

Committee for Health, Social Services and Public Safety: Response to draft Budget 2015/2016

Contents

List of findings	2
Background to Committee review of the Department's approach to Budget 2015/2016	5
Approach to Committee review of the Department's approach to Budget 2015/2016	6
Key findings of Committee review of the Department's approach to Budget 2015/2016	7
• The relationship between strategic priorities and spending decisions	7
• The relationship between Transforming Your Care and spending decisions	13
• Efficiency savings and income generation	17
• Total funding envelope for DHSSPS	19
• Quality of information provided by DHSSPS and timetable for committee input to the consultation	21

List of findings

1. The Committee welcomes the Minister's identification of the provision of high-quality front line care and the implementation of Transforming Your Care as his top two strategic priorities. However, the Committee is concerned that these priorities are not clearly reflected in the Department's approach to allocating its budget. The Department's emphasis appears to be more on using the budget to maintain existing services. While the Committee accepts that the Department is required to provide certain services to fulfil its statutory obligations, it believes that more consideration could be given to how these services are provided. This should not be limited to whether the service is being provided in a resource-effective manner. Rather, services which provide high-quality front line care and services which reflect the principles of Transforming Your Care, i.e. the Department's strategic priorities, should be funded ahead of those services which do not.
2. The Committee noted that the Department is reviewing existing services as part of the drive to find £160 million in efficiency savings, and that part of this exercise will involve consideration of stopping services that are not in line with the strategic priorities. To this end, the Department has asked the HSC Trusts to produce plans for efficiency savings and has asked the smaller arms-length bodies to produce plans based on 5%, 10% and 15% reductions. However, the Department is not yet in a position to brief the Committee on any services which will be reduced or stopped because they are deemed to be out of line with the strategic priorities. The Committee was disappointed that this work is not further advanced, as without knowing what these services are, the Committee is not in a position to judge whether the Department is indeed directing resources away from them towards the services which reflect the strategic priorities.
3. Given that the provision of high-quality front line care is the Minister's number one strategic priority, the Committee was surprised that the Department does not have a definition of "front line services". Without such a definition, the Committee is not clear how the Department will ensure that resources are directed to that end, or how it will ensure that the additional £200 million for 2015/2016 will be spent as intended by the Executive.
4. The Committee notes that the Minister has identified the implementation of TYC as his number two strategic priority, and that the Department intends to spend £15-17 million on implementation in 2015/2016. The Committee acknowledges that the pace of investment in TYC is constrained by the challenging budgetary climate that the Department is facing. However, the Committee believes there is a lack of clarity in terms of how TYC ranks in comparison to other areas of discretionary spend such as elective care and pharmacy. The Committee is concerned that this lack of clarity may result in TYC not being funded to the extent required to enable it to effect meaningful changes in how health and social care are delivered.

5. The Committee is disappointed that the Department is not in a position to advise of the projected shift in funding from hospital to community/primary services for 2015/2016. Without this figure, or any details of the programmes of care involved, the Committee is not in a position to come to a view on whether the shift is achievable and the impact it will have on services on the ground.
6. The Committee notes the Department's commitment to make a minimum of £160 million in efficiency savings. The Committee believes that the Department is ultimately accountable for how and where such savings are made. Therefore, the Department must provide the HSC Trusts and its other arms-length bodies with clear direction, so that the efficiency savings are in line with its strategic priorities, namely the provision of high-quality front line care and the implementation of Transforming Your Care.
7. Given that the Minister identified opportunities for income generation as his number three priority, the Committee is disappointed that more progress has not been made on producing options for consideration, given the financial challenges the Departments is facing in 2015/2016 and beyond.
8. The Committee acknowledges that the Executive has provided the Department with an additional £200 million in resource for 2015/2016. The Committee welcomes the fact that this will be on the basis that the £200 million will be focused on front line services and will be monitored by an oversight mechanism currently being developed by the Department of Finance and Personnel. The Committee believes that such a mechanism is important to ensure that the maximum benefit in terms of health outcomes is achieved from the additional resource.
9. The Committee welcomes the Department's commitment to plan its' spend so as to be able to live within its allocated budget for 2015/2016.
10. The Committee welcomes the Department's acknowledgement that significant monies are not likely to be available through in-year monitoring rounds, and that it is treating its allocation as a ceiling, rather than a starting point.
11. The draft Budget 2015/2016 was published on 3 November 2014. The Department's consultation document was published on 26 November 2014. The deadline for responses to the public consultations on both documents is 29 December 2014. The Committee is of the view this timetable places limits on its ability to take evidence from stakeholders on the potential impact of the draft Budget 2015/2016.
12. Furthermore, the Department will not be in a position to advise the Committee of the areas in which the HSC Trusts will be making savings, and

the levels of budget reductions which will be applied to the smaller arms-length bodies, until January 2015 at the earliest. Given that by this stage the public consultation will be closed, this will provide the Committee with an extremely limited opportunity to influence those decisions.

