

## **The Welsh Assembly Government's response to the report of the National Assembly Audit Committee's report on Finances of NHS Wales 2004: Committee Report (2) 07-04**

The Welsh Assembly Government is grateful for the report. We welcome the findings and offer the following response to the eight recommendations in the report.

### **1 Recommendation**

#### **Financial Results**

**We note and endorse the efforts being made by the NHS Wales Department to correct the long-standing deficit culture through rigorous and achievable recovery plans and rewarding good performance. We strongly recommend that all recovery plans are agreed as a priority and performance against those plans is constantly monitored by the NHS Wales Department so that prompt corrective action can be taken as and when necessary. This is fundamental to ensuring the financial well being of NHS Wales.**

#### ***Accepted.***

There continue to be significant improvements in addressing this area. The agreed plans are being monitored closely and organisations throughout Wales are forecasting achievement against their plans in 2004/05.

The agreement of a recovery plan is treated as a priority. Ensuring that the recovery plan is robust and agreed is one of the essential ways in which the culture and ownership of the plan is addressed.

In some cases it can take some time to agree the detail of the plan because it may have to address a range of complex actions that require the agreement of a number of stakeholders. The time spent in agreeing the assumptions and actions is essential to ensure that the final plan is robust, owned by all parties and is capable of being achieved.

### **2 Recommendation**

#### **Financial Standing**

**We note that Carmarthenshire NHS Trust now has an agreed recovery plan in place and that it is making progress against it. We expect the NHS Wales Department to monitor the performance of this and all trusts with**

recovery plans against their agreed targets particularly closely so that early action can be taken should they fail in any respect to meet expectations and obligations.

*Accepted.*

Performance against all recovery plans is monitored closely on a monthly basis. The Regional Offices who are in constant dialogue with each organisation are able to identify divergence from any agreed recovery plans at an early stage, so that corrective action can be taken.

### **3 Recommendation**

#### **Payment Performance**

We note the overall improvement in prompt payment performance but remain concerned at the continued wide variations in the performance of individual NHS bodies. We stress the need for all NHS bodies to achieve the benchmark of 95 per cent of undisputed bills by number paid within 30 days, which we understand will be a financial target for all bodies in 2003-04. This should help to ensure that small and medium sized suppliers are not disadvantaged. We expect the NHS Wales Department to continue to monitor progress vigorously and take appropriate and prompt actions against organisations failing to meet the targets.

*Accepted.*

The Payment Performance is being monitored by the Regions on a monthly basis. Performance continues to improve in most organisations and actions have been agreed with all organisations that are failing to hit the target.

### **4 Recommendation**

#### **Restructuring of NHS Wales**

We await with interest the results of the balanced scorecard approach and ask that we are informed of the outcome, conclusions and actions that emerge from the July 2004 review. We propose to return to this important subject on a future occasion. We expect the NHS Wales Department to continue to track the running costs of the new structure and the

**transitional costs of restructuring to ensure that the targets set by the Minister are adhered to. We welcome the positive response to the issues and recommendations arising from the Wanless review and expect the Department to ensure that the local Wanless action plans are sufficiently robust and achievable so that the necessary changes and improvements can be made for the benefit of the people of Wales.**

***Accepted.***

The targets set by the minister on restructuring costs are being adhered to in that the allocations made to the new bodies are being kept within the original targets. The allocations are uplifted for inflation only. The costs are then monitored via the regular finance reports submitted by each organisation.

The design of a philosophy and components of an incentives system across health and social care, building on what already exists, and including :

- earned autonomy;
- system of rewards
- intervention systems

is a key area of work being taken forward under the auspices of the Wanless implementation programme. A group comprising representatives from across health and social care organisations is taking the work forward and the final report and recommendations is due for submission to the Minister in December.

In the interim a pilot scheme has been put in place for 2004-05 and £3 million made available for allocation to NHS organisations against a pre-agreed set of performance criteria.

**5 *Recommendation***

**Corporate governance**

**We welcome the efforts made to achieve compliance with the core standards in 2003-04. Whilst we are disappointed that there were some lapses, we note that these have now been addressed, and we urge the NHS Wales Department to ensure that compliance remains a high priority in 2004-5.**

***Accepted.***

Compliance with the latest Treasury Guidance remains a high priority for 2004-

05. The focus for the department will be on ensuring that all Trusts and Local Health Boards continue to strengthen their internal Control processes and that all Boards are in a position to sign comprehensive statements on Internal Control for the year ending March 2005.

Further Guidance on the Board's role in providing assurance on internal controls will be issued in 2004 -05. The guidance will further clarify Board responsibility for internal Control, illustrate the link between organisational objectives and risk management and give practical guidance on how to build an assurance framework that is linked to key organisational priorities. The aim being that risk management must form an integrated part of the organisation's management arrangements.

The Department will continue to work closely with the Welsh Risk Pool in supporting organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good practice and lessons learnt.

