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Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref: MB/LG/3522/12  
Jocelyn Davies AM  
Chair, Finance Committee  
The National Assembly for Wales

24 August 2012

Dear Jocelyn

I wrote to you on 26<sup>th</sup> June in response to the recommendations relating to my portfolio in the Finance Committee's report on the scrutiny of the Spring 2012 Supplementary Budget. In my response, I said further information would be provided following completion of the Local Health Board statutory accounts on the additional financial support provided to LHBs during 2011-12. This is in response to the Committee's fourth recommendation:

*We recommend that the Welsh Government provides us with a full breakdown of all additional financial support provided to Local Health Boards during the 2011-2012 financial year, at the time of the year-end report. We anticipate this would include the amounts of funding provided to each Local Health Board, and the timing of such provisions.*

I attach a brief report which provides this additional information requested.

I am copying this letter to the Minister for Finance and Leader of the House.

Regards

Lesley

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## **Additional Financial Support Provided to Local Health Boards during 2011-12**

### **1. Introduction**

- 1.1. In its Report on the Scrutiny of the Supplementary Budget Motion 2011-12 (Spring 2012), the Finance Committee made the following recommendation:

We recommend that the Welsh Government provides us with a full breakdown of all additional financial support provided to Local Health Boards during the 2011-2012 financial year, at the time of the year-end report. We anticipate this would include the amounts of funding provided to each Local Health Board, and the timing of such provisions.

- 1.2. This brief report provides the Welsh Government's response to this recommendation.

### **2. Movements in Health Boards Annual Revenue Allocations**

- 2.1. The Welsh Government notifies Local Health Boards of their initial revenue allocations for the following financial year in the Health Board Revenue Allocation document, usually issued after approval of the Final Budget Motion for that year by the National Assembly. In recent years, the document has been issued under cover of a Ministerial Letter from the Minister for Health and Social Services to Chairs of Local Health Boards. The 2011-12 Health Board Revenue Allocation was issued on the 18<sup>th</sup> February 2011, under cover of Ministerial Letter EH/004/11. A copy of the document can be found at:

<http://wales.gov.uk/topics/health/publications/health/letters/2011/revenue/?lang=en>

- 2.2. It is normal practice for the Welsh Government to hold back funding for a wide range of purposes within Health central programme budgets at the beginning of the financial year, and to issue this funding to Health

Boards during the financial year, when relevant criteria have been met. As a consequence, there are a large number of additional allocations made each year to Health Boards.

- 2.3. At the end of the financial year, before Health Boards close their accounts for the year, the Welsh Government provides confirmation of the final allocations for each Health Board. This final allocation is the Board's revenue resource limit, which they have a statutory duty to ensure that their net expenditure is kept within. The performance of this statutory duty is reported in the Board's annual accounts, which for 2011-12 were laid before the National Assembly in June and July 2012.

### 3. Additional Allocations During 2011-12

- 3.1. The schedule at Annex 1 summarises the additional allocations made during 2011-12 to each Health Board, and details the movements in their funding from the initial allocation through to their final revenue resource limit. For convenience, the movements have been summarised as follows:
- **Initial Published Allocation** – this is the Health Board's Revenue Allocation as issued in February 2011 in Ministerial Letter EH/004/11
  - **Primary Care Contract Uplifts** – at the time of issue of initial revenue allocations, negotiations of the General Medical Services and General Dental Services contracts are not yet complete for the financial year. This allocation increase provides Health Boards with the funding required to meet the expected cost increases for these contracts, once negotiations have been completed.
  - **Orthopaedic Investment** – this is the additional funding allocated during 2011-12 to improve waiting times for orthopaedics, following

the Minister for Health and Social Services announcement in March 2011.

