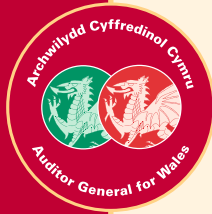


# THE FINANCES OF NHS WALES 2005

Report by the National Audit Office Wales on behalf of the Auditor General for Wales



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31 March 2005

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# **THE FINANCES OF NHS WALES 2005**

Report by Auditor General for Wales, presented to the National Assembly on 31 March 2005

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# Executive Summary

## Introduction

- 1 This is my fourth annual report on the finances of NHS Wales and related issues. It covers the financial year ended 31 March 2004. It examines the impact of the restructuring and considers the major challenges for future service delivery.
- 2 The Audit Commission appointed the auditors of the 22 local health boards and the 14 NHS trusts in Wales. I am responsible for the audit of the three summarised accounts prepared by the Health and Social Care Department. This report includes material provided by the Commission, its appointed auditors, and the NHS Counter Fraud Service. I am grateful to these organisations and to the Health and Social Care Department for their assistance in producing this report.

## Issues covered by this report

- 3 **Part 1** of this report sets out the basis of my audit and the work of the Audit Commission and its appointed auditors. It also examines financial governance issues. In **Part 2**, I comment on the financial performance of NHS Wales in 2003-2004 and its financial standing in view of the latest financial forecasts for 2004-2005. In **Part 3**, I provide an update on the restructuring of NHS Wales and examine the impact of the major review undertaken. Looking to the future in **Part 4**, I highlight other key challenges identified in implementing the NHS plan "Improving Health in Wales".

## Main findings and conclusions

### Audit of the annual and summarised accounts of NHS bodies

- 4 The summarised accounts for 2003-2004 were certified on 9 December 2004 with unqualified audit opinions. Delays in the submission of the Powys Local Health Board account resulted in the late completion of the summarised account of the local health boards. This in turn caused delays to the completion and submission of the consolidated account for the National Assembly for Wales which had a deadline of 30 November 2004.
- 5 In addition there were a number of resource accounting issues that were not identified until late in the preparation and audit process due to the delays. All parties, including the local health boards, appointed auditors and the Welsh Assembly Government, are taking action to ensure that similar problems are avoided in 2004-2005. The treatment of the general fund and balances between the local health boards and the Welsh Assembly Government, in particular net debtor balances which total approximately £190 million, will require careful consideration.

## Financial standing and management of the NHS in Wales

- 6 The restructuring of the NHS in Wales in 2003-2004, combined with the introduction of resource accounting and new statutory responsibilities for local health boards, means it is not practical to reasonably compare the financial performance of NHS bodies with each other or the results of 2002-2003 with the results for 2003-2004. Therefore it is more appropriate to review the statutory duty that net operating costs (on a resource accounting basis) do not exceed resources allocated by the Welsh Assembly Government to local health boards rather than on the basis of a surplus/deficit for the financial year.
- 7 **Financial performance of the local health boards:** The overall net resource outturn for the local health boards was £2.834 billion compared with an original resource budget of £2.827 billion. £8.9 million of additional resources was provided to five local health boards under their Strategic Change and Efficiency Plans to give a final resource limit of £2.836 billion. All local health boards met their final resource limit for 2003-2004 and reported an overall underspend of £1.5 million against this limit. The Dental Practice Board's General Dental Health Services in Wales reported an additional resource requirement of £1.2 million (2002-2003 £0.6 million).
- 8 **Financial performance of the NHS trusts:** The 2003-2004 summarised accounts of the NHS trusts report a deficit for the year of £9.7 million (2002-2003 £10.3 million deficit restated) with an accumulated deficit at 31 March 2004 of £36.7 million (31 March 2003: £27.4 million restated). The 2002-2003 comparatives were restated following the transfer of Powys Healthcare NHS Trust to Powys Local Health Board as at 1 April 2003.
- 9 In 2003-2004, the appointed auditors expressed concerns about the financial standing of five NHS trusts. All NHS trusts met their statutory duties, with the exception of Carmarthenshire NHS Trust which failed to meet its break even target as its Strategic Change and Efficiency Plan had not been formally approved.
- 10 **Forecast outturn for 2004-2005:** For 2004-2005 the trusts are forecasting a deficit of £7.8 million. The local health boards forecast a negative outturn before additional resource allocation of £5.9 million. In addition Health Commission Wales is forecasting a negative outturn before additional resource allocation of £10.3 million. The Assembly Government is currently reviewing but has not yet approved a Strategic Change and Efficiency Plan for Health Commission Wales. Additional resources of £24 million will be provided under the Strategic Change and Efficiency Plans in 2004-2005 to enable the local health boards and NHS trusts to meet their resource limit and break even targets.
- 11 **Public sector payment policy and performance:** All NHS bodies are required to pay undisputed invoices within 30 days unless other terms are agreed with suppliers. During 2003-2004 91.6 per cent of bills by number were paid within the 30 day target, which is below the benchmark of 95 per cent, but still represents a notable improvement on 2002-2003 (85.2 per cent). There was also a smaller variation in payment performance across NHS bodies ranging from 82.0 per cent to 99.8 per cent for 2003-2004 compared to 56.7 per cent to 99 per cent during 2002-2003 for the number of bills paid within 30 days.
- 12 This remains an important performance indicator for all NHS bodies in Wales. The Health and Social Care Department requires formal action plans where NHS trusts and local health boards do not comply with this formal financial duty. The improvements have been attributed to tighter definitional controls introduced to meet the target.



- 13 **Financial standing of NHS Wales:** The health economy in Wales continues to face significant financial pressures. The accumulated net income and expenditure deficit of NHS trusts at 31 March 2004 was £36.7 million (2002-2003 £27.4 million restated). The general funds of the local health boards recorded a negative balance of £67.7 million, most of which was inherited from the former health authorities which reported an accumulated deficit at 31 March 2003 of £60.2 million. The Dental Practice Board had a negative balance on its general fund of £13.6 million (2002-2003 £12.4 million). Health Commission Wales recorded a negative balance on its general fund of £5 million at 31 March 2004 which was inherited from the health authorities as part of the restructuring.
- 14 The Welsh Assembly Government have assured me that the position is being managed by the monitoring of Strategic Change and Efficiency Plans to eradicate in year deficits by March 2006. There is a variation in funding requirements for 2004-2005 with no assistance required by the North Region; £28.043m for Mid & West Region; £37.847 million for South East Region and £25.364 million for Health Commission Wales. All of this additional funding is required to be recovered from the NHS bodies by 2008-2009, however, there is currently no repayment schedule for £36.938 million of this allocation. The Audit Commission have expressed concerns that the current position for NHS bodies is not sustainable and will continue to monitor financial plans as part of their audit work.
- 15 **Welsh Risk Pool:** As previously reported, actions were taken by the Welsh Risk Pool to strengthen their financial management arrangements. The outstanding issues regarding the basis for provisions and accounting requirements will be resolved for 2005-2006 financial year. These revised arrangements have helped ensure that the Pool's expenditure of £25 million on the settlement of 189 clinical negligence and personal injury claims (2002-2003 £43 million on 246 claims) have been met from within its budget.

## Restructuring of NHS Wales

- 16 **Monitoring the performance of NHS Wales:** The Health and Social Care (Community Health and Standards) Act 2003 provides for the National Assembly for Wales to conduct reviews of healthcare provision. From 1 April 2004 Healthcare Inspectorate Wales examined the quality and effectiveness of the health care; the financial management and the economy and efficiency of its provision extant to the Welsh Risk Management Standards.
- 17 The "balanced scorecard" was introduced in July 2004 as a key component of the Performance Improvement Framework. It provides a structured focus on strategic objectives and addresses the quality, safety and cost issues in decision making. Considering the climate of Agenda for Change, implementation of the GMS contracts and the Second Offer Scheme, the implementation needs to be accelerated to address the competing pressures and establish a robust performance framework.
- 18 **Review of structural change costs:** In July 2002 the Minister for Health and Social Services announced that the running costs of the new structure would not exceed those within the existing structure of £71.1 million and that transitional costs would be in the range of £12.5 million to £15.5 million. An updated figure of £71.3 million was provided to the Health and Social Services Committee in March 2003. The Health and Social Care Department have informed me that running costs remain within this limit. Transitional funding was not required following budget reviews for the National Public Health Service and the Business Service Centre. The transitional costs of the NHS Wales Structural Change Programme for the four year period to 31 March 2005 was revised favourably to a budget estimate of between £10.9 million and £14.1 million. The final projected outturn is £10.6 million.

