

Mark Drakeford AC / AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Gwenda Thomas AC / AM
Y Dirprwy Weinidog Plant a Gwasanaethau Cymdeithasol
Deputy Minister for Social Services

Llywodraeth Cymru
Welsh Government

Ein cyf / Our ref SF/MD/2942/13

David Rees AM
Chair
Health and Social Care Committee
National Assembly for Wales
Ty Hywel
Cardiff Bay
Cardiff CF99 1NA

Dear David

30 November 2013

We refer to your letter of 25th October, outlining your main conclusions which have been drawn from your scrutiny of the Welsh Government's 2014-15 draft budget. Please find below our responses in relation to those issues on which you have asked for further information.

Additional revenue allocation to the Health and Social Services budget

In light of experience on the distribution of previous allocations further consideration was taken to apply, as far as possible, a distribution based on the latest Direct Needs Allocation Formula. In that respect it was important that the distribution was not based on the individual Local Health Board assessment of their financial challenge but that a fair distribution methodology was applied.

The extant policy is to implement the Direct Needs Allocation Formula based on the recommendations contained in Professor Peter Townsend's report Targeting Poor Health, published by the Welsh Government in July 2001. Since the 2009 reorganisation created the 7 Local Health Boards, no material implementation of resource allocation based on the Direct Needs Formula has taken place. This is primarily because of the difficulty in applying a change to allocations in the absence of any overall growth funding. However as I informed the Committee the additional funding announced for 2014-15 and 2015-16 will be determined by using the Direct Needs Formula methodology, as updated for the latest relevant information.

Within the Direct Needs Allocation Formula methodology the demographic impact on health needs of any given Health Board area are taken into account. However it is important to note that the demographic data impact is on the relative not absolute health needs within Wales. Also it is important to note that while overall demographic change does impact on the relative needs the age profile changes do not materially impact on the direct needs weighting within the Direct Needs Allocation Formula.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Correspondence.Mark.Drakeford@wales.gsi.gov.uk

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Overall Allocation of Funding to LHBs

As set out in my submission of 16 August 2013 to the Committee I am keen that the Resource Allocation Review is taken forward as part of the NHS Finance Regime proposals in support of our strategic document 'Together for Health'. My submission indicated that the project would include:

- Developing a Resource Allocation methodology that can be applied at Local Health Board level and to support the distribution of resources by Local Health Boards at locality level
- Ensuring that the needs weighting reflects relevant factors such as demographics and health inequalities

As I indicated this is a substantial project that will take some time to develop and implement. At this stage of the project initiation it is too early to submit a technical briefing on the development of the proposed formula. However I will, at the appropriate time, offer a technical briefing that will set out the intended scope of the Resource Allocation Review and the timescales. This briefing will also cover what are expected to be the more challenging elements of the project:

- the feasibility of developing a methodology that will be robust at locality level and
- the capacity of a direct needs approach to incorporate the full impact of age and sex demographics.

Information provided in relation to the Draft Budget

It is my intention to provide more information to supplement the main statements and schedules published with the Draft Budget. As I confirmed at the Committee I have asked officials to further develop the supplementary information for the next budget round. On the further point of consistent and comparable financial information, the Welsh Government has, over a number of years, set out guidance and support to enable Local Health Boards and NHS Trusts to report on a similar basis. This includes requirements, templates and guidance on Annual Accounts, monthly Financial Monitoring Returns, Costing Returns and Programme Budgeting Returns. My officials work with NHS colleagues to regularly review and update the guidance to improve the presentation and consistency of financial information.

Furthermore the Planning Framework 2014/15 to 2016/17 issued on 7 November 2013 to Local Health Boards and NHS Trusts included guidance and templates that will support the development of Integrated Medium Term Plans. An additional benefit from this approach will be to facilitate transparency, through the Board approval in public meetings, and the consistency through common templates.

Capital

I am pleased to assure the Committee that the capital programme is being aligned with service reconfiguration plans across Wales. My officials continue to work closely with all organisations to reflect the outcomes of the re-configuration exercises within the All Wales Capital Programme. Through the receipt of the medium term integrated plans in January 2014, work will continue to ensure this alignment continues to focus on the priorities of NHS organisations.

Discussions on Innovative Financing models are being looked at in conjunction with officials from the Strategic Capital Investment team within the Welsh Government. At present all options are being considered alongside the associated revenue impacts. Work has already begun on identifying suitable schemes for such funding routes including Primary Care and a new cancer campus for Velindre NHS Trust being considered. As thinking develops on the preferred financing models, any necessary legislative changes will become clearer and will be taken forward as appropriate.

Alignment with the Programme for Government Proposed Health Checks for the Over 50s.

The health checks programme's overall aim is to make a positive contribution to improving health and wellbeing for people aged over 50, by providing high quality information and advice on a range of issues, promoting and enabling behaviour change where appropriate, and facilitating access to relevant services and source of support. We are field testing and refining the online assessment as it is implemented, and a formative evaluation exercise is also being undertaken alongside this. As the programme is taking an innovative approach, this independent early evaluation work will help us ensure the most appropriate outcome targets are developed.

