

## CONFIDENTIAL

Mr McKeon (PS/SoS)

From: John H James FA

Date: 14 November 1989

Copies: See attached list

## 1990 ALLOCATIONS: HCHS TOP-SLICED SUMS

1. This submission invites the Secretary of State to consider what revenue and capital sums should be pre-empted from the 1990-91 HCHS budget and thus not distributed to health authorities as part of their general allocations.

2. The detail of the main revenue and capital allocations for next year cannot be settled until data on cross boundary flows, due in this week, has been received from regions and analysed. A separate submission on main allocations will follow in early December.

3. Annexes A to C give our recommendations on top sliced revenue amounts. Annex D deals with NHS Review allocations, revenue and capital. Annexes E to G cover other capital sums.

General Considerations

4. In making our recommendations our objective for both practical and presentational reasons has been to keep central pre-emptions to a minimum. This is particularly necessary in the next few years because:

i. the redistributive effect of the new capitation formula for main allocations means we need all the resources we can get for general allocations to cushion losers; and

ii. the NHS Review will be pre-empting significant sums.

5. We also need to bear in mind that much of the additional revenue funds available to health authorities for next year as a result of the outcome of this year's Survey will be needed to meet inescapable costs, leaving a much smaller sum available on a non-earmarked basis. This reinforces our view that next year is one for consolidation rather than for major service developments, topsliced or otherwise. The arithmetic in very simplified terms could be along the following lines.

1988-89 baseline	13644
1990/91 baseline	14810
Cash increase	1166
Plus CIPs	150
Plus IG	25

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Total extra resources	1341
Deduct GDP inflation assumed at 5%	682
Deduct Whitley at (say) 2.5% above GDP	81
Deduct HAS contribution to Review Body (say)	35
Deduct excess non-pay inflation at (say) 1%	30
Deduct I&E deficit	56
Deduct new earmarking from PES 1989	173
Available	284
% Cash	2.1%

6. Accordingly we have examined critically all bids received and have succeeded in agreeing significant reductions in both their value and number. Nevertheless our recommendations, if accepted, would result in a substantially higher proportion of the HCHS revenue and capital budgets not being available for general allocation than in 1989-90. In both cases the majority of the increase is accounted for by the NHS Review.

7. In the slightly longer term we think the time is now right for a fundamental review of top-sliced programmes with a view to absorbing as many as possible into main allocations. In particular, we need to consider how far existing arrangements would be relevant after 1991. We plan to begin this review early in the new year to allow budget holders adequate notice of any changes from 1991-92. Meanwhile, there is some scope for manoeuvre this year but this is mainly in relation to new bids and proposed real-terms increase in existing programmes.

#### Revenue pre-emptions

8. Finance Division's recommendations (annexes A to D) would, if accepted, mean that sums not allocated to health authorities as part of their general allocations would be as follows, compared with 1989-90:

Table 1A

f Million

	1989-90	1990-91	Change Cash	Real Terms Change %
Annex				
Global HCHS Revenue spend	13,644.0	14,810.0	1,166.0	3.4
<u>less</u>				
A Non-Health Authority Budgets	202.2	217.0	14.8	2.3
Global Health Authority spend	13,441.8	14,593.0	1,151.2	3.4
<u>less</u>				
B Central Fund	10.9	12.5	1.6	8.9
C Earmarked Allocations to Health Authorities, excluding NHS Review	388.7	431.0	42.3	5.6
D NHS Review	77.0	185.0	108.0	128.8
General Allocations	12,965.2	13,964.5	999.3	2.6
of which SIFT	318.5	353.2	34.7	5.6
excluding SIFT	12,646.7	13,611.3	964.6	2.5

(Table 2 at the end of this minute summarises the components of these totals).

9. Overall our recommendations would mean that 5.7% of the HCHS revenue budget would not be available for general allocation compared to 5.4% in 1989-90. Almost two thirds of the increase of £165m is accounted for by the NHS Review. Top slicing flowing from PES for P2000, Waiting Lists, Hospices, and Cochlear implants (£41m) accounts for all but £16m of the remainder. However, Ministers will want to satisfy themselves as to the broad acceptability of the overall outcome and that their own policy objectives are properly secured.

10. Assuming Ministers are content, sums available for main allocations would be sufficient to provide on average real terms increase in cash limits of 2.5%. This figure would be 2.6% were it not that the Service Increment for Teaching rises significantly (£318 million to £353 million) as a result in part of the France Committee's recommendation but principally because of higher medical student numbers. Our present inclination, while the 2.5% is the sum on which the allocation decisions will pivot, is to bracket the extra SIFT money since all Regions will benefit and it is after all for services.

11. Specific issues (covered in the Annexes) that Ministers may wish to consider are:

Annex A. There are unresolved problems over the funding of R&D on the use of computers, payments to the Association of Community Health Councils for England and Wales (ACHCEW), the CBLA and PHLSB.

Annex C. Proposals for new top-slicing for hospices and cochlear implants and for an increase in the waiting list fund. We are proposing no cash increase for AIDS treatment and prevention.

Annex D. Ministers will wish to look particularly at NHS Trusts, where estimating is a problem; at the proposal to group together funding for personnel, finance staff and training in a single sum; and whether to create a central reserve.

#### Capital pre-emptions

12. The effect of reserving the sums recommended by Finance Division, compared with 1989-90 would be as follows:

	£ Million			
	1989-90	1990-91	Change Cash	Real Terms Change%
Annex				
Global HCHS capital spend	920.0	1,086.0	166.0	12.4
<u>less</u>				
E Non Health Authority	27.0	27.1	0.1	-4.6
Global Health Authority spend	893.0	1,058.9	165.9	12.9
<u>less</u>				
F Central Fund	3.4	8.9	5.5	147.8
G Earmarked allocations to Health Authorities, excluding NHS Review	139.0	174.9	35.9	19.8
D NHS Review	13.0	76.0	63.0	456.8
General Allocations	737.6	799.1	61.5	3.2

These proposals increase the proportion of capital top-sliced from just under 20% to 26%. But if NHS Review funding is set aside the proportion falls to 19%.

13. The only issue to which we would specifically draw Ministers' attention is the proposal to fund the development of digital radiology in Annex F.



Conclusion

14. The Secretary of State is invited to consider and accept Finance Divisions recommendations on:

- i. the amount of revenue to be pre-empted from general allocations (Annexes A to D); and
- ii. the amount of capital to be pre-empted from general allocations (Annexes D to G).