- **Funding to mitigate risks of delivery against non-financial targets** - this was additional funding provided from underspends within the Health and Social Services budget to assist in the delivery of non-financial targets in selected Boards. The decision to provide this funding was disclosed in October 2011 (<http://wales.gov.uk/publications/accessinfo/drnewhomepage/dr2011/health/5831390/?lang=en>)
- **Funding to cover accounting treatment** – these allocations provide Health Boards with funding to meet extraordinary costs, which are usually non-recurrent, associated with accounting treatment for depreciation, impairments, movements in provision and release of donated asset reserves. This funding is non-fiscal resource.
- **Additional financial support** – this was additional financial support provided to all Health Boards to meet 2011-12 financial challenges. It included £30 million support for Hywel Dda Health Board as part of the £80 million tapered funding package. The decision to provide this funding was disclosed in October 2011 (<http://wales.gov.uk/publications/accessinfo/drnewhomepage/dr2011/health/5831390/?lang=en>)
- **Brokerage** – this was specific repayable financial support for Cardiff and Vale University Health Board, issued in October 2011, as part of an agreed Accelerated Improvement and Recovery Plan. The decision to provide this funding was disclosed in October 2011 (<http://wales.gov.uk/publications/accessinfo/drnewhomepage/dr2011/health/5831390/?lang=en>)
- **Bring forward of 2012-13 funding** – this funding was provided to three Health Boards in March 2012, enabling them to bring forward a limited element of their 2012-13 allocation into 2011-12 to meet year-end timing pressures. This was announced to the National Assembly in a written statement on 2<sup>nd</sup> May 2012.

- **Substance Misuse Funding** – A limited element of Health Boards revenue allocations are held back annually and released in-year once the relevant Substance Misuse Area Planning Board has confirmed that the use of the funding complements the delivery of the Welsh Government's Substance Misuse Strategy
- **Other routine allocations** – in addition to the specific allocations referred to above, the Welsh Government allocates a number of other funding streams to Health Boards during the financial year to meet specific costs, or to support delivery of specific objectives. These include: funding for primary care estate developments; funding to meet the costs of consultant clinical excellence awards; funding from and repayments to the Welsh Government's Invest to Save scheme; funding to take forward mental health developments, including implementation of the Mental Health Measure provisions; funding to meet the costs of specific vaccination and immunisation programmes; and funding for developments in services for lymphoedema, blood borne viruses and eating disorders. Also included within this section is additional funding of £8.3 million for Betsi Cadwaladr University Health Board and £5.5 million for Powys Health Board to meet the additional cost of the English Payment by Results scheme for patients treated in England. These costs are partially covered by a transfer of funding from the Department of Health.
- **Final Allocations** – this is the final revenue resource limit for the Health Board, as reported in their published annual accounts.

## Movement in Health Board Revenue Allocations 2011-12

Movements in Health Board Revenue Allocation in 2011-12 £000	Month(s) of Allocation	Abertawe Bro Morgannwg University	Aneurin Bevan	Betsi Cadwaladr University	Cardiff and Vale University	Cwm Taf	Hywel Dda	Powys	Total
Initial Published Allocation	April	853,271	939,490	1,155,160	693,745	509,806	633,598	216,502	5,001,572
Primary Care Contract Uplifts	July/ Oct/ Mar	3,655	3,539	4,454	4,825	2,620	2,206	709	22,008
Orthopaedic Investment	Aug/ Dec/ Jan/ Mar	3,081	4,045	5,070	4,332	2,304	2,392	499	21,723
Funding to mitigate risks of delivery against non-financial targets	Nov	1,000	1,000	-	-	1,000	500	-	3,500
Funding to cover accounting treatment	Aug/ Oct/ Jan/ Mar	37,216	52,777	21,899	17,305	56,263	29,601	3,392	218,453
Additional Financial Support *	Oct	17,000	17,000	17,000	17,000	17,000	33,000	15,000	133,000
Brokerage	Oct	-	-	-	12,250	-	-	-	12,250
Bring Forward of 2012-13 Funding	Mar	-	4,500	-	-	4,000	-	3,900	12,400
Substance Misuse Funding	Aug/ Oct/ Nov/ Dec/ Jan/ Mar	2,948	2,428	4,829	2,153	2,523	1,747	506	17,134
Other Routine Allocations	Throughout the year	2,046	5,793	11,087	7,526	1,688	-2,288	12,078	37,930
<b>Final Allocations</b>		<b>920,216</b>	<b>1,030,571</b>	<b>1,219,499</b>	<b>759,135</b>	<b>597,204</b>	<b>700,755</b>	<b>252,586</b>	<b>5,479,967</b>

Note – Amounts may not sum due to rounding

\*Funding for the additional Financial Support of £133m provided in October 2011 was provided by:

Welsh Government Central Reserves – Recurrent general support	£63m
Welsh Government Central Reserves – Tapered funding for Hywel Dda	£30m
DHSSC Own Reserves – Recurrent general support	£40m
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	<b>£133m</b>