Funding of £648k has been set aside for the programme during the 2014-15 financial year. This budget will be used to continue to progress developmental work across the programme's four components. Building on the work undertaken throughout 2013-14, the main areas of expenditure for next year will include support for the continuing development and maintenance of the online platform, continued partnership with the Communities First programme, staff costs of the Public Health Wales programme manager and a dedicated marketing budget to support national rollout of the programme. The findings of the current formative evaluation will also inform developments during 2014-15, as well as potential future development and discussions about budget allocations beyond the programme's first phase.

Enhanced services

The Welsh Government aims to improve the accessibility of GP services for working people by ensuring appointments are available at times which are convenient to them. A staged approach has been developed to ensure delivery of this commitment. The first phase, in 2012/13, focused on ensuring adequate capacity and appropriate redistribution of appointments within contracted core hours 5.00pm and 6.30pm. Good progress has been made on delivery of the first phase with 94% of GP practices now offering appointments between 5.00pm and 6.30pm at least two week nights. The focus for 2013/14 has been on extending opening and access to appointments after 6.30pm. 11% of GP practices offer extended opening after 6.30pm. Officials are currently discussing with Health Boards their plans for enhanced GP services, including enhanced access to GP services.

Legislation

The Independent Commission on Social Services published its report – From Vision to Action – and made it absolutely clear that retreating into core services and abandoning prevention and collaborative improvement would quickly become unsustainable. Instead we should seize opportunities for efficiency and transformation. That is why we published Sustainable Social Services for Wales - to seize the opportunities and to set out the transformational change to achieve future sustainability.

The Bill will drive forward a system focused on prevention and early intervention – requiring cooperation and collaboration across public services. This will bring costs and benefits. We have explored these matters within the Regulatory Impact Assessment published with the Bill. The Bill will be implemented through detailed regulations and Codes of Practice. The Deputy Minister has made a firm commitment that in developing the secondary legislation we will look at the detailed costs and benefits associated with those providing a broader scope on which to plan implementation. She will be making statements on the implementation programme and funding to support the transition to new service approaches.

But this does not change the fundamental message. A message the Deputy Minister set out over three years ago. There is simply no more money. We cannot expect that budget settlements will get any better – and we know that demographic and other pressures will

increase. Doing more with less will not address these issues – the Independent Commission told us that three years ago – and neither will doing the same things differently. The only solution is to do different things – to transform services and to legislate for the change.

The WLGA and NHS confederation commissioned a report on the costs and benefits of the bill from IPC. This is a thorough analysis and I welcome that report. It emphasises the need to see these changes as long term – to strive for our ambition. It will be invaluable in developing our detailed regulations and delivery infrastructure.

We need to legislate to empower transformative changes and that must be within the current resource base.

Preventative spending

As the Committee acknowledges there is an element of preventative spend in most budgets within the Health and Social Services MEG and consequently it is extremely difficult to identify the totality of preventative spend. However I want to reassure the Committee that I am committed to testing all programmes to ensure that they deliver their intended outcomes and provide value for money. As I said in Committee a good example of this was the Public Health Wales' review of its health improvement programmes which resulted in a redirection of resources.

Where resources are re-directed these are captured within the in year Supplementary Budget process and full explanations are provided as to the reason for the transfer of resources.

Financial risks associated with the funding of continuing NHS healthcare

The retrospective claims to which the Committee refers are managed on behalf of all Health Boards by a project team within Powys Local Health Board. To assist Powys Health Board in those arrangements, we allocated an additional £800,000 in 2012-13 over three years which is match funded by the all the HBs.

The Powys project team has a clear work plan in place leading up to June 2014 with monthly targets for cases being reviewed and completed. They are currently hitting those targets and also have a number of contingency measures in place to address any shortfalls.

We are monitoring and discussing progress with the Powys project team on a regular basis.

It is expected that by the end of the 2013-14 financial year the vast majority of outstanding cases will have been assessed for both clinical eligibility and likely settlement amount, if applicable. This will allow for a robust estimate of the outstanding liability to be accounted for in 2013-14, therefore minimising the impact on budgets in 2014-15.

Individual Patient Funding Requests (IPFR)

My officials are engaging in exploratory discussions with Local Health Boards, the Welsh Health Specialised Services Committee and the All Wales Medicines Strategy Group to look at the feasibility of:

- strengthening local IPFR panels to ensure consistency in decision making;
- operating an all-Wales panel approach; and
- obtaining early feedback from IPFR panels to identify medicines for appraisal by AWMSG

No work has been undertaken to calculate the cost of operating the different models of IPFR panels.

Provision for Social Care

The creation of the Intermediate Care Fund includes £35 million revenue which will reside within the Local Government MEG and £15 million capital funding in the Housing and Regeneration MEG.

With regards to how allocation decisions relating to the Fund will be made the intention is to manage the revenue and capital streams of funding as a single co-ordinated fund, to maximise the support for people requiring intermediate care, through a coherent package of measures. We expect proposals to be submitted on the regional collaborative footprint and developed in partnership between local authorities and local health boards. The expectation is that a wide range of partners, including the third sector, Registered Social Landlords and Care and Repair agencies will be involved in the delivery.

We are currently developing the detailed plans relating to the process for allocating funding and the criteria against which proposals will be assessed and approved. Further detail will be shared later in November when we plan to issue a Written Statement and Press Notice. We note that you welcome the Deputy Minister's intention to consult on future arrangements for the £50 per week cap on domiciliary care payments.

Yours sincerely

Mark Drakeford

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