



Department of  
**Health, Social Services  
and Public Safety**

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AN ROINN

**Sláinte, Seirbhísí Sóisialta  
agus Sábháilteachta Poiblí**

MÁNNYSTRIE O

**Poustie, Resydènter Heisin  
an Fowk Siccar**

## **HEALTH AND SOCIAL CARE REFORM**

### **DHSSPS**

## **Modernisation and Improvement Programme Board (MIPB)**

### **PLANNING & FINANCE - MIPB RECOMMENDATIONS**

**JANUARY 2009**

**MIPB 04/09**

## **Introduction**

This paper has been developed by the Planning & Finance project in liaison with a range of appropriate stakeholders.

It has been approved by the Modernisation and Improvement Programme Board and is now free for circulation to HSC staff and other relevant stakeholders. A copy of the paper will be placed on the Health and Social Care Reform section of the departmental website - [www.dhsspsni.gov.uk/index/hss/rpa-home.htm](http://www.dhsspsni.gov.uk/index/hss/rpa-home.htm)

This paper contains proposals concerning the planning, finance and accountability processes between DHSSPS and its associated bodies that will exist from April 2009. It clarifies how priorities and targets are to be established and monitored and how resources will be secured, distributed, monitored and performance managed. The key work areas and related findings of this Project Report fall under the following headings:

- (1) Securing Resources for Health & Social Care
- (2) The Department's Resource Allocation Process
- (3) The Department's Capital Allocation Process
- (4) The future of Capitation work
- (5) Accountability and Assurance

Further information on this document or the Planning & Finance Project may be obtained from the Project Director, John McGinnity, ([john.mcginnity@dhsspsni.gov.uk](mailto:john.mcginnity@dhsspsni.gov.uk)); tel. (028) 90522218.

***Modernisation and Improvement Programme Board***

## Report of MIPB Planning & Finance Group – Summary of Project Recommendations

### (1) Securing Resources for Health & Social Care

**It is recommended** that DHSSPS should lead the development of a rolling 5 year Strategic Plan for Health and Social Care, engaging fully with the HSC family of organisations, professionals, users and key public and community sector stakeholders. (Ref: Main paper, pp.10 -12).

### (2) The Department's Resource Allocation Process

**It is recommended** that much of the £1.2bn resources currently allocated by the Department separately from the formal block allocation and HWIP process should be allocated with all other resources at the beginning of the year to the new Regional Board or Agency (Ref: Main paper, p. 16)

**It is recommended** that there be a phased introduction of devolved budgets, based on “earned autonomy” (Ref: Main paper, pp. 16-17)

Regarding ring fencing of resource allocations, **it is recommended that** (Ref: Main paper, pp. 17-18)

- The Department would continue to aggregate remaining ring-fenced categories to the greatest extent possible; and
- Ring-fencing should be removed when proper benchmarks or other measures of effective resource deployment are in place.

**It is recommended** that the separate Departmental funding arrangements for a number of bodies should remain unchanged – NIFRS, NI Guardian ad Litem Agency, NI Medical & Dental Training Agency, NI Practice & Education Council for Nursing and Midwifery, NI Social Care Council, RQIA, Food Safety Promotion Board and the Institute of Public Health (Ref: Main paper, p.18)

**It is recommended** that the Department should directly meet the operating costs of the Patient and Client Council (p.19)

**RHSCB/RAPHSW** Recommendations regarding the appropriate allocation of resources between the Board and Agency are contained within a separate System Design paper: ***“Working relationship between the Regional Health and Social Care Board (RHSCB) and the Regional Agency for Public Health and Social Well-being (RAPHSW)”***

**It is recommended that** customers should fund the RBSO operating costs under service level agreements. Movement towards this position may need to be staged over a transitional period from April 2009 (Ref: Main paper p. 20)

**It is recommended that** the current elements of the planning and resource allocation process be retained under the new structures. (Ref: Main paper, pp. 20-22)

### (3) The Department's Capital Allocation and Reporting Process

- A ten year rolling capital plan will be produced by means of 2-yearly Capital Priority Reviews. (Main paper page 25).
- These and other future arrangements for capital allocation and reporting are set out in Section 3.3 (Main paper pp. 25-26) and **it is recommended that** these be adopted.

### (4) The future of Capitation work

1 **It is recommended that** (Ref: Main paper, pp. 27-28)

- **RHSCB** should chair the CFRG and lead on proposing what research should be undertaken by CFRG along with managing future capitation related research.
- The **RAPHSW** should be appropriately represented on the CFRG.
- **The Department** should have an annual approval role and be the final decision maker as to the suitability and quantity of research work to be undertaken during any one review.
- The **RHSCB** should be responsible for running the consultation exercises in relation to future proposed changes to the formula, subject to Ministerial approval to proceed.
- **CFRG** should be asked to explore the feasibility of producing an integrated Primary and Secondary Care formula. Ultimately the formulae should embrace the entirety of HSC resources and thereby allow for justifiable variations in the mix of primary and secondary care from location to location

- The **RHSCB** should make an annual recommendation to the Department for Ministerial consideration and approval on the equitable distribution of resources and the pace of change.

## (5) Accountability and Assurance

The key assurance aspects of the proposed regime are (Ref Main paper pp. 28-29) :

- Allocations to be made to each new organisation by the Department and each Chief Executive accountable for these funds;
- Targets to be set by the Department – priorities for action; programme for government; ministerial commitments etc
- Ministerial approval of expenditure plans and delivery plans for achievement of targets;
- Financial break-even monitoring of all bodies directly by the Department;
- Performance monitoring of all targets led by RHSCB/RAPHSW;
- An overall assurance framework that shall encompass finance, performance management, safety and quality and governance

Further detail on the practical means by which accountability is to be secured, and the requisite assurances are to be provided, is contained in the separate Planning and Finance project report on the “**HSC Performance and Assurance Framework**”.

