



Cardiff and Vale NHS Trust

Ymddiriedolaeth GIG  
Caerdydd a'r Fro

## University Hospital of Wales Ysbyty Athrofaol Cymru

### 1948-2008

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23<sup>rd</sup> October 2008

Ms Angela Burns  
Chair, Finance Committee  
Welsh Assembly Government  
Cardiff Bay  
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Dear Ms Burns

#### **Draft Budget 2009/2010**

I reply to your letter of 17<sup>th</sup> October 2009 regarding further information requested by the Finance Committee. The response to your specific questions are set out below.

#### **1. All Wales Influenza Preparedness Programme**

The assumptions and estimates contained within the Draft Budget Plan regarding the All Wales Influenza Preparedness Programme were compiled by the Welsh Assembly Government. Unfortunately, these have not been shared with the National Health Service and therefore, I am unable to provide you with the information you have requested.

This question has, therefore, been referred to the Welsh Assembly Government who are co-ordinating this programme.

#### **2. Other Cost Pressures**

As stated, there are numerous other cost pressures that need to be managed, for which there is no additional funding. As requested, examples of these additional cost pressures are set out below.

- Revenue costs arising from the capital programme, including maintenance of new equipment and replacement items such as x-ray tubes.
- Drugs costs due to the increased activity and acuity of patient care.
- The cost of single use items as advised by the Medical Devices Agency and best practice.
- Increased technology costs associated with new innovative practices including the cost of implants etc.

- Increased workload in Pathology linked both to the GP contract and extra work in secondary care.
- Continued impact of 'Agenda for Change' increments due to reduced turnover of staff.
- Reduction in income due to English Primary Care Trusts purchasing healthcare locally.
- Increased levels of clinical negligence and personal injury claims.
- The necessity to provide locum cover for unexpected illness and national shortages in certain key clinical staff.
- The costs of managing increases in emergency demand.
- Costs of increased hygiene and control of infection.
- Changes in the VAT regulations for the use of locum medical staff.
- Increasing clinical governance standards including nursing costs to ensure that appropriate and safe care is provided at all times, especially to high acuity patients.
- Short term costs of investing in new systems and new ways of working and in the unavoidable immediate costs of reorganisations.

### **3. Efficiency Savings**

As outlined in the submitted paper, the NHS in Wales has been achieving annual savings of between 1% and 2%, with the NHS breaking even in 2007/2008. The scale of the challenge in 2008/2009 is a savings requirement of between 4% to 5% in most Health Communities, with Directors of Finance raising concerns regarding the achievability of this during last year's Budget Planning round. This requirement to deliver such a scale of savings is leading to financial deficits being incurred in numerous health organisations. The combined financial position as formally reported by NHS Trusts and LHBs for the first six months of the 2008/2009 financial year is a deficit of £38m. This is forecast to reach at least £50m by the end of the financial year.

The current financial pressures need to be taken into account when assessing what level of efficiency savings can reasonably expect to be delivered in 2009/2010. From a sustainability perspective, the maximum cash releasing efficiency savings that could be delivered without impacting on service delivery would be of the order of 2.5% to 3%. This level of savings which is over and above improvements to productivity, will not be easy to achieve and will require the NHS to maximise all opportunities to modernise service delivery.

I hope the Finance Committee finds this information useful in considering the Draft Budget for 2009/2010.

Yours sincerely

**PAUL DAVIES**  
**Chair NHS Trust Directors of Finance**