Northern Ireland Confederation for Health and Social Care

Department of Finance Draft Budget 2025/26 Consultation

Introduction

The Northern Ireland Confederation for Health & Social Care (NICON) represents all 16 Health and Social Care arm's length bodies. This document sets out members' collective response to the draft Budget 2025/26 consultation.

Executive summary

The True Picture of HSC Finances

- The 2025/26 DoH budget outcome is £8,387.9million, representing 50.6% of the total budget (when wider earmarked funding is included)
- The **stated uplift of 8.7% is misleading** – When 2024/25 in-year allocations are taken into account, **the real increase on spending is in fact at a maximum of just 2.6%**
    - This falls far below all accepted assessments of additional need (*Appleby 2011* +9%)
- The additional £200m general allocation **does not even cover the inescapable new cost pressures** incurred just to continue running the health service in its current form
- The **HSC level of funding relative to NHS England is now at a 10-year low,** despite:
    - Needs Assessment Studies having consistently identified a higher relative need for spending on public services in Northern Ireland;
    - The 24% needs-based funding factor included in the Barnett formula as of 2024/25

Potential impact on patients, services and staff

- The funding gap stands at almost £400m *after* an assumption that Trusts can deliver savings to the level delivered in 2024/25
- However, the capacity for real cash-releasing savings is reduced by the efforts in 2024/25 to deliver an **unprecedented** £200m savings
    - Many of these were **non-repeatable** measures
    - The almost £200m of additional savings required of Trusts **effectively doubles the level of savings Trusts will be expected to deliver** in 2025/26
    - This will lead to **high and catastrophic impact savings measures** that will be **counter strategic and a risk to patient safety**, such as:
        - Pay rise for staff lower than that implemented in England
        - Reduction in payments for support services provided by C&V Sector
        - Restriction in waiting list activity
        - Restriction of domiciliary care packages
        - Reduction of independent sector care home beds
        - Reduction in staffing
        - Reduction of Acute Hospital Beds / Services

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Our Asks

Urgently agree an innovative 3-year financial recovery plan

- We call on political leaders to **urgently agree an innovative financial arrangement and Financial Recovery Plan** to help us through the next 3 years
- **Protection from short-termism** that would lead to catastrophic measures, risk patient safety and cause moral injury among the workforce
- A more **rational approach to HSC funding** will allow leaders time to implement a more **strategic approach that provides value for money**
- This aligns with the Department of Finance's **commitment to future multi-year budgets**, which is welcomed by members as an important enabler of long-term, strategic planning

Align funding with need

- The expectation that HSC can maintain existing services, fund inescapable pressures, address waiting list backlogs and progress the necessary transformation **while not funded at the level of need is simply not realistic**
- Crucially, if the capital and revenue draft budgets for 2025/26 were **uplifted to take account of need,** it would:
    - **balance the £392m DoH funding gap**
    - allow for more **reasonable and attainable savings** assumptions for Trusts
    - **fund demographic growth** in 2025/26
    - fund **additional elective activity**
    - address HSC **estate backlogs**
    - support an effective **system-wide programme of transformation**

Recognise the nature of the problem

- Prioritise 'split-screen thinking', adopting an approach which **handles immediate system pressures without compromising the long-term vision**
- Consider the establishment of a **cross-governmental taskforce** aimed at prevention, demand management and setting our future ambition
- Explore opportunities to **engage the public as active partners** in health and care

Build on existing approach

- Continue work already underway to **provide value for money, improve sustainability, drive efficiencies and build on recent progress,** including in areas where the HSC is already ahead of neighbouring systems:
    - The rollout of a single digital health care record (encompass); the elimination of off-contract agency spend for nursing and healthcare support; and the establishment of elective care centres to address waiting lists
    - Continued commitment across the system to strategically address winter pressures and waiting lists

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FINANCIAL BRIEFING PAPER: DoH Budget settlement 2025/26

Department of Finance draft budget 2025/26 overview (DEL Resource budget):

On 19 December 2024, the Executive agreed the draft Budget for 2025/26, a consultation for which was launched that day and which closes on 13th March 2025.

