Northern Ireland Assembly

Committee for Health, Social Services and Public Safety

OFFICIAL REPORT (Hansard)

January Monitoring Round: DHSSPS Briefing

12 December 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Ms Sue Ramsey (Chairperson)
Mr Jim Wells (Deputy Chairperson)
Mr Roy Beggs
Ms Paula Bradley
Mr Mickey Brady
Ms Pam Brown
Mr Samuel Gardiner
Mr Kieran McCarthy
Mr Conall McDevitt
Ms Maeve McLaughlin

Witnesses:

Mr Adrian Murphy	Department of Health, Social Services and Public Safety
Ms Julie Thompson	Department of Health, Social Services and Public Safety
Mr Peter Toogood	Department of Health, Social Services and Public Safety

The Chairperson: Good afternoon. I thank you for coming to the Committee and for your paper. I take it that you are taking the lead, Julie.

Ms Julie Thompson (Department of Health, Social Services and Public Safety): Yes.

The Chairperson: I will hand straight to you to make the introductions and give your presentation, after which we will have members' questions and comments.

Ms Thompson: With me from the Department are Peter Toogood, director of finance, and Adrian Murphy from the capital expenditure unit.

Thank you for the opportunity to provide evidence to the Committee on the Department's participation in the January monitoring round. By way of introduction, I think that it would be helpful to recap some of the key aspects of the process. As outlined in the briefing paper that we provided to the Committee, the Department, in managing its budget, has been granted certain flexibilities that are not available to other Departments. Those include the automatic retention of reduced requirements and the full flexibility to reallocate reduced requirements to other areas within the Department. These flexibilities mean that the Department's participation in monitoring rounds differs from that of other Departments, in that it is not permitted to table bids for current expenditure except in the event of major and unforeseen circumstances, nor is it expected to declare reduced requirements. Against that background, I will outline the Department's proposed approach to current expenditure and capital investment.

First, in current expenditure, we have considered the Department's latest financial assessment, the wider financial context across Northern Ireland and the capacity to spend moneys before the end of March. I will outline our overall financial position. You are aware that the Department entered 2012-13 facing a significant financial challenge and service pressures. In addition, I should highlight the fact that our budget is subject to a number of significant variables, including prescribing expenditure, criminal negligence settlements and service demand pressures, all of which impact on our position as we move towards year end. We have been making good progress on resolving financial difficulties in 2012-13, and we will continue to explore all opportunities to get to break-even by the end of the year.

Notwithstanding the restrictions placed on our participation in monitoring rounds, at this stage in the financial year, we have also considered the constraints imposed by the Treasury at the block level under the Budget exchange mechanism, whereby any carry forward of current expenditure for the Northern Ireland block is limited to £50 million at year end. In that context, we have identified a range of non-recurrent pressures amounting to £25 million, which we believe would benefit from additional funding at this stage in the financial year, even though they do not meet the definition of being major and unforeseen. As outlined in the briefing paper, the proposed allocation of funding to those pressures would primarily facilitate the provision of front line services for patients and clients, particularly winter pressures, unscheduled care, family and childcare, and additional equipment in hospital and community settings. We, therefore, propose to submit a current expenditure bid of £25 million in the January monitoring round, in the event that funding becomes available for redistribution.

Turning to capital expenditure, I can advise that the Department will declare a reduced requirement of some £4·8 million in the January monitoring round. That has arisen due to slippage in two schemes: the critical care building in the Belfast Trust and the Omagh fire station. The latter is a direct result of the Patton Group going into administration. We have sought to mitigate the slippage in those two schemes through the proactive management of the overall capital programme and have identified a range of alternative projects to which funding could be allocated.

In the January monitoring round, we also propose to conduct a series of technical transfers for current expenditure and budget realignments for capital expenditure. In current expenditure, the technical transfers comprise the receipt of funding from other Departments for a range of joint initiatives. In capital expenditure, our input reflects the routine redeployment of resources between budget lines to accommodate the ongoing movement on project spending plans across a large capital programme.

Thank you. I am happy to take questions.

The Chairperson: Members should indicate whether they want to ask questions. On the issue of waiting lists, Julie, can you tell us how much you are bidding for and how it will be allocated? Is it for all the trusts, or will it focus on a particular trust? Is it across all the waiting-list issues?

Ms Thompson: We are not bidding specifically for waiting lists. We bid for waiting lists in the October monitoring round and got £9 million. In June monitoring, we bid for £22 million and got £10 million of that. So we already have £19 million from monitoring rounds earlier in the year for waiting lists, and that money is working through the system as we speak.