## **RPA: PLANNING & FINANCE PROJECT**

### **Background and Purpose**

The purpose of this project is to set down the planning, finance and accountability processes between DHSSPS and the RAPHSW, RHSCB, RBSO, PCC, & the other Agencies remaining in existence from April 2009. It identifies the significant performance and financial management issues that must be addressed during the implementation of the reform and modernisation of the HSC. It clarifies how priorities and targets are to be established and monitored and how resources will be distributed, monitored and performance managed by the Department. It also sets out how efficiencies/value for money, regularity and probity will be reviewed and secured.

The project therefore includes consideration of the full planning and finance cycle: strategic planning, securing necessary resources, distributing those resources appropriately, monitoring operational and financial performance and holding organisations to account for delivery whilst ensuring value for money, regularity and propriety. It acts as a high level document which can form a framework for other projects and indeed for the Framework Document as referred to in legislation.

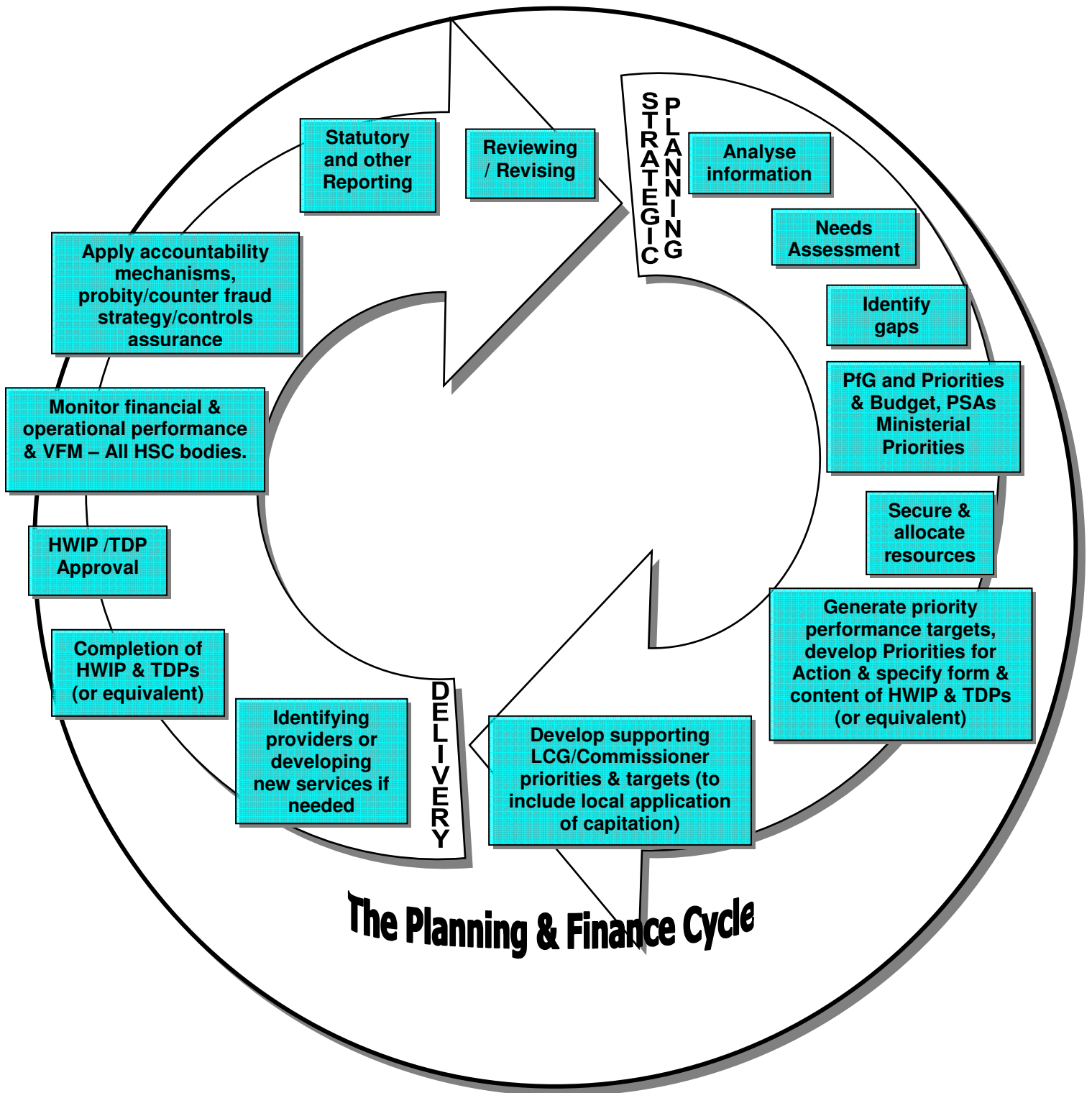
The key work areas and related findings of the Project Group fall under the following headings:

- (1) Securing Resources for Health & Social Care
- (2) The Department's Resource Allocation Process
- (3) The Department's Capital Allocation Process
- (4) The future of Capitation work
- (5) Accountability and Assurance

The latter is being considered and reported on under four domains, viz.: operational performance, financial, safety & quality and governance.

In addition, a further section on Statutory Reporting and the Annual Report is also within the project's remit, and this is to be completed early in 2009. However substantial progress has been made in developing recommendation across the above 5 areas and MIPB is asked to consider and endorse these recommendations.

