

1/1/86
1. Miss Williams
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To see
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Miss Bateman

HCHS CENTRAL RESERVES: 1985-86

INTRODUCTION

1. This submission seeks Ministers' views on the level of HCHS central reserves for 1985-86. A small proportion of the revenue and capital available for health authorities is retained centrally. This sum is then available for a variety of central initiatives of an experimental or pump-priming nature. Amounts in respect of individual schemes are added to the cash limits of health authorities as the need for expenditure arises.

2. Finance Division has now updated the existing programme of centrally funded schemes and has collected bids for new schemes; all schemes are endorsed by the relevant policy Divisions.

REVENUE

3. The revenue programme for 1985-86 comprises:-

At 1985-86 cash prices

| | <u>£ millions</u> | |
|----------------------------------------------------------|-------------------|-----------|
| Continuing and new commitments: a <u>reduction</u> of | 3.1 | (Annex 1) |
| New Bids | 3.9 | (Annex 2) |
| | <hr/> | |
| TOTAL | 0.8 | |

4. Continuing ^{and new} commitments comprise schemes approved by Ministers this time last year plus those subsequently approved by them during 1984-85. A brief description of new commitments and new bids is given at Annex 3.

5. In addition however to these bids for centrally funded schemes, a number of other major pre-emptions are proposed -

5.1 Supra-Regional Specialties (£1.6 million in 1985-86) for the expansion and development of certain designated supra-Regional services (paediatric renal services, liver transplantation, spinal units). Full details of these proposals will be put directly to Ministers by the Chairman of the Supra-Regional Services Advisory Group (Mr Tony Driver).

5.2 NHS Training Authority (£122,000 in 1985-86) The first accountability review for the Authority will be held on 7 November. In addition to some Griffiths and management budgeting training already agreed, the Authority

has requested additional funding for clinical management training (£71,000); and general development (£51,000). The first of these is supported by MED MPO.

5.3 Central Blood Laboratory Authority (£2 millions in 1985-86) The revenue consequences of the major capital development at Elstree; a submission on this capital development was put to Ministers on 21 September. This expenditure has been planned all along and accepted as a call on the reserve since the scheme will reduce costs once it is fully operational - we expect a net profit in 1987-88.

5.4 FPS Administration Expenditure (£2 millions in 1985-86) Prior to the change of status of FPCs from 1 April 1985, health authorities have been asked to estimate the amounts to be transferred for administration expenditure. It is apparent however that there will be a substantial shortfall between the amounts to be transferred and FPCs needs - mainly for internal audit, furniture and equipment, rentals, computer services and legal services. The shortfall is estimated at £2 millions. This bid is supported by FPSI and FB Division.

5.5 Drug misuse (£3 millions in 1985-86) This represents the contribution from health authority revenue expenditure towards the package of proposals amounting to £5 millions in total, although only £1m of this will find its way back to health authorities - they will have to find further funds for their own drug abuse services.

6. Acceptance of all the new bids for central funding and these major pre-emptions would imply an increase in central pre-emptions of £9.5 million.

Comments

7. There is clearly a strong case for the pre-emptions for services (5.1 and 5.5), and the (provisional) bid for supra-Regional services will only be confirmed if Regional Chairmen accept it as a central pre-emption. The NHSTA bid for 1% growth is difficult to justify. The CBLA bid is unavoidable unless the project is stopped. The FPS Administration bid is provisional, pending receipt of full details of transfers between DHA's and FPC's. The problem is that in effect it implies spending more on administration, and overriding centrally the apportionment of costs which has been agreed locally. MS(H) might feel that finance should try to avoid this by getting FPC's to meet requirements by redeployment. (If some FPC's faced a crisis situation, we could always find small sums to ensure adequate administration including audit during the financial year).

8. As to the larger new bids described briefly in Annex 3, the Management Group feel that projects to demonstrate models of co-operation between FPC's and DA's could be useful, generally and in the prevention field (Annex 3 numbers a and d). HS Division have advised that the proposed central funding of Aids Tests (when a testing technique is developed - before 1985-86) will be politically difficult to resist, though the cost estimate of £2 million is provisional only. MS(H) is familiar with the proposal to establish the Thrombosis Research Unit but here again the cost estimate is provisional only and so far the Department (with Sir K Stowe's involvement) has only been thinking in terms of a modest contribution. The proposal to fund - for the third year running - the cost of blood products at the Hammersmith Hospital does appear questionable.

CAPITAL

9. The capital programme for 1985-86 comprises:-

| <u>At 1985-86 cash prices</u> | |
|--------------------------------|---------------------|
| | <u>£ millions</u> |
| Continuing and new commitments | No change (Annex 4) |
| New Bids | 4.5 (Annex 5) |
| TOTAL | <u>4.5</u> |

A brief description of new commitments and new bids is given at Annex 6.

10. As with revenue a number of major capital pre-emptions are proposed -

10.1 NHS Training Authority (£261,000 in 1985-86). This is for development work at Falfields (Bristol) to accommodate the Authority's Training Aids Centre on expiry of the lease at its current location. NHSTA are being asked to finance this from land sales, and Ministers could insist that these should precede development.

10.2 Central Blood Laboratory Authority (£14.8 million in 1985-86). This is for the completion of major capital works at Elstree designed to make the NHS self-sufficient in blood products. Work started in 1983-84 and is due for completion in 1985-86.

10.3 FPS administration capital expenditure £2 million in 1985-86) This is to cover the capital costs of the break-up of the Wembley complex (£1.2 million) and to meet inescapable capital needs for other FPCs. Ministers have approved the Wembley proposals.

10.4 Public Health Services Laboratory Board (£1.8 million in 1985-86) This is for the completion of work at Colindale and the Centre for Applied Microbiology and Research (CAMR) at Porton Down. No sums are included for the proposed Fermentation Pilot Project on which a separate submission will be made.

10.5 Clare Hall (£6.9 million in 1985-86) This is to meet the continuing cost of rebuilding the National Biological Standards Board Laboratories - work to be completed in 1986-87.

This would give total pre-emptions of £25.76m compared to £25m last year (for CBLA, PHLSB and Clare Hall).

11. Acceptance of all the new bids for central funding and these major pre-emptions would thus imply an increase in central pre-emptions of £4.5m.

Comments

12. Again most of the pre-emptions are unavoidable. The amount for the CBLA has already been challenged and reduced. The only scope for trimming would appear to lie in FPS administration though Ministers are committed to funding the costs associated with the Wembley Complex.

13. Two of the new bids described at Annex 6, the Thrombosis Research Unit and the additional capital for the equipment needs of the postgraduate SHAs, could however be reduced or in the latter case rejected. The SHAs could be promised something in 1986-87 when the CBLA spending is over.

CONCLUSIONS

14. Ministers views are sought on
- a. whether, and if so how, they wish to reduce the level of the central revenue programme
 - b. whether, and if so how, they wish to reduce the level of the central capital programme.

GRO-C

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