

<p style="text-align: center;">ABM University Health Board</p>	
<p style="text-align: right;">Date of Meeting: 25th January 2017 Name of Meeting: Health Board Agenda item: 3i.</p>	
Subject	2018/19 ALLOCATION LETTER
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1. SITUATION

This paper provides the Board with an update on the Welsh Government Revenue Allocation for ABMU Health Board for 2018/19.

2. BACKGROUND

The Welsh Government Revenue Allocations to Health Boards for 2018/19 were issued on 21st December 2017.

The covering letters from Director General Health and Social Services/NHS Wales Chief Executive and the Cabinet Secretary for Health, Well-being and Sport set the clear expectation that organisations operate within the funding set out in the allocation letter.

Health Boards are required to achieve and deliver the annual priorities for 2018/19 in line with prudent healthcare principles from within the funding set out in the Allocation letter.

The 2018/19 Draft Budget provides an additional investment of £230m to recognise the cost and demand pressures facing the NHS in Wales which were outlined in the 2016 Health Foundation report – The Path to Sustainability.

The key highlights within the 2018/19 Revenue Allocation for NHS Wales are the provision of £92m to support a 2% general uplift, a further £20m allocated for Mental Health Services and the top-slice of funding to support specific All Wales developments.

- The Health Boards discretionary revenue allocations have received a general uplift of £92m from the additional Draft Budget funding to meet estimated pay and other inflationary cost pressures for 2018/19. This equates to a 2% increase on recurrent discretionary allocations, ring fenced expenditure (excluding Mental Health and depreciation) and Directed Expenditure.

- An additional £20m has been allocated for Mental Health Services, £13m of which is to support pay and price inflation and £7m for a Mental Health innovation and transformation fund.
- £32.5m funding has been top-sliced from Health Board allocations to support specific developments as agreed by Chief Executives through the NHS Executive Board.

The next section of the report will provide a more detailed analysis of the impact on the Revenue Allocation for ABMU Health Board.

3. ASSESSMENT

The overall revenue allocation for ABMU Health Board has increased by almost £25m. Table 1 identifies this increase across the key components of the revenue allocation.

Table 1: Movements in Revenue Allocations

Allocation	2017/18 Allocation Letter £m	2018/19 Allocation Letter £m	Increase £m
Hospital Community Health Service and Prescribing Allocation	916.435	936.164	19.729
GMS Contract	75.428	80.809	5.381
Community Pharmacy Contract	29.335	29.335	-
Dental Contract	27.082	26.920	-0.162
Total HB Allocation	1,048.281	1,073.228	24.948

3.1 Hospital Community Health Services (HCHS) and Prescribing Allocation

The HCHS and Prescribing Allocation is made up of three key elements, general HCHS and Prescribing, Ring-fenced allocations and Directed Expenditure. Table 2 sets out the movement in the allocations for each of these three areas between 2017/18 and 2018/19:

Table 2: HCHS & Prescribing Allocations

Allocation	2017/18 Allocation Letter £m	2018/19 Allocation Letter £m	Increase £m
General HCHS & Prescribing	738.787	748.340	9.553
Ring-Fenced	172.827	182.953	10.126
Directed Expenditure	4.821	4.870	0.049
HCHS & Prescribing Allocation	916.435	936.164	19.728

The movement in the General HCHS and Prescribing allocation reflect the following allocation adjustments:

General HCHS Allocation Movements	£m
General Allocation Uplift (share of £92m allocation increase)	16.477
Immunisation Funding Increase (previously issued non-recurrently)	0.533
Transfer to GMS for Enhanced Services	-2.169
Top Slice – Paramedic Banding	-0.508
Top Slice – Non Medical Education	-3.033
Top Slice – Postgraduate Education	-0.082
Top Slice – 111 Roll out	-1.175
Top Slice – National Imaging Academy	-0.269
Top Slice – Genomics Strategy	-0.512
Top Slice – Clinical Desk Enhancement	-0.088
NWSSP – SMTP Top up	-0.014
Eye Health Examination Wales – non-recurrent in 2017/18	0.172
Overseas Visitors – non-recurrent in 2017/18	0.168
NHS Supply Chain Vaccine Costs	0.054
Total	9.553

The general allocation uplift and the top slice to support service developments will impact on the 2018/19 financial plan, this provides an increase of £10.81m. The remaining items are making non-recurrent allocations recurrent and are effectively accounted for within 2017/18 financial plan.

Within the HCHS allocation the following allocations are classified as ring-fenced. The ring fence sum reflects the floor beneath which expenditure on these services must not drop.