- 19 **The impact of major reviews in the NHS:** Following the "Review of Health and Social Care in Wales" published by Derek Wanless, a Programme Board has been established to implement the improvements under four themes - Prevention, Optimising Service Delivery, Involving People and Professions and Accountability and Performance. From 1 April 2004 each local health board has a development plan funded by £30 million from the Welsh Assembly Government. The recommendations from the Wanless Review form part of the 10 year Strategic Planning Framework.
- 20 **Review of internal controls in the Business Services Centre:** The review of the Business Services Centre conducted by Atos KPMG Consulting in November 2003 concluded that the internal control systems were adequate. However it highlighted a number of areas for improvement particularly the adequacy of staffing and weaknesses in the management accounting functions. The Way Forward Review business case approved in September 2004 proposes the reduction in the current five offices to three in North Wales, Mid and West Wales and South East Wales. It provides an opportunity to address the service issues.
- 22 **Corporate Governance and the Governance Framework:** All NHS bodies conduct an annual assessment against the Welsh Risk Management Standards, which covers both clinical and non-clinical risks. During 2003-2004 the local health boards and the NHS trusts were required to achieve 50% and 75% compliance respectively against five core standards. This was achieved by 15 of the 22 local health boards and three NHS trusts failed to meet the target. Powys Local Health Board was set a higher target of 75% overall compliance as a commissioner and provider of services but failed to achieve this. The governance framework remains an important means of identifying key risks and directing resources accordingly.
- 23 **Progress in tackling NHS fraud:** The Welsh Assembly Government continues to work effectively with the NHS Counter Fraud Service to introduce measures to counter fraud in Wales. As highlighted in previous reports the Counter Fraud and Security Management Service have successfully reduced the levels of pharmaceutical and optical fraud. During 2004 a third exercise estimating dental patient fraud was completed, the results of which will be available in Spring 2005.
- 24 The Post Payment Verification Unit, established during 2001-2002 to investigate claims for exemptions from prescription charges, examined 184,000 scripts for the year ended 31 December 2004 (350,000 at 31 December 2003). It recovered £27,300 (2003-2004 £31,000) for prescription income and a further £64,600 (2003-2004 £34,000) in penalties and surcharges.

## Challenges facing NHS Wales

- 21 **Making the Connections: making the most of resources:** The initial draft of this report by the Welsh Assembly Government is looking to maximise value for money to deliver better public services in Wales and aims to achieve £600 million in improvements across all public sector bodies by 2010. The key areas where savings have been targeted are procurement, support services, reshaping services and better use of staff. The NHS in Wales has established a number of national initiatives including a pilot scheme in North Wales for shared services and Information Technology modernisation projects. The NHS faces a long term challenge to build on practical and long term improvements to achieve the savings advocated by "Making the Connections".

- 25 The NHS Counter Fraud Service (Wales) has received 47 referrals of alleged fraud and corruption to 31 December 2004. It has concluded 30 investigations with a recovery of £259,500. The remaining 17 cases involve funds in the region of £1 million. During 2003-2004 the Team also concluded a number of optical investigations resulting in repayments of £194,000. They continued to conduct a number of programmes to counter fraud, an important example being an exercise to uncover and prevent fraud by NHS agency and nursing bank staff.
- 26 Currently there are 26 accredited Local Counter Fraud Specialists (22 2002-2003) based at the NHS bodies responsible for developing an anti fraud culture and investigating cases under £15,000. At 31 December 2004 they had received 205 case referrals and recovered funds of £283,202 against 76 cases.
- 27 **Other Developments:** The NHS in Wales has commenced the modernisation of pay for consultants, General Practitioners and NHS staff as a means of meeting the challenge of improving productivity in the long term. In the short term implementation will need to be carefully managed otherwise there is a significant danger of committing additional resource which results in little service improvement and which cannot be afforded. Contractual arrangements for dentists and pharmacists will also be reviewed as part of these improvements. Efficiency savings in order to fund the developments have been partially achieved by renegotiating prescribing drugs prices under the Purchase Price Regulation Scheme. However, achieving financial balance and eliminating the deficit culture remain the key challenges.

# 1 Introduction

## Scope

- 1.1 This is my fourth annual report on the finances of NHS Wales. It examines the financial performance during the crucial first year of operations under the new structure as follows:
  - the quality and timeliness of accounts preparation and financial governance (**Part 1**);
  - the financial results for 2003-2004 and the latest financial forecasts for 2004-2005 (**Part 2**);
  - issues relating to the impact of the reorganisation in Wales (**Part 3**); and
  - key future financial issues affecting the service (**Part 4**).
- 1.2 The **Appendices** provide more detail about the forecast outturn for 2004-2005 for NHS bodies, the individual supplier payment performance of the NHS trusts and the new local health boards, and the repayment schedule of additional resource allocations under Strategic Change and Efficiency Plans.
- 1.3 I have recently presented to the National Assembly for Wales a value for money report on NHS Waiting Times in Wales (January 2005). Further value for money studies on NHS Wales in 2005 will cover violence against NHS staff, ambulatory care/day surgery and utilities procurement.

## Basis of Summarised Accounts Audit

- 1.4 Under Section 98(4) of the National Health Service Act 1977, I am required to examine, certify and report to the Assembly on the NHS summarised accounts prepared by the Health & Social Care Department of the Welsh Assembly Government from the accounts submitted by the 22 local health boards and the 14 NHS trusts. The staff of the National Audit Office Wales examine in detail the summarisation of the individual underlying accounts by the Health & Social Care Department. This examination is supported by a detailed assessment of the reliability of the underlying information contained in the audited accounts of the individual NHS bodies. As in previous years, National Audit Office Wales undertook this task by reviewing the work of the auditors appointed by the Audit Commission, scrutinising their reports and discussing their findings with them.
- 1.5 From 1 April 2005 the staffs of the National Audit Office in Wales and the Audit Commission in Wales will transfer to the Auditor General's employment to form the Wales Audit Office. The Auditor General will become the statutory external auditor of all NHS bodies in Wales and the audited accounts of those bodies will be laid before the National Assembly for Wales. The Act also provides for the Auditor General to co-operate with other audit and inspection bodies with a NHS remit such as the new Healthcare Inspectorate Wales and the Healthcare Commission.

- 1.6 2003-2004 was a significant year of change for the NHS in Wales. A restructuring of services on 1 April 2003 resulted in the five health authorities being replaced with 22 local health boards, the establishment of the Business Service Centre to provide central support functions to local health boards, the merger of Powys Healthcare NHS Trust with Powys Local Health Board, and the devolvement of specialist services to Health Commission Wales (Specialist Services).
- 1.7 2003-2004 was the first year in which the 22 local health boards operated and it was the first year in which the local health boards had to submit accounts based on a new Resource Accounting format. The Powys Local Health Board account is the most complex set of local health board accounts as Powys are responsible for their own local health board and former Trust functions, as well as the residual functions of the previous health authorities, and the Business Services Centre which provides accounting services to the other 21 local health boards.
- 1.9 In addition to the above there were also a number of resource accounting issues that were not identified until late in the process due to the delays. Actions are already being taken involving all parties including local health boards, appointed auditors and the Welsh Assembly Government to ensure that similar problems are avoided in 2004-2005. The treatment of the general fund and balances between the local health boards and the Welsh Assembly Government, in particular net debtor balances which are approximately £190 million, will require careful consideration.
- 1.10 I certified the 2003-2004 Summarised Accounts of NHS Wales on 9 December 2004 with unqualified audit opinions.