Background to Committee review of the Department's approach to Budget 2015/2016

In September 2014, the Committee identified a review into the Department's approach to Budget 2015/2016 as one of its key priorities. The terms of reference for the review were:

1. To assess the Department's approach to Budget 2015/2016 in terms of whether it is based on:
 - A clear understanding of what the Department's strategic priorities are in terms of spending decisions;
 - Ensuring that the Department's allocation will be spent on those strategic priorities, rather than on lower priority areas;
 - A clear understanding of how implementation of Transforming Your Care relates to spending decisions;
 - Ensuring that the commitments within Programme for Government are met; and
 - A range of reasonable scenarios in terms of possible available monies.
2. To assess the extent to which the Department's approach to Budget 2015/2016 has adequately considered areas for further savings, areas where spend could be constrained, and areas where income could be generated.
3. To review approaches to spend on health and social care in other countries/regions which have been applied to help manage demand on services during economically challenging times, with a view to whether such approaches could be useful applied by the DHSSPS in relation to the 2015/2016 Budget.

Committee approach to review of the Department's approach to Budget 2015/2016

The Committee began the review by considering a briefing paper from Assembly Research Services (NIAR 582-14) on 15 October. It then took evidence from the Minister and departmental officials on 22 October 2014 on the Department's work to date in terms of planning for Budget 2015/2016. A further evidence session was held with officials on 26 November 2014, on the proposals contained within the draft Budget 2015/2016, which had been published on 3 November 2014.

The Committee had planned to take evidence from a range of expert witnesses, who could advise it on approaches taken to managing health budgets in other countries and regions (TOR 3 - above). It had planned to incorporate information gained from these evidence sessions into its response on the draft Budget. However, this has not been possible due to the requirement set by the Executive for Assembly committees to respond to the draft Budget by 29 December 2014.

The Committee has however scheduled a briefing from one expert witness which will take place on 10 December. While any findings emerging from this evidence session will not form part of this report, Committee members may choose to reference any findings during the take-note debate expected to be tabled by the Committee for Finance and Personnel on Budget 2015/2016.

Key findings of Committee review of the Department's approach to Budget 2015/2016

The Committee has structured its response to the draft Budget 2015/2016 around the following key themes:

1. The relationship between strategic priorities and spending decisions
2. The relationship between Transforming Your Care and spending decisions
3. Efficiency savings and income generation
4. Total funding envelope for DHSSPS
5. Quality of information provided by DHSSPS and timetable for committee input to the consultation

1. Strategic priorities

Background on issue

The Committee began taking evidence on the Department's approach to Budget 2015/2016 in October 2014. At that time, the Department was facing significant difficulties in terms of managing its current expenditure budget for 2014/2015. In the June monitoring round 2014, the Department submitted bids totalling £160 million, and received a conditional allocation of £20 million. In the October monitoring round 2014, the Department submitted bids totalling £130 million, and received an allocation of £60 million.

On 3 September 2014, the then Minister briefed the Committee on the 2014/2015 financial position, and the reasons why he was seeking an additional £140 million from the Executive. The then Minister provided a substantial list which he described as "cuts" which would be made if the £140 million was not provided. He described this list as a "*factual analysis of those areas where expenditure has not yet been committed*", and then said: "*I believe we could save £140 million if we were given time to do it in a reasonable way, but we cannot save it in the seven or eight months that remain in this financial year... If you were given appropriate time to look at and address this, these are not the areas in which you would make the cuts*". The Deputy Secretary for Resources and Performance Management stated that the list "*has been made by looking right across the system at what the viable things are that could deliver funds in this year. It does not mean that they are the right things to do, that they are the strategic things to do or that they make any degree of sense*".

