

Evidence paper from the Director General, Health and Social Services to the Public Accounts Committee in response to the Wales Audit Office Report on Health Finances 2012/13 and beyond.

Introduction

The Welsh Government welcomed the Wales Audit Office report on Health Finances when it was published in July. We generally accept the recommendations and we are already taking the necessary responsive action in each area.

This paper provides commentary and evidence in respect of the areas covered by the report. We also believe it is appropriate to cover some of the issues raised by the draft budget which was laid on 8 October and the recent Written Statement on the additional resources to be allocated to the NHS in 2013/14.

2012/13

The WAO report acknowledges the Department generally managed financial risks well across the year. It recognises the tough decisions taken to enable the provision of additional funding to support financial and service pressures across NHS bodies. As a consequence all NHS organisations met their statutory financial targets at the year end.

In reflecting on 2012/13 it is important to highlight a number of very significant developments. These will have a profound impact on all aspects of planning and delivery in the Welsh NHS.

- The publication of the report into events at Mid Staffordshire by Robert Francis QC. This has placed a greatly increased emphasis on matters of quality and safety.
- The continuation of major programmes of service change. Patterns of delivery are being reconfigured both in hospitals and in primary and community care settings.
- An unprecedented increase in demand for emergency care services. Analysis indicates this is particularly associated with an increasingly elderly population. In appropriately prioritising the care needs of emergency patients there was an impact on planned care. The overall performance picture was therefore mixed in 2012/13. There were improvements in some key priority areas including :

- Stroke services
- Hospital admissions for chronic conditions
- C.Difficile levels
- MRSA levels
- Day care rates
- Length of stay

However performance against access targets for unscheduled and planned care deteriorated. As a final point in this regard it is important to note patient satisfaction levels have remained at a very high level.

2013/14

The current year has been particularly distinguished by a strong emphasis on quality and safety. Relevant developments include:

- The publication of Safe Care, Compassionate Care
- The publication of Annual Quality Statements by all NHS organisations
- Greater transparency, highlighted by the recent launch of My Local Health Service which publicises a range of quality indicators
- The development of more Delivery Plans for major conditions – respiratory, neurological condition, eye care
- Progress reports for established Delivery Plans
- Strengthened Board governance to respond in particular to the WAO/HIW report on Betsi Cadwaladr University Health Board
- Work to strengthen the regulatory and inspection regime
- Focus on quality improvement through the renowned 1000 Lives programme

The year has also been characterised by very focussed work to respond to the necessary pressures in the unscheduled care system. Welsh Government has worked with NHS organisations and action is being progressed in a range of areas. There has been a particular emphasis on leadership, care delivery models, discharge arrangements and Winter planning. Performance has improved over recent months as a consequence. Service Change has continued with a growing recognition of the need to align service, workforce and financial aspects. Welsh Government has led work to significantly strengthen planning processes – for 2013/14 and over a rolling 3 year period.

It was in the context of the developments described above and with the knowledge of increasing financial pressures that the Minister for Health and Social Services announced a review of the budgets to ensure the Welsh NHS could respond to the requirement associated with the Francis Report. The budget announcement on 8 October set out planned increases to the Health and Social Services allocation for

the period from 2013/14 to 2015/16. The budget has been subject to scrutiny at the Children and Young People's Committee and the Health and Social Services Committee. An additional and recurrent allocation of £150m has been announced by the Minister to recognise and support the plans that LHB's had already put in place.

The Minister has announced the detail of the allocation reflecting a distribution that is driven by a population formula. The allocation basis for each organisation is shown below:

	Nurse Staffing	Unscheduled Care (Including Amb. Pressures)	Immunisation programme	Kalydeco drug funding	VER Funding	Total
	£m	£m	£m	£m	£m	£m
ABMU	1.80	21.80	1.30		0.55	25.45
Aneurin Bevan	1.90	23.88	1.14		0.00	26.92
BCU	2.20	26.64	1.56		0.50	30.90
Cardiff and Vale	1.40	17.09	1.03		2.33	21.85
Cwm Taf	1.10	13.42	0.66		1.68	16.86
Hywel Dda	1.30	15.51	0.86		1.30	18.96
Powys	0.40	5.16	0.30		0.05	5.91
WAST					0.97	0.97
NWSSP					0.05	0.05
Central Programme			0.15	2.00		2.15
Total	10.10	123.50	7.00	2.00	7.43	150.03

Note: The Ambulance service pressures are included within the total unscheduled care funding and are allocated by LHB to reflect commissioning responsibilities.

Whilst the additional monies allocated to the Health in the budget is welcome the Minister has made it clear that it will not remove the need for significant further change in the Welsh NHS nor would it relieve all the pressures facing the service. Rather it will enable and support further transformational change. Welsh Government is currently working with Chairs and Chief Executives to ensure appropriate expectations, plans and work programmes are established for the remainder of 2013/14.

Looking Ahead 2014/15 and Beyond

Health Boards and Trusts are required to produce robust 3 year plans by January 2014. These will be set in the context of the priority given to the maintenance of high quality care. They will recognise the reality and challenges associated with a period of sustained austerity. They will be based on the increased allocation to Health and Social Services announced in the recent budget.