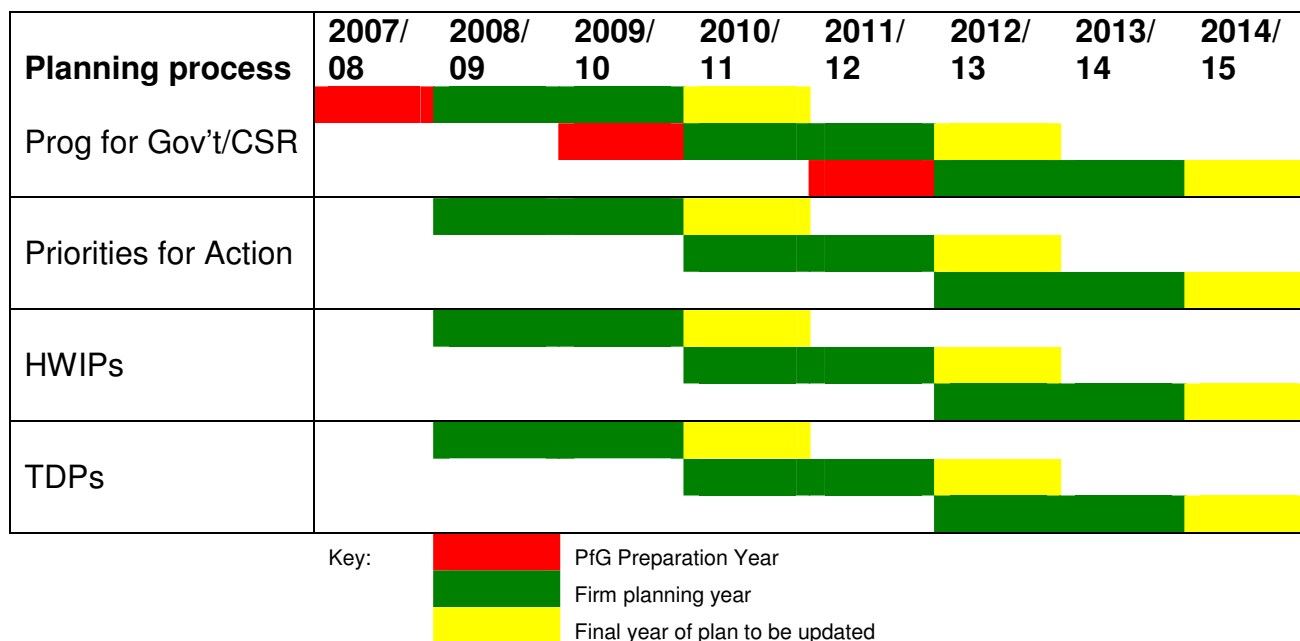
The planning and finance cycle may be depicted as follows:



## **(1) SECURING RESOURCES FOR HEALTH & SOCIAL CARE**

### **(a) EXISTING ARRANGEMENTS**

- 1.1 Expenditure plans for all Departments are driven by the HM Treasury Comprehensive Spending Review (CSR) which determines spending plans for the NI Block for 3 financial years and is reviewed every 2 years.
- 1.2 While current arrangements at NI Block level are themselves subject to ongoing review, it is assumed that the basic framework will be unchanged. The Executive will continue to reflect the CSR outcome in 3 year spending plans for all Departments, a Programme for Government will set out the Executive's plans and priorities for 3 years ahead and a separate Investment Strategy will establish capital priorities over a 10 year period.
- 1.3 For Health and Social Care, existing planning mechanisms may be summarised in hierarchical order, as follows:
  - *Programme for Government / Comprehensive Spending Review;*
  - *Investment Strategy for Northern Ireland;*
  - *DHSSPS Priorities for Action;*
  - *Board Health and Wellbeing Plans;*
  - *Trust Delivery Plans;*
  - *Operating plans of, and service agreements with, other 3<sup>rd</sup> party organisations.*
- 1.4 The current PfA (2008-11) and associated HWIPs and TDPs are rolling three-year plans, with a major update every two years. The current planning arrangements rolled forward would be as follows:



1.5 For Health and Social Care, these plans are informed by a range of important but discrete strategies and policies, eg

- *A Healthier Future (25 year vision)*
- *Investing for Health*
- *Regional Service Strategies (DBS, Bamford, Every Child Matters, Public Health Policy, etc)*
- *Service Frameworks*

1.6 Under current arrangements, the Boards and Trusts are asked to contribute to the analysis of planning figures, the determination of DHSSPS priorities and the preparation of CSR bids.

1.7 Boards and Trusts (and other partners) have, however, been so numerous that it has been very difficult to have clear priorities discussed and agreed across the HSC family within current CSR timescales of less than 6 months.

1.8 The creation of 2 major regional bodies and reductions in the number of Trusts makes it possible for all constituents of the HSC family post-RPA, as well as external partners such as the community and voluntary sectors, to

make a much more co-ordinated and significant contribution to the Department's and the Executive's expenditure planning and priorities process.

## **(b) FUTURE ARRANGEMENTS**

1.9 In considering future planning arrangements, it is essential that they ensure **effective input to the CSR and PfG process**. In addition the future arrangements should, as far as possible be:

- **Clear**, identifying Ministerial priorities and supporting objectives for the Department and HSC to work towards
- **Forward looking**, providing a reasonable degree of medium/long term stability, and be able to demonstrate planned implementation of regional service strategies, etc.
- **Integrated**, across organisations, care programmes, services and different planning processes
- **Responsive**, to changes in Ministerial priorities and other changes
- **Streamlined**, minimising overlap and duplication both within and across planning processes.

1.10. A range of 'service-specific' strategies exist, as noted at Paragraph 1.5 above. At present, there are no formal HSC planning processes for the integrated development of these service strategies into a single, overarching plan for the Department and HSC. The translation of these into PfA/PSA/CSR priorities and onwards into the annual commissioning and delivery plans as currently expressed in HWIPs and TDPs is managed without the benefit of a single integrated medium-term plan.

1.11 **It is recommended**, therefore, that

- DHSSPS should lead the development of **a rolling 5 year Strategic Plan for Health and Social Care**, engaging fully with the HSC family of organisations, professionals, users and key public and community and voluntary sector stakeholders.

- The planning process will set a minimum 5 year horizon to:
  - assess the future Health and Social Care needs of the population across all services.
  - identify where need is greatest and establish clear priorities and targets which have ownership by professionals and managers.
  - develop integrated plans (incorporating workforce planning and training, ICT and Infrastructure Development) for reforming and expanding services to meet these needs.
  - consider how services can be provided more efficiently, more effectively and more safely.
- The published 5 year Plan will
  - set out the Minister's strategic intent for how the HSC will respond to the health and social care needs of the Northern Ireland population,
  - provide clear direction for the commissioning and provision of services; and set out ambitious but realistic medium term objectives and priorities, incorporating 5 year and, in appropriate cases, longer time horizons,
  - provide a context, direction and agreed priorities to inform the drawing up of CSR expenditure bids and Programme for Government outcome targets
- It is important that plans are based on an ambitious but realistic assessment of likely resources available.
- The Department would lead a process of engagement with key stakeholders and external interests that will inform the development of the Plan, its milestones and investment requirements. Key bodies such as RHSCB, RAPHSW and Trusts should have their own internal processes to ensure that they contribute fully to the planning process.