## The Audit Commission and the role of its appointed auditors

- 1.11 The Audit Commission was responsible for appointing the auditors of the NHS Bodies in Wales who themselves reported on those accounts. In this period the Audit Commission had overall responsibility for ensuring that public money was spent economically, efficiently and effectively. Thus, the auditors appointed by the Commission were required to assess expenditure not just for probity but also for whether value for money was achieved. The work of the Audit Commission in Wales and appointed auditors included examining public services objectively and assisting those responsible for public services to achieve better outcomes. The findings and recommendations arising from this work were communicated through a wide range of publications and events on an all Wales basis, as well as to individual bodies.

## Results of Summarised Accounts Audit

- 1.8 Despite the significant challenges in the first year, 21 local health boards submitted their audited accounts within the required 31 July 2004 deadline. However there were significant and protracted delays in the completion of the financial statements for Powys Local Health Board, which were not signed off until 16 November 2004. The delays in the Powys account resulted in the late completion of the summarised local health board account and also resulted in delays to the completion and submission of the consolidated account for the National Assembly for Wales that was required by 30 November 2004.

1.12 For 2003-2004, the Audit Commission made the following appointments to the new local health boards:

- PricewaterhouseCoopers - Anglesey, Blaenau Gwent, Flintshire, Merthyr Tydfil, Monmouth and Swansea local health boards;
- Deloitte - Newport Local Health Board;
- KPMG - Bridgend Local Health Board; and
- In-house Audit Commission in Wales staff - Caerphilly, Cardiff, Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Neath Port Talbot, Pembrokeshire, Powys, Rhondda Cynon Taf, Torfaen, Vale of Glamorgan and Wrexham local health boards.

There were no new appointments of auditors to the NHS trusts.

1.13 All appointed auditors carried out their work on the accounts of individual health bodies in accordance with the Audit Commission's Code of Audit Practice (the Code). The Code requires appointed auditors to plan their work to consider and assess the relevant significant operational and financial risks facing individual health bodies that are relevant to their responsibilities.

1.15 The appointed auditor provides an opinion for each NHS body as to whether or not the annual accounts show a true and fair view. In addition, for local health boards, auditors are also required to provide an opinion on the regularity of the boards' income and expenditure, and whether these have been applied for the purposes intended by the National Assembly for Wales. The auditors review whether the Statement on Internal Control by the Accountable Officers of local health boards and trusts comply with detailed guidance issued by the Welsh Assembly Government and whether the Statement is misleading or inconsistent with other information the auditors are aware of. Finally, the appointed auditors also prepare an annual audit letter for each organisation summarising the key issues for the attention of the body's board of directors and detailed reports and presentations on specific matters and projects undertaken as part of the audit.

1.16 Nearly all the audited accounts of NHS trusts and local health boards were submitted to the Welsh Assembly Government in accordance with the prescribed timetable of 31 July 2004.

## Audit of the annual accounts of NHS bodies

1.14 Each NHS body is required to publish an annual report and statement of accounts in accordance with Accounts Directions and guidance manuals issued by the Health & Social Care Department. Local health boards were required to adopt the principles of resource accounting from the outset but these have not yet been extended to NHS trusts.

- 1.17 There were significant and protracted delays in the signing of the account for Powys Local Health Board, which is complex and which was not covered by the guidance manual for the other local health boards but by separate guidance provided later in the year. This is because Powys Local Health Board is responsible for the five offices of the Business Services Centre and the residual estates and balances from the former health authorities. It also incorporates the functions of the former Powys Healthcare NHS Trust. Each of these 'areas' produces its own financial results which are consolidated to form the Powys Local Health Board account. Numerous draft versions of the consolidated account of varying levels of detail and quality were produced by Powys for audit. Significant additional resources were provided to Powys by the Health and Social Care Department and the appointed auditors which enabled the account eventually to be signed on 16 November 2004. Additional explanations were provided in the Statement on Internal Control for Powys Local Health Board for the problems encountered.
- 1.18 The delay in finalising and signing the Powys account and the need to resolve a number of complex accounting issues had a direct impact on the completion of the audit for Conwy & Denbighshire NHS Trust as the Trust were delayed in agreeing balances with Powys Local Health Board regarding the Welsh Risk Pool. The Trust is the host for the Welsh Risk Pool and the Pool's results are consolidated into the Trust's accounts. As a result of the delays, the Trust almost missed its statutory deadline to present audited accounts to its Annual General Meeting by 30 September 2004.
- 1.19 In addition the introduction of resource accounting for the local health boards in their first financial year highlighted different interpretations of key requirements of resource accounting leading to a lack of consistency in the treatment of similar items in the underlying accounts. It is recognised that these issues must not be allowed to happen again and must be corrected for the 2004-2005 financial year end accounts. The Health and Social Care Department has confirmed that all parties - the local health boards, appointed auditors and the Welsh Assembly Government - are already taking action to ensure that similar problems are avoided in 2004-2005.
- 1.20 Improved arrangements are being put in place to improve not only the quality but also the timeliness of production of local health board accounts for 2004-2005. These arrangements include, in particular, the need for a review of certain accounting treatments, revised guidance to local health boards to enable them to comply fully with resource accounting requirements, additional training and development of finance staff in the local health boards, and strengthening of the Health and Social Care Department's finance team. The Health and Social Care Department, NHS organisations and appointed auditors are working closely together to help ensure appropriate action is taken such that the problems of 2003-2004 are not repeated in subsequent years.
- 1.21 I comment further on the operational aspects of the reorganisation of local health boards in **Part 3** of this report.

- 1.22 For the eighth year in succession, all NHS trusts received unqualified opinions on their main financial statements. However, additional comments were included in the audit report for Carmarthenshire NHS Trust highlighting the lack of a formally approved Strategic Change and Recovery Plan at 31 March 2004. The plan was subsequently approved by the Welsh Assembly Government. Such plans are required to be prepared by all NHS bodies to outline how financial balance will be achieved in future years. The details are given in **Part 2** of this report.
- 1.23 In their first year of operation all 22 local health boards received unqualified true and fair opinions. The appointed auditors are also required to give a regularity opinion similar to those provided in relation to the old health authorities. In the prior year, four out of the five health authorities received a qualified regularity opinion because of uncertainty over the level of completeness of prescription income. However, as a result of the improved procedures established by the Prescription Pricing Verification Unit to check and recover prescription income, no such qualifications were made in respect of any of the 22 local health boards by the appointed auditors. Lost prescription income was estimated at £2 million for 2003-2004 compared to £8 million in 2002-2003.
- 1.24 NHS organisations were criticised in 2003-2004 with regard to their ability to accurately forecast the financial outturn positions. The Health and Social Care Department have informed me that they have taken considerable steps in 2004-2005 to ensure that this area has been improved. Organisations have been monitored closely in terms of the financial assistance they have required and their forecast surpluses and deficits. The forecasts were confirmed and fixed in October 2004 so that ministerial approval could be obtained to carry forward any planned surpluses. Following this action all organisations will now be held accountable for ensuring that their agreed forecasts are achieved.

## Dental Practice Board

- 1.25 The Health & Social Care (Community Health and Standards) Act 2003 provides for the abolition of the Dental Practice Board. The functions of the Board will be passed to a new cross-border special health authority although the date of transfer has not yet been determined. Therefore the Board is not included in the local health board summarised account for 2003-2004. Parliament has now appointed the Comptroller and Auditor General as the Board's auditor. In previous years the appointed auditors qualified their opinion on the basis that the absence of controls could result in potentially inappropriate payments, for example through administrative error, misunderstanding of regulations, inappropriate or poor quality work and deliberate theft. The Comptroller and Auditor General gave an unqualified regularity opinion on the financial statements for 2003-2004.

## Reports and referrals

- 1.26 As part of their work, appointed auditors consider the legality of actions taken by NHS bodies. The majority of issues that arise are resolved by discussion with senior management. Occasionally, appointed auditors may decide that it is in the public interest to make a referral to the Welsh Assembly Government or to issue a report in the public interest. No such reports or referrals were made for 2003-2004. Auditors also have a duty to refer a matter to the National Assembly for Wales if they have reason to believe that a NHS body has made a decision that involves or may involve unlawful expenditure. Again no such referrals were made for 2003-2004.