The consultation document has included financial budget information, which excludes earmarked allocations and which is summarised below:

Departmental Budget Outcome (excl Earmarked items)

	2023/24		2024/25		Draft 2025/26		Movements 2025/26	
	Non ring-fenced Resource DEL £m	NRF RDEL share %	Non ring-fenced Resource DEL £m	NRF RDEL share %	Non ring-fenced Resource DEL £m	NRF RDEL share %	£m	%
Agriculture, Environment & Rural Affairs	229.8	1.7%	243.8	1.7%	259.4	1.7%	15.6	6.4%
Communities	703.6	5.2%	714.7	4.9%	745.6	4.8%	30.9	4.3%
Economy	749.8	5.5%	761.1	5.3%	779.0	5.0%	17.9	2.4%
Education	2,576.6	19.1%	2,873.8	19.9%	3,143.3	20.1%	269.5	9.4%
Finance	160.3	1.2%	150.1	1.0%	158.7	1.0%	8.6	5.7%
Health	7,261.2	53.7%	7,716.0	53.4%	8,387.9	53.5%	671.9	8.7%
Infrastructure	521.6	3.9%	559.5	3.9%	633.2	4.0%	73.7	13.2%
Justice	1,125.2	8.3%	1,218.4	8.4%	1,350.7	8.6%	132.3	10.9%
TEO	77.3	0.6%	81.8	0.6%	84.4	0.5%	2.6	3.2%
Other Agency / Commissions	109.4	0.8%	120.8	0.8%	129.2	0.8%	8.4	7.0%
	13,514.8		**14,440.0**		**15,671.4**		**1,231.4**	**8.5%**

While the DoH budget is represented as 53.5% of the total, the exclusion of earmarked allocations for this assessment may somewhat be distorting as the percentage falls to 50.6% when earmarked funding is included.

The uplift of 8.7% is also somewhat misleading as this presents the increase when compared to the opening baseline for 2024/25 and does not take account of the significant allocations that have been made in year. Adjusting the 2024/25 figure for the in-year allocations of £471.9m reveals the real increase is at a maximum of 2.6%.

Key messages:

- The bids for both resource and capital far outweighed the funding available. No department has received the level of funding that it bid for:
- There is ongoing work on the Budget Sustainability Plan and Budget Improvement Plan which will focus on ensuring better transparency, developing long term plans for Departments and putting in place the building blocks for fiscal sustainability.
- It is also essential that there must also be a focus on transforming public services for sustainability;

- Further work is necessary to align the Programme for Government (PfG) priorities with Budgets going forward and it is hoped that additional information may be able to be published on the first phase alongside the draft Budget document.

Also 22/1/25 highlights from Belfast Telegraph article following Stormont Finance Minister briefing before the NI Affairs Committee:

- NI set to be around £100m short to deal with the increase in NIC employer contributions. "*The Executive does not have the capacity to compensate for decisions made on reserved taxation matters"*

- The appointment of an expert to assess the regions general level of need ahead of the upcoming Spending Review for 2026/27 – to influence an improved outcome from Treasury.

The agreement between the NI Executive and the UK Government on the ***NI Executive's Interim Fiscal Framework*** which was signed on 21 May 2024 was pivotal in realising commitments towards new funding agreements for Northern Ireland and included **a needs-based funding factor** to be included in the Barnett formula set at ***24%*** and to be in place from 2024/25.

Department of Health Resource Draft budget 2025/26

The DoH has provided a draft assessment in relation to its forecast financial position for 2025/26, based on this draft budget, which is summarised below:

	£m	£m
Opening baseline	8,140.5	
Roll-forward pressures	130.6	
Trust deficit funding 2024/25	196.4	
2025/26 Inflationary issues	425.2	
2025/26 pressures	91.4	
Forecast funding requirement 2025/26		**8,984.1**
Expected funding:		
Draft budget 2025/26 (incls e/marked allocs)	8,402.3	
Expected immigration surcharge	90.0	
Anticipated funding - NIC Staff	100.0	**8,592.3**
Funding gap		**391.80**
To be addressed by savings:		
DOH/SPPG & Smaller ALBS	30.0	
PPE	5.0	
MORE Savings	5.0	
Assumed In-Year / Barnett & Monitoring	155.4	
Additional Trust Savings requirements	196.4	**391.8**