- There will be appropriate dialogue with other Government Departments. This will include, but should not be limited to, DE (Children & Young Persons packages); DSD (Supported Housing) and DEL (Education & Training).
- The Plan will have a longer time horizon than the CSR period, and will be updated during the year before each (biennial) Comprehensive Spending Review and will therefore provide a robust and well-tested context to inform the drawing up of CSR expenditure bids and Programme for Government outcome targets in the following year.

1.12 It is particularly important that this 5 year rolling planning process includes capital, ICT and workforce planning training to ensure

- closer integration and involvement of the entire HSC family in decision making and prioritisation; and
- closer alignment of PfG, the 5-year resource plan, 10-year capital planning, ICT and workforce needs.

1.13 The revised planning arrangements rolled forward (assuming an initial 5 year plan drawn up in 2009) would be as follows:-

Planning process	2009 /10	2010 /11	2011 /12	2012 /13	2013/ 14	2014 /15	2015 /16	2016 /17
Prog for Gov't / CSR	Red	Green	Green	Green	Yellow			
		Blue	Red	Green	Green	Yellow		
			Blue	Red	Green	Green	Yellow	
				Blue	Red	Green	Green	Yellow
Priorities for Action		Green	Green	Green	Yellow			
			Green	Green	Green	Yellow		
				Green	Green	Green	Yellow	
RHSCB & RAPHSW Plans		Green	Green	Green	Yellow			
			Green	Green	Green	Yellow		
				Green	Green	Green	Yellow	
TDPs		Green	Green	Green	Yellow			
			Green	Green	Green	Yellow		
				Green	Green	Green	Yellow	

Key:

Blue	5-year Plan Update
Red	PfG Planning Year
Green	Firm planning year
Yellow	Final year of plan to be updated

- 1.14 A sub-group has been established to draw up a more detailed template for the proposed 5 year plan and the associated commissioning and delivery plans.
- 1.15 MIPB is asked to endorse the development of a rolling 5 year Strategic Plan for Health and Social Care as summarised in paras. 1.11-1.13 above.

## (2) The Department's Resource Allocation Process

### (a) FUNDS FLOW ARRANGEMENTS

- 2.1 At the end of the CSR process, the Department's *allocation letter* to Commissioners formally currently distributes to Boards approximately £2.8bn (at 2008/09 levels), representing some 70% of the Department's resource budget, and specifies the Department's overall aims, objectives and key targets which these resources are intended to deliver.
- 2.2 The Department's *Priorities for Action* details the targets which Boards and Trusts must meet over a three year timeframe and identifies those targets which will be the subject of intensive monitoring by the Department.
- 2.3 Boards' *Health and Well-being Investment Plans* and *Trust Delivery Plans* are required to make clear for Departmental approval how each target will be achieved within available resources.
- 2.4 However, some £1.2bn is not currently allocated directly to Boards in the initial allocation letter but is managed directly by the Department, allocated separately to Boards progressively over the year or allocated to other bodies. The major components of this £1.2bn are:

GMS	-	£230m
Other Family Practitioner Services	-	£540m
Training & Education	-	£150m
Health Protection, Promotion, etc.	-	£32m
NIFRS	-	£80m

### (b) FUTURE FUNDING FLOWS

- 2.5 In considering future funding flows a balance is needed between:
- The desire to devolve as much resources out to the front line as soon as possible, facilitating full and timely deployment on services to patients and

clients. Enables commissioners and providers to have early clarity on their capacity to deliver services and to be held to account for such delivery.

### **Set Against.....**

- b. The need to ensure that appropriate control is retained centrally by the Department over the £4bn+ entrusted annually by the Executive to DHSSPS. Every available pound must be spent in accordance with the intentions of the Minister and the Assembly, whilst also ensuring that spending limits are not breached.

2.6 The following key criteria have been developed for determining where and how quickly budgets should be dispersed in the newly restructured organisations:

- All budgets should be allocated as early in the year as possible as closely as possible to the point of delivery to patients and clients, identifying relevant objectives and with appropriate accountability arrangements.
- The destination of particular functions (ie remaining in Department, in RHSCB, RAPHSW, etc) should generally dictate where the budget should reside.
- Where particular budgets are in support of independent/regulatory functions, they should be retained in the Department.
- The use of non-recurrent funding to support recurrent expenditure should be avoided, in order to reduce planning uncertainty and increase accountability. Where there is a pattern of particular streams of funding having been made available non-recurrently over a number of years, these should be reviewed particularly carefully in order to confirm ongoing need and level, and be made recurrent/varied/eliminated as appropriate.
- Delays in disbursement of budgets cannot normally be justified, save where entitlement to/need for can only be determined retrospectively.

MIPB is asked to endorse these criteria for determining the future handling of budgets.

## **Resources currently managed by DHSSPS**

2.7 On the basis of these proposed criteria, **it is recommended that** much of the £1.2bn resources currently allocated by the Department separately from the formal block allocation and HWIP process should be allocated with all other resources at the beginning of the year to the new Regional Board or Agency. This will help ensure that Budgets are channelled at the earliest possible stage to the point of service delivery, assist service management and clarify front-line accountability. These budgets include:

- GMS budget of c. £230m currently made available non-recurrently to Boards;
- The other c. £540m of Family Practitioner Services annual budget, currently managed by the Department;
- Most of the Health Protection / Development / Improvement annual budget of c. £33m, and;
- Welfare Foods of c. £5m.

2.8 Since there can be no question of devolved budgets representing a loss of focus on the achievement of key Ministerial and other objectives, two key safeguards are **recommended:**

- a **phased introduction** of devolved budgets; and
- the use of **ring fencing** of service development funds and of main groups of expenditure

## **Phased introduction of devolved budgets**

2.9 During the establishment of the new organisations from April 2009, it is vital that there is no loss of financial control. It is therefore important that budgets that are potentially volatile, or subject to change in the short-term have appropriate transition arrangements in place to provide assurance that the necessary controls and expenditure management plans are in place.