# Financial performance of the NHS in Wales: annual results and forecasts

## 2

### Introduction

- 2.1 This part of my report provides an overview of the financial performance of NHS Wales during 2003-2004 and of its financial standing at 31 March 2004, taking the latest forecasts for 2004-2005 into account. Clearly the major impact in the year was the restructuring, developments in modernising pay structures and the preparation for the full implementation of the Agenda for Change programme.
- 2.2 The restructuring of the NHS in Wales in 2003-2004, combined with the introduction of resource accounting and new statutory responsibilities for local health boards, means it is not practical to reasonably compare the financial performance of NHS bodies with each other or the results of 2002-2003 with the results for 2003-2004. For example the healthcare commissioning functions of the former health authorities are not being solely carried out by the local health boards as specialist services commissioning is undertaken by Health Commission Wales (Specialist Services).
- 2.3 Under central government accounting, resource accounting and budgeting was introduced for the local health boards on their creation on 1 April 2003. Local health boards are required to remain within the limits of their resource budgets. They are monitored on their utilisation of all resources and the financing of their expenditure rather than the income received from the Welsh Assembly Government. It is therefore appropriate to consider whether local health boards have over or under spent against this resource limit target as they are required to stay within this resource limit each year. In previous years the health authorities and the NHS trusts received income and netted this against their expenditure to give a surplus/deficit for the year in their accounts. The principles of resource accounting have not yet been extended to NHS trusts and they continue to prepare their accounts on the same basis as in previous years.

2.4 I have summarised the results as follows:

- the financial performance of the local health boards (paragraphs 2.5 to 2.7);
- the financial performance of the NHS trusts (paragraphs 2.8 to 2.11);
- forecast outturn for 2004-2005 (paragraphs 2.12 to 2.13);
- analysis of expenditure by programme budget (paragraphs 2.14 to 2.16);
- performance against the public sector payment policy (paragraphs 2.17 to 2.20);
- the financial standing of NHS Wales (paragraphs 2.21 to 2.27);
- issues from the underlying accounts (paragraphs 2.28 to 2.34);
- the Welsh Risk Pool (paragraphs 2.35 to 2.36); and
- the private finance initiative (paragraph 2.37).

### Financial performance of the local health boards

- 2.5 At 1 April 2003 the 22 local health boards replaced the health authorities with responsibilities for commissioning, securing and delivering health care. The National Health Service Reform and Health Care Professions Act 2002 sets out the statutory duty for local health boards as ensuring that net operating costs do not exceed resources allocated to them by the Welsh Assembly Government. Also, where overspends are forecast against resource limits a Strategic Change and Efficiency Plan must be approved by the Welsh Assembly Government.

2.6 The overall net resource outturn for the local health boards was £3.185 billion before taking into account miscellaneous income of £58 million offset by non-discretionary expenditure of £293 million. This gives net operating costs which the local health boards are directly responsible for of £2.834 billion compared with an original resource budget of £2.827 billion. £8.9 million of additional resources was provided to five local health boards under their Strategic Change and Efficiency Plans to give a final resource limit

of £2.836 billion. The local health boards' outturn against this final resource limit was an underspend of £1.5 million. **Figure 1** sets out the 2003-2004 financial position for each local health board.

2.7 The Welsh Assembly Government has previously given non interest bearing loans to the former health authorities. Loans inherited by the local health boards amounted to £6.5 million at 31 March 2004.

### 1 Local health board financial position: 2003-2004

Local Health Board	Resource limit prior to SCEP assistance £'000	SCEP assistance £'000	Final resource limit £'000	Operating cost outturn £'000	Operating cost underspend £'000
Anglesey	65,315	-	65,315	65,105	210
Blaenau Gwent	75,019	-	75,019	74,894	125
Bridgend	133,163	-	133,163	133,043	120
Caerphilly	153,862	-	153,862	153,772	90
Cardiff	249,585	5,015	254,600	254,577	23
Carmarthenshire	167,648	-	167,648	167,626	22
Ceredigion	76,345	-	76,345	76,344	1
Conwy	114,745	-	114,745	114,742	3
Denbighshire	108,524	-	108,524	108,522	2
Flintshire	119,657	-	119,657	119,634	23
Gwynedd	132,076	-	132,076	131,485	591
Merthyr Tydfil	62,775	-	62,775	62,766	9
Monmouthshire	76,424	700	77,124	77,122	2
Neath Port Talbot	137,969	-	137,969	137,959	10
Newport	127,377	900	128,277	128,262	15
Pembrokeshire	114,506	-	114,506	114,501	5
Rhondda Cynon Taff	231,442	-	231,442	231,409	33
Swansea	214,920	-	214,920	214,910	10
Torfaen	91,486	-	91,486	91,467	19
Vale of Glamorgan	117,888	1,811	119,699	119,699	-
Wrexham	124,798	-	124,798	124,648	150
Powys	131,250	504	131,754	131,749	5
<b>Totals</b>	<b>2,826,774</b>	<b>8,930</b>	<b>2,835,704</b>	<b>2,834,236</b>	<b>1,468</b>

Source: Health and Social Care Department

## Financial performance of the NHS trusts

- 2.8 The 2003-2004 summarised accounts of the NHS trusts report a deficit for the year of £9.7 million (2002-2003 £10.3 million deficit restated) with an accumulated deficit at 31 March 2004 of £36.7 million (31 March 2003: £27.4 million restated). The 2002-2003 comparatives were restated following the transfer of Powys Healthcare NHS Trust to Powys Local Health Board as at 1 April 2003. It should be noted that additional Strategic Assistance Funding of £10.2 million was issued during 2003-2004. The cumulative debt at 31 March 2004 is £41 million.
- 2.9 In previous years, the statutory requirement for NHS trusts to break even was measured over a rolling three-year period, which could be extended to five years by agreement with the Welsh Assembly Government. In May 2004, the Assembly Government clarified the position by requiring trusts to achieve a break-even financial position each and every financial year. However, where an approved recovery plan is in place, achievement of the break-even duty will be measured over the life of that plan. A trust will be considered to have met its break-even duty if it achieves the minimum target surplus or maximum target deficit identified in the plan for that financial year. These requirements are subject to a tolerance of £0.5 million or 0.5% of the trusts operating income for the year, whichever is the lower.
- 2.10 During 2003-2004 the appointed auditors confirmed that all of the trusts met the break-even target with the exception of Carmarthenshire NHS Trust, as that Trust's Strategic Change and Efficiency Plan was not formally approved until 2004-2005. All NHS trusts remained within their External Finance Limit.
- 2.11 The appointed auditors expressed significant concerns over the financial standing of 5 individual trusts. **Figure 2 (overleaf)** summarises the current financial position.

## Forecast outturn for 2004-2005

- 2.12 All local health boards requiring additional resource allocation to meet resource limit targets and all trusts forecasting a deficit for 2003-2004 were required to produce a Strategic Change and Efficiency Plan. These Plans explained how the need for additional resources and forecast deficits were to be removed over the following three years with the profile of how the additional in year resources from the Welsh Assembly Government would be repaid. The Health and Social Care Department rigorously assessed the Plans for their ability to deliver the savings required and it was close to year end before many of them were signed off as being sufficiently robust for the additional funding to be provided. Carmarthenshire NHS Trust's Plan remained unsigned at the year end.
- 2.13 As a result, the actual deficit for NHS trusts and outturn for local health boards in 2003-2004 was far better than original plans. Also some local health boards have already started repaying loans due to the improved outlook. For 2004-2005 the trusts are forecasting a deficit of £7.8 million. The local health boards forecast a negative outturn before additional resource allocation of £5.9 million. In addition Health Commission Wales is forecasting a negative overspend before additional resource allocation of £10.3 million. A Strategic Change and Efficiency Plan is currently being reviewed but has not yet been approved for Health Commission Wales. A breakdown of the projected forecast position for 2004-2005 is provided in **Appendix 1**.

