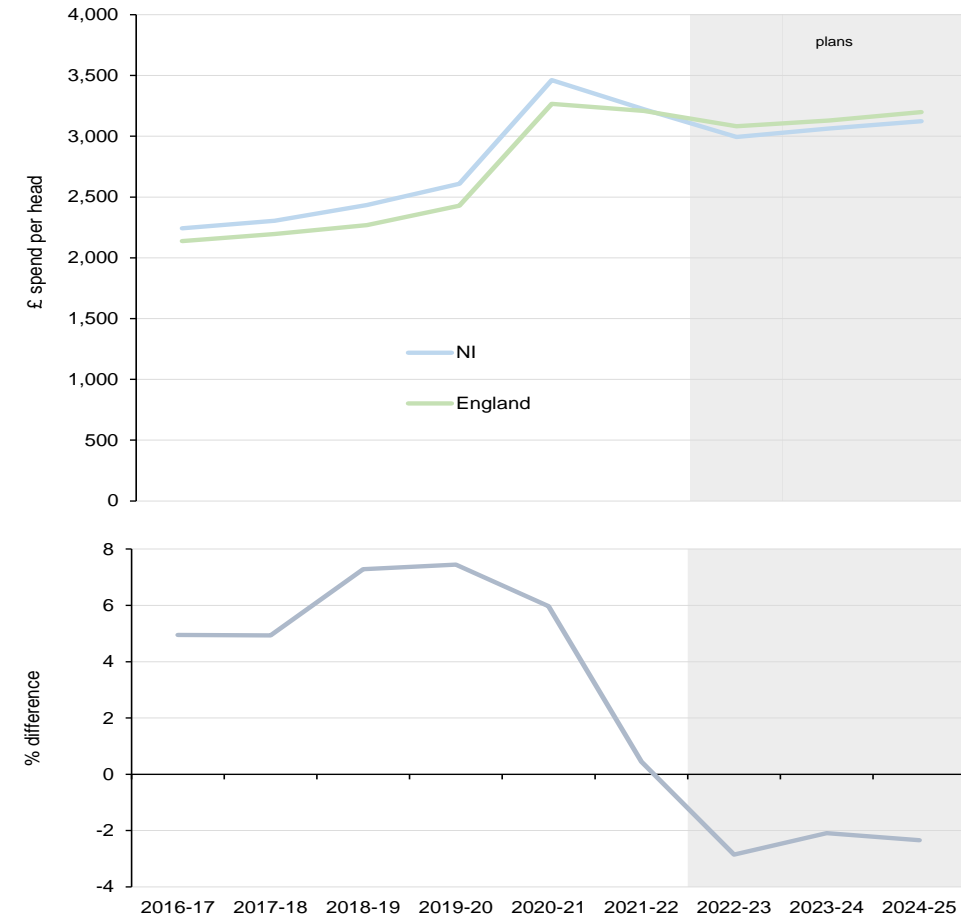
15 March 2023

Summary

- The best case scenario for DoH for 2023/24 is currently 'Flat Cash' i.e. no increase on 22/23 funding.
- This will widen the health funding gap with England identified by NI Fiscal Council. DHSC got £8bn for Health and Social Care in the last budget.
- Even with a sustained productivity and efficiency drive, the 23/24 budget will be £300m short of estimated funding requirements.
- This will require medium and high impact savings, with adverse consequences for an already highly pressurised health and care system.
- This would be very damaging for service delivery with long term impacts.

CONTEXT.

- Fiscal Council Report showed NI per capita Health spending falling below England for the first time in 2022/23 Based on Draft Budget
- Budget set in November 2022 reduces the gap to 1.4% (from 2.9%)
- Generally accepted that NI has greater need and hence that spending would need to be higher to provide the same level of services



Notes:

1: Figures for 2016-17 to 2020-21 are outturn taken from HM Treasury PESA 2022

2: English plans are based on applying the ratio of outturn DHSC spend to Identifiable Health spend for England to DHSC funding from HM Treasury PESA 2022

3: NI plans are based on applying ratio of Identifiable spend on Health to DoH budget for 2019-20 to the DoH spending plans from the draft Budget 2022-25 (2021-22 to 2024-25)

Source: HM Treasury, NI Draft Budget 2022-25 and Northern Ireland Fiscal Council calculations.