2.10 It is therefore proposed that the following budgets should reside in shadow form with the RHSCB/LCGs from April 2009. The Department will continue to directly monitor and be responsible for easements and pressures for a minimal initial period, to be reviewed:

Prescription drugs	£449m
Dental services	£73m
Ophthalmic services	£17m

2.11 The creation of a transition period will aid the smooth handing over of these budgets to the new organisations. It is a key principle that the above budgets will be devolved to the RHSCB/LCG after this transition period.

### **Ringfencing of Budgets**

2.12 While many of the restrictions associated with ring fencing have been removed or alleviated as we move into the restructured organisations from 2009, ringfencing will remain necessary to ensure protection and accountability for some specific allocations by the Executive.

2.13 Ring fencing ensures that only those resources required for the specified purpose(s) are utilised in that area with any unspent resources returned to the centre for redeployment. It is a device that can be applied very effectively to control the use of devolved resources. Against this, excessive ring fencing can needlessly reduce flexibility. Proposed balance is:

- The Department would continue to combine and aggregate ring-fenced categories to the greatest extent possible; and
- Ring-fencing should be removed when proper benchmarks or other measures of effective resource deployment are in place, or when the organisation concerned has achieved a track record of effective management (earned autonomy).
- In practical terms, it is proposed that in the longer term ring fencing is limited to Executive and Ministerial requirements, new development expenditure and

between categories of spend) with each body having flexibility to redeploy resources within their overall agreed funding levels.

- To maintain financial stability and increase Ministerial control, post RPA ring fencing would apply as an interim measure to budgets transferred from the Department to RHSCB and RAPHSW. In particular, ringfencing would apply to:
  - CSR 2008/09 to 2010/11 development funds and other headings from Final Budget allocation letter
  - FHS expenditure
  - GMS expenditure
  - Non cash expenditure
  - Social services inspection and training
  - Children and young people funding
  - ICT expenditure
  - R&D expenditure
  - Public health expenditure
    - Existing controls utilised by HSC Commissioners to ensure that resources are provided to an organisation for a specific purpose are used solely for that purpose would continue.

**2.14 MIPB is asked to agree that appropriate future controls can be maintained through a combination of the phasing in of devolved budgets, and the appropriate use of ring fencing.**

**2.15 It is recommended that**, the separate Departmental funding arrangements for a number of bodies should remain unchanged – NIFRS, NI Guardian ad Litem Agency, NI Medical & Dental Training Agency, NI Practice & Education Council for Nursing and Midwifery, NI Social Care Council, RQIA, Food Safety Promotion Board and the Institute of Public Health.

**2.16** The Department should also continue to centrally manage the Training and Workforce Planning budget but with more effective machinery for liaison with the service to improve and quality assure the Training and Workforce strategies and plans, linked to the new 5-year strategic planning process recommended in section 1.

## **Patient and Client Council**

- 2.17 Existing arrangements whereby Councils are funded by Boards are unsatisfactory in the context of the Councils' role as independent user representatives.
- 2.18 **It is therefore recommended that** the Department should directly meet the operating costs of the Patient and Client Council to ensure that it operates independently from the Service and that the Council should produce a business plan to demonstrate how these resources will be used.

## **The Regional Board and the Agency**

- 2.19 The RHSCB, with an annual budget of around £4bn will be responsible and accountable for commissioning of services, resource allocation and performance management.
- 2.20. The primary objective of the RAPHSW will be to protect and improve the health and wellbeing of the Northern Ireland population and it will deliver this through the three core functions of improvement in health and wellbeing, health protection and professional input to commissioning.
- 2.21 Recommendations regarding the appropriate allocation of resources between the Board and Agency are contained within a separate System Design paper: ***“Working relationship between the Regional Health and Social Care Board (RHSCB) and the Regional Agency for Public Health and Social Well-being (RAPHSW)”*** Essentially the joint commissioning model advocated in this paper entails the RAPHSW and the RHSCB each holding the administrative and programme resources appropriate to their respective roles and responsibilities, whilst producing an integrated commissioning plan and adopting a joint approach to commissioning through LCGs. Further details are specified in the above paper.

## Regional Business Services Organisation

2.22 **It is recommended that** customers should fund the RBSO operating costs under service level agreements. Included as a customer of the RBSO would be the RAPHSW and to that extent the Agency would require to bid for and secure adequate resources within its funding base to finance its procurement from the RBSO.

Movement towards the position of the RBSO as an organisation fully financed from its service agreements with customers may need to be staged over a transitional period from April 2009.

### Summary

2.23 Proposed funding flows are summarised in the diagram at **Annex 1**. Proposed Budgets (using 2008/09 levels for illustration) for the HSC organisations that will exist from April 2009 are set out at **Annex 2** – these are illustrative and subject to ongoing review.

## A. OPERATIONAL PLANNING OVERVIEW

2.24 **It is recommended that** the current elements of the planning and resource allocation process be retained under the new structures, ie

- The Minister specifies **objectives and targets** (henceforth within the framework of the proposed 5 year plan) to be achieved with available resources, ringfencing resources as appropriate;
- The Regional Board works with RAPHSW to develop a **jointly agreed Commissioning Plan** for the Department's approval or amendment, making clear how each target will be achieved, within available resources.

- The Agency produces a separate **Agency Budget Plan** committing available resources to those functions and services for which it has received a direct funding allocation;
- The Trusts produce **Trust Delivery Plans** (TDPs) which are agreed by the RHSCB/RAPHSW and recommended by them for approval by the Department. This will detail how Commissioners' requirements will be met, again within available resources, and how this will contribute to regional targets;
- Once TDPs are agreed, they will be implemented via **Service and Budget Agreements** between the Board, other providers such as the RBSO and providers;
- Other Arms Length Bodies (ALBs) produce **business plans** to detail how allocated resources will be used to meet objectives and targets. Where applicable (particularly RBSO) business plans should encompass "earned income" through Service and Budget Agreements (SBAs) with Trusts and Board, so that plans incorporate the totality of planned activity and associated income.