## 2 NHS Trusts with underlying financial problems in 2003-2004

NHS Trust	Financial position
Cardiff and Vale	<p>The Trust reported a £2.5m deficit (2002-2003 £3.4m deficit). Its cumulative deficit is £8.8m at 31 March 2004.</p> <p>This improves on the original target deficit for 2003-2004 of £5.2m. It anticipates that it will again improve on the target deficit for 2004-2005. The five year recovery plan agreed with the Welsh Assembly Government in July 2003 requires the Trust to return to surplus in 2006-07. The Trust will need to deliver a breakeven position in 2008-09. A key challenge facing the Trust is the delivery of a cost improvement programme.</p> <p>The Trust has total loans outstanding at 31 March 2004 of £16.1m (£13.6m at 31 March 2003).</p>
Carmarthenshire	<p>The Trust reported a £4.9m deficit in 2003-2004. Its cumulative deficit is £14m at 31 March 2004.</p> <p>The Strategic Change and Efficiency Plan anticipates the restoration of service and financial balance by 2006. This plan has now been formally approved by the Welsh Assembly Government. The repayment of loans received from 2002 to 2009 has also been approved.</p> <p>Total loans outstanding at 31 March 2004 are £13.7m (£9.2m at 31 March 2003).</p>
Ceredigion and Mid Wales	<p>The Trust reported a £0.9m deficit (2002-2003 £0.8m deficit).</p> <p>The Trust agreed a recovery plan with the Welsh Assembly Government in 2003-2004 which aims to restore service and financial balance by 2006 whilst also providing for the repayment of loans received in 2002-2004 by 2008-2009. Its cumulative deficit is £2m at 31 March 2004.</p> <p>Total loans outstanding at 31 March 2004 are £2.3m (£1.4m at 31 March 2003).</p>
Pembrokeshire and Derwen	<p>The Trust reported a £3.3m deficit (2002-2003 £2.4m deficit), achieving its break-even duty, but its cumulative deficit is now at £5.8m.</p> <p>The Welsh Assembly Government approved the Trust's recovery plan in May 2004, which aims to restore financial balance by 2006 whilst also providing for the repayment of loans received by 2008-2009.</p> <p>Total loans outstanding at 31 March 2004 are £8.6m (£5.2m at 31 March 2003).</p>
Welsh Ambulance Services	<p>The Trust reported a £1.1m surplus.</p> <p>The Trust agreed a revised financial strategy in 2000-2001 and having achieved its financial targets for 2003-2004, remains on course to achieve financial balance by 2004-2005. Its cumulative deficit was reduced by £1.1m in the year to £2.3m.</p> <p>Total loans outstanding at 31 March 2004 are £0.3m (£1.2m at 31 March 2003) which should be fully repaid by 31 March 2005.</p>

Source: Audit Commission in Wales

## Analysis of expenditure by programme budget

2.14 In the Finances of NHS Wales 2004, I reported the implementation of the Programme Budgeting initiative, as part of the development of the Financial Information Strategy, to map NHS expenditure to 23 health conditions. The results of the first exercise to map local health board, Health Commission Wales and the Dental Practice Board's expenditure for 2003-2004 are detailed in **Figure 3**.

2.15 There are inevitably some limitations to the quality of information from this first exercise. In particular, it was not possible to allocate a significant proportion of general medical services expenditure to programme categories, so this expenditure has been included within category 23. In addition, healthcare activity systems for non-inpatient and day case activity do not routinely collect sufficient information on a patient's condition to enable that activity to be directly allocated to a programme category. These costs have been apportioned using local information. Notwithstanding these limitations, the information, also available at local health board level, provides a useful tool for both national and local service planning and performance management.

### 3 NHS Wales programme budget costs 2003-2004

Programme budget categories	Total £m	Total %
1 Infectious diseases	51	1.4
2 Cancers & tumours	226	6.2
3 Blood disorders	36	1.0
4 Endocrine, nutritional & metabolic problems	112	3.1
5 Mental health problems	429	11.8
6 Learning disability problems	75	2.1
7 Neurological system problems	107	2.9
8 Eye/vision problems	79	2.2
9 Hearing problems	20	0.5
10 Circulation problems	382	10.5
11 Respiratory problems	241	6.6
12 Dental problems	137	3.8
13 Gastro intestinal problems	240	6.6
14 Skin problems	81	2.2
15 Musculo skeletal system problems (exc Trauma)	164	4.5
16 Trauma & injuries (inc burns)	222	6.1
17 Genito Urinary system disorders (exc infertility)	159	4.4
18 Maternity & reproductive health	152	4.2
19 Neonates	27	0.7
20 Poisoning	34	1.0
21 Healthy individuals	89	2.5
22 Social care needs	45	1.2
23 Other	518	14.5
<b>Total</b>	<b>3,626</b>	<b>100</b>

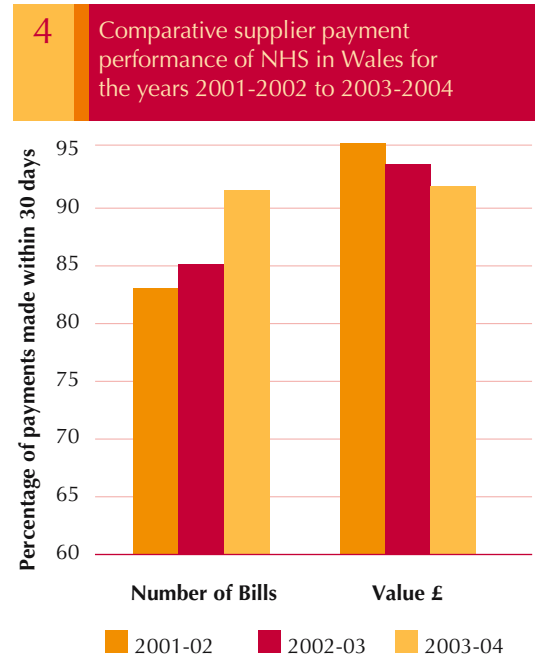
## Financial Information Strategy

2.16 My 2004 report also referred to the establishment of a Financial Information Strategy Board in response to issues raised in the Health and Social Care Review and Targeting Poor Health. The Board's membership includes senior officers of the Health and Social Care Department, and representatives from the NHS and local government. The Strategy is due to be published in Spring 2005. In addition to the programme budgeting information on healthcare conditions already being developed, the Strategy will also propose the analysis of costs over the stages in the care pathway, and by client/age group.

## Performance against the public sector payment policy

2.17 All NHS bodies are required to comply with the CBI prompt payments code and the Government accounting rules that require all undisputed invoices to be paid within 30 days, unless other terms are agreed with suppliers. The payment of at least 95 per cent of all non-NHS supplier bills is now a formal duty for all NHS bodies.

2.18 **Figure 4** illustrates the significant improvement in supplier payment performance on an all Wales basis for the past three years in terms of the number of bills paid but another slight deterioration in terms of value (91.9 per cent compared to 93.8 per cent for 2002-2003).



Source: NHS (Wales) Summarised Accounts for 2001-2002, 2002-2003 and 2003-2004

2.19 The average of 91.6 per cent of bills paid within target (2002-2003: 85.2 per cent) is better than in previous years but is still below the 95 per cent benchmark. However, there was a much smaller range of variation in the total number of bills paid within 30 days of 82.0 per cent to 99.8 per cent for 2003-2004 compared to 56.7 per cent and 99 per cent for 2002-2003 and this marked improvement is attributed to the implementation of tighter definitional controls to meet formal targets. The appointed auditors drew attention to the fact that only 12 local health boards and five trusts achieved the formal prompt payment requirement of 95%. This was attributed to the early part of the year when efficient payment processing systems were being established at the local health boards. Consequently problems were encountered at the Business Services Centre where there were delays in processing financial information on behalf of the local health boards. In last year's report, I noted that formal action plans would be required from the NHS bodies detailing how performance was to be improved. These plans are now in place and are being monitored by the regional offices of the Health and Social Care Department.

2.20 The payment performance of each local health board and NHS trust in 2003-2004 and 2002-2003 is shown in **Appendix 2**. No commercial interest on late payments was recorded in the underlying NHS accounts (2002-2003: nil).