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Key messages include:

1. The resource allocation for Health provides an additional £200m of funding when compared to 2024-25;
2. £200m does not cover the HSC inescapable pressures which are incurred to continue to run the Health service in its current form, including:
    - £65m to meet our obligation to pay the National Living Wage;
    - £36m to ensure GPs and other providers of Health and Social Care services have the funding they need to afford the increase in employers national insurance;
    - £150m for a 2.8% pay rise which is the increase the UK Government has recommended to the pay review bodies.
    - Price inflation
    - Growth in demand for services.
3. The funding gap is almost £400m and is calculated after an assumption that Trusts can deliver savings to the level which were delivered in 2024/25.
4. DoH intend to continue to look for savings to enable the funding of some of these pressures but the capacity for real cash releasing savings is much reduced by the efforts made this year to deliver an unprecedented £200m to bridge the 24-25 funding shortfall. Many of these were non-repeatable meaning new measures need to be delivered just to ensure that this level of savings is maintained.
5. The additional £196.4m of additional savings to Trusts effectively doubles the level of savings which Trusts will be expected to deliver in 2025/26 and will lead to consideration of high and catastrophic impact savings measures that will be counter strategic and a risk to patient safety (see impact below).

The DoH Draft Budget 2025/26 EQIA consultation outlines the following measures which may need to be implemented to achieve revenue savings:

- Pay rise for staff lower than that implemented in England
- Reduction in payments for support services provided by C&V Sector;
- Restriction in waiting list activity;
- Restriction of domiciliary care packages;
- Reduction of independent sector care home beds
- Reduction in staffing
- Reduction of Acute Hospital Beds / Services

From a capital perspective, it is noted that the capital budget is short £29.1m against what is required. Given the scale of back-log maintenance across all Trusts, this is most likely under-stated.

There is no funding in the budget for the Ministers “Live Better” initiative which is intended to address health inequalities.

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HSCNI vs NHS England – Needs Assessment

The NI Fiscal Council Sustainability Report 2022 – Special Focus Health indicated that "…*in our general discussion of sustainability, we describe how Needs Assessment Studies (NAS) initially coordinated by the Treasury, and subsequently (but not recently) updated, having consistently identified a higher relative need for spending on public services in general in NI compared with England".*

The Report also advised that while data comparability challenges exist:

- People in NI spend more time in ill-health;
- Preventable mortality rate higher, although treatable rate similar;
- Evidence on balance points to lower mental health status;
- Less healthy food consumption patterns;
- More people on disability benefits;
- More drugs subscribed (20% of population on anti-depressants).

