

**From the Permanent Secretary
and HSC Chief Executive**



Health Party Spokespersons

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Dear Colleagues

I am writing to inform you of the decisions I have taken in allocating the 2023/24 budget for the Department of Health.

You will be aware from our recent briefing that following the Secretary of State's announcement of the 2023-24 Budget, Health is projecting a funding gap of some **£732 million**.

With a sustained effort across the HSC system, it is anticipated savings and efficiencies can yield in the region of **£260 million**. While savings at this scale cannot be made without some impact, our analysis suggests measures up to this value may be achievable without long-term or irrevocable damage to services. Trusts and other HSC organisations have already been instructed to implement these low and medium impact savings, leaving a funding gap of around **£472 million**.

The most significant element of this is the estimated pay pressure at **c£375 million** were the English pay offer to be implemented in full for Agenda for Change Staff.

Funding this pay offer under the current budget settlement would require large scale cuts on an unprecedented scale, with severe and lasting implications for health and social care services.

Given the legislative basis supported by guidance from the Secretary of State, I have concluded that taking such a decision would be outwith my authority as Permanent Secretary.

This means that, as things currently stand, it will not be possible to offer a pay award. I am very aware of the potential impact this could have on staff and on industrial relations.

This is not the position we would want to be in: appropriate reward and recognition for our staff is clearly an important part of demonstrating that we value the work that they undertake. The position will be kept under review as the budgetary position develops during the year.

The Department is today publishing an Equality Impact Assessment on the 2023/24 Budget outcome, detailing an additional £100 million in cost reduction measures on top of the £260 million detailed above.

I wish to emphasise that, like all other Departments, we are in an impossible position of being asked to fulfil conflicting responsibilities. This involves trying to balance our responsibilities to live within the budget we have been given, act in the public interest and safeguard services. Decisions are required that we do not wish to take and that are not in the best interests of the health and social care system.

Simply ignoring financial constraints is not a realistic option, and not just because it would be in breach of legal or professional duties. Any overspend this year would simply mean even greater budgetary pressures next year.

Savings measures being deployed for 2023/24 to achieve the additional £100m target include:

- Additional savings from Trusts likely to involve increased pace and levels of action on staffing related issues such as agency and shift premia (£55m).
- Reduced Waiting List Initiative funding (£34.6m). The Department will still invest £61.4m in Waiting List Initiative funding this year to help protect provision for patients requiring red flag and other time critical assessments and treatments. Intensive efforts will be made to mitigate the impact of the reduced funding level this year. The ongoing drive to increase core health service activity should result in more assessments and treatments being provided in-house. A reduction in cancellations and Did Not Attend cases will support this goal. Importantly, Waiting List Initiative funding will continue at last year's level initially, with the main impact of the reduction to be felt in the latter part of 2023/24. This will allow more time for the mitigation measures to make a difference. In the event of additional funding for health being made available later in this financial year, a Minister may have the option of increasing WLI investment. The longer-term aim, of course, is to enhance in-house HSC capacity to the extent that the Waiting List Initiative is not required. Clearly, this year's health budget does not advance that objective.
- Enhanced savings from Departmental and other spending (c£10m). This includes reduced funding for the Department's Core Grant Scheme, meaning community and voluntary organisations will only receive core grant funding for the first half of the financial year. It is important to emphasise that the core grant is a small part of the total expenditure which goes to the CVS as most money is for the direct provision of services.

The Department's priority has been to mitigate where possible both immediate impact on frontline services and long-term irreversible consequences for the health and care system.

I have decided not to proceed with cost saving measures at this point for domiciliary care packages, nursing and residential care placements, reduction in expenditure on community aids and adaptations for clients living in their own homes. My current assessment is that these fall outside the legal and guidance framework.

However, should the planned savings measures fail to yield the level of savings indicated, further savings will be required. In the event of additional measures being needed, consideration will be given as to whether they fall within the powers of the Permanent Secretary, or whether the likely impact on services is such that these decisions would need to be taken by a Minister.

In addition to the planned £100m savings, a number of other areas of spending have had to be curtailed due to the 2023/24 budget. The most significant of these are:

- In 2020 as part of the New Decade New Approach the Department committed to delivering an extra 900 nursing and midwifery undergraduate places over a three-year period. This involved a further 300 places per year on top of the 1025 baseline places. However, these three years are now complete and no additional funding has been provided to continue the extra 300 places in 2023/24.

Consequently, nursing and midwifery student places are returning to their 2020 baseline of 1025. This baseline represented a significant increase on the average achieved over preceding years. As well as maintaining this total, the Department will look to expand nursing and midwifery places in future if the funding permits.

The undergraduate pre-registration training program for nursing and midwifery students takes three years to complete, meaning the downturn in this year's student intake for both pre-registration nurses and midwives will inevitably have consequences for the HSC workforce in 2026.

The Department will pursue all options to mitigate this impact as much as possible over the next three years through: an ongoing commitment to the recommendations within the Nursing and Midwifery Retention Report and Retention Initiative Implementation Framework; investment in international nursing recruitment; providing opportunities for those with a pre-existing degree to qualify as nurse or those already qualified as nurse to become a midwife through a two year master's programme. For those already working in healthcare who wish to become a nurse, a route also exists through the Open University.

- You will be aware of concerns expressed in the media about a reduction in Allied Health Profession (AHP) training posts. There will be 285 AHP posts this year, which is the same total as 2021/22. In 2022/23, a one-off increase of 41 extra places brought the total for that year to 326. Our budget has no provision for replicating that one-off initiative this year.

The Department will look to expand AHP places in future if the funding permits.

- Since March 2020 financial support has been provided to General Dental Practitioners (GDPs), initially via the Financial Support Scheme (FSS) and then via Rebuilding Support Scheme (RSS). The RSS currently allows eligible General Dental Practitioners (GDPs) to apply for a 10% enhancement to the

Item of Service fees claimed for Health Service treatment provided. While the scheme had been extended until the end of the first quarter in 2023/24 given the budget allocation the scheme cannot be extended beyond this period.

- The Wastewater Surveillance Programme was previously funded from Covid funding with surveillance a crucial element of our wider pandemic preparedness work. The level of funding available for further Covid spending in 2023/24 would not enable this programme to continue without further budget cuts being made elsewhere. While funding has been provided for the first quarter in 2023/24 this will not continue beyond this period.

The Department's Equality Impact Assessment on the 2023/24 Budget outcome will be published and will be available on the Departmental website from 13.00 today. A public consultation on the Assessment will be formally launched today.

[Equality Impact Assessment of the 2023-24 Budget Outcome | Department of Health \(health-ni.gov.uk\)](https://www.health-ni.gov.uk/eia-2023-24)

This letter will also be published on our website.

Yours sincerely



PETER MAY