The moneys here are more to do with patient flow through hospitals, winter pressures, unscheduled care rather than elective care. So the waiting-list money has already been obtained from previous monitoring rounds and is working through the system. In answer to your question, the money will go to all trusts and is dependent on the pressures on their waiting lists.

Mr Wells: I have just a couple of questions. The £25 million bid is, you say, for non-recurrent pressures. Who decides whether those are unforeseen? Do you make the decision or does the Department of Finance and Personnel (DFP)?

Ms Thompson: In normal circumstances, we would make a case for a "major and unforeseen" pressure. That is then looked at by DFP and, ultimately, by the Executive so that decisions are taken in a monitoring round. We do not suggest that these are unforeseen pressures. They are certainly pressures within our budget, but we do not suggest that they are unforeseen at this stage. The "unforeseen" definition is looked at by DFP and/or the Executive, depending on the case.

Mr Wells: If there was, say, £25 million, is there provision to transfer the money to the Department of Health, Social Services and Public Safety if you do not satisfy the "major and unforeseen" criterion?

Ms Thompson: Ultimately, that would be dependent on DFP and the Executive deciding to do so. The approach is predicated on there being moneys available at the block level to allow that to happen. However, you are quite right that, in normal circumstances, we would have to meet the criterion of a pressure being "major and unforeseen".

Mr Wells: You could not have foreseen the troubles that the Patton Group got itself into, which is a major blow to the area. The slippage in that project has freed up £4·8 million. A&E could swallow up that extra money quite happily and provide an increased service and a reduced waiting list. Is there no provision whereby you could have transferred that money from capital to recurrent expenditure?

Ms Thompson: Again, that sort of transfer, from capital to recurrent, is controlled at the block level. Adrian will talk about the £4·8 million and how that arose, but that is controlled. The Department is not at liberty to move money between capital and revenue.

Mr Adrian Murphy (Department of Health, Social Services and Public Safety): It is our obligation, when we have identified a reduced requirement, to give it back to the centre. It goes into the total pot of resources available for the block. They decide whether they want to redeploy any to resource spending, and then it would come back to the Department as part of the overall £25 million.

Mr Wells: Obviously, the fire station has to be completed. So, next year, you will have to put back in another —

Mr Murphy: We will have to find that money out of our resource for next year or the year after.

Mr Wells: I know from my experience in local government that contractors above a certain level are required to have an insurance bond, which means that, should they get into financial difficulties, money will be released to complete the project. Is that the situation?

Mr Murphy: That is the situation for both projects. The contractor for Omagh is in the pre-qualification stage of identifying a new contract and expects to be on site on 19 March, with a slight delay in the completion of the project. The contractor on phase 2B is working regularly with the health estate to rectify the problem. There should be no effective cost to our budget in the short term.

Mr Wells: So, effectively, that £4·8 million is safeguarded.

Mr Murphy: Well, it is released back to the centre. We do not have it to use again next year. We have to bid again next year if we need that £4·8 million. At this stage, with the movement in other capital projects, we should be able to meet those costs without separately identifying additional funds.

Mr Wells: That seems a bit unfair because you have taken the precaution of ensuring that a guaranteed bond is built into the contract. Could you not make the case that you should not have had to forgo the £4·8 million at all because, effectively, it is protected?

Mr Murphy: Yes, but we are given an annual allocation. If we cannot spend it in this year, we have to give it back. The budgeting rules are that allocations are annual and fixed for that year. If the money is not spent by 31 March, we do not have access to it. The block has a limited access to flexibility between one year and the next, but that is dependent on the block managing that.

Mr Wells: It is health's capital budget that is under particular stress. Every time that John Cole comes before us, it is gloom and doom with a capital "G" and a capital "D". He can never get anywhere near meeting the demands in the capital budget. It just cannot be done.

Mr Murphy: Absolutely; it is very difficult. With that £4·8 million, we have redeployed quite significant resources from big schemes that slowed down for various reasons this year. We have redeployed that into IT, equipment, vehicles and any other genuine requirement for which it can be used. However, we cannot move the money between years to allow us to bring forward another minor scheme. We must spend it within the year. So we are caught within that rule. Over the years, we have been very successful in managing the totality of our spend to make sure that we spend it all. Unfortunately, two particular cases arose this year — late in the year — and we have lost the flexibility to be able to redeploy that money.

Mr Wells: Presumably, the building is sitting half finished.