Similarly, at the evidence session on 1 October 2014 on the October monitoring round, the Deputy Secretary said: "*The bids are focused, as I said, on the uncommitted expenditure. That is the emphasis of the October monitoring bids. It is not about strategic prioritisation; it is literally about where money could be stopped... These are not the things that would come to the top of the list if you had free rein to say, "These are the things that I would like to stop"*".

Both the then Minister's and the Deputy Secretary's remarks suggested that the Department had an understanding that there are areas of spend which could be curtailed in order to better underpin the strategic priorities of the Department. However, in relation to 2014/2015, their position was that there was not sufficient time left within the financial year to do this.

However, in the Committee's view, this should not be the case for the 2015/2016 Budget, given that the Department is already fully aware of the pressures it is facing, including a 6-7% increase in demand from the HSC Trusts. Therefore, the Committee believes that the Department should be in a position to approach Budget 2015/2016 in a planned and strategic manner, so that the allocation it receives is spent on strategic priorities, rather than on things that are simply committed to at an early stage of the financial year and therefore cannot be pulled back on.

The Committee also noted comments made by the Finance Minister during an oral statement on 13 October 2014 on the October monitoring round resource allocations. He suggested that there needed to be more strategic thinking about what the priorities are in terms of how the health budget will be spent, and a working assumption of living within that budget for 2015/2016:

"If the 6% inflation figure is right and that is the sort of pressure that the Health Department will face next year and every year thereafter — we all know the reasons behind all that — we are facing into a very difficult scenario in health. That is why the reform plans initiated by my colleague Edwin Poots, when he was Minister, need to be implemented. We also need to have a strategic conversation as an Executive, an Assembly and a society in Northern Ireland about what our priorities in health are, what must be absolutely protected and what can be done, perhaps, in slightly different ways".

In the Committee's view, these comments underpin the importance of the Department's budget for 2015/2016 being directed towards its strategic priorities.

Analysis of evidence received from DHSSPS

On 22 October 2014 the Committee held an evidence session with the Minister and officials on the Department's approach to Budget 2015/2016.

The Minister was asked to list his top three strategic priorities. He provided this list at the start of the evidence session:

1. The provision of high-quality front line care;
2. Transforming Your Care; and
3. Opportunities for increased revenue generation within the Department.

However, as the session continued the Minister and officials seemed to suggest that they viewed strategic priorities relating more to decisions on new service developments, rather than as key drivers in terms of how money is allocated right across the health and social care system. The Deputy Secretary stated:

"As we look into 2015-16, the first place to start is with the sum that will be spent, or which it is proposed will be spent, around just effectively keeping existing services operating. So that is: pay, non-pay items of expenditure, inflation, demographic growth, family health services (FHS) growth — all those things and the pensions that the Minister has already talked about . . . The issue around looking at a scenario is that we are not even at a scenario where the basics can be funded at this point, never mind, therefore, identifying what is top priority out of those service developments".

Similarly, the Minister stated:

"At the moment, I do not know if we will have the luxury in the next 18 months to have much strategic thinking on this. Unless something changes radically, we are going to spend most of our time trying to balance the books".

The Minister was then asked what priority he was going to give to public health and preventative care. He replied:

"As you know, I place an awful lot of emphasis on the work that Eddie Rooney and his team in the PHA are doing. Most western societies would have a greater emphasis on that type of work . . . All of the evidence shows that when the state makes a commitment on public health and creates the right structures to encourage people to take lifestyle decisions, people do so".

However, a moment later he said:

"However, again, we are back to the funding issue; we do not have the resources to give it the full status it deserves".

The Committee was concerned that this appeared to suggest that the Minister was not recognising that he has the right prioritise one aspect of health and social care over another, by allocating more funding to it.

The Committee held a further evidence session with officials on 26 November 2014. It used this opportunity to raise its concerns in relation to how the Department appeared to be approaching the issue of strategic priorities. The Committee asked officials to explain the rationale of continuing to fund existing services, given that it could be the case that not all existing services are in line with the Minister's strategic priorities.