Developments in 2023/24

- Autumn Statement announced a total of £8bn for Health and Social Care in England: £3.3bn for Health and £4.7bn for a range of social care measures
- Current proposals for Health Budget would not see this increase repeated in NI
- Per capita funding gap will therefore increase with NI spending falling further behind that of England

Estimated Funding Requirement

	£m
22/23 Budget "Baseline" (Flat Cash)	7,311.2
Additional 23/24 Requirements:	
• One off accounting adjustments in 22/23	100.0
• Full year effect of 22/23 spending including funding for no more silos, cancer, mental health and elective care strategies	36.3
• Legal Commitments	59.3
• Pay Inflation (HSC at UK Government affordability level of 3.5%)	171.4
• Price Inflation (at 3%)	41.2
• Demand Growth	59.7
• Other (incl digital, new drugs)	83.5
Total Estimated Funding Requirement 23/24	7,862.6

Funding Gap

	£m	%
Estimated Requirement	7,862.6	
Expected Funding (Flat Cash)	7,311.2	
Funding Gap Before Savings	551.4	
Lower Impact Savings (no/minor service impact)	159.1	
Medium Impact Savings (more significant service impact)	94.6	
Total	253.7	3.5%
Remaining Gap (requiring high impact spending cuts)	297.7	4.0%

Key Facts

Flat Cash (same amount as last year, no inflation) is currently the best case scenario for DoH

Requires HSC to make significant savings to contribute to the pressures we have identified, largely due to pay, price and demand inflation

With a sustained effort across the HSC system, it is anticipated savings and efficiencies can yield in the region of £250m without a long-term damaging impact on services

This would still leave c£300m/4% required to break even

In this context, in the absence of significant additional funding the HSC will be required to make high impact cuts that will be counter-strategic to long term service sustainability

What might
the impacts
be?

Lower impact savings

- Continued drive for reductions in off contract agency, procurement and pharmaceutical efficiency programmes
- Reduced requirement for expenditure on Covid measures as impact of virus reduces
- Very tight management of discretionary expenditure including training, estates minor and backlog maintenance
- Some reductions in health promotion and fire prevention campaigns

What might the impacts be?

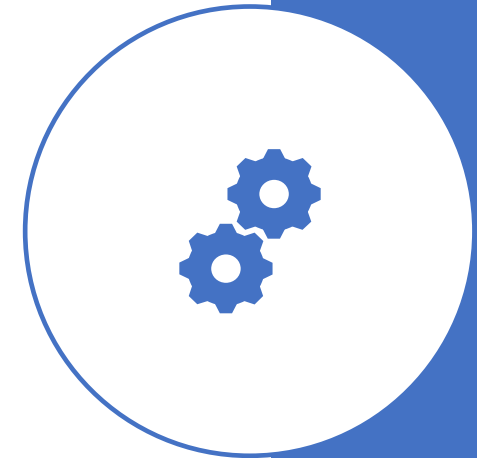
Medium impact savings

- Reductions in critical shift payments and further reductions in agency and locum spend to a level that will impact on service delivery
- Reduced Waiting List Initiatives across specialities such as orthopaedics and ophthalmology
- Restriction in capacity for a range of demand led services – to be assessed based on least impact

Efficiency Initiatives

Creation of an overarching Best Value programme to drive productivity and efficiency, bringing together areas such as:

- Performance and Productivity improvement across all Trusts using data to examine target areas
- Ensuring effective and efficient use of staffing resource – driving down agency and locum costs and ensuring use of appropriate staff mix
- Deep dive reviews Service by Service
- Continued savings through effective procurement
- Continued pharmaceutical savings
- Examining other areas such as energy and waste



How Can we
Bridge the
Remaining
Gap?

Short Term - High Impact Spending Cuts such as:

- Reduction in payments for support services provided by the Community and Voluntary Sector
- Reduction in expenditure on community aids and adaptations for clients living in their own homes
- Reduction in education and training places
- Reduction in in-house elective work, cessation of all Waiting List Initiative activity lengthening waiting lists and potentially impact on cancer and time critical patients
- Reduction in nursing and residential care placements
- Restriction of domiciliary care packages
- Closure of some community facilities

How Can we
Bridge the
Remaining
Gap?

Medium Term – Potential for Income generation such as:

- Continued full cost recovery for car parking (c£10m)
- Prescription Charges (c£20m)
- Charging for Domiciliary Care (c£15m)

Each £15m generated would enable around 30,000 assessments, diagnostic tests or procedures to take place for patients with cancer or time critical conditions.

Key Messages

- The 23/24 financial position across the NI public sector is very challenging.
- As Health currently takes c50% of the funding it is hard to provide protection without significant impacts on other Departments.
- Significant efficiencies are achievable within the health and care system. An ambitious programme is driving that improvement but it will take time to deliver.
- Also clear that Health in NI is now underfunded compared to England - efficiencies will not be sufficient to bridge the imminent funding gap.
- Delivering break even on a flat cash basis will require the HSC to make cuts that will be damaging to service delivery in all areas.