Mr Murphy: My understanding is that some initial site work was done. The contractors have moved off site, but, as I said, the situation in Omagh will be fixed quite quickly. It is a joint contract with another contractor. As soon as another contractor is appointed, both contractors will immediately take up the works. In phase 2B, the main contractor, McLaughlin and Harvey, is working with the trust to address problems with the water system to make sure that those are fixed as quickly as possible.

Mr Wells: I have one last question. The Patton Group was a massive construction company. Are any other capital projects in danger?

Mr Murphy: Not in health. Patton was involved only in that one particular project for the Fire and Rescue Service.

Mr McCarthy: Thank you very much for your presentation. The Department is now highlighting higher levels of demand for some key services, such as family and childcare and general dental services, all of which are very important. How will the Department meet that demand in next year's budget?

Ms Thompson: We are working through our 2013-14 budget to factor in all the pressures. You are quite right in citing those as examples of the demands on health. As you will be well aware, we have other pressures in the Health and Social Care system. We are working through the processes. We will add up the costs of all the pressures and extra demands. We will look to see how we can manage those demands and what savings could offset those. Next year, we will have additional income from the Executive to finance some of those pressures. We will then come back to the Committee with an updated budget position, which we normally do at the start of the financial year. We are now working through how that will all factor through in 2013-14. It is likely that, in doing so, we will again start the year with a deficit, as we normally do.

Mr McCarthy: So you are not aware of how that will be funded at the time. I am thinking particularly of family and childcare services, which are vital. You will come back to the Committee at a later stage and let us know exactly —

Ms Thompson: I will update you on the 2013-14 position when we have worked through the numbers. Family and childcare pressures are, to a large extent, inescapable. We have to factor all of that in across the entire suite of our services, match the pressures to what we can do to live within our budget and go from there. I will update the Committee in the spring or early summer.

Mr McCarthy: Home-Start organisations have, as you well know, had enormous difficulties. One in my constituency, in Ballynahinch, is almost on its knees. Will you be in a position to make sure that the excellent services that those organisations provide will continue to be provided?

Ms Thompson: As I said, we are looking at all the pressures right across the system and bringing them into our analysis. The pressures are many and varied. Our changing demography, for example, is a significant pressure, with the number of older people always increasing from one year to the next. Waiting times are another pressure. We have to factor in those pressures, work out what we can afford to do within our budget and go on from there.

Mr McDevitt: I am curious about the current expenditure bids. You have listed the need to bid for equipment, scopes, aids and adaptations because of the increase in the number of people being discharged to home care settings. How much is that bid for?

Ms Thompson: It is in the order of £2 million to £3 million.

Mr McDevitt: Given that an increase in discharges will be the order of the day in Transforming Your Care, are you worried about having to bid for extra money to enable you to deliver the very thing that is meant to be saving us money?

Ms Thompson: It is a matter of the acute and community sides running together. You are quite right that we have to look at the pressures that we face, and some of these things create additional pressures. Equally, with Transforming Your Care comes that shift from acute services to community

services, and there is a timing issue of how quickly we can release that money. We take the additional cost that we would expect the community side to incur and work out what will potentially be saved in another part of the budget. We also calculate any support costs because there are transitional costs associated with Transforming Your Care.

Mr McDevitt: The key point, Julie, is that you talk about what will "potentially" be saved. However, right now, it is a cost. Right now, we still pay for everything that we always paid for in secondary care, and we are paying for all these extra home care services on top of that.

Ms Thompson: You are right to say that living within our budget means that we have to produce the savings. It is not possible continually to add on services, and Transforming Your Care does not intend us to do so. If we did, which would mean simply spreading the provision, the figures in the budget would not stack up.

Mr McDevitt: There is also a bid for the South West Acute Hospital in Enniskillen. The Western Trust tells you that it has incurred increased additional, non-recurring costs associated with the move from the old Erne Hospital. How much is that bid for?

Ms Thompson: About £2 million.

Mr McDevitt: How did the trust manage to rack up £2 million?

Ms Thompson: That cost was accrued for significant training on how the new hospital is set up; the backfill costs of transfers and moving patients; new equipment and training in how to use it; double running between the Erne and the South West Acute Hospital for a period; and plans for a wind turbine, which has not been put in place as quickly as anticipated. So a raft of costs is at play, but we do not expect those costs to be ongoing.

Mr McDevitt: Those all sound like routine costs associated with any move. They are not exceptional. Surely, they should have been covered in the original budget.

Ms Thompson: That is why we are not suggesting that the bids are major and unforeseen: they are to cover additional costs not covered by our budget. Those costs need to be financed, hence the bid. We do not describe them as either major or unforeseen.