The Permanent Secretary responded by stating that the Department would be reviewing how existing services are delivered, as part of the drive to make £160 million in efficiency savings in 2015/2016. Part of that would involve stopping services that are not in line with the strategic priorities. He stated:

"We talked about the £160 million in savings opportunities, which are a combination of doing the right things more efficiently and stopping doing the wrong things, if we define those as things that do not play towards the strategic prioritisation. We will be looking at that work in some detail . . . We are starting by maintaining what we have, but part of that involves questioning what we have to make sure that it continues to be fit for purpose and of maximum efficiency".

The Permanent Secretary also made the point that the Minister's top priority - to provide high-quality front line care - informed how resources were deployed:

"The first priority — to provide high-quality health care — is at the heart of how the trusts will deploy their resources. The board, through its commissioning role, and the trusts, through their provider role, will do that. It is not so much that we allocate funding to the priority, because the priority provides the very important context and backdrop for the deployment of all resources. We do not say, "We'll put 95% of our budget towards providing high-quality services and 5% towards TYC". There is so much involved in providing high-quality services: it is the policy agenda and the delivery agenda, so you cannot carve it up on that basis".

The Permanent Secretary then made reference to the difference between statutory spend and discretionary spend. He stated that the Department was obliged to provide services to fulfil its statutory obligations before it could consider where the remainder of its funding could be allocated:

"There is a risk of confusing prioritisation with discretion. The Minister is on record as saying that the public health agenda is a priority, but the reality is that that is discretionary spend. Within a finite budget, if the Minister has a statutory obligation to provide certain services that consume the vast majority of that budget, the amount left over is the amount that he can deploy to discretionary areas of spend, notwithstanding any prioritisation of it. So when a GP prescribes a drug, we have a statutory duty to pay the cost of dispensing that drug and the cost of the ingredient. We work to try to reduce those costs, but there is a whole host of areas in which we have statutory obligations to fulfil, and they have a bill. That money comes out of our budget".

The Permanent Secretary then went on to state that the Department could make choices in terms of how it meets its statutory obligations. However, he framed that choice in terms of whether the provision of the service was being done in a resource-effective manner, rather than whether it was in line with the strategic priorities of the Department:

"Where the front-line work is a statutory obligation, we have no choice but to do it. We have discretion on how we fulfil that statutory obligation, and that is the key point about, on the one hand, fulfilling that obligation and, on the other, doing so in a resource-effective way. Where resources are released from that, they can be recycled with that strategic prioritisation".

In considering the issues relating to Departmental strategic priorities, the Committee also noted comments made by the Finance Minister during his statement to the Assembly on the draft Budget on 3 November 2014. He stated:

"If past performance is any indicator, it is likely that many Ministers will seek to make the savings required by their Department by way of an identical percentage cut across their services. This is my view is the wrong approach in these circumstances . . . these savings and this process may involve the cessation of some lower priority services in Departments".

The Committee questioned officials on the Department's thinking in relation to reducing or stopping lower priority services at the evidence session on 26 November 2014. The Deputy Secretary informed the Committee that this was work in progress, and decisions had not yet been taken on any particular services. She stated:

" . . . we have been working with the smaller arm's-length bodies outwith the trusts. They have been asked to plan around a range of planning scenarios of budget reductions of 5%, 10% and 15%, seeking to understand, if you like, what can be reduced and removed from those bodies and then reapplied across back into, as you say, priorities and front-line service care . . . That will then be pulled back through into a corporate consideration across the whole health and social -care piece, because you may get to a better position by doing a slightly higher amount in one body and a slightly lower amount in another or by taking a different approach across several bodies. That is the second phase of looking at that material. It is all designed to ensure that, whatever the Minister's decision, it is about meeting his priorities and ensuring that we are moving resources into front-line care".

Given that the Minister had identified the provision of high-quality front line care as his top priority, the Committee wished to explore the Department's thinking in relation to the additional £200 million it has been allocated within the draft Budget 2015/2016. The draft Budget 2015/2016 document states:

"For Budget 2015-16 no department has been given a 'blanket' protection from the impact of tightening budgets and the need to pursue greater efficiencies in service delivery. There is recognition of the significant pressures facing the health service but it is important that the sector continues to pursue its efficiency agenda. In that respect the Executive has agreed that the service protection provided to DHSSPS is focussed on direct frontline interventions".

In his statement to the Assembly on 3 November 2014 on the draft Budget 2015/2016, the Finance Minister elaborated on this point:

"The draft Budget is predicated on some work being done on the strategic long-term view at the Department of Health and to ensure that the £200 million allocated in the draft Budget goes to front line services. The head of the Civil Service has been charged with undertaking that work".