## Financial standing of NHS Wales

2.21 The accumulated net income and expenditure deficit of NHS trusts at 31 March 2004 was £36.7 million (2002-2003 £27.4 million restated). The general funds of the local health boards recorded a negative balance of £67.7 million, most of which was inherited from the former health authorities which had an accumulated deficit at 31 March 2003 of £60.2 million. The Dental Practice Board had a negative balance on its general fund of £13.6 million (2002-2003 £12.4 million). Health Commission Wales recorded a negative balance on its general fund of £5 million at 31 March 2004 which was inherited from the health authorities as part of the restructuring.

2.22 In terms of the historic position, the Welsh Assembly Government has already covered deficits made in previous years by NHS bodies. Loans totalling £17.5 million will be written off when the trusts that hold this debt meet the Minister's requirement to achieve underlying financial balance.

2.23 The Health and Social Care Department has also told me that the current position in NHS Wales is being managed through a robust process to end the culture of overspends and ensure underlying financial balance is being restored. The Service and Financial Framework process ensures that all NHS bodies requiring additional resource allocation or forecasting a deficit are required to prepare Strategic Change and Efficiency Plans to achieve underlying financial balance by 31 March 2006. To emphasise the incentives for maintaining financial balance, any additional resource drawn down by NHS bodies will have to be recovered from subsequent years' resource allocation.

2.24 A profile of the additional resources needed by the local health boards and NHS trusts to achieve their resource limit and break even targets each year, together with the current planned repayments under their Strategic Change and Efficiency Plans, is noted in **Appendix 3**.

2.25 There is a significant regional variation in the funding requirements of NHS bodies in Wales. The local health boards and trusts in the North Region currently require no additional resource funding under Strategic Change and Efficiency Plans. The Mid and West Region has a total requirement up to 2004-2005 of £28.043 million and the South East Region requires £37.847 million of additional resources under the Plans. In addition to this Health Commission Wales requires £25.364 million of additional funding.

2.26 It is a major cause for concern that there is no approved plan for the repayment of funding totalling £25.364 million identified as required by Health Commission Wales. In addition the timing of repayments of funding totalling £11.574 million for other NHS bodies in the South East Region has yet to be confirmed. This issue needs to be resolved quickly to ensure that the NHS in Wales can achieve its target of financial balance by 2008-2009.

2.27 The health economy in Wales continues to face significant financial problems. The appointed auditors have expressed their opinion that this position is not sustainable and have raised their concerns regarding individual health bodies in their Annual Audit Letters to the respective boards. Most of the Welsh NHS bodies that have underlying financial problems have established recovery plans. The achievement of financial targets, the delivery of Strategic Change and Efficiency Plans and delivering required service improvements will be a major challenge for all NHS bodies in 2004-2005 and beyond. The appointed auditors continue to monitor the implementation of Strategic Change and Efficiency Plans as part of their audit work.

## Issues from the underlying accounts

### Costs of agency nurses

2.28 In previous reports I have drawn attention to the significant cost of agency nursing. The cost of using agency nursing staff in Wales continues to rise significantly each year: during 2003-2004 it was £21.4 million (2002-2003 £18 million, 2001-2002 £15 million, 2000-2001 £10 million, and 1999-2000 £8 million). The Health & Social Care Department's Performance Management Division has been monitoring agency expenditure and has been working closely with trusts to determine ways to reduce the expenditure. Several trusts have been identified as high users of agency nurses and these trusts in particular have been targeted with initiatives to reduce this dependence, most notably Cardiff and Vale NHS Trust, which accounts for 39 per cent of the agency nursing cost in 2003-2004 (2002-2003 39 per cent) and Gwent Healthcare Trust accounting for 37 per cent (2002-2003 38 per cent).

2.29 Each trust has developed a Recruitment and Retention strategy, which was implemented in 2003-2004. Some of the initiatives introduced by the trusts include employment contracts based solely on the number of hours worked per year to provide working arrangements to suit an individual's needs, the provision of crèche facilities and childcare voucher schemes to support a flexible approach to work rosters.

### Early retirement costs due to ill health

2.31 During 2003-2004 there were 294 early retirements across NHS trusts resulting in additional pension costs of £17.5 million (2002-2003 299 cases costing £14.3 million). The average cost per person in 2003-2004 was £59,598 compared with £47,742 in 2002-2003. The Health & Social Care Department confirmed that retirement packages were agreed in line with guidance issued in April 2002 and that costs for severance payments continue to be monitored closely.

### Contingent liabilities

2.32 **Figure 5** shows the contingent liabilities of NHS Wales at 31 March 2004. These represent possible obligations which, by their nature, often cannot be measured with reasonable certainty, and for which there is therefore no provision in the summarised accounts.

### Clinical negligence

2.33 At 31 March 2004, liabilities for clinical negligence claims included on the balance sheets of NHS bodies amounted to £134.5 million (31 March 2003 £155.7 million). Excluded from these provisions, and disclosed as contingent liabilities, is an estimated £267.9 million of disputed claims for alleged employer or medical negligence, where the likelihood of payment is "possible" rather than "probable".

## 5 Contingent liabilities of NHS Wales at 31 March 2004

	Local health boards £ million	NHS trusts £ million	Total at 31 March 2004 £ million	Total at 31 March 2003 £ million
Legal claims	95.9	172	267.9	269.9
Continuing care	-	-	-	10.1
Other	0.7	-	2.3	2.3
<b>Total</b>	<b>96.6</b>	<b>172</b>	<b>270.2</b>	<b>282.3</b>

Source: NHS(Wales) Summarised Accounts 2002-2003 and 2003-2004



## Continuing care

2.34 As noted in my previous report the Health Services Ombudsman concluded in February 2003, in the light of the Coughlan Judgement, that NHS bodies had not been applying Departmental guidance correctly as to whether people were eligible for NHS funding for care in nursing homes. In its 2002-2003 accounts the Welsh Assembly Government made a provision for the costs associated with retrospective claims before 1 April 2003. Local health boards were to manage and provide for any new local claims arising after this date. At 31 March 2004 local health boards included a provision for £1.843 million for continuing care cases after 1 April 2003 and the Welsh Assembly Government provided for £13 million of costs. The costs associated with this issue have yet to be fully resolved, with issues over the level of interest payments also needing to be resolved. It is, however, clear that this is an area of continued financial pressure for the NHS.

## Welsh Risk Pool

2.35 As reported in my 2004 report the Director of NHS Wales commissioned an external review of the Welsh Risk Pool and the final recommendations were approved in April 2003. The Health and Social Care Department have confirmed that a significant number of steps have been taken to improve the controls and management arrangements in this area since the report was published and that these have been closely monitored. The main area outstanding relates to the accounting requirements and the basis of the provisions made. This has been taken forward with the Treasury and the outcomes will be finalised in preparation for the 2005-2006 financial year. In addition, the Welsh Risk Pool's actuary has recommended a change in 2005 to a system whereby premiums paid by NHS bodies are based on risk management performance rather than claims history, subject to Welsh Assembly Government approval.

2.36 The revised arrangements have helped to ensure that the Pool's expenditure of £25 million on the settlement of 189 clinical negligence and personal injury claims (2002-2003: £43 million on 246 claims) have been met from within the budget and without the need for additional premiums to be levied. The amount paid out during the financial year was lower than anticipated, due in part to different ways in which claims are structured and some large value cases rolling forward to 2004-2005. During the year, a total of 58 cases exceeded £100,000 with an average settlement of £353,719 (2002-2003: 45 cases with an average settlement of £527,000).

## The Private Finance Initiative in NHS Wales

2.37 The summarised accounts of NHS trusts in Wales for 2003-2004 included seven trusts disclosing 13 separate PFI transactions. There were no new schemes in 2003-2004. The estimated capital value covering the 13 separate PFI transactions is £114.2 million: one scheme is accounted for on balance sheet (£2.6 million) and twelve are off balance sheet (£111.6 million). The related operating expenditure for 2003-2004 was £20 million (2002-2003 £11.4 million). Trusts are committed to paying £20.3 million annual payments under these schemes. A new scheme with a capital value of £5 million has been developed during 2004-2005 at Monmouth by Gwent Healthcare Trust providing a new model of care facility.