GRO-C

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TABLE 2

REVENUE	1989-90 £000s	1990-91 £000s	CASH CHANGE £000s
<b><u>Annex A</u></b>			
(Non-HA Budgets)			
ENB	110,083	116,374	+6,291
PHLSB	41,249	43,924	+2,675
NHS Training	976	1,025	+49
NHS Training Authority	7,031	7,383	+352
Injury Allowances	7,310	8,936	+1,626
CBLA	6,311	7,350	+1,039
R&D (use of computers)	3,759	3,947	+188
Student Training Grants	8,359	9,017	+658
Payments under Contracts			
with hospitals	4,515	4,741	+226
Purchase of vaccines	2,538	2,665	+127
Other Procurement			
Services	5,936	6,232	+296
Health Building and			
Estate Management			
Guidance	2,069	2,172	+103
Other miscellaneous bids	2,104	2,048	-56
Management Executive	-	1,250	+1,250
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Total	202,240	217,064	+14,824
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**Annex B**

Health Authority			
Central Fund	10,915	12,484	+1,569
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REVENUE	1989-90 £000s	1990-91 £000s	CASH CHANGE £000s
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Annex C

(HA earmarked funds -  
excluding NHS Review)

Drug misuse	5,745	6,032	+287
Joint Finance	71,094	74,649	+3,555
Miscellaneous bids	267	279	+12
UKTS	1,047	1,100	+53
Quality Assessment of Clinical Laboratory	569	668	+99
Cross charging for blood products	10,200	10,710	+510
Supra-regional services	48,688	59,267	+10,579
Waiting Lists	31,000	35,000	+4,000
London Supplements	52,459	58,061	+5,602
Nurses Training (including Project 2000)	12,000	40,000	+28,000
AIDS	129,530	129,530	-
Camden Social Workers/ Portman and Tavistock Clinics	3,193	3,353	+160
Breast cancer screening Schemes ending in 1990-91	11,000	546	-10,454
Reimbursement of UKCC	11,845	-	-11,845
Salary	25	26	+1
Hospices	-	8,000	+8,000
Cochlear Implants	-	1,000	+1,000
Flexible pay	-	1,655	+1,655
Brompton Redevelopment	-	1,114	+1,114

TOTAL	388,662	430,990	+42,328
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Annex D

NHS Review	77,000	185,000	+108,00
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CAPITAL	1989-90	1990-91	CASH CHANGE
	£000s	£000s	£000s
<b>Annex E</b>			
(Non-HAs and SHAs)			
Central procurement and other services	1,060	1,159	+99
CBLA	7,000	5,904	-1,096
London Post-Graduate SHAs	16,515	17,341	+826
PHLSB	2,430	2,657	+227
<b>Totals</b>	<b>27,005</b>	<b>27,061</b>	<b>+56</b>

<b>Annex F</b>			
(Health Authority Central Fund)			
Fluoridation	1,075	1,129	+54
Building Developments	1,253	842	-411
UKTS Equipment	42	42	-
GP referral rate information system	33	42	+9
Training for consultants on CDC	-	13	+13
RSUs	1,037	2,564	+1,527
Helicopter Emergency Service	-	314	+314
Trauma Centers	-	210	+210
Information needs for the disabled	-	50	+50
Digital Radiology System	-	3,744	+3,744
<b>Totals</b>	<b>3,440</b>	<b>8,950</b>	<b>+5,510</b>

## CAPITAL

## ANNEX G

## RHA EARMARKED ADDITIONS

	<u>1989-90</u>	<u>1990-91</u>	<u>Cash Change</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Supra-regional services	1,943	1,837	-106
Dental Hospitals re-			
equipment	4,186	4,395	+209
Teaching Hospitals			
Central Support	18,047	29,623	+11,576
Cyclotron	3,000	3,000	-
Great Ormond St Cardiac			
Wing	700	3500	+2800
Wonford	7,000	8,483	+1,483
Regionalised ex-BG			
Schemes	502	379	-123
Joint Finance	47,397	49,767	+2,370
Inner Cities Bias	51,652	54,235	+2,583
Urban Programme	2,650	2,783	+133
Westminster Redevelop-			
ment	-	14,000	+14,000
Strategic Shift	1,916	2,900	+984
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	138,993	174,902	+35,909
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## ANNEX A

## ALLOCATIONS OTHER THAN TO HEALTH AUTHORITIES

1. If Finance Division's recommendations are accepted £215.8m will be pre-empted to other than Health Authorities as follows:

	1989-90 £000s	1990-91 £000s	Cash change £000s
i. Bids seeking level funding or decrease in real terms	23,569	24,576	+1,007
ii. Bids seeking real terms increase which we recommend be met.	126,326	134,942	+8,616
iii. Bids with recommended lower real terms increases than sought	47,560	51,274	+3,714
iv. Bids for real terms increases which we recommend should not be met	4,785	5,022	+237
v. New bid	-	1,250	+1,250
<b>TOTAL</b>	<b>202,240</b>	<b>215,814</b>	<b>+13,574</b>

2. Details of bids received and Finance Division's recommendations are given below.

3. LEVEL FUNDING OR DECREASES IN REAL TERMS ARE PROPOSED FOR THE FOLLOWING BUDGETS. These have been agreed with the sponsoring Divisions and we recommend acceptance.

	<u>1989-90</u> <u>£000s</u>	<u>1990-91</u> <u>£000s</u>	<u>Cash</u> <u>Change</u> <u>£000s</u>	<u>Real Terms</u> <u>Change</u> <u>(Per Cent)</u>
i. Advances to UKCC including advances to CNAA	391	384	-7	-6.5

The Department meets approximately three quarters of the interest payable on a bank loan taken out by UKCC in 1985-86 to meet the costs of their setting up. The arrangement ends in 1992-93.

ii. Payments under contracts with hospitals	4,515	4,741	226	0
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This is Procurement Directorates main budget for meeting the cost of contracts with universities, hospitals and research institutions for R and D into health service supplies and equipment.

	<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
	<u>£000s</u>	<u>£000s</u>	<u>Change</u>	<u>Change</u>
			<u>£000s</u>	<u>(Per Cent)</u>
iii. Purchases of Vaccines	2,538	2,665	127	0

The bid pays for the cost effective central purchasing of vaccines used by health authorities in immunisation programmes.

GRO-C	iv. Other Procurement Services	5,936	6,233	297	0
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The bid is for specific projects under the umbrella of central purchasing and R and D, notably supply and maintenance of environmental control equipment.

v. R&D on the use of computers (centrally funded projects)	545	572	27	0
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vi. Building and Engineering Research and Development	133	140	7	0
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vii. Development of Health Building and Estate Management Guidance	2069	2172	103	0
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viii. National Blood Transfusion Service Directorate	347	271	-76	-25.6
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This budget covers the running cost of the Directorate which was established in 1988 and has as one of its key objectives the implementation of a cost effective strategy for ensuring an adequate supply of blood throughout England and Wales.

ix. NHS Training Authority	7,031	7,383	+352	-
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The NHSTA provides education and training for NHS staff particularly in the field of management development.

x. Other miscellaneous bids of £100K or less	64	15	-49	-77.6
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23,569	24,576	+1,007	-0.7%
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4. BIDS FOR REAL TERMS INCREASES WHICH we recommend should be accepted in full have been made as follows:



	<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
	<u>£000s</u>	<u>£000s</u>	<u>Change</u>	<u>Increase</u>
			<u>£000s</u>	<u>(Per Cent)</u>
4.1 <u>Injury Allowances</u>	7,310	8,936	1,626	16.4%

Expenditure on payments to NHS staff injured in the course of their work is expected to continue to rise in future years. This is due, in part, to the interpretation of the Disablement Benefit Regulations which extends benefit to those who have not necessarily suffered a specific accident or injury at work but who nevertheless suffer a reduction in their earning ability due to a condition which is primarily attributable to their NHS employment. Another factor is that there are now proportionately more "better paid" staff qualifying for injury benefits, many of the less well paid jobs having been contracted out.