The Committee wrote to the Department of Finance and Personnel on 6 November, to seek clarification on the terms of reference and timescale for this piece of work. The subsequent response of 25 November stated that the mechanism “will be agreed by the Executive in due course prior to agreement of the final Budget”.

At the evidence session on 26 November, officials were asked for a definition of front-line services. The Permanent Secretary replied:

“I do not have a ready definition. A front-line service, inevitably, involves some patient or client contact. The term is shorthand to differentiate from administrative structures which support the provision of health and social care, as opposed to the absolute provision of health and social care. It becomes a bit grainy. Public health initiatives, such as the good promotional work on lifestyle choices and healthy eating are, arguably, front-line services because they are trying to get a message to patients and clients, although it is not sitting in the same room with a stethoscope round your neck, dealing with a client. There are a range of front-line services. It is about the differentiation between administrative support and back-office work”.

The officials were also asked whether the Department would ring-fence the additional £200 million, to keep it separate from the rest of its budget. The Department advised that it would not specifically ring-fence the £200 million, and that it had no further information from the Department of Finance and Personnel on the proposed oversight mechanism in relation to this money.

Committee findings

The terms of reference of the Committee’s review pose these questions:

- Is the Department’s approach to Budget 2015/2016 based on a clear understanding of what the Department’s strategic priorities are in terms of spending decisions?
- Is the Department’s approach to Budget 2015/2016 based on ensuring that the Department’s allocation will be spent on those strategic priorities, rather than on lower priority areas?

Based on the evidence provided by the Minister and officials, the Committee’s findings are:

- a) **The Committee welcomes the Minister’s identification of the provision of high-quality front line care and the implementation of Transforming Your Care as his top two strategic priorities. However, the Committee is concerned that these priorities are not clearly reflected in the Department’s approach to allocating its budget. The Department’s emphasis appears to be more on using the budget to maintain existing services. While the Committee accepts that the Department is required to provide certain services to fulfil its statutory obligations, it believes that more**

consideration could be given to how these services are provided. This should not be limited to whether the service is being provided in a resource-effective manner. Rather, services which provide high-quality front line care and services which reflect the principles of Transforming Your Care, i.e. the Department's strategic priorities, should be funded ahead of those services which do not.

- b) The Committee noted that the Department is reviewing existing services as part of the drive to find £160 million in efficiency savings, and that part of this exercise will involve consideration of stopping services that are not in line with the strategic priorities. To this end, the Department has asked the HSC Trusts to produce plans for efficiency savings and has asked the smaller arms-length bodies to produce plans based on 5%, 10% and 15% reductions. However, the Department is not yet in a position to brief the Committee on any services which will be reduced or stopped because they are deemed to be out of line with the strategic priorities. The Committee was disappointed that this work is not further advanced, as without knowing what these services are, the Committee is not in a position to judge whether the Department is indeed directing resources away from them towards the services which reflect the strategic priorities.
- c) Given that the provision of high-quality front line care is the Minister's number one strategic priority, the Committee was surprised that the Department does not have a definition of "front line services". Without such a definition, the Committee is not clear how the Department will ensure that resources are directed to that end, or how it will ensure that the additional £200 million for 2015/2016 will be spent as intended by the Executive.

2. Transforming Your Care (TYC)

Background

When TYC was published in 2011/2012, the Department estimated that £70 million would be required for its implementation over a 3-5 year period. The Department estimates that by the end of 2014/2015 financial year, £38 million will have been spent to this end.

The Committee noted comments made by the Finance Minister during an oral statement to the Assembly on 13 October 2014 on the October monitoring round, when he stated:

"If the 6% inflation figure is right and that is the sort of pressure that the Health Department will face next year and every year thereafter — we all know the reasons behind all that — we are facing into a very difficult scenario in health. That is why the

reform plans initiated by my colleague Edwin Poots, when he was Minister, need to be implemented”.

One of the objectives of TYC, as set out in the Programme for Government, is by 2014/2015 to have shifted £83 million from hospital based services to community/primary based services. In 2012/2013 the amount shifted was £11.4, and in 2013/2014 the figure was £13.6 million. In relation to 2014/2015, the Department has not yet advised of the projected figure to be shifted.