Needs Assessment for HSCNI by comparison to NHS England

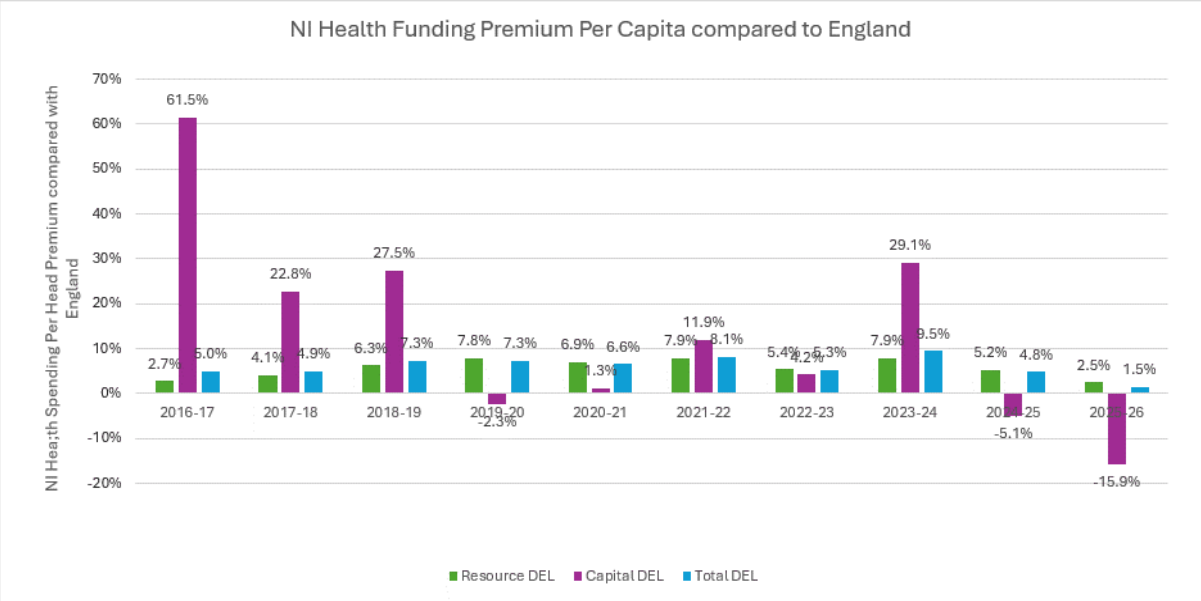
2005 Independent Review of Health & Social Care Services in NI (Prof. John Appleby) - indicated level of need between around 4 - 17% but with a conclusion that a reasonable differential would be around 7%.

2011 Prof. Appleby was commissioned to update the 2005 analysis and this concluded that *"..an additional needs factor of +9% might be considered a reasonable needs differential between England and Northern Ireland".*

There have been no Needs Analysis Assessments since the 2011 review but Prof. Appleby has indicated that *"Although changes in population and other factors will have changed over the last decade, there seems little to support these will have radically altered the judgement of the 2011 Review about NI's healthcare needs relative to England's".*

HSCNI position by comparison to NHS England

The HSC level of funding relative to NHS England is now at a 10-year low. The following graph summarises the trend over this 10-year period, with a total DEL high experienced of 9.5% in 2023/24, shifting in just two years to an all-time low of 1.5% as a consequence of the draft budget 2025/26.



At 1.5%, total DEL is significantly below the percentages that have been estimated as being required to meet HSCNI additional needs yearly.

If HSCNI were funded in 2025/26 in line with the lowest recommended Needs Analysis Assessment (Appleby 2011)

The following table summarises for both revenue and capital, the funding differential which exists to DoH budget for 2025/26 as a consequence of funding not having been provided in line with the recommended lowest assessed need of 9%:

2025/26	**Revenue £m**	**Capital £m**
Draft DOH Budget	**8,402.3**	**391.0**
Premium v NHS England	2.50%	-15.90%
Appleby 2010		
Adjusted Budget @ 9% premium	**8,935.1**	**506.8**
Additional funding	**532.8**	**115.8**

In summary, if both capital and revenue draft budgets for 2025/26 were uplifted to the recommended level of need in N.I. relative to NHS England, the 2025/26 revenue budget would benefit from £533m and the capital budget by £116m. The additional

revenue would enable a much more reasonable and balanced budget for HSCNI and would effectively:

- balance the DoH funding gap for 2025/26;
- enable a revision of the savings assumptions increases to a more realistic and attainable level for Trusts;
- fund demographic growth in 2025/26;
- fund additional elective activity;
- build more funding confidence for planning for the revenue consequences of capital expenditure as part of the 10 year capital plan;
- create financial enabling funding to support an effective system-wide programme of transformation.

In addition, the increase to the capital budget is at a level which would more reasonably address the scale of demand for capital funding across HSCNI for both priority strategic developments as well as the management of HSC estate back-log maintenance risk.

The increase to the Barnett Formula to include the needs-based funding factor at 24% indicates that the additional funding should be in place to ensure that DoH can be funded to the recommended needs assessed basis of +9% by comparison to NHS England levels.

It is difficult to see how DoH have received a fair allocation of both capital and revenue budget resources in the 2025/26 draft Department of Finance budget, especially when you consider the needs-based funding factor of 24% which was incorporated into the Barnett formula effective from 2024/25.