2014/15 £180m

2015/16 £240m

The plans will describe changes to service delivery models with the introduction of new care pathways. The expectation is of significant development in preventative, out of hospital care. There will also be attention given to driving up efficiency and productivity – reducing length of stay, increasing day care and statutory discharge processes. The plans will focus on aligning service, workforce and financial aspects.

The Committee will be aware of the proposed NHS Finance (Wales) Bill which was laid before the Assembly on 30 September. The Bill will provide Local Health Boards with improved flexibility allowing them to balance their books over a three year period. It will encourage longer term planning and decision making. It will however be predicated on a very disciplined financial regime informed by the 3 year plans previously described. Some of the main characteristics of this regime will be:

- enhancing financial reporting systems
- improving the capability of financial teams
- improving financial forecasting abilities
- strengthened monitoring arrangements
- better sharing of best practice

The requirement is for Health Boards to plan to maintain or improve current performance levels. Of particular importance are indicators of quality including mortality, infections, stroke, and immunisation. We will increasingly focus on the outcomes of care as well as time – determined measures of access to care. It is recognised the achievement of these improvements will require adoption of proven best practice, enhanced clinical engagement, improved information systems, innovation and strong national and local leadership.

Wales Audit Office Recommendations

In welcoming the report we generally accept its recommendations, We trust the Committee find Annex 1 – setting out relevant responsive details – helpful.

Conclusion

The Wales Audit Office emphasises the challenges facing the Welsh NHS. It draws attention to many areas of strength and positive progress. We will build on these but accept the need for change in key areas. We will in particular recognise the need for our financial processes to support and enable quality in our clinical delivery systems.

HEALTH FINANCES 2012-13 & BEYOND - Recommendations and Welsh Government responses

ANNEX 1

Recs (No. of elements)	Recommendation Summary (number of separate elements listed to meet recommendation in full)	Target date	Progress / Update
1	<p>Recommendation 1. The Department continues to send mixed messages over the availability of additional funding: insisting at the beginning of the financial year that no funding will be provided before later allocating additional funding. We understand the Department's desire to focus NHS bodies on their goal of living within their means. However, the historical provision of providing additional funding has contributed to an unhelpful culture where some NHS bodies are second guessing the position and assuming they will get additional funding.</p> <p>To help develop a culture of greater financial transparency across NHS Wales, the Department should:</p> <ul style="list-style-type: none"> • develop a shared understanding and ownership by regularly reporting and discussing with NHS bodies the financial position of NHS Wales as a whole, including the central budgets managed by the Department; • clearly articulate the position at the beginning of the financial year in respect of what flexibility the Department has to manage financial risks; • during the year, keep NHS bodies updated in terms of any flexibility within the central budget and how it intends to use any surpluses; and • work with and challenge NHS bodies to improve the consistency and transparency of financial reporting and forecasting particularly for cost 	<p>August 2013</p> <p>March 2014</p>	<p>Agreed</p> <p>The NHS Wales Finance Directors will be provided with a full and complete update of the overall Departments financial position each month at their formal Finance Directors meetings. This will include the potential use of and decisions associated with any contingency funding.</p> <p>The developments and improvements we are making to the planning processes and in particular the focus on the medium term will require formal approval by the Welsh Government of NHS plans.. This will enable us to clearly set out the financial expectations and any flexibility being provided over this period.</p> <p>The improvements to the planning processes will also enable better quality monitoring arrangements and the ability to identify and challenge NHS organisations on inconsistencies and discrepancies in their reporting and forecasting.</p>

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	improvement programmes.		
2	<p><u>Recommendation 2.</u> Service reconfiguration and change offers the best chance of developing a lower-cost model that puts the Welsh NHS on a more financially sustainable footing. At present, the financial costs and benefits of transformation and reconfiguration are unclear. The Department is in the process of supporting and challenging NHS bodies as they develop integrated three-year workforce, service and financial plans.</p> <p>In considering NHS bodies' three-year plans, the Department should:</p> <ul style="list-style-type: none"> • robustly challenge NHS bodies to develop an ambitious programme to reform the delivery and configuration of services, to include integrated service plans that set out in detail the costs (both revenue and capital expenditure) and expected financial benefits alongside patient quality and safety impacts; and • test the sustainability of NHS bodies' plans for medium to long-term change against the Department's own assumptions for the medium to long-term prospects for NHS finances. 	March 2014	<p><u>Agreed</u></p> <p>The formal challenge and assessment of both current and future service reconfiguration plans will be addressed as part of the Integrated Planning Framework. In line with the implementation of the Financial Duty change the Integrated Planning Framework, setting out the requirements for sustainable integrated plans, including evaluation of expected financial benefits alongside patient quality and safety impacts, will also include a formal assessment and approval process.</p> <p>The NHS bodies' Integrated Medium Term Plans will be assessed and approved in context of the overall resources available within the Department's Main Expenditure Group. The financial flexibility being provided through the proposed NHS Finance (Wales) Bill will support the Integrated Medium Term Plans. Accordingly there will be a robust evaluation and approval mechanism to ensure that the NHS bodies plans and profiles are aligned to the overall available resources.</p>
3	<p><u>Recommendation 3.</u> In order to manage financial and service pressures, it is clear that many NHS bodies have deprioritised delivery of their targets on waiting times for planned procedures. Given the financial constraints, some form of prioritisation of activity and goals could be seen as</p>	March 2014	<p><u>Agreed</u></p> <p>Tier 1 targets are used to agree the annual priorities areas of focus for the NHS. This years priorities are based on five quality domains across range of</p>