In terms of 2015/2016, the Department has advised in correspondence dated 27 October 2014 that it has asked OFMDFM to extend the delivery of the £83 million shift into 2015/2016.

Analysis of evidence received from DHSSPS

On 22 October 2014 the Committee held an evidence session with the Minister and officials on the approach to Budget 2015/2016.

The Minister advised that Transforming Your Care was his second highest strategic priority:

“Secondly, of course, there is Transforming Your Care, which has been an incredibly important aspect of the work of the Department. Most of us in the room discussed and pored over John Compton’s proposals. His basic tenet was simply that we cannot continue to fund a health-care system in 2020 if we go on the way we are going. There had to be radical change, which was because far too many people in Northern Ireland were too high up the ladder of health-care provision commensurate with their needs. Therefore, that issue has to be sorted out”.

The Department advised that it was planning to spend £15-17 million on TYC in 2015/2016. The Committee challenged whether this figure was consistent with it being the Minister’s number two priority. The Minister stated:

“The basic working assumption is that we need £300 million to keep things ticking along. That builds in nothing for new services at all; it simply keeps things as they are, with no radical changes or development of a completely new level of services. The money will not be there”.

Similarly, the Deputy Secretary stated:

“On the prioritisation, I am saying that we have a significant element of funding that needs to be addressed first, before we get to any additional funding for any service developments, no matter what priority, because that is about maintaining the services that we currently have”.

It was not clear to the Committee why the Department was prioritising existing services above TYC, given that some of those existing services would presumably not

be in line with the direction of TYC. The Committee returned to this issue at the evidence session on 26 November 2014.

Officials advised that funding for TYC had to come out of what is termed "discretionary spend". The Permanent Secretary stated:

"TYC is being funded; the issue is about the pace of funding. However, the simple reality is that, where we have statutory obligations, the pace of TYC is a discretionary choice. The Minister has no choice in legislation but to fulfil his statutory obligations first . . ."

In terms of discretionary spend, the Permanent Secretary explained that there are a number of different aspects of health and social care that are competing for that pot of money:

"For all discretionary spend, we are testing whether it adequately contributes to the provision of high-quality health and social care in the way that we want it to. The real choices are in that discretionary piece between TYC and other discretionary spends".

Officials were then asked whether the Minister intends to prioritise some existing services over the implementation of TYC. The Permanent Secretary replied:

"It is difficult to give a definitive answer. I have said about many services that the only valve available to us to create the capacity to deal with issues is the waiting time. For some areas, such as orthopaedics, arguably a longer waiting time is more palatable to the Minister and the public, but in areas like cancer we have set very short targets, and the Minister puts in place a requirement for 100% compliance with that target. In those cases, the Minister is putting existing services above TYC. I want to be careful about not speaking for the Minister, but my sense is that his view is that for areas like cancer treatment, it is arguably more important that anyone who goes to their GP and gets a red flag about potential cancer is dealt with, diagnosed and treated than taking forward the TYC programme. For other areas, the Minister would say, "Maybe we can afford a bit of a stretch in the waiting time to access that treatment because taking forward TYC is a greater strategic priority". So, it is all those sorts of judgements against a whole range of services that need to be made. It is not a simple yes or no in terms of the totality of it".

The Committee questioned officials about the proposed shift in funding from hospital based services to community/primary based services for 2015/2016. The Permanent Secretary stated:

"How much will be shifted in 2015-16 depends on the final outworking of the Budget, so we do not know how much will be shifted in that year as yet . . . The sum that will be shifted in 2015-16 depends on how much investment we make in TYC in that year. Those decisions have not been taken. This is the first stage in that process. We launched the public consultation today and we are asking trusts and all the

organisations to work through the detail. When we reach that final position, we will know how much shift left that planned investment will facilitate”.

Officials advised that the projected shift for 2015/2016 would be known in springtime of 2015.

Committee findings

The terms of reference of the Committee’s review pose this question:

- Is the Department’s approach to Budget 2015/2016 based on a clear understanding of how implementation of Transforming Your Care relates to spending decisions?

