

MEMORANDUM TO CHIEF MINISTER AND MEMBERS OF THE POLICY COUNCIL

Proposed Transfer of Service Delivery Costs from HSSD General Revenue to Social Security Funding

The attached ^{*}paper has been submitted by the Health and Social Services Department (HSSD) to request that certain service delivery costs are transferred from the general revenue funded HSSD cash limit to one of the Social Security Department (SSD) Funds in order to deliver on FTP targets within HSSD.

There are two service areas which are being considered and I will consider each in turn:

1. Visiting Consultants

As outlined in the paper, visiting consultant services have been developed over time to cover gaps in the service provision provided by the Medical Specialist Group. The cost of these services, currently circa £650k per annum, has been picked up by HSSD (presumably originally as providing the services on island reduced the need for off island referrals). Both Departments have now agreed that it would be more appropriate that the costs of visiting consultants be picked up by the Guernsey Health Service Fund (GHSF) and SSD included a proposal to do so in its 2011 Uprating Report although no specific recommendation to transfer funding was made at that time as *'there was insufficient surplus in the Guernsey Health Service Fund to make this move in 2011'*.

The operating surpluses on this fund in the last three years have been 2010 £2.6m, 2011 £3.3m and 2012 £4.3m which would suggest that there are sufficient surpluses to enable the transfer to take place. However, the question is not whether they transfer should happen – this is clearly the preference of both Departments – but whether the net reduction in general revenue expenditure should be counted towards the FTP target of HSSD.

The financial facts are:

- This transfer would see HSSD's general revenue expenditure reduce by £650k per annum which is an ongoing revenue saving consistent with the FTP definition.
- The transfer would not require any adjustment to the general revenue grant to the GHSF as there are sufficient surpluses being generated within that fund to bear the additional cost

* HEALTH AND SOCIAL SERVICES DEPARTMENT PAPER - 2.4.

- There would not be any requirement to increase contribution rates to the GHSF since there appear to currently be sufficient operating surpluses being generated at the existing rates to cover the additional expenditure.
- Overall total States expenditure would not change but general revenue expenditure would reduce by £650k.

My view is that this case could be argued either way. It is clear that the transfer should proceed and that general revenue should therefore get the benefit. However, whether this is classed as an FTP benefit is purely a political judgement for Ministers.

2. Long Term Care

The second service that HSSD is looking to transfer the costs of is the provision of its long term care services. HSSD currently provides some 190 continuing care beds for adults with long term care needs and does not consider this as part of its core business. The Department believes these services would be better provided by the independent sector with the costs picked up from the Long Term Care Insurance Fund (LTCIF).

This proposal appears to be far more complex than the visiting consultants transfer with many far reaching issues and fundamental questions regarding the purpose of the LTCIF and the States' approach to long term care. The Older Persons' Long Term Care Strategy has yet to be finalised and agreed by the States which will set the direction for service provision in the future.

The current cost of service provision to HSSD is some £7m and the proposal would see £4.4m of this cost transferred to the LTCIF. It should be noted that the Fund generated an operating surplus of £1.1m in 2010, £0.6m in 2011 and £0.8m in 2012, and that benefits paid from the fund in totality were £15.1m in 2010, £16.3m in 2011 and £16.6m in 2012 meaning that this would represent an additional 25% expenditure from the fund. It is immediately apparent that it would not be possible to even consider this kind of transfer without a review of the contribution rates for the fund or the introduction of a States grant to contribute to these costs. I cannot see that there is likely to be any saving to the States overall or to general revenue as a result of such a transfer and would therefore recommend that this is not progressed as an FTP project.

In addition, the Department believes that there may be a **real** saving to the States through a reduction in the cost of the service by moving provision to the private sector, estimated at between £0 and £2.5m. This would make sense as an FTP project as it would fit with one of the key objectives of the FSR that *'Departments are only engaged in delivering essential services and those that cannot or should not be provided by the private sector'*. As such, it is recommended that this project be admitted to the FTP but with the equivalent of long term care funding remaining with HSSD until such time as a sustainable alternative funding model has been put in place.

POLICY COUNCIL IS ASKED:

- To consider whether it wishes to allow the general revenue saving as a result of the transfer of visiting consultant costs to GHSF to be counted as an FTP benefit.
- To decline that any transfer of costs from HSSD to the LTCIF should be considered an FTP saving and further recommend that such a transfer should only be considered once a sustainable funding model has been developed.
- To admit the project to examine the future provision of HSSD's long term care services to the FTP with any benefits derived from private sector provision credited to the FTP.

Bethan Haines
States Treasurer

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Health and Social Services Department

Report to the Policy Council on the proposed transfer of service delivery costs from HSSD general revenue to Social Security funding

PAGES 4 TO 16 REDACTED

Pages redacted under exception 2.4 (internal discussion and policy advice) of the Access to Public Information Code of Practice in order to protect confidential communications between Departments

