

ANNEX D

ALLOCATIONS FOR NHS REVIEW COSTS

1. As part of this year's PES settlement, additional funding for NHS Review implementation has been agreed of:

	<u>£ Million</u>		
	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
Revenue	140	215	250
Capital	46	40	10

This is in addition to the sums already in the baseline, namely:

	<u>£ Million</u>		
	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
Revenue			
RMI	22	22	22
HISS	3	3	10
Pilot Projects	20	20	20
Total	45	45	52
Capital			
RM	23	23	23
HISS	7	7	-
Total	30	30	23

It was agreed during PES that £15m of the pilot projects money would not be needed for that purpose and would be available for allocation to other areas. The additional £32m agreed earlier this year for the Review is not included in the baseline.

Revenue Allocations

2. The revenue outcome was some £38 million less than the sums bid for in year 1 and some trimming of our plans as reflected in the original bids will be necessary.

3. We recommend funding the following elements in full in line with the latest estimated cost. In each case the costs are clear and inescapable and funds would be specifically earmarked. The basis of allocation to regions would in each case be related directly to costs actually incurred. In some cases allocations could only be made later and against approved plans.

100 Consultants

£26 million

35 posts are being filled in 1989-90, 35 in 1990-91 and 30 in 1991-92. Funding will be allocated against approved bids. Part, in respect of 1989-90 posts, can be allocated with main allocations; the remainder will be allocated when costs are actually incurred.

Medical Audit

£15 million

Allocations would be pro rata to the number of consultants per region and subject to regions submitting satisfactory plans for implementation. Around £2 million would be retained centrally for continuation of central initiatives, for example with the Royal Colleges.

look more closely at how to be spent.

Community Physicians/Health Economists

£3 million

This is to fund training of an extra 40 community physicians a year and provide an extra 8 places a year on the York University MSC programme for health economists.

Remuneration of Health Authority Members

£3 million

Start date and costs are dependent on timing of the Royal Assent to the NHS Bill. Allocations would be in line with the numbers of Districts per region.

Capital Charges

£5 million

To fund the upkeep of asset registers. Allocation would be in line with initial revenue allocations.

Payments to the Audit Commission

£5 million

To cover higher charges levied by the Audit Commission as compared with the costs of Departmental audit. Funding would be allocated in line with the existing breakdown of audit costs (in-house and contract) across regions.

HISS

£1 million

To fund an expansion of the pilot from 3 to 6 sites. Allocation would be to approved sites.

RMI

£17 million

To fund a further 80 starts in 1990-91. Allocations would be made later against approved plans.

4. We recommend allocating the remainder of the revenue funding as follows.

NHS Trusts

£12 million

Our original bid to Treasury, based on an estimated 50 first wave starts was for £12 million. At this stage there is insufficient firm evidence on which to base a reliable estimate, but the costs could be higher if the number of trusts is significantly larger and/or there is an earlier start following April/May Royal Assent. Given the uncertainties, we recommend that we stick with the original estimate in planning our allocations and make a claim on the Contingency Reserve if the assumptions underlying the figure agreed in PES are overtaken.

Quality

£5 million

We recommend that the capital bid of £5 million for demonstration projects on quality initiatives be matched by a similar sum on revenue. There was a separate revenue bid for £35 million on quality in PES. This was wrapped up with other service developments in a global sum in the final settlement with no sums specifically identified for particular purposes. It seems sensible to bring both revenue and capital together in a single NHS Review-related fund of £10 million.

Personnel Staff, Finance Staff,
Training etc

£63 million

After allowing for the allocation proposed above, £63 million would remain with which to fund the remaining elements which were the subject of PES bids, namely:

	<u>PES Bid</u> <u>£ Million</u>
Finance staff	28
Personnel staff	23
Training	31
Management of consultant contracts	3
Consequential for health authorities of FPS changes	3
Total bids	88

5. There was intentionally some room for manoeuvre built into these bids and funding at the level of the residual sum of £63 million should enable our objectives to be met. In the view of the Management Executive, this sum, with the exception of a relatively small ~~small~~ amount for the NHS Training Authority, should be allocated as a global amount to health authorities, pro rata to main cash limits. Precise allocation between the various sub-heads would leave too little to the judgement of General Managers and would be resented by RGMS. The allocation would be accompanied by guidance to health authorities on the objectives to which the funding should be directed, holding General Managers to account ultimately for the delivery of those objectives.

A Central Reserve

6. We are not proposing retaining a central reserve to meet any subsequently identified cost. There may be some underspending in areas where allocations cannot be made initially (for example, on 100 consultants where we would only propose to fund health authorities from the date the costs are actually incurred and where there may be some delay in making appointments). Estimates of costs in most areas are based on the top end of what is probable and ought to leave some room for manoeuvre. But Ministers may wish to consider whether it would be prudent to hold back a central fund - say £2 million - for later contingencies. If so this would come from the £63m pool.

Capital

7. The £46 million available for allocation is equivalent to our amended PES capital bids, namely:

	<u>£ Million</u>
Quality/demonstration projects	5
Medical audit	11
RMI	16
HISS	14
Total	46

With the exception of funding for medical audit (which will be allocated pro rata to the number of consultants per region) allocations would be made against approved plans.

Summary

10. A table showing the proposed allocations and the implications for the second and third years covered by the Survey is attached to this Annex.

ANNEX D TABLE I

NHS REVIEW COSTS: PROPOSED ALLOCATIONS

<u>Item</u>	<u>£ Million</u>			
	<u>Revenue</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
i. 100 Consultants		26	37	36
ii. Medical Audit		15	35	38
iii. Community Physicians/ Health Economists		3	4	6
iv. Remuneration of HA members		3	5	5
v. Capital Charges		5	5	5
vi. Payments to Audit Commission		5	12	16
vii. HISS		4*	5*	5*
viii. RMI		39*	42*	60*
ix. NHS Trusts		12	22	34
x. Quality		5	5	5
xi. Personnel, Finance Training etc		63	83	87
xii. Pilot projects		5	5	5
Total Revenue		185*	260*	302*
<u>Capital</u>				
i. Quality		5	5	5
ii. Medical Audit		11	11	-
iii. RMI		39*	47*	28*
iv. HISS		21*	7*	-
Total Capital		76*	70*	33*

* Includes sums in baseline from 1988 Survey.