Based on the evidence provided by the Minister and officials, the Committee’s findings are:

- a) The Committee notes that the Minister has identified the implementation of TYC as his number two strategic priority, and that the Department intends to spend £15-17 million on implementation in 2015/2016. The Committee acknowledges that the pace of investment in TYC is constrained by the challenging budgetary climate that the Department is facing. However, the Committee believes there is a lack of clarity in terms of how TYC ranks in comparison to other areas of discretionary spend such as elective care and pharmacy. The Committee is concerned that this lack of clarity may result in TYC not being funded to the extent required to enable it to effect meaningful changes in how health and social care are delivered.
- b) The Committee is disappointed that the Department is not in a position to advise of the projected shift in funding from hospital to community/primary services for 2015/2016. Without this figure, or any details of the programmes of care involved, the Committee is not in a position to come to a view on whether the shift is achievable and the impact it will have on services on the ground.

3. Efficiency savings and income generation

Analysis of evidence received from DHSSPS

At the evidence session on 26 November 2014, officials advised that the Department was planning to make efficiency savings of at least £160 million in 2015/2016. The Permanent Secretary stated:

"I emphasise that £160 million is absolutely not a cap. That is the target that we will be aiming for. Every penny that we can push the efficiency challenge beyond that, we will endeavour to do so".

In relation to the HSC Trusts, the Department is looking for £113 million in savings. The Department advised that the areas where the savings are likely to come from are: acute reform, social care reform, staff productivity, and other areas such as pay restraint and procurement. The detailed savings plans have not yet been worked up by the HSC Trusts.

At the evidence session on 26 November, the Deputy Secretary stated in relation to the Trusts' proposals:

"We can give them advice about avoiding implications for front-line services, targeting administration and procurement, rationalisation of the estate and back-office functions. They are all expected to be maximised in the proposals that they will work up".

Similarly, the Permanent Secretary stated:

"We will want to ensure that dialogue happens with the board as commissioner and all trusts to ensure that, where we identify best practice and opportunities in one area, they are cascaded to all trusts. It effectively is the starter for 10 with the trusts. We feel that there is particular potential in those areas. However, we are absolutely not saying to trusts that, if they do what is on this list, they do not need to look any further. We will ensure that there is good, cohesive dialogue, that each individual trust looks at its own area and that every opportunity that it identifies is flagged to colleagues in other trusts so that we can maximise good practice".

On the issue of income generation, the Minister advised at the evidence session on 22 October 2014, that this was his number three strategic priority. In terms of proposals for generating income, he stated that one possibility was to make spare capacity in the catheterisation lab in Altnagelvin available to the Republic of Ireland on the basis of full-cost recovery. The Minister also referred to prescription charges, however his view on this was not clear and he referenced a difficulty in securing Executive agreement. The Minister said:

"There are proposals, and they are having difficulty with the Executive. I accept that it is a cross-cutting issue, and it is unlikely that we are going to get support for it, but we are going to have to start looking at every possible revenue".

When the Minister was asked whether he was considering bringing in charging for attending a GP or A&E he replied:

"The principle must still be that hospital health care provision is free at the point of demand. That is the UK-wide system that we have, and we will not be stepping out of that basic tenet. There are other ways of raising money that do not breach that principle".

However, he provided no detail on what those ways were, and simply said that when he had proposals he would bring them to the Committee.

However, later in the session, the Minister's comments did not suggest that he had that much confidence in being able to generate sufficient income, and his strategy would be to go back to the Executive to ask for more funding if required:

"In the difficult time we are in, we are going to have to look at revenue-raising. If that does not bridge the gap, we have to be honest with our Executive colleagues and say, "We are going to require a larger slice of the cake".

The Committee returned to the issue of income generation with officials on 26 November 2014. They confirmed that there were no concrete proposals for income generation at this stage.

Committee findings

The terms of reference of the Committee's review pose this question:

- To what extent does the Department's approach to Budget 2015/2016 adequately consider areas for further savings, areas where spend could be constrained, and areas where income could be generated?

Based on the evidence provided by the Minister and officials, the Committee's findings are:

- a) The Committee notes the Department's commitment to make a minimum of £160 million in efficiency savings. The Committee believes that the Department is ultimately accountable for how and where such savings are made. Therefore, the Department must provide the HSC Trusts and its other arms-length bodies with clear direction, so that the efficiency savings are in line with its strategic priorities, namely the provision of high-quality front line care and the implementation of Transforming Your Care.