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	<p>inevitable. But such prioritisation needs to be well thought through, transparent and the risks need to be managed. The extent to which such prioritisation is documented and publicised varies between NHS bodies. The Department has not deprioritised any areas and has tasked NHS bodies with delivering against an increasing number of Tier 1 priorities.</p> <p>The Department and NHS bodies should work together to develop a robust framework for reviewing priorities and managing risks in those areas of service delivery that assume a lower priority, in particular to clarify:</p> <ul style="list-style-type: none"> • whether it is realistic to continue to expect NHS Wales to improve performance against an ever-rising set of priorities given a real terms decline in resources; • the extent to which NHS bodies are free to determine their own local priorities/risk appetite in relation to deprioritising service delivery; and • the extent to which NHS bodies should publicise and engage the public in relation to prioritisations that impact on the level or quality of services. 		<p>targets . The number have been kept to a minimum but are spread across the wide areas of responsibility covered by the HBs. Financial balance remains one of these areas</p> <p>In recognition of the financial environment and the challenges from the previous year, WG are working with HB's to agree realistic plans and improvement trajectories. This approach supports the need and on going work to establish a 3 year financial and delivery planning process in the future. This will allow for more long term sustainable improvements to be developed when timelines are more realistic.</p>
4	<p><u>Recommendation 4.</u> Last year we recommended that the Department challenge NHS bodies to accelerate savings from workforce planning while managing the risks to service levels and quality. We found that there are still significant issues with workforce planning and the robustness of the workforce savings that NHS bodies claim to have delivered.</p>	Dec 2013 to March 2014	<p><u>Agreed</u></p> <p>The Department has set up a dedicated project team with associated governance arrangements to develop and implement improvements to NHS organisations planning processes. A key component of this work will be to ensure that NHS plans incorporate key linkages between activities and are integrated in terms of finance, workforce and service delivery.</p>

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	<p>The Department should:</p> <ul style="list-style-type: none"> • step up its challenge of NHS bodies' workforce plans, to ensure that they have robust and detailed workforce plans, which link directly to service plans and plans for workforce savings; and • provide detailed in-year challenge to test whether the workforce savings that NHS bodies report can be reconciled to the workforce plans and actual staffing levels. 		<p>Better quality planning will enable more robust and clearer evidence to support the on-going monitoring and challenging processes that follow.</p>
5	<p><u>Recommendation 5.</u> Last year we recommended that the Department should support NHS bodies in sharing good practice on savings, but our local work suggests that there is little evidence of learning across NHS Wales either by sharing good practice on savings schemes that have worked well or using available costing data to identify and learn from existing practices.</p> <p>The Department should support NHS bodies by helping to identify, gather and disseminate good practice, considering the use of case studies, seminars, training and a central access point for this information.</p>	December 2013	<p><u>Agreed</u></p> <p>The Department will work with NHS bodies, through the Directors of Finance group, to develop a best practice group and programme of work to disseminate and promote best practice. This will build on the work and recommendations of the Best Practice and Innovations Board – specifically around the opportunities, tools and information to promote best practice.</p>
6	<p><u>Recommendation 6.</u> Last year we recommended that the Department work with NHS bodies to profile technical accounting adjustments and central savings across the year. This year, we found several NHS bodies are still making relatively large adjustments at the end of the year. This situation exposes the Department to significant financial risks at the year end, if those adjustments do not materialise.</p> <p>We recommend that the Department steps up its challenge on NHS bodies to produce updated</p>	Actioned	<p>The monitoring return guidance for 2013/14 has been strengthened; requiring organisations to accurately reflect any accountancy gains in their reported positions:</p> <ul style="list-style-type: none"> ○ <i>“Any accountancy gains/balance sheet movements, unallocated reserves and savings items should be appropriately phased to ensure that the year to date position is not distorted”</i> <p>Specific lines have been included on Table D (Underlying Position) to report any year to date and future month's accountancy gains.</p>

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	<p>projections, including in-year balance sheet reviews, building on the good practice we found in at least one local health board.</p>		<p>Comments are required in the narrative on any entries made.</p> <p>A new table introduced in 2013/14 (Table A-Movement of Opening Financial Plan to Forecast Outturn” also requires organisations to report any current or forecast accountancy gains which will contribute to the achievement of their forecast outturn position.</p> <p>A monthly reconciliation is undertaken between all entries and any issues raised with the organisation.</p>