# 3 Restructuring of NHS Wales

## Introduction

3.1 As foreseen in my last report, the restructuring of the NHS in Wales has led to significant changes in 2003-2004. The five health authorities were abolished on 31 March 2003 and replaced with 22 local health boards. Powys Healthcare NHS Trust was merged with Powys Healthcare Local Health Board and a number of other bodies were created to provide additional support to the NHS in Wales including:

- **The Business Services Centre** - (part of Powys Local Health Board) providing a range of services including financial, contractor, human resource and IT support to the local health boards;
- **National Public Health Service for Wales** - providing specialist Public Health facilities to support the local health boards; and
- **Health Commission Wales (Specialist Services)** - an executive agency of the Welsh Assembly Government to provide dedicated guidance, advice and support on specialised secondary and regional services commissioning.

In addition a number of fora and working groups were established to address specific issues. These include the Wanless Programme Board and Resources Sub-group to take forward the recommendations of "The Review of Health and Social Care in Wales" advised by Derek Wanless; the Financial Information Strategy Board and the Programme Budgeting Board to consider the impact of key external reports at all levels of the NHS in Wales; and the All Wales Medicines Strategy Group to provide advice on strategic medicines management and prescribing to the Welsh Assembly Government.

## Building on the governance framework

- 3.2 The Health and Social Care (Community Health and Standards) Act 2003 conferred new healthcare inspection functions on the National Assembly for Wales (now undertaken by Healthcare Inspectorate Wales within the Assembly Government). It also established the Healthcare Commission - a body that operates across England and Wales. Healthcare Inspectorate Wales has issued standards for consultation and it is currently working with all inspectorate bodies to ensure that inspections are done in a manner that is effective and does not over burden the service in terms of different inspection requirements from different bodies.
- 3.3 The continued challenge for the Welsh Assembly Government will be to ensure that these initiatives together with the existing Welsh Risk Management Standards and corporate governance arrangements, including the statement on internal control, are brought together in the establishment of an effective overall assurance framework.

## Monitoring the performance of NHS Wales

- 3.4 In my previous report, I referred to the intention of the Welsh Assembly Government to monitor performance using a balanced scorecard which it believes will give a more rounded view. The intention was to establish a performance framework that would provide:
- a structured approach to focussing on an organisation's strategic and annual performance objectives;
  - a mechanism for accurately reporting organisational performance;
  - a way of ensuring accountability for results;

- a way of ensuring responsibility for performance improvement is shared;
  - a way of addressing quality, safety, activity and cost issues; and
  - a "fair way" of decision making and objective reward and award distribution.
- 3.5 The scorecard was introduced in July 2004 and further development is being undertaken to refine the key performance indicators.
- 3.6 In summary, in overall terms, NHS Wales is as advanced in implementing the balanced scorecard as it could expect given the short space of time since its launch; some of the competing demands including Agenda for Change, GMS contracts, Consultants Contracts, and the Second Offer Scheme; and capacity constraints. There appears to be an overwhelming sign up to its principles, although its use generally needs to become much more embedded within each organisation. Progress with its implementation needs to be accelerated over the next twelve months if it is to become a robust framework for risk assessment, identifying causes of risks, securing improvement and allocating scarce resource.
- 3.8 Transitional funding of £0.5 million was approved for the National Public Health Service for Wales in 2003-2004, but was not required. In my report, *The Finances of NHS Wales 2004*, I noted that transitional funding for the Business Services Centre was under review. Transitional funding of £1.1 million was approved for 2003-2004 but again was not required, primarily because of reduced staff costs arising from delays in recruitment. I also recommended that there was a need for a more detailed review of how the Business Services Centre and the National Public Health Service for Wales would operate in practice, within their revised budgets and without jeopardising service delivery. Both bodies achieved this without the need for transitional funding in both 2003-2004 and 2004-2005.
- 3.9 Powys Local Health Board has instigated the Way Forward Review, a means by which the Business Services Centre can provide an improved, cost effective, modern and efficient support service to local health boards. This is a new phase of rationalisation for the Business Services Centre and is not part of the original structural change programme. The costs associated with this are not, therefore, included within the original transitional costs budget.

## Review of structural change costs

- 3.7 The Minister for Health and Social Services stated in July 2002 that the running costs of the new structure would not exceed those within the existing structure of £71.1 million. This figure was updated to £71.3 million in the Minister's report to the Health and Social Services Committee in March 2003. The Health & Social Care Department have informed me that they expect the running costs of the new structure to remain within the £71.3 million ceiling.
- 3.10 Additional running costs associated with the new structures, such as additional Board and accommodation costs, have meant that savings have been necessary from the running costs associated with the former health authorities and the former NHS Wales Department. These savings have ensured that the running costs of the new structures have been contained within the financial envelope.

3.11 The revised budget estimate for the transitional costs of the NHS Wales Structural Change Programme for the four year period to 31 March 2005 was reported to the Health and Social Services Committee in March 2003. Excluding new transitional funding for the Business Services Centre and the National Public Health Service for Wales, the budget range of the transitional costs was revised to between £10.9 million and £14.14 million. This compares favourably with the original estimated range of £12.5 million to £15.5 million. The final outturn against the revised transitional budget is £10.6 million (**Figure 6**).

## Extended Employment Scheme

3.12 The Extended Employment Scheme was established on 1 April 2003 to enable NHS Wales to retain, for a further twelve months to 31 March 2004, those eligible staff with important skills and experience who had not secured substantive employment following restructuring. The Scheme, administered by Powys Local Health Board, also provided support to help them prepare their own personal development plans and secure substantive positions elsewhere.

3.13 The Welsh Assembly Government requested that the Audit Commission undertake an independent audit of the Scheme during its year of operation, to ensure that it was being operated by Powys Local Health Board in line with the agreed terms. The Audit Commission concluded that the Scheme had been operated in accordance with those agreed terms. The outcomes for the 62 eligible staff entering the Scheme are analysed in **Figure 7**.

## 6 Transitional costs of the NHS Wales structural change programme

	Final Outturn	Budget range	
	Projected expenditure to 31 March 2005	Lower Limit	Upper Limit
	£ million	£ million	£ million
Project Management	0.734	0.760	0.800
Recruitment	0.625	0.475	0.500
Organisational Development and Training	0.367	0.420	0.450
Accommodation and IT	2.539	2.600	2.900
Shadow Running	0.634	0.625	0.650
Extended Employment Scheme	5.595	5.970	8.740
Miscellaneous	0.092	0.050	0.100
<b>Totals</b>	<b>10.586</b>	<b>10.900</b>	<b>14.140</b>

Source: Health & Social Care Department

## 7 Extended Employment Scheme

Extended Employment Scheme	Number of staff
Staff entering the Scheme	62
Staff that have gained jobs outside the Scheme	21
Staff on long term secondments	9
Staff that have reached retirement age before 31 March 2004	3
Staff that have left the Scheme due to Ill Health Retirement	1
Staff that have left the Scheme through redundancy and early retirement in year	4
Staff that have left the Scheme through redundancy and early retirement on 31st March 2004	24
<b>Number of staff remaining in the Scheme at 1st April 2004</b>	<b>0</b>

Source: Health & Social Care Department

## The impact of major reviews in the NHS

### Review of Health and Social Care

3.14 This independent review prepared by Derek Wanless on health and social care in Wales was published in June 2003 and highlighted the need for demand and supply in health and social care to be balanced so that patients are seen quickly in high quality services as locally as possible. The Welsh Assembly Government's response to the Review published on 5 November 2003, confirmed that the implementation programme would be structured into four themes - Prevention, Optimising Service Delivery, Involving People and Professions and Accountability and Performance - with a Programme Board established to progress implementation under the four themes.

3.15 Actions taken so far under each theme are summarised as follows:

### Prevention

- This is a major part of the Wanless programme and each part of the NHS has produced a Health, Social Care and Well Being Strategy with its partners to develop joined up, multi-sectoral plans to improve the quality of life.
- The Prevention agenda is now being taken forward by Health Challenge Wales, and is an integral part of NHS work. The Public Health White Paper recently published in England was strongly influenced by Wales' approach.
- There is now a well-established approach to identifying, assessing and acting upon prevention work.

