

**National Assembly for Wales Finance Committee
Call for Information re National Health Service (Wales) Finance Bill**

Background

- By representing the seven Health Boards and three NHS Trusts in Wales, the Welsh NHS Confederation brings together the full range of organisations that make up the modern NHS in Wales. Our aim is to reflect the different perspectives as well as the common views of the organisations we represent.
- The Welsh NHS Confederation acts as an independent voice in the drive for better health and healthcare through our policy and influencing work and by supporting members with events, information and training. Member involvement underpins all our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.
- On behalf of its members, the Welsh NHS Confederation welcomes the opportunity to respond to the Health and Social Care Committee's call for information on financial issues facing the NHS in Wales.

Position on the National Health Service (Wales) Finance Bill

- The Welsh NHS Confederation, on behalf of its members, welcomes the publication of the National Health Service (Wales) Finance Bill.
- For some time the NHS has been calling for Welsh Government to make different mechanisms available and greater flexibility to allow Health Boards to manage their end of year positions in a more balanced manner. Break even is a very precise requirement placed on Local Health Boards on 31st March each year and this has become a somewhat arbitrary date for the production of annual accounts.
- An environment needs to be created that rewards progress on good financial management, facilitates the development of clinically led proposals for service reconfiguration and, in the best scenario, allows transition and pump priming support for service development. Welsh Government should endorse the creation of reserves as good and expected best practice, particularly in such challenging financial times. Other public services have such mechanisms.
- The Welsh NHS Confederation believes the Bill will enable Local Health Boards to have a greater focus on medium term planning. The increased flexibility afforded in the Bill will enable plans to be developed at Health Board level that allow investment to be made in one year that supports the achievement of service change and reduced costs in future years.
- The Welsh Government has been clear that there will be rigour in the practical application of the Bill and that Local Health Boards will have to demonstrate rigorous service, workforce and financial planning. Local Health Boards' plans will need to be sufficiently robust over the whole three years, in order that a planned additional expenditure in one year can be allowed, based on strong certainty that the savings will be there in the second or third year to recover it. The Welsh NHS Confederation believes that such use of flexibility would be a very worthwhile improvement to the current financial regime.
- The Welsh NHS Confederation recognises that there is concern about a potential risk that additional flexibility would be used to provide 'cover' for a potential failure to balance expenditure to income in one year, and the 'problem' passed on to be resolved in following years – possibly the third of the three year period. The Welsh Government has been clear that to mitigate against this risk, robust monitoring and management arrangements would need to be exercised to prevent such a use of the flexibility. The flexibility mechanism should be exercised

for planned investment and secure savings, and not to cover difficulty in balancing income with expenditure.

- Strong discipline will need to be exercised by Local Health Boards to ensure that each case for investment in any one year can indeed deliver the cash savings in future years to repay that investment. There are schemes that reduce future growth in demand but these are not the same as providing cash savings from existing expenditure to repay the investment made.
- One area where it may be helpful to have further clarification from Welsh Government is whether there is the financial means at a central level to allow a number of Local Health Boards to exercise flexibility of additional expenditure in the same year.