Mr McDevitt: Therefore, are you really saying that you are playing the system, that you always knew that these costs would come through and that you were just holding back for January?

Ms Thompson: No.

Mr McDevitt: In that case, they were unforeseen.

Ms Thompson: No. You are quite right that there was an understanding that additional costs would be incurred by the opening of the South West Acute Hospital. I suggest that those costs are higher than originally anticipated in the budget. To finance those costs, a bid was made to the centre to find a funding source for them.

Mr Gardiner: Departments are always slow to disclose their underspend early enough in the year to make a real difference. In my view, the January monitoring round is too late in the financial year. There is a mad scramble late in the financial year to spend money before it is reallocated, and I wonder whether it is always wisely spent on the real priorities of the health service. I can, for example, see a situation arising in which there was just enough new money to do something that was number 10 on the priority list while we could nothing about number one on the list. The monitoring system could facilitate more priorities. What will you do?

Ms Thompson: The monitoring system is run by the Department of Finance and Personnel on behalf of the Executive, so it is more appropriate for that Department to address your question. DFP certainly would agree with you that money coming out earlier in the year rather than later in the year is more helpful. Equally, I agree that if we can factor money into our budget earlier, it helps us. The question is more one that DFP can answer because it manages the monitoring rounds and how money comes

through the system. It continually presses all Departments to declare as early as possible in the financial year, and it does the maths associated with that.

Mr Gardiner: Have you no influence on it whatsoever?

Ms Thompson: Well —

Mr Gardiner: Yes, come on.

Ms Thompson: The Executive have influence over DFP rather than our having influence. I certainly agree with you that it is better for money to come out earlier. That said, we have benefited from both monitoring rounds already this year, so, from that point of view, it has been a positive outcome.

Mr Gardiner: Keep the pressure on.

Mr Beggs: I need further information on two of your bids. Under the heading "Unscheduled care", you say that the money requested is:

> *"to deal with a range of pressures within emergency departments and help to reduce waiting lists within A&E".*

I am very aware of the pressures at Antrim Area Hospital, which looks after my constituency, but what are you actually proposing? The paper does not tell us what you propose to spend the money on.

Ms Thompson: We propose to spend on some additional staffing support to improve how patients flow through the system. It will be considered whether additional beds need to come into play. Also, we are looking at the community side of the piece and discharging.

Mr Beggs: OK, fine. Under the heading, "Hyponatraemia", you state:

> *"The court hearings have been delayed and extended which have led to additional unfunded pressures".*

My experience of dealing with other court issues is that, when there are delays, the bill is also delayed. Therefore, does that not mean a saving rather than an extra cost? I am trying to understand why there is a need for extra money when the court hearings have been delayed.

Mr Peter Toogood (Department of Health, Social Services and Public Safety): In this instance, the two specific delays that occurred generated additional work. One delay occurred in June, when additional information was found that required the recall of witnesses and additional analysis. That lengthened the hearing. The amount of legal input that was required increased, and that has lengthened the hearing process.

In September, there was an issue with the Belfast Trust and access to private medical records. The chair of the inquiry had to make application to the High Court to see those papers, and, again, that necessitated more witnesses, more analysis and more interrogation. The delays are because more work has been needed.

Ms Thompson: Originally, the hearings were due to have finished in November, whereas they are now running through to the end of the financial year. The process has elongated. We had financed and budgeted assuming that the hearings would finish in November.

Mr Beggs: Given those explanations, I am happy to support the general bids. My one concern is that, as you acknowledged, it is uncertain whether they can be considered to be for major and unforeseen pressures. Should you include your subheading costs with the bid — perhaps you do so already — so that the whole bidding process is not at risk and that at least some of them may have a degree of success?

Ms Thompson: We will certainly make clear to DFP that it is not an all-or-nothing bid, if you like. If DFP can finance only part of that bid, obviously, we would take that.

Mr Beggs: The issue of bed occupancy needs to improve to get better flow through the hospitals. We must support anything that will allow the better use of hospital facilities.

The Chairperson: There are no more questions. Maybe the fact that it is the season of goodwill explains that this is probably the easiest session that you have had with the Committee.

Ms Thompson: Thank you.

The Chairperson: I hope that it does not last.

On behalf of the Committee, I must say that it is useful for us to have the information in front of us. It probably cuts down on the number of questions. Thanks very much, and I hope that you take the opportunity to have a break over the holidays.

Ms Thompson: Happy Christmas.