4.2 King Edward's Hospital  
Fund for London (Kings  
Fund Centre)

574	615	41	2.0%
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The bid includes a contribution to the running costs of the centre which provides R and D facilities for anyone concerned with health and handicaps in the UK and overseas.

4.3 ENB	110,083	116,374	6,291	0.7%
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This modest real terms increase reflects the cost of ENB now being required to pay Value Added Tax on its rent bill (£123K); updating its computer software in line with its information strategy (£50K); the cost of developing a system of performance indicators to allow it to monitor activity within schools of nursing (£50K) and the estimated cost of employing a commercial firm of auditors to verify its accounts (£20K).

4.4 Student Training  
Grants etc

8359	9017	658	2.7%
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This 2.7 per cent reflects the increase in the number of teachers and in validation fees for post qualification courses.

5. WE RECOMMEND REAL TERMS INCREASES LESS THAN THOSE BID FOR IN THE FOLLOWING CASES:

5.1 Public Health Laboratory  
Service Board

sought :	41,249	45,079	3,830	4.1%
recommended :	41,249	43,924	2,675	1.4%

The bids falls into 3 main categories:

- i. An increase of £2.025 million on its existant recurrent funding for forecast inflation. We recommend that this be accepted.

ii. £0.263 million for continuation of hepatitis B vaccination screening. This is a reduction on the sum provided in 1989-90 (£0.75 million) and reflects easement in the number of NHS staff requiring screening.

iii. New bids totalling £3.08 million for a variety of initiatives:

a. £788K for an increase in diagnostic work in the peripheral laboratories which has stemmed from the demand for analysis of suspect food specimens. We recommend that the bid be accepted.

b. £109K to expand the food hygiene laboratory and the division of Enteric Pathogens. This will be necessary to enable the PHLBSB to respond to legislative requirements for additional testing of water, milk, eggs etc, the need to expand tests to the wider range of organisms (eg campylobacter, giardia, yersinia and viral food poisoning) which are now recognised as posing a public health risk, and to undertake the necessary public surveillance work to identify environmental causes of food-borne infection. We recommend that the bid be accepted.

c. £231K to fund a half share of 14 senior registrar posts. The Acheson Report recommended that RHAs oversee the appointment and training of District Control Infection Officers. RHAs propose to appoint regional specialists who, amongst other things, will be responsible for in service training of DCIOs in the control of communicable disease. PHLBSB wish to provide part funding of the posts to encourage the senior registrars to spend sufficient time at the communicable disease surveillance centre seeing how the disease is controlled at a national level and to ensure that the right messages are passed on to their students. Finance Division sees this as merely replacing funds which health authorities are already proposing to spend for this purpose. Unless Ministers consider that there are strong presentational reasons for this we recommend against providing funds for this purpose.

d. £221K to fund six posts at registrar level. HS Division have drawn attention to the recommendation in the Acheson Report "Public Health in England" which recommended that the PHLBSB should be involved in providing extra training in the control of communicable diseases and infection. They consider the bid for six posts very modest and regard it as the absolute minimum needed if the PHLBSB is to discharge its additional training. Finance Division are uncertain about the level of priority Ministers wish to afford this but on the information currently available do not feel able to recommend support for the bid.

e. £126K to employ staff to operate the new computers (for which the Department provided funding) and for the maintenance of the computers. We recommend that this bid be accepted.

f. £53K to enhance the existing budget for staff training. Finance Division are of the opinion that the PHLSB should consider meeting any such expenditure from within their efficiency savings (estimated to be over £150K in 1990/91) and therefore recommend that the bid be rejected.

g. £55k to increase the present complement of statisticians in post at the Communicable Disease Surveillance Centre from 2 to 6. This increase has been sought to enable the CDSC to keep pace with its present analytical workload which has fallen seriously into arrears and to cope with the higher workload resulting from the Acheson Report. Finance Division recognise that some additional support is needed and recommend that £14k be provided to enable 1 additional statistician to be employed.

h. £263k to meet the knock-on effect of the 1988/89 pay award to MLSOs. This pay award was staged and included a restructuring of MLSOs pay scales. Because of the large number of MLSOs employed by the PHLSB (36% of their total pay bill is spent on MLSOs) the effects of the award have fallen particularly hard on the Board which has limited scope for finding savings elsewhere. But against this there is anecdotal evidence which suggests that the Board was not as rigorous as it should

have been when regrading staff. We therefore recommend that the bid should not be met in full and suggest £100k would be an appropriate sum.

i. £446k for the collection of data on infectious intestinal disease. The Committee on the Micro Biological Aspects of Safety of Food consider that reliable data on the full incidence of intestinal disease is necessary to its work. (At present the incidence of reported illness is known but reported cases are believed to be only a fraction of the full incidence.) Finance Division do not feel able to recommend acceptance of this bid.



	<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
			<u>Change</u>	<u>Increase</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>(Per Cent)</u>
<u>5.2 Central Blood Laboratories</u>				
<u>Authority</u> Sought:	6311	7850	1639	18.5%
recommended:	6311	7350	1039	10.9%

The CBLA has not yet submitted its planned budget for 1990-91. The above figures are based on HS Division's rough estimate of the forecast requirement. The figure of £7.85 million includes £0.5 million to meet potential legal fees resulting from the litigation being taken by haemophiliacs who have contracted AIDS from infected blood supplies. Finance Division are not at this stage prepared to endorse the bid: a separate submission will be made in due course. Meanwhile we propose that:-

i. £0.5 million for potential legal fees be omitted from the bid. It is not certain that this sum will be needed or indeed that the CBLA will look to the Department for financial assistance. Such a bid could in any event be considered in year when the full extent of the legal fees were known.

ii. The remaining £7.35 million be held back until the planned budget has been submitted and critically analysed. Any balance would be available for later distribution.

6. BIDS FOR REAL TERMS INCREASES WHICH WE RECOMMEND SHOULD NOT BE ACCEPTED ARE AS FOLLOWS

6.1 R&D on the Use of Computers:  
Information Management Centre (IMC)

bid	:	3759	4,184	425	6.0%
proposed	:	3759	3,947	188	0%

The IMC is an NHS organisation whose primary task is to provide assistance for health authorities to acquire better information systems than would be possible for health authorities working individually. It does not have a good financial management record. In 1987-88 it carried forward an underspend of £1 million into 1988-89: a similar underspend was carried forward into 1989-90. It is not yet clear whether the IMC will be able to spend its full budget this year. Finance Division therefore recommend that the Centre should receive no real terms increase in 1990-91. If during the course of 1990-91 it becomes clear that IMC require the additional funds they are now seeking we could consider an in year bid although its success would depend on the level of funds then available.