2.25 Targets are considered an essential element of an effective planning and performance management system but it is recommended that they should concentrate more on outcomes to be achieved (rather than activity generated), be measurable and based on good quality data and be linked to clearer long-term goals.

2.26 It is imperative that both Departmental strategic targets and the Board's/Trusts' annual targets are only set after consultation with service users (the public), service professionals and the Patient and Client Council, and that they are based on a careful assessment of costs and deliverability, ie that funds and staff are available to implement them. Consultation with HSC provider/employers and health and social service professionals is particularly important so that potential problems, eg workforce levels, skill mix, job planning or any other barriers are highlighted at an early stage. In addition, the user / the public should be actively and publicly involved in setting out what they want to see as priorities for targets. The process

of doing so (let alone the outcome) will be part of an improvement in the responsiveness of the system to user demands. This will be achieved through the proposed rolling 5 year planning process.

2.27 MIPB is asked to endorse the recommendations set out in paragraphs 2.7, 2.8, 2.14, 2.15, 2.18, 2.22 and 2.24 above.

### **(3) THE DEPARTMENT'S CAPITAL ALLOCATION AND REPORTING PROCESS**

#### **(a) Existing Arrangements**

3.1. Current arrangements (as at January 2009) for the allocation and monitoring of capital expenditure are as follows:

- The Investment Strategy for Northern Ireland (ISNI), managed by the Strategic Investment Board (SIB) in conjunction with OFMDFM provides an indicative 10-year funding envelope for DHSSPS. DHSSPS contributes to the development of the ISNI, which is approved by the NI Executive.
- The allocation of funding for each 2/3 year block is decided by means of Comprehensive Spending Reviews (CSR), a process managed by DFP. The outcome of each CSR results in the budget allocation to DHSSPS which is approved by the NI Executive. DHSSPS contributes to the CSR by means of a bidding process seeking and justifying the need for capital (and revenue) resources to meet anticipated need over the 2/3 year period in line with the Programme for Government.
- The current CSR covers the period 2008/09 to 2010/11.
- Within DHSSPS, the Capital Priorities Review (completed in September 2008) provides the basis for decisions by the Minister on capital allocations over the 10 year ISNI period and, in particular, the CSR period.
- A Policy Infrastructure Forum, comprising representatives from the various policy areas within DHSSPS is responsible for setting the strategic context and service vision for the various programmes of care and the relative prioritisation of the associated capital infrastructure.
- The Commissioning Bodies are responsible for identifying and quantifying the services required to meet these requirements and for approving the associated revenue costs.

- The Trusts, NIFRS and DIS are responsible for preparing and obtaining approval for business cases for the capital requirements required delivering the service. These business cases must have commissioner support before approval.
- Health Estates Investment Group (HEIG) comprising Health Estates and Investment Directorate is responsible for:-
  - providing advice and support to the Minister on the capital programme including prioritisation;
  - managing the capital budget including allocation, monitoring and performance management;
  - liaising with DFP on budgetary requirements;
  - approval of business cases (by DFP and/or DHSSPS) above delegated limits;
  - acting as a Centre of Specialist Expertise (COSE);
  - providing advice on functional content and castings as the business case is developed;
  - on-going development and dissemination of policies and standards in relation to all aspects of estate and capital developments;
  - acting as a Centre of Procurement Expertise (COPE) for capital infrastructure.
- RSS within the CSA is the responsible COPE for the procurement of services, supplies and IT equipment for the health and social care system.

- Performance management of capital investment by HEIG is undertaken through regular individual Strategic Investment Group meetings involving commissioners, Trusts and other delivery bodies, NIFRS, policy representatives and SIB.

**(b) Future Arrangements**

3.2 The Minister has confirmed that the strategic capital planning function, together with responsibility for overseeing procurement and performance management of capital programme delivery will remain with the Department.

3.3 Arrangements for the future are similar to those outlined in paragraph 3.1 with the following changes:

- To ensure that the new bodies are involved in the capital planning process, the Policy Infrastructure Forum will be expanded to include representatives from RHSCB and RAPHSW.
- The RHSCB will be responsible for confirming the appropriate models of care to deliver health and social care across NI and the associated indicative infrastructure requirements.
- A capital priorities review will be undertaken every 2 years, led by HEIG, with full involvement of the Policy Infrastructure Forum, RHSCB and RAPHSW and Trusts and NIFRS.
- A 10 year rolling capital plan will be produced as the output of these regular reviews. This plan will be aligned with the Regional 5 year plan which covers revenue resources.
- RSS will become part of RBSO and its functions in relation to procurement will move with it.

- Planning for capital expenditure will be closely aligned with the associated revenue planning.

3.4 A further paper will be worked up on the more detailed working of the capital planning and implementation processes. This should include consideration of the role of the Trusts, RHSCB and RAPHSW in the development and agreement of capital priorities for both local and strategic capital priorities.

3.5 **MIPB is asked to endorse the recommendations in paragraph 3.3**

#### **(4) THE FUTURE OF CAPITATION WORK**

##### **(a) EXISTING ARRANGEMENTS**

4.1 Each year available financial resources are distributed to the existing Boards using the Capitation formula. The formula informs the Department on the most appropriate way to allocate funds on a fair and equitable basis. It does this by taking into account the number of people living within an area in addition to the age, gender and additional needs, largely due to deprivation, of the populations in question.

4.2 Refinements to the Capitation formula currently fall under the remit of the Capitation Formula Review Group (CFRG). This group has been in existence since 1994. It is a multi-disciplinary team of representatives from DHSSPS and the Health Boards. The group commission, manage and quality assure research work on the formula, ensuring that any recommendations being made can withstand rigorous interrogation.

##### **(b) FUTURE ARRANGEMENTS**

4.3 The equitable allocation of resources will continue to be an ongoing issue under the emerging administrative bodies. This is because the Capitation formula 'goal posts' are constantly moving due to shifting populations within NI. It is considered that having an evidence based formula to determine the fair shares that each LCG

should receive for its local population will be even more important under one overarching RHSCB.