Impact to HSC Trusts 2025/26

The 2025/26 budget settlement to Trusts gravely exacerbates the existing financial challenge that Trusts have worked through meticulously during 2024/25.

Financial planning and management strategies in Trusts to support break-even during 2024/25 have been complex and included:

1. A requirement for Trusts to deliver low/medium impact, highly ambitious savings targets to the value of circa £200m during 2024/25; the proposed 2025/26 budget places an additional savings burden on Trusts to the value of £200m and thus £400m in total. At this scale, Trusts will be in the “Catastrophic” impact scenario planning.

2. Savings will have been generated through actual cost reductions, cost avoidance, increased income / slippage and other opportunities, i.e. the

savings targets for Trusts in 2024/25 required a hybrid response to ensure break-even.

3. Repeated year-on-year contingency plans require Trusts to focus savings efforts on in-year methods of reducing expenditure which inevitably reduce access to services and damage service delivery and stability. There has been limited progress made in the development of a HSCNI Recovery plan.

4. A reliance on deficit support funding due to the scale of inescapable challenge being managed by Trusts.

5. A reliance on additional in-year funding through monitoring rounds.

Underlying reasons for Trust opening deficits 2025/26

Growth in inescapable financial pressures which has not been matched with investment arising from:

i. Demand for high-cost placements in relation to complex childcare, learning disability, mental health, physical disability and older people.

ii. Escalated levels of operational capacity required in our hospitals (across acute and community hospitals) for what is currently a higher profile of frailty and acuity resulting in longer hospital spells, which materialises as growth in financial pressures across budgets including for example nursing, other professional staff, labs testing and pharmaceutical drugs and consumables budgets and clinical and non-clinical support services costs;

iii. Community capacity for the full diversified level of service provision required to support effective Hospital Flow e.g. availability of EMI bed provision, domiciliary care packages and intermediate care places;

iv. Mental health services, in particular the escalation in capacity, which has been required in our acute mental health hospitals and crisis response services, which are currently under severe strain because of both complexity and unscheduled demand for these services.

v. Physical disability services, in particular demand for bespoke placements for complex clients including those with alcohol-related brain injury (ARBI) and substance misuse.

vi. Higher medical agency costs due to inability to retain and attract medical staff;

vii. Funding pressures associated with unfunded levels of non-pay inflation, particularly post COVID where hyperinflation was experienced;

- The scale of demand volume and complexity which compels a response from Trusts determines that there may be other lower risk services which may not be affordable during this period of financial constraint. There is a need to engage in a discussion on the breadth of services provided with a view to a consistent, regional and evidence-based approach for the decommissioning of services, which are considered as discretionary or lower risk in the context of this budget settlement. We would also welcome the consideration of income generating opportunities such as domiciliary care charging and/or the reintroduction of prescription charges.

Other factors

Trusts will have grave concerns in relation to these other factors:

1. The significant patient care and safety impacts potentially resulting in loss of life;
2. Risk of moral injury to a workforce which is already highly challenged;
3. The approach has the potential to be counter strategic to HSCNI organisational value systems;
4. Workforce sustainability will be threatened;
5. Governance and risk management frameworks – risk to depletion of arrangements;
6. Service delivery impact for the scale of savings required;
7. Impact in our performance against national targets and quality standards;
8. Impact of the scale of savings in individual organisations is extremely high risk from the perspective of the scale of effort which will have to be redirected to the implementation of plans at a time when services are considerably stretched;
9. Trust requirements for equality screening and rural proofing will significantly impact delivery timescales for related savings;
10. PPI and co-production – engagement will be challenging within these timescales;
11. Risk of Industrial action as a disruption to planning subject to agreements around Pay awards;

Trusts would prefer effective strategic planning and decommissioning for the population that we serve to ensure that financial plans can be balanced against performance, safety and quality issues and delivered in a way which demonstrates equity for the population.

The approach being taken does not take account of an existing baseline gap in health inequalities in the region and it is expected that in areas of higher deprivation, these gaps could disproportionately widen further.

For further information, please email contact@niconfedhss.org.