<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
<u>£000s</u>	<u>£000s</u>	<u>Change</u>	<u>Increase</u>
		<u>£000s</u>	<u>(Per Cent)</u>

6.2 Payments to the Association of Community Health Councils for England and Wales (ACHCEW)

bid	:	50	86	36	62.3%
proposed	:	50	50	0	-5.7%

The Department provides "deficit" funding to prevent ACHCEW having to raise subscriptions (which account for about 70 per cent of its income) to a level at which membership might be severely reduced. For the last 3 years funding has been held at £50k per year. The Secretary of State has recently made it clear that funding should be frozen at the current level and not increased at any stage without his personal approval.

6.3 <u>NHS Training</u>	bid:	976	1,382	406	34.8%
	recommended:	976	1,025	49	0%

The bid is for increased funding for:

i. the Doctors' and Dentists' Retainer Scheme (£105K) which provides an annual fee (£155) as a contribution towards the costs of subscriptions to medical journals, medical defence premiums, etc for doctors/dentists working part-time because of family commitments. The bid is for a 250% increase in the current level of fee which has not been reviewed since 1982. Finance Division do not consider an increase should be considered until the affect of new arrangements for no fault compensation on medical subscriptions has been estimated.

ii. grants to Royal Colleges (£42,000) for committee work on training. The bid is based on an estimate of what is needed to bring the Departmental contribution up to 50% of total costs. Finance Division suggest that the increase should be limited to what is needed to keep pace with inflation (approximately £18,000).

iii. A marker bid for £210,000 to cover possible research studies which may emerge from the CMO's Expert Advisory Group on postgraduate medical education. No firm proposals have yet been developed and Finance Division would prefer to await the outcome of the groups deliberations and if necessary consider an in-year bid for these relatively modest sums.

We therefore recommend level real terms funding.

£000s  
1990-91

## 7. NEW BID

7.1 Management Executive

?  
1,250 why not flm.

The bid is for the costs of supporting the Management Executive that will need to be met from the HCHS vote under the new arrangements.

## ANNEX B

## HEALTH AUTHORITY CENTRAL FUND - REVENUE

1. Sums are held back to be issued from the Health Authority Central Fund to finance schemes where central intervention is both desirable and cost effective. Schemes must fit at least one of the following criteria:

i. specialised new activities arising from research which need to be tried under central oversight;

ii. schemes of high national priority which Health Authorities cannot be persuaded to adopt without the incentive of central funding;

iii. specialised new activities, of established value, provided initially in only a few places.

2. Discussions by FA with sponsoring Divisions have resulted in some schemes being pruned or dropped. Inescapable on-going commitments on existing schemes within the Central Fund amount to £9.1m. New schemes account for £3.4m, giving a total of £12.5m recommended for the Fund for 1990-91 as follows:

	<u>£000s cash</u>		
	<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>
	<u>provision</u>	<u>requirement</u>	<u>Change</u>
i. Schemes seeking no real terms increase	6,085	6,389	+304
ii. Schemes proposing reductions in funding	593	413	-180
iii. Existing schemes requiring additional funding	793	2,235	+1,442
iv. New bids	-	3,447	+3,447
v. Schemes ending in 1989-90	3,444	-	-3,444
	<u>10,915</u>	<u>12,484</u>	<u>+1,569</u>

3. The levels of funding sought for the following schemes have been agreed with sponsoring divisions and we recommend acceptance in each case

## 4. EXISTING SCHEMES SEEKING NO REAL TERMS INCREASE IN 1990-91

£000s cash			
<u>Scheme</u>	<u>1989-90</u> <u>provision</u>	<u>1990-91</u> <u>requirement</u>	<u>Cash</u> <u>increase</u>
i. MRC childhood Leukaemia Trials	420 (1)	441	21
ii. Case Management Systems	189	198	9
iii. Confidential Enquiry into Perioperative Deaths (CEPOD)	439	461	22
iv. Medical manpower career structure: creation of consultant posts	4,900	5,145	245
v. Other miscellaneous bids of £100K or less	137(2)	144	7
	<hr/> 6,085	<hr/> 6,389	<hr/> 304

(1) Added to the Central Fund during the course of 1989-90.

(2) Includes £10,000 from NHSTA budget.

## 5. EXISTING SCHEMES WHERE REAL TERMS REDUCTIONS IN FUNDING IN 1990-91 ARE AGREED

i. GP referral rate information system	77	63	-14
ii. Training centre in the prevention of Child Sex Abuse	125	126	+1
iii. Clinical Accountability Service Planning Evaluation: Patient Sampling	157	126	-31
iv. Other miscellaneous bids of £100K or less	234	98	-136
	<hr/> 593	<hr/> 413	<hr/> -180

## 6. EXISTING SCHEMES REQUIRING ADDITIONAL FUNDING IN 1990-91

i. Cervical cancer screening	32	95	63	182.7%
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The increase allows for the extension of existing limited activity to provide a coherent structure for the service.



<u>Scheme</u>	<u>1989-90</u>	<u>1990-91</u>	<u>£000s cash</u> <u>Cash</u> <u>Change</u>	<u>Real Terms</u> <u>Increase</u> <u>%</u>
ii. Radiotherapy Hyper-fractionation (1)	100	525	425	400%
Preliminary small scale trials carried out in 1989-90. Increase in funding is due to the extension of these trials so as to measure the benefits of the technique to the NHS. Radiotherapy hyperfractionation was the subject of a PES bid for which no specific provision was made in the final settlement. The bid is lower than that sought in PES because it excludes the cost of extending the technique as a routine service throughout the NHS.				
iii. Training for consultants in Communicable Disease Control	20	270	250	1185.7%
Following initial work in this area additional funding is required to run pilot courses and further develop training modules. Allocations will be made to RHAs and the Communicable Disease Surveillance Centre.				
iv. Legal costs arising from industrial tribunal for speech therapists pay parity with other NHS professions.	105	137	32	24.3%
v. Regional Secure Units	355	691	336	85.4%
Announced in 1976 this scheme sought to encourage health authorities to establish a network of Regional Secure Units. In addition to capital being made available (see Annex F, paragraph 4(ii)) recurrent revenue enhancements are made to those authorities who open beds above two thirds of their 'target' figure for the region.				
vi. Helicopter Emergency Medical Centre	57 (1)	308	251	414.6%
vii. Other miscellaneous bids of £100K or less	124	209	85	60.5%
	<u>793</u>	<u>2235</u>	<u>1442</u>	<u>168.4%</u>

Note: 1 - Added to the Central Fund in 1989-90

## 7. BIDS FOR NEW SCHEMES IN 1990-91 £000s

i. Financial Management Training Initiative 1,743

To extend for a further year the programme of training for NHS finance staff targeted at the new skills needed to implement the NHS Review. The programme will be managed by the NHSTA. In the current year the training programme is being funded from within additional monies made available to strengthen the finance function in support of the Review proposals.