## **6 Recommendation**

### **Welsh Risk Pool**

**We are pleased that the long standing failings with the Welsh Risk Pool are now being tackled. We expect the NHS Wales Department to ensure that NHS bodies continue to take steps to minimise the exposure to negligence and personal injury claims and urge the Department to continue to investigate new ways of resolving cases quickly and equitably.**

#### ***Accepted .***

One way to reduce the number of clinical negligence claims is to stop the claims arising in the first place. The Welsh Risk Management Standards have been developed and are being continually updated to help the NHS in Wales better manage themselves to protect patients against risks of all kinds. The Department has recently issued a consultation document on a Statement of Healthcare Standards. The development of the statement will set a framework for improving the quality and safety of health care provided under the NHS in Wales.

The Department has entered into an agreement with the National Patient Safety Agency (NPSA) to carry out its functions in Wales. The Agency has developed and delivered a number of patient safety solutions to NHS staff that will help reduce incidents that can lead to clinical negligence claims. For example, preventing accidental overdose of intravenous potassium, standardisation of crash call numbers, reducing the harm caused by oral methotrexate and improving infusion device safety. The Agency's national reporting and learning system is being implemented across England and Wales. It will provide learning from future patient safety incidents and lead to the development of further practical solutions. In parallel, the NPSA is providing training on root cause analysis that will be used to investigate incidents in a thorough and

systematic way.

Following an evaluation of the options for reducing legal costs through the use of alternative dispute resolution, it was agreed that a pilot project should be established for a fast track system for the resolution of small-medium value claims. It is hoped that the pilot will lead to the development of a more responsive, patient focussed approach to the handling of claims which can provide remedies more closely tailored to individual Patient's needs. It is also hoped that the pilot, with their emphasis on swift resolution, can help address the spiralling costs of resolving clinical negligence claims and the distress suffered by claimant and clinicians alike when subjected to the traditional court process. The working party established to take this work forward is close to finalising proposals for a "speedy resolution" scheme, which is expected to be launched soon.

## **7 Recommendation**

### **NHS Fraud**

**We welcome the continued progress being made by NHS bodies in Wales to increase fraud awareness within their organisations and are pleased to note the continued reduction in the level of pharmaceutical fraud estimated by the NHS Counter Fraud Service. We urge the NHS Wales Department to continue working with counter fraud organisations within Wales to reduce further the level of fraud in all aspects of NHS activity.**

#### ***Accepted.***

The Assembly is updating its agreements with the Counter Fraud and Security Management Service and with Powys Local Health Board (who host the Wales Operational Service Team), to continue its efforts to reduce further the level of fraud in all aspects of NHS activity.

Revised Directions to NHS bodies are currently being finalised. These will apply a consistent and effective approach to countering fraud in health bodies in Wales and provide a clear and concise legal framework for what is to be done to counter fraud. They will strengthen the national framework required for the successful local delivery of counter fraud work without placing any overall additional bureaucratic burden on the NHS in Wales.

Verification checks for patients claiming exemption from dental charges and the implementation of penalty charges are expected to be introduced soon. It is expected that Directions will be issued shortly to allow the Dental Practice Board to undertake this function in Wales.

During October, members of the Wales Operational Service Team and Local Counter Fraud Specialists in Wales took part in a Fraud Awareness Month to help raise the profile of counter fraud work and identify the role that frontline staff can play in tackling fraud in the NHS in Wales. Displays were placed at a number of hospitals and fraud issues discussed with NHS staff. A similar exercise was successfully undertaken last year, resulting in an increase in the

number of calls reporting suspicions of fraud.

It is planned to launch a national proactive exercise on NHS payroll fraud across NHS Wales soon. This follows on from the exercise undertaken last year designed to detect and prevent fraud by NHS agency and bank staff. Several cases were highlighted by the exercise and one nurse has already been charged with false accounting charges and appeared at Cardiff Crown Court where she was sentenced to nine months imprisonment.

## **8 Recommendation**

### **Costs of agency nurses**

**We remain concerned that the cost of agency nursing staff has continued to rise, and at the effects that over-reliance on temporary staff may have on the quality of patient care. We urge the NHS Wales Department and NHS bodies to monitor these costs closely and to take further steps to reduce them. There is a need for the NHS in Wales to recruit and retain good quality nursing staff and provide employment arrangements that include the flexibilities that employees seek.**

#### ***Accepted.***

NHS Trusts in Wales are beginning to find the recruitment of permanent nursing staff easier as the numbers completing nurse training in Wales are increasing following increased investment in training since 1998. Long term nursing vacancies have also reduced in Wales. However demand for NHS services continues to rise. Several Trusts in Wales have reduced their reliance on agency nurses but not all. The Trust chief executives are working to implement an all Wales agency contract that will standardise the cost and quality of agency staff used by NHS Wales.