Ring Fenced Allocations	£m
Learning Disabilities	22.904
Mental Health Services	108.130
Renal Services	11.892
Palliative Care	0.524
Intermediate Care Fund	8.113
Delivery Plan Funding	0.482
WAST – Paramedic Banding & Clinical Desk Enhancement	0.596
Depreciation	30.313
Total	182.954

The ring fenced allocation for Learning Disabilities, Renal Services, Palliative Care and Delivery Plan have not changed between 2017/18 and 2018/19 allocation letters. Changes have occurred in allocations for Mental Health, Intermediate Care Fund and Depreciation. The top sliced funding for the two WAST developments, paramedic banding and clinical desk enhancement, have been moved to ring-fenced as these will be paid to WAST via EASC commissioning arrangements.

The key changes to the ring fenced allocations are:

Ring Fenced Allocation Movements	£m
Intermediate Care Fund – WCCIS allocation	-0.011
Intermediate Care Fund – Older People	1.892
Mental Health – Veterans Fund	-0.003
Mental Health – Pay & Prices Uplift	2.328
Depreciation	5.324
WAST – will be paid to WAST via EASC commissioning	0.596
Total	10.126

Within the HCHS allocation the following allocations are identified as Directed Expenditure. The only movement on this allocation is the addition of funding for Assistive Technology which was issued non-recurrently in 2017/18.

Directed Expenditure Allocations	£m
Infrastructure SIFT	4.245
SIFT, PHLS, R&D & PGDME Depreciation	0.423
Assistive Technology	0.049
	4.870

3.2 GMS Contract Allocation

The table below sets out the movement in the allocation between 2017/18 and 2018/19

	£m
2017/18 Uplift made recurrent	2.962
Transfer from HCHS for Enhanced Services	2.169
Immunisation Programme (increase in advance payment)	0.249
Total	5.380

This allocation remains ring-fenced.

The 2018/19 settlement has not been finalised and the allocations reflect the 2017/18 recurrent position adjusted for known 2018/19 changes. Supplementary allocations will be issued when the 2018/19 contract agreement is confirmed.

3.3 Community Pharmacy Contract Allocation

The allocation for 2018/19 remains on the same basis as 2017/18.

Welsh Government will monitor the impact of drug tariff fees, allowance changes and drug prices on the allocation issued.

3.4 Dental Contract Allocation

The table below sets out the movement in the allocation between 2017/18 and 2018/19:

	£m
2017/18 uplift reinstated	0.465
Dental PCR (Patient Charges) 17/18 reductions made recurrent	-0.627
Total	-0.162

The 2018/19 settlement has not been finalised and the allocations reflect the 2017/18 recurrent position. Supplementary allocations may be issued when the contract negotiations have concluded.

For Health Boards with a two consecutively approved IMTPs, the Dental Contract budgets ring-fence will be removed in 2018/19.

Designed to Smile programme budgets remain ring-fenced for all Health Boards in 2018/19.

3.5 Other Allocations

The Substance Misuse allocation remains ring-fenced and will be withheld from Health Boards until confirmation is received from the Chair of the relevant Area Planning Board that the use of resources complements the delivery of the Welsh Government Substance Misuse Strategy, Health Board local delivery plans and local substance misuse action plans. The funding available for ABMU is £3.106m, which is an increase of £0.158m compared to previous years allocation.

Funding for infrastructure SIFT is included as a Directed Expenditure allocation. This funding must be used to support medical undergraduate education and be accounted for as part of the annual SIFT accountability agreements.

Health Education and Improvement Wales Special Health Authority (HEIW) will become operational from 1st April 2018 and will have a separate resource and capital allocation from Welsh Government. This will include funding currently allocated to the Postgraduate Dean for Training Grade Salary and Postgraduate Medical and Dental Education.

From 2018/19 this funding will flow from HEIW to NHS organisations. It may also include funding for SIFT and other funding streams related to education and training which currently flow through to NHS organisations. Further details on the allocation to HEIW and changes to funding flows will be issued in early 2018.

3 RECOMMENDATIONS

The Board is asked to note the key headlines of the 2018/19 Revenue Allocation Letter:

- Only an element of the additional funding set out in the 2018/19 draft budget has been included in the Revenue Allocation Letter. £92m general uplift and £20m Mental Health funding has been allocated, with £118m of the £230m uplift yet to be distributed.

- £5.667m has been top sliced from the Health Board's discretionary allocation to support specific service developments agreed on a National basis through the NHS Executive Board.
- The £7m of the Mental Health Funding has been earmarked for innovation and transformation, this has not yet been allocated to Health Boards.
- Intermediate Care Fund allocations remain in place, with additional allocations issued in year made recurrent.
- Delivery Plan funding remains in place.
- The recurrent Primary Care Development funding remains unchanged from 2017/18.
- Funding uplifts for GMS and Dental contracts for 2017/18 have not yet been finalised.
- Ring-fencing of Dental Contract allocation will be in place for Health Boards without two consecutively approved IMTPs.