ii. Trauma Centres 368

To evaluate the Royal College of Surgeons proposals for the establishment of trauma centres in an attempt to avoid them being introduced more widely without regard to value for money and better outcomes. Mr Mellor supported this bid.

iii. Voucher Scheme for Orthopaedic Footwear 74

A pilot project to make orthopaedic footwear available to patients in a small number of hospitals for a short period using vouchers but not imposing charges. The scheme would be evaluated to see if it was appropriate on a national basis. The allocation would pay for the appointment of a project co-ordinator and for the evaluation of the scheme to be carried out by a University team. PS(H) supports.

iv. Implementation of the Children's Bill 105

The bid is for one year only and is to ensure that adequate training materials and resources are available to enable the effective implementation of those provisions of the Children's Bill relating to health services by 1 April 1991. The NHSTA will be commissioned to prepare appropriate training materials for in-service training of health authority staff.

v. Phenylketonuria Register 53

Phenylketonuria (PKU) is a genetic disease resulting in mental subnormality. The maintenance of a national register is aimed at ensuring that the female population with PKU is properly treated and counselled on child bearing, with the aim of minimising the risk of their giving birth to handicapped children.

vi. Hearing Aid Provision 210

It is proposed that 6 pilot projects are established to consider direct referral by GPs of patients requiring hearing tests to the NHS audiology service. This should help in improving access to services for patients requiring hearing aids. PS(H) is likely to seek SofS's agreement to increase the bid on this project to £420,000 in 1990-91.

vii. Information needs of disabled people 168

To test various methods of disseminating vital information to disabled people in the eight districts of Oxford RHA. (Capital funding for the project is also being sought - Annex F paragraph 5iii).

viii. Regional Workplace Project 105

Extension of the "Look After Your Heart" initiative to the regional level. A joint three-year pilot project between the HEA and Northern, Mersey, Yorkshire, Trent and North Western RHAs.

ix. Part Time Training for Registrars 516

The scheme aims to improve the availability of part-time training for Registrars in all regions and thus increase the number of women doctors becoming consultants. The scheme, which has Secretary of State's agreement in principle, is due to run for seven years at a total cost of £16.5m.

x. Miscellaneous new schemes under £50K (Total) 105

a. Standards of Nursing Care Index	35
b. Feedback on GPs use of hospital and drug resources	21
c. Nurse Audit Training Package	49

TOTAL OF NEW SCHEMES	3447
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8. SCHEMES CEASING TO REQUIRE CENTRAL FUNDING IN 1990-91

a. The following schemes' funded from the HACF, have now concluded.

i. Lasers	245
ii. Stereotactic Radiosurgery (This is now a Supra Regional Service)	140
iii. Strategic Planning	52
iv. Mental Illness Development Projects	2073
v. Test appeal costs (W Berkshire HA)	100
vi. Other smaller schemes (less than £50K)	159

b. The following schemes have had funding protected by inclusion in Health Authorities main allocations and no additional funding is sought from the HACF.

3/158

f000s

i. Care of the elderly with psychiatric disorders

639

ii. Unit for social and preventive psychiatry (Tower Hamlets)

36

Total [(a) + (b)]

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3444

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## ANNEX C

## HEALTH AUTHORITY TOP SLICED ADDITIONS - EXCLUDING NHS REVIEW RELATED FUNDING

1. This appendix provides details of earmarked revenue additions to health authorities with the exception of those covered in Annex D (NHS Review).

2. If Finance Division's recommendations are accepted the total of health authority top sliced revenue additions would be £431.0m (as compared with £388.7m in 1989-90) as shown below:

	<u>1989-90</u> <u>£000s</u>	<u>1990-91</u> <u>£000s</u>	<u>Cash Change</u> <u>£000s</u>
i. Bids where level real terms funding is proposed	91,571	96,149	+4,578
ii. Bids with recommended real terms increases	144,716	192,996	+48,280
iii. Bids with recommended real terms decreases	140,530	130,076	-10,454
iv. Bids ending in 1989-90	11,845	-	-11,845
	<u>1989-90</u> <u>£000s</u>	<u>1990-91</u> <u>£000s</u>	<u>Cash Change</u> <u>£000s</u>
v. New bids		11,769	+11,769
Totals	388,662	430,990	+42,328

3. LEVEL REAL TERMS FUNDING IS PROPOSED FOR THE FOLLOWING. Figures have been agreed with sponsoring Divisions and we recommend acceptance.

3.1 <u>Drug Misuse (excluding AIDS-related Services)</u>	5,745	6,032	287
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Since 1986-87 funds have been earmarked to ensure the development of local services for drug misusers throughout the country. As in previous years there is no increase other than forecast inflation.

3.2 <u>Joint Finance</u>	71,094	74,649	3,555
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This earmarked addition was introduced in the mid 1970s to encourage joint planning between health and local authorities and to ease the transition from hospital to community care. It is a fixed sum, normally revalued each year.

	1989-90	1990-91	Cash
	£000s	£000s	Increases
			£000s
3.3 <u>Cross Charging for Blood Products</u>	10,200	10,710	510

Until 1989-90 these funds formed part of the CBLAs budget. But the introduction of cross charging between the CBLA and health authorities in 1989-90 meant that they were topsliced and allocated separately to health authorities. The pattern of expenditure between individual health authorities is not yet clear and we therefore propose to again retain the funds centrally until further information on how they should be distributed amongst authorities is available. It is hoped that these sums will eventually be built into health authorities baselines.

3.4 <u>Reimbursement to South East Thames RHA for UKCC Chairman's salary</u>	25	26	1
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The UKCC Chairman is an employee of the South East Thames RHA and these funds are sought to reimburse the Region for the time she spends on UKCC business. In previous years the funds have been topsliced from health authority allocations. In 1990-91 the funds will be found by reducing the UKCC budget.

3.5 <u>UK Transplant Service</u>	1,047	1,100	53
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A protected sum increased each year for inflation.

3.6 <u>Camden Social Workers/Portman and Tavistock Clinics</u>	3,193	3,353	160
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Ministers have given a commitment to protect these sums while the future of the clinics is evaluated. Payments are made quarterly in arrears.

3.7 <u>Other miscellaneous bids of £100K or less</u>	267	279	12
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This heading includes bids (at 1990-91 prices) for the cost of treating ex-Far Eastern prisoners of war at service hospitals (£174K); helping meet the cost of employing doctors and radiographers at Heathrow and Gatwick (£71K); the cost of staff needed to take forward civil defence policy matters affecting the NHS (£29K); and a contribution to the Nurses Welfare Trust (£5K).