- 4.4 Additionally, the Capitation formula provides an underlying scientific basis for any future decision the Minister may need to take in relation to the extent and pace at which resources should be re-distributed from over-funded to under-funded localities.
- 4.5 The knowledge base that has developed in the Department as a result of resource allocation work has proved integral in other comparative assessment work. Recent inter-country comparisons such as the Needs and Effectiveness Review and interpretative analysis emerging from Professor Appleby's Independent Review have utilised this skill base and would not have been as effective without prior understanding of the area. These skills will be required again in future comparison work or if Treasury should decide to review the Barnett Formula.
- 4.6 It is also important to note that Capitation is not only of interest to the Department, but also other government departments and MLAs. Dealing with Assembly Questions, discussing resource allocation matters with DFP or engaging with topics such as OFMDFM's Life Time Opportunities strategy all require a knowledge of Capitation. Similarly, the Regional Capitation Formula forms a central plank of the Department's equality agenda and is frequently cited in Departmental responses to such issues. Again, a detailed knowledge of latest developments and issues is of great benefit in this regard.
- 4.7 **It is recommended that**
- **RHSCB** should chair the CFRG and lead on proposing what research should be undertaken by CFRG along with managing future capitation related research.
  - The **RAPHSW** should be appropriately represented on the CFRG.

- **The Department** should have an annual approval role and be the final decision maker as to the suitability and quantity of research work to be undertaken during any one review.
- The **RHSCB** should be responsible for running the consultation exercises in relation to future proposed changes to the formula, subject to Ministerial approval to proceed.
- **CFRG** should be asked to explore the feasibility of producing an integrated Primary and Secondary Care formula. Ultimately the formulae should embrace the entirety of HSC resources and thereby allow for justifiable variations in the mix of primary and secondary care from location to location
- The **RHSCB** should make an annual recommendation to the Department for Ministerial consideration and approval on the equitable distribution of resources and the pace of change. This will require the establishment of clear communication lines between the RHSCB and the Department to determine the total quantum of funding to be distributed via the formula in addition to which items are not be distributed on a capitation basis. In relation to the latter, the capitation formula would clearly not be an appropriate basis upon which to distribute capital resources. However it may be that say, over a 15/20 year period, we should also expect equitable distribution of capital funds, informed, amongst other things, by the capitation formula.

#### 4.8 **MIPB is asked to endorse the recommendations in the preceding paragraph**

### **(5) ACCOUNTABILITY AND ASSURANCE**

#### 5.1 The key assurance aspects of the proposed regime are:

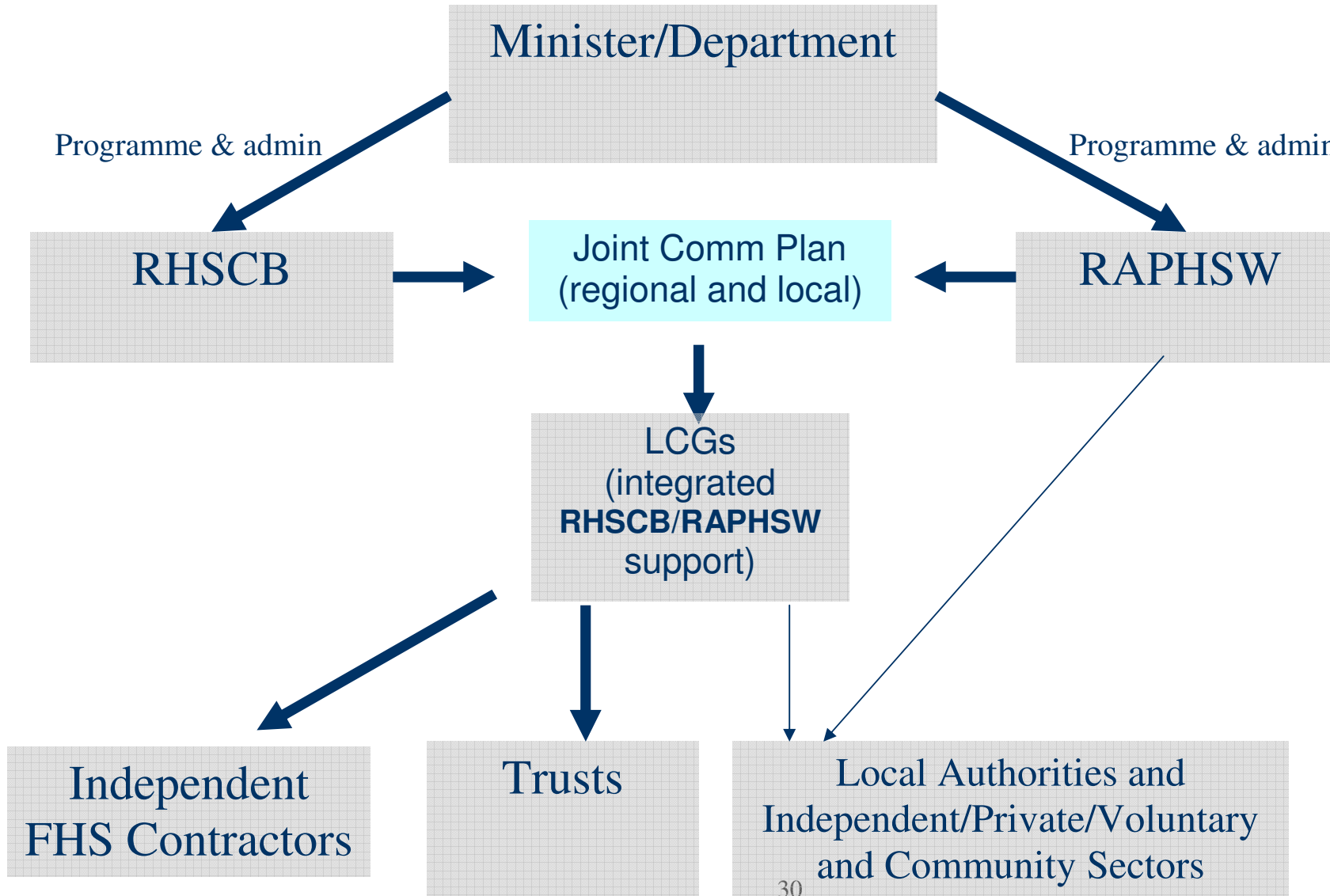
- Allocations to be made to each new organisation by the Department and each Chief Executive accountable for these funds;
- Targets to be set by the Department – priorities for action; programme for government; ministerial commitments etc