- b) Given that the Minister identified opportunities for income generation as his number three priority, the Committee is disappointed that more progress has not been made on producing options for consideration, given the financial challenges the Departments is facing in 2015/2016 and beyond.**

4. Total funding envelope for DHSSPS

Background on issue

The draft Budget was published on 3 November 2014. The DHSSPS has been allocated £4.693 billion in non ring-fenced resource DEL, an increase of £200 million compared to 2014/2015. This represents a 47% share of the entire non ring-fenced resource DEL allocated across all departments. It has also been allocated £117.5 million in ring-fenced resource DEL and £1.060.3 billion of Annually Managed Expenditure (AME) resource. In terms of capital, the Department has been allocated £213.4 million.

In 2014/2015, the Department faced considerable difficulties in terms of managing its resource budget. In order to attempt to manage these pressures, the Department submitted bids totalling £160 million in the June monitoring round, and bids totalling £130 million on the October monitoring round. It subsequently received an allocation totalling of £80 million.

However, given that the total amount bid for was not met, the Department then implemented a range of measures in autumn 2014, which have been described as short-term and temporary, in order to attempt to live within its budget for the remainder for 2014/2015. The Minister has stated that decisions on which measures to introduce have been made simply on the basis of where funds are not committed, and are not underpinned by the strategic priorities of the Department.

The Committee believes that it is important that a similar scenario does not emerge for 2015/2016, and that the Department makes every effort to plan to be able to live within its budget. The Committee is also of the view that the Department should not be budgeting for services based on an assumption that significant monies will be available through in-year monitoring.

Analysis of evidence received from DHSSPS

At the evidence session on 26 November 2014 with officials, the Permanent Secretary stated that the Department believed it could achieve financial balance within the envelope it has been allocated in the draft Budget. He stated:

"In our paper, the headlines are that our first analysis shows that we can achieve a balanced financial position for the start of the year, predicated on two core concepts. The first is that we deliver efficiency savings of some £160 million. The second is that we start the year with no plans for service development".

At the evidence session on 22 October 2014 with the Minister and officials, the Minister recognised that he could not rely on monitoring round monies for additional income:

"What I can tell you is that there is very little in the way of money coming through in the monitoring rounds for the rest of this year. It is a tiny amount".

Similarly, the Permanent Secretary stated:

"Our planning assumption is that we will try to deal with every issue that we foresee within the strategic prioritisation framework that the Minister sets and not hold out on anything on the assumption that we could access the monitoring rounds".

At the evidence session on 26 November 2014 with officials, the Permanent Secretary re-iterated this point:

"In the past, it has been a very reasonable approach, given the buoyancy of the in - year process, to start the year rolling out some service development and then using the opportunity of in-year monitoring to secure additional funds. In the current financial year, all the signals from colleagues in DFP are very clear that we cannot expect any in-year funding in the future. So we are starting the year on the basis that we will identify service developments that we can do as and when funding becomes available. That funding will either be in the unlikely event that there is some additional allocation to us or that we over deliver on the minimum £160 million efficiency position".

Committee findings

- a) The Committee acknowledges that the Executive has provided the Department with an additional £200 million in resource for 2015/2016. The Committee welcomes the fact that this will be on the basis that the £200 million will be focused on front line services and will be monitored by an oversight mechanism currently being developed by the Department of Finance and Personnel. The Committee believes that such a mechanism is important to ensure that the maximum benefit in terms of health outcomes is achieved from the additional resource.**
- b) The Committee welcomes the Department's commitment to plan its' spend so as to be able to live within its allocated budget for 2015/2016.**

- c) The Committee welcomes the Department's acknowledgement that significant monies are not likely to be available through in-year monitoring rounds, and that it is treating its allocation as a ceiling, rather than a starting point.

5. Information available and timetable for committee input to consultation

Committee findings

- a) The draft Budget 2015/2016 was published on 3 November 2014. The Department's consultation document was published on 26 November 2014. The deadline for responses to the public consultations on both documents is 29 December 2014. The Committee is of the view this timetable places limits on its ability to take evidence from stakeholders on the potential impact of the draft Budget 2015/2016.
- b) Furthermore, the Department will not be in a position to advise the Committee of the areas in which the HSC Trusts will be making savings, and the levels of budget reductions which will be applied to the smaller arms-length bodies, until January 2015 at the earliest. Given that by this stage the public consultation will be closed, this will provide the Committee with an extremely limited opportunity to influence those decisions.