4. RECOMMENDED REAL TERMS INCREASES ARE PROPOSED FOR THE FOLLOWING

	1989-90	1990-91	Cash Increases £000s	Real Terms Increases (Per Cent)
	£000s	£000s	£000s	
4.1 <u>Supra regional services</u>	48,688	59,267	10,579	15.9%

A specific bid for this amount was made in PES 1989. A separate submission on the detailed proposals will be put to Ministers towards the end of November. If Ministers decide not to implement the recommendation in full any balance will be distributed with the main allocation.

4.2 <u>Waiting List Fund</u>	31,000	35,000	4,000	7.5%
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It has been announced that the Waiting List Fund will continue for at least another year. Ministers will recall that originally a PES bid of 40/50/60m was made for this item. That bid was later reduced to 30/30/30m. In view of the actual level of the PES settlement we recommend a somewhat smaller increase to £35m. A separate submission has been put to MS(H) suggesting how the funds might be distributed.

4.3 <u>London Supplements</u>	52,459	58,061	5,602	5.4%
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These sums, which reflect the cost to the Thames Regions and Oxford of the London Supplements for nurses, midwives and PAMs, are separately identified to ensure that the funds are not redistributed to all authorities. The 1989-90 figure is that shown in health authorities initial cash limits: it does not include the additional funds provided in year as part of the extra funding provided for review body awards as these were not separately identified. This accounts, in part, for the real terms increase. London supplements were first introduced as part of the 1988 review body pay awards. Until recently we have not had any reliable data on the cost of the supplements: the 5.4 per cent real terms increase is what is required to meet the cost of these supplements to authorities. Should the Review Body recommend an increase above this level in 1990 the question of any further funding will be addressed in the context of discussions on the funding of those awards.

4.4 <u>Nurse Training, including Project 2000</u>	12,000	40,000	28,000	217.5%
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These funds were obtained in PES 1988 and PES 1989 and are made up of an £8m increase on the 1989-90 figure flowing from the 1988 PES plus £20m new money from 1990-91. They will enable the work begun this year on Project 2000 and on tackling particular shortages to specialist nurses to be continued. It will bring total spending on Project 2000 next year to around £30m. A small amount at around £1m will fund an expansion in PAMs training.

1989-90	1990-91	Cash	Real Terms
£000s	£000s	Increases	Increases
		£000s	(Per Cent)

4.5 <u>Quality Assessment of Clinical Laboratories (NEOAS)</u>	569	668	99	11.8%
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NEQAS is a system for checking the accuracy of laboratory results. Allocations are made to Regional and Special Health Authorities. Test material are provided to participating laboratories and the laboratories' results analysed. Coupled with internal quality control the procedures provide a systematic quality assurance programme towards achieving the highest possible quality of performance in patient investigation. The alternative would be a costly system of regulations requiring an inspectorate to ensure implementation. The bid is in two parts. First a protected sum of £343K (at 1989-90 prices) which is increased each year for inflation. Second, a non-recurrent addition of £293K (at 1989-90 prices).

5. REAL TERMS DECREASES ARE PROPOSED FOR THE FOLLOWING:

5.1 <u>AIDS</u>	129,530	129,530	0	-4.7%
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No additional funds were obtained in this year's PES. We recommend that overall funding in 1990-91 should remain at the current level. This reflects the latest view that the next set of Cox figures, now expected early in the new year, will show a reduction in the forecast upward trends in numbers with HIV/AIDS as compared with last year's figures. It also reflects Wellcome's recent announcement of a 20% reduction in the price of Zidovudine. Because of the large sum retained centrally and allocated for other AIDS related expenditure this year it will still be possible to increase health authorities allocations for forecast inflation as demonstrated in the following table:

	£000s	
	1989-90	1990-91
RHAs and SHAs	121,846	127,938
Others	7,684*	1,592
	<hr/>	<hr/>
	129,530	129,530
	<hr/>	<hr/>

\* includes £3 million surrendered to meet other non-AIDS expenditure.

	1989-90	1990-91	Cash Change £000s	Real Terms Change (Per Cent)
5.2 <u>Breast Cancer Screening</u>	11,000	546	-10,454	-95.3%

In the past 3 years plans to establish a national screening and diagnostic service have been supported by separately identified funding. Those funds were allocated recurrently and are therefore included in health authorities baselines for 1990-91. The £546k for 1990-91 is the final sum to be allocated for this purpose. It will assist regions in meeting particular local needs such as high travelling costs for mobile units in sparsely populated areas or additional quality assurance initiatives. We recommended acceptance.

#### 6. ITEMS CEASING TO REQUIRE CENTRAL FUNDING FROM 1990-91

	1989-90 provision  £000s
i. MMR Vaccine (1)	7,800
ii. London Helicopter Emergency Medical Service (Evaluation)	30
iii. Trent RHA regional secure units	342
iv. Review of Statutory Nursing Bodies	13
v. Manchester Business School	26
vi. GOS: Revenue Consequences of Cardiac Wing Rebuild (1)	648
vii. Tadworth Court (1)	514
viii. NHS Review Staff Officer etc	86
ix. Medical Audit	262
x. Breast Cancer Screening: knock on from 1988-89 (1)	1,568
xi. Quality Management	556
	<hr/>
	11,845

#### Note:

(1) Allocation now forms part of health authority baseline.

#### 7. NEW TOP SLICED PROVISION IS SOUGHT FOR THE FOLLOWING.

7.1 <u>Hospice Funding</u>	8,000
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The PES bid for service development contained £16m for hospices. No specific provision was made for this in the settlement but officials recommend providing £8m to enable all regions to increase their allocations to hospices to at least 33% of hospices revenue spend. (The PES bid envisaged 50% support). Detailed proposals for allocations and the operation of the scheme, which would last for 3 years, have been given in a separate submission to MS(H).



1989-90  
provision  
£000s

7.2 Cochlear Implants

1,000

As with funding for hospices, no separate provision was made in PES for the bid for cochlear implants. Both Mr Mellor and Lord Trafford indicated support for this initiative. The £1 million recommended are the same as the unsuccessful PES bid. If the recommendations are accepted the funds would be used to introduce a screening and implant programme for cochlear implants. These give some hearing ability to profoundly deaf people thus improving confidence and aiding independent living.

7.3 Full-Year Effect of Flexible Pay

1,655

The cost of flexible pay for nurses and midwives in 1989-90 (£5 million) has been met from the additional monies provided for this year's review body awards. It will be built into health authority baselines for future years. But £5 million represents only part year costs: a further £1.655 million is needed in 1990-91 to meet the full year effect. We recommend that this sum be topsliced in 1990-91 and built into health authorities baselines for future years.

7.4 Revenue Consequences of Capital  
Scheme at the Brompton Hospital  
(Heart and Chest SHA)

1,114

The Department has agreed to provide a limited sum for the revenue consequences of the redevelopment of the Brompton Hospital (first phase).

## 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.

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.

look more closely at how to be spent.



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>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
<u>Revenue</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.