- Ministerial approval of expenditure plans and delivery plans for achievement of targets;
- Financial break-even monitoring of all bodies directly by the Department;
- Performance monitoring of all targets led by RHSCB/RAPHSW;
- An overall assurance framework that shall encompass finance, performance management, safety and quality and governance

5.2 For further detail on the practical means by which system-wide accountability is to be secured across all dimensions, and how the requisite assurances are to be provided, please refer to the separate Planning and Finance project document on the “**HSC Performance and Assurance Framework**”. This encompasses the four domains of performance management, financial management, safety and quality and governance.

# Annex 1 – Funding Flows

Resources →



## Annex 2 - Illustrative Budgets for RHSCB, RAPHSW & DHSSPS from April 2009

	Notional Distribution to Bodies Post RPA			
		RHSCB	RAPHSW	DHSSPS
	£m	£m	£m	£m
<b>Capital Resource Allocation (excl NIFRS)</b>	<b>198.6</b>			<b>198.6</b>
<b>Recurrent Revenue Allocation (as at 31/10/08)</b>	<b>2,772.0</b>	<b>2,738.9</b>	<b>33.1</b>	
<b>Budgets initially retained centrally and disbursed over the course of the year:</b>				
Pharmaceutical ( Incl. Prescription drugs)	450.0	449.2		0.8
General Medical Services	230.0	230.0		
Dental Services	73.0	73.0		
Ophthalmic Services	17.0	17.0		
Primary Care Developments (e.g. remote monitoring)	11.0	11.0		
Training & Education	102.3			102.3
Health Protection, Development, Promotion	28.6		23.0	5.6
Social Services Inspection & Training	8.6	3.8		4.8
Children, Young People & Families	17.0	3.7		13.3
Additional Acute Costs/Waiting Times (One-off))				
Safety & Quality	4.0			4.0
Equality & Public Safety	0.8			0.8
Directorate of Information Services	11.0	11.0		
R & D Office	12.0		12.0	
Prisons Healthcare (now in Boards' recurrent Alloc'n)				
Other	29.9	5.6		24.3
<b>Sub-Total</b>	<b>995.2</b>	<b>804.3</b>	<b>35.0</b>	<b>155.9</b>

### Budgets for Smaller Bodies (2008/09 levels)

	£m	£m	£m	£m
NI Medical & Dental Training	46.4			46.4
Northern Ireland Practice & Education Council	1.3			1.3
Food Safety Promotion Board	2.1			2.1
Health Promotion Agency	1.9		1.9	
Institute for Public Health	0.4			0.4
Mental Health Commission	0.7			0.7
N I Social Care Council	1.7			1.7
Guardian ad Litem Agency	2.7			2.7
RQIA	7.0			7.0
NIFRS	79.2			79.2
Central Services Agency Admin	5.4	5.4		
<b>Total</b>	<b>148.8</b>	<b>5.4</b>	<b>1.9</b>	<b>141.5</b>

### Total Illustrative Budgets Held post RPA (Capital & Revenue)

<b>4114.6</b>	<b>3548.6</b>	<b>70.0</b>	<b>496.0</b>
<b>TOTAL</b>	<b>RHSCB</b>	<b>RAPHSW</b>	<b>DHSSPS</b>

## Notes:

1. Capital Budget: The Executive's capital budget allocation to DHSSPS (excluding NIFRS) for 2008/09 to 2010/11 is £198.6m, 199.7m and 189.2m respectively.
2. The £1.2bn of 2008/09 revenue budgets initially retained centrally and disbursed over the course of the year, comprises the above £995.6m + £148.4m (these figures exclude some £18m of non-recurrent waiting list funding and some £6m of prisons healthcare funding that has since been made recurrent and added to the recurrent Board allocation)
3. The above analysis envisages the majority of DHSSPS resources being allocated to the RHSCB. However the Department would retain some £492m to fund the ongoing capital programme, centrally managed activities (largest component education & training) and the range of smaller bodies remaining post RPA.
4. The running costs of the Patient & Client Council (PCC) are not separately included in the above analysis. The estimated amount, when available, would mean a corresponding reduction in the RHSCB budget. (Note that current HSSCs are funded from Board allocations).
5. Prescription drugs, dental and ophthalmic services (totalling some £540m) are demand led and not allocated as such. The £230m of GMS is not recurrent at present but could be made so. The remaining headings do not lend themselves to being made entirely recurrent (in particular training & education) as levels and patterns of demand can vary from year to year within and across organisations.

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<b>Author:</b>	Planning and Finance Project Board
<b>Owner:</b>	Dr Andrew McCormick, MIP SRO
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**This document required the following approvals**

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Modernisation and Improvement Programme Senior Responsible Owner (SRO) and Modernisation and Improvement Programme Board (MIPB) members	Dr Andrew McCormick, Permanent Secretary Linda Devlin Julie Thompson Sean Donaghy Michael McBride, David Bingham Hugh Mullen Linda Brown Sean Holland Colm Donaghy Karen Meehan Tom Creighton, Philip Robinson Ken Jarrold, Bernard Mitchell George O'Neill John Compton Edward Rooney Maeve Hully	22 <sup>nd</sup> January 2009	1.0

**This document has been distributed to:**

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Chief Executives of HSC Boards, Trusts and Agencies.		13th February 2009	1.0
Chairs of Boards & LCG Chairs, Trusts and Agencies		13th February 2009	1.0
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Departmental Board		13th February 2009	1.0
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DHSSPS Website and Intranet		13th February 2009	1.0