## ANNEX E

## NON REGIONAL HEALTH AUTHORITY TOP SLICING AND SPECIAL HEALTH AUTHORITIES - CAPITAL

1. If Finance Division's recommendations are accepted £27.1m capital will be pre-empted for bodies other than RHAs and for SHAs. A schedule of the recommendations is in the table attached to this Annex.

Details of individual bids and Finance Division's comments on them are given below.

2. Bids for which we recommend acceptance in full are:

	<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
	<u>£000s</u>	<u>£000s</u>	<u>Change</u>	<u>Change</u>
			<u>£000s</u>	<u>(Per Cent)</u>
2.1 <u>Central procurement and other services</u>	1,060	1,159	99	4.1%

This relates largely to the purchase of new types of medical equipment and equipment for the Information Management Centre.

2.2 <u>Central Blood Laboratories Authority</u>	7,000	5,904	-1096	-19.7%
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The bid falls into four categories.

i. Warehouse and Quality Assurance Facility £2.52 million is expected to be spent in 1990-91 on a scheme to provide quality assurance facilities and warehousing - total cost £10.2 million - for which Ministerial approval was given in March 1988.

ii. Pilot Plant and R&D Facility This new facility will enable the CBLA to enhance the quality and safety of its products and to improve its product efficiency. The AIP and principles of Central Funding has recently been agreed by Ministers. A sum of £2.874m is required in 1990-91 with a further £3.872m in 1991-92.

iii. New Animal House CBLA have identified a pressing need for new accommodation for their Animal House. The present building is well below a standard that would be considered acceptable by the Home Office. HS Division consider this expenditure essential. A sum of £210K is required for 1990-91, and a further £1.47 million (at 1990-91 prices) in 1991-92.

iv. Replacement of Incinerator Although CBLA recognise the inadequacy of their present incinerator they have not yet put in a bid for funds for a replacement. (The protection afforded by Crown Immunity has not put this at the top of their list of priorities). But removal of Crown Immunity will make a new incinerator and housing essential. HS Division estimate the cost to be £300K.



	<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
	<u>£000s</u>	<u>£000s</u>	<u>Change</u>	<u>Change</u>
			<u>£000s</u>	<u>(Per Cent)</u>
2.3 <u>London Post-Graduate</u>				
<u>Special Health Authorities</u>	16,515	17,341	826	0%

The SHA capital programme is fully committed to schemes to replace out of date hospital buildings and pressure on funds is enormous. During the course of 1990-91 it is hoped that the sale of the National Heart and Chest Hospital in Westmoorland Street (at about £10m) will add to the sums available for all SHAs.

3. A bid for which we recommend acceptance in part is

3.1 Public Health Laboratory Service  
Board

bid :	2,430	2,657	227	4.1%
recommended : (now)	2,430	1,712	-718	-32.9%
(for later consideration)		945		
	<hr/>	<hr/>	<hr/>	<hr/>
	2,430	2,657	227	4.1
	<hr/>	<hr/>	<hr/>	<hr/>

The PHLSB bid falls into two categories

i. Capital baseline £1.712 million (for various minor capital schemes). We recommend acceptance.

ii. New Animal Wing at CAMR £945K is sought for this scheme. But a report on CAMR's future is expected shortly and we would prefer to await the outcome of that before committing funds. We therefore recommend that the sum of £945K be held in reserve pending a decision on CAMR's future.



## ANNEX F

## HEALTH AUTHORITY CENTRAL FUND - CAPITAL

1. The following schemes meet the usual criteria for the Health Authority Central Fund (see Annex B) and the level of funding sought is agreed with the sponsoring Divisions.

2. If Finance Division's recommendation are accepted the HACF Capital in 1990-91 will increase from £3.4m to £9.0m. A summary of the recommendations is given in the table attached to this annex.

3. EXISTING SCHEMES SEEKING REDUCED OR LEVEL FUNDING (REAL TERMS)

<u>Scheme</u>	<u>1989-90</u> <u>provision</u> <u>£000s</u>	<u>1990-91</u> <u>requirement</u> <u>£000s</u>	<u>Cash</u> <u>Change</u> <u>£000s</u>
i. Building Developments	1253	842	-411

The bid is for the continued funding of the first low energy hospital scheme in Wessex and the second in Northern and the associated costs of evaluation.

ii. United Kingdom Transplant Services  
(UKTS) Equipment

42	42	-
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The bid represents the cost of new equipment needed in a number of UKTS departments.

iii. Fluoridation	1075	1129	+54
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The bid aims to assist health authorities with the capital costs of installing fluoridation plants.

4. EXISTING SCHEMES REQUIRING ADDITIONAL FUNDING IN 1990-91

<u>Scheme</u>	<u>1989-90</u> <u>provision</u> <u>£000s</u>	<u>1990-91</u> <u>requirement</u> <u>£000s</u>	<u>Cash</u> <u>increase</u> <u>£000s</u>	<u>Real Terms</u> <u>increase</u> <u>(Per Cent)</u>
i. GP referral rate information system	33	42	9	21.2%

The bid is for the capital costs of developing pilot systems to monitor referrals by GPs. The associated revenue costs are described in Annex B (paragraph 5.i).

ii. Regional Secure Units (This increase is largely due to the planned expansion of the number of building projects - see Annex B paragraph 6v.)	1037	2564	1527	135.4%
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## 5. NEW SCHEMES

<u>Scheme</u>	<u>1990-91 requirement</u> <u>f000s</u>
i. Helicopter Emergency Service. Construction costs of the helipad at the London Hospital. (Revenue bid in Annex B, paragraph 6.vi).	314
ii. Trauma Centres. Capital element of new scheme identified in Annex B, paragraph 7.ii.	210
iii. Information Needs of Disabled People. Purchase of computers to develop the project. Revenue funding is also sought - Annex B 7.vii.	50
iv. Training for Consultants in CDC. (New Capital requirement for existing scheme. Revenue funding is sought in Annex B, paragraph 6.iii).	13

NEW SCHEMES: ACCEPTANCE RECOMMENDED BUT FUNDS HELD IN RESERVE

i. Digital Radiology System (Hammersmith Hospital)	3,744
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Advances in scientific and computer technology have now made possible a filmless radiology department, where images produced by the various radiology modalities - X-ray and CT scanning, for example - are digitised and stored on a computer medium. They can then be sent to a hospital-wide system of viewing terminals. The installation of such a system at the Hammersmith would be the first in the UK.

The installation would receive a technical, clinical and economic evaluation, to check that its potential widespread application across the NHS was justified. If successful, the system would allow clinicians immediate access to radiological information on patients, enabling them to compare, for example, a time series of X-rays for examinations in different modalities.

In total the scheme costs £12.4m (at 1989-90 cash) with expenditure spread over three years as follows:

Building works	2400	593	-	2993
Equipment	1166	6070	2160	9396
Total	3566	6663	2160	12389

The equipment element of the scheme covers not only the purchase of new digital equipment but also conventional x-ray equipment so that the Hammersmith hospital can initially run the two systems together. There are a number of funding options for consideration.

i. fund the scheme in total by top-slicing HCHS capital; or

ii. fund the equipment element of the scheme and leave RL to fund the cost of the building works from within the capital programme for the Special Health Authorities; or

iii. only fund the cost of purchasing digital equipment and leave RL with the SHA to fund the remainder.

*Try to squeeze  
bits down so  
some come out  
of SHA  
already.*

The SHA capital programme is currently fully committed to schemes to replace out of date hospital buildings, mostly over 100 years old. If options (2) and (3) above were to be pursued, it is unlikely that RL could find the necessary funds and the scheme would therefore not go ahead. It is therefore recommended that funding be given to this scheme in full through central support.

However, planning on the scheme is still at an early stage as the AIP has yet to be obtained. Therefore, we recommend that for 1990-91 the fund be held in reserve pending AIP.

GRO-C

CAPITAL	1989-90	1990-91	CASH CHANGE
	£000s	£000s	£000s

Annex F

(Health Authority

Central Fund)

Fluoridation	1,075	1,129	+54
Building Developments	1,253	842	-411
UKTS Equipment	42	42	-
GP referral rate			
information system	33	42	+9
Training for consultants			
on CDC	-	13	+13
RSUs	1,037	2,564	+1,527
Helicopter Emergency			
Service	-	314	+314
Trauma Centers	-	210	+210
Information needs for			
the disabled	-	50	+50
Digital Radiology System	-	3,744	+3,744
Totals	3,440	8,950	+5,510

## ANNEX G

## REGIONAL HEALTH AUTHORITY EARMARKED ADDITIONS - CAPITAL

1. Capital sums detailed in this Appendix relate to provision directed at Regional Health Authorities and Special Health Authorities, outside main capital allocations.

2. If Finance Division's recommendations are accepted RHA capital earmarked addition will total £174.9m (compared to £139.0m in 1989-90. A schedule of the recommendations is in the Table attached to this annex. Details are as follows.

## 3. TARGETED CAPITAL IN SUPPORT OF SPECIALIST SERVICES

	<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
	<u>(£000)</u>	<u>(£000)</u>	<u>Change</u>	<u>Change</u>
			<u>(£000)</u>	<u>Per Cent</u>
i. Supra-Regional Services	1943	1837	-106	-10.0%

Capital allocations in respect of supra-regional services have been top sliced since 1987-88. The recommendations are in line with the sums bid for in PES and assume Ministers will agree a separate submission on the detail which will be submitted shortly.

ii. Dental Hospital Re-equipment	4186	4395	209	0.0%
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This is a fixed sum re-valued each year to reflect the supra-regional role of dental hospitals.

iii. Teaching Hospital Central Support	18047	29623	11576	56.3%
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In the past RHAs have been able to claim an addition to their cash limit to cover 35% of the NHS cost of teaching hospital schemes. This policy was reviewed last year and now all schemes are considered on their merits and do not automatically qualify for the 35% addition. The sum above represents prior commitments entered into under the old arrangements.

iv. Westminster and Chelsea Redevelopment	-	14000	14000	-
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This is a bridging loan and will be repaid from land sales. The loan is in lieu of contributions under the arrangements for central support for teaching hospitals.

v. Cyclotron at St Thomas' Hospital	3000	3000	0	-4.8%
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Funding for two years was included in the PES 1988 settlement specifically for the installation of a cyclotron to work alongside a unit supplied by the Cyclotron Trust. In view of the uncertainty over whether this scheme will proceed we recommend that this sum is reserved.



<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
<u>(£000)</u>	<u>(£000)</u>	<u>Change</u>	<u>Change</u>
		<u>(£000)</u>	<u>Per Cent</u>

#### 4. CENTRALLY FUNDED CAPITAL WORKS PROGRAMMES

##### i. Great Ormond Street Cardiac Wing

700	3500	+2800	376.2%
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There is a long-standing agreement, dating from 1979, to provide funding centrally to meet the costs of remedial works to correct defects in construction of the Cardiac Wing. The sum of £3.5m comprises a bid of £1.4m for completion of the capital works and £2.1m for litigation costs. The contents of both elements are being critically examined and we recommend that this sum be held in reserve.

##### ii. Royal Devon and Exeter Hospital, Wonford

7000	8483	1483	15.4%
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Suffering from 'concrete cancer' and a complete rebuilding has been judged necessary. Ministers agreed in 1986 that some 75% of the costs should be met centrally. The phasing has been agreed with the Region.

##### iii. Regionalised ex-BG Schemes

502	379	-123	-28.1%
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As part of the 1982 re-organisation, some hospitals managed by Boards of Governors became the responsibility of RHAs. The Department agreed to fund centrally the major building developments in the programme at the time. Funding is virtually complete.

#### 5. OTHER EARMARKED ADDITIONS

##### i. Joint Finance

47397	49767	2370	0.0%
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A fixed sum, normally re-valued each year. Introduced in the mid 1970s to encourage joint planning and collaboration between health and local authorities and to ease the transition from hospital to community care.

##### ii. Inner-cities bias

51652	54235	2583	0.0%
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A fixed sum, revalued each year. Until 1979-80 Regional Health Authorities had part of their capital allocations earmarked for spending on primary health schemes. This was principally to encourage the development of health centres. As part of the policy of scaling down the emphasis on the development of health centres, this minimum spend requirement was dropped and these capital resources have subsequently been distributed, without earmarking, to RHAs, with some weighting to reflect the extent of inner city areas in each region.

	<u>1989-90</u>	<u>1990-91</u>	<u>Cash</u>	<u>Real Terms</u>
	<u>(£000)</u>	<u>(£000)</u>	<u>Change</u>	<u>Change</u>
			<u>(£000)</u>	<u>Per Cent</u>
iii. Urban Programme	2650	[2783]	[133]	-

The majority of funding for the Urban Programme (about 75%) is met by transfer from DoE. We still await the figures from DoE and the above sum represents our estimate of what the DH liability will be.

iv. Strategic Shift	1916	2900	984	44.1%
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Strategic shift operated prior to 1985 as a means of giving loans to regions with a need to make a strategic shift of capital resources over a number of years. Now replaced by brokerage; the above bid is needed to meet pre-1985 commitments.

## CAPITAL

## ANNEX G

## RHA EARMARKED ADDITIONS

	<u>1989-90</u>	<u>1990-91</u>	<u>Cash Change</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Supra-regional services	1,943	1,837	-106
Dental Hospitals re-equipment	4,186	4,395	+209
Teaching Hospitals			
Central Support	18,047	29,623	+11,576
Cyclotron	3,000	3,000	-
Great Ormond St Cardiac Wing	700	3500	+2800
Wonford	7,000	8,483	+1,483
Regionalised ex-BG Schemes	502	379	-123
Joint Finance	47,397	49,767	+2,370
Inner Cities Bias	51,652	54,235	+2,583
Urban Programme	2,650	2,783	+133
Westminster Redevelopment	-	14,000	+14,000
Strategic Shift	1,916	2,900	+984
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	138,993	174,902	+35,909
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