### Optimising Service Delivery

- Each local health board produced a detailed Wanless Action Plan in April 2004. Implementation has begun, funded by £30million from the Welsh Assembly Government.
- Currently, the redesign and reconfiguration of secondary care is in its planning stages. Plans will be completed this year, and will form a National Plan for the Modernisation of Acute Care. This will be supported by the significant capital investment made available to the NHS by the Welsh Assembly Government.
- Plans to remodel social care will be promoted during 2005.
- Several pilot sites for modernising the workforce are underway to promote new ways of working.
- A review of mental health has already been undertaken.

### Involving people

- New guidance for involving and consulting on changes to health services has been issued.
- A local protocol for public engagement for health and social care has been produced.
- Good practice guidance is being produced.

### Performance, universalising best practice and tackling waste

- The NHS balanced scorecard has been further developed, as has work on aligning performance improvement for health and social care.
- An incentives system across health and social care is being developed and has been introduced for the NHS.
- An integrated system to capture and disseminate best practice and ensure effective dissemination across health and social care has been introduced.
- A benchmarking strategy and tools has been introduced.

3.16 A sub group of the Programme Board, the Resources Sub-Group, has also undertaken work in the areas of health and social care budgets, delayed transfers of care, the NHS estate, demand management, the measurement of financial performance and improving the use of technology and tele-health.

3.17 The Health and Social Care Department have confirmed that the plans and actions taken in response to the report by Derek Wanless will now form a major part of the revised 10 year Strategic Planning Framework due to be completed by 1 April 2005.

## Improving the services provided by the Business Services Centre

- 3.18 The Business Services Centre was established under the management of Powys Local Health Board following the restructuring of the five health authorities into the 22 local health boards. The Business Services Centre provides a range of services including financial, contractor, human resource and IT to support the local health boards. The Business Services Centre currently has five offices based on the previous health authority offices, systems and staffing as a means of ensuring business continuity and control during the transitional period.
- 3.19 As noted in my last report, the Director of Finance NHS Wales commissioned a review in November 2003 of the internal control systems, service level agreements and organisational arrangements of the Business Services Centre. The review was undertaken by Atos KPMG and, although it concluded that the internal control systems were adequate, it did highlight a number of areas for concern relating to the adequacy of staffing arrangements in some centres, the need for more focused and specific performance measures in Service Level Agreements, the need for operational improvements to address poor visibility of controls and reconciliations, and lack of clarity in management accounting functions.
- 3.20 Some of the issues identified by the review have clearly contributed to some of the problems in relation to the delays in the accounts and to a number of other service issues faced in 2003-2004. Powys Local Health Board has a number of key initiatives and plans to address these problems and the most important of these is the Way Forward Review.
- 3.21 The business case for the Way Forward Review was approved by the Powys Local Health Board in September 2004 and reduces the current operations from the current five offices to a more streamlined structure with three offices based in North Wales, Mid and West Wales and South East Wales. This business case together with other initiatives provides a major opportunity to ensure that staffing resources, systems and services are improved by consolidating best practice as opposed to the different and diverse practices inherited from the previous health authorities.

# 4 Challenges facing NHS Wales

## Introduction

4.1 During 2003-2004 there has been considerable progress in implementing the NHS Plan "Improving Health in Wales". In specifying the budget priorities for 2003-2004 the Minister for Health and Social Services recognised major challenges and difficult choices about priorities and how current resources are utilised. Improving health and the standards of health care services in Wales remains the key challenge. Within this context, my report examines some of the pressures, in addition to the restructuring issues noted in **Part 3**, faced by NHS Wales in delivering its targets effectively:

- Making the Connections: making the most of resources (paragraphs 4.2 to 4.5);
- corporate governance and governance framework (paragraphs 4.6 to 4.9);
- NHS Fraud update (paragraphs 4.10 to 4.17);
- the role of the Audit Commission in Countering Fraud (paragraphs 4.18 to 4.21);
- modernising pay (paragraph 4.22);
- prescribing (paragraph 4.23); and
- whole of government accounting framework (paragraph 4.23).

## Making the Connections: making the most of resources

4.2 The Welsh Assembly Government has told me it is committed to maximising value for money in order to deliver better quality public services in Wales. Under the Welsh Assembly Government's "Making the Connections" initiative a target has been set of achieving £600 million of value for money improvements across the Welsh public service by 2010. The initiative identifies the main areas where value for money savings are likely to be achieved:

- **procurement** - a greater use of collaborative procurement, outsourcing, Gateway reviews for large or novel procurements, and the use of purchasing cards.
- **support services** - standardising, simplifying and sharing processes.
- **reshaping services** - including service reconfigurations through the local Wanless action plans, reducing burdens, rationalising estate and other excess capacity.
- **better use of staff** - e.g. reducing sickness absence, better productivity.

4.3 As a major Welsh Assembly Government service, the NHS in Wales will play a large part in achieving these targets and initiatives. Traditionally the financial pressures and environment under which the NHS in Wales has operated has resulted in all health organisations having to find significant annual value for money savings as part of the annual budget allocation and planning process. In some cases these annual targets have been increased even further by the need to find additional savings as part of existing financial recovery measures.

4.4 These pressures have led to the NHS in Wales taking steps to work more collaboratively in advance of the "Making the Connections" initiative. The NHS has therefore established a number of on-going national initiatives involving the greater use of shared services (including a pilot scheme in North Wales), an increased emphasis on better procurement and a number of other modernisation developments involving the improved use of Information Technology, capital investment and a number of improved patient service initiatives.



4.5 Merely taking these initiatives is, of course, not enough. The challenge for the NHS in Wales will be to build on the initiatives it has already started, to achieve practical and lasting improvements and to report and monitor these developments more effectively so that it can demonstrate and report the savings under the Making the Connections requirements.

## Corporate Governance and Governance Framework

### Welsh Risk Management standards

4.6 All NHS bodies are required to undertake an annual self-assessment against the Welsh Risk Management standards, which cover both clinical and non-clinical risks, as part of the continuous review process. The results of this exercise together with an action plan setting out the intended programme of work to move their organisation towards higher levels of compliance are submitted to the Welsh Assembly Government. The Welsh Risk Pool independently assesses those standards deemed to be of high priority. The Welsh Assembly Government has an agreement in place with the Welsh Risk Pool, which is currently being revised and updated. It requires the Pool to support NHS 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.

4.7 In 2003-04, local health boards and NHS trusts were required to use six (five of which are core standards) and thirty eight risk management standards respectively, extant across NHS Wales, as a toolkit to inform them of the significant risks within their organisations. The standards are designed to assist Boards of each NHS body to identify risks, determine unacceptable levels of risk, and to decide where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff have information, training and access to expert advice which they need to exercise their responsibilities effectively.

4.8 For 2003-2004, with the exception of Powys Local Health Board, all local health boards were required to achieve 50% compliance with five core standards. Powys Local Health Board was required to achieve 60% on each core standard and at least 75% overall. Its targets are set at a higher level than the remaining 21 local health boards as it has both commissioner and provider functions. It did not achieve the full 60% compliance on its core standards, or the overall compliance target of 75%. Fifteen out of the twenty-two local health boards achieved the 50% target.

**Figure 8** summarises the compliance with the targets.

## 8 Local health board compliance with the Welsh Risk Management standards

Core Standard	Number of local health boards achieving >50% compliance
A - Risk Management Policy and Strategy	17 (81%)
B - Risk Assessment and Treatment	17 (81%)
C - Incident & Hazard Reporting	18 (86%)
E - Governance	19 (90%)
F - Financial Management	19 (90%)

Source: Audit Commission in Wales

4.9 NHS trusts were required to achieve a score of at least 75% against the five core standards, and eleven of the fourteen NHS trusts achieved full compliance. Cardiff & Vale, Swansea and Ceredigion NHS Trusts failed to meet the target. The Director of NHS Wales has informed me that NHS bodies have developed action plans to address the weaknesses and that these are being monitored in 2004-05.

## NHS fraud update

4.10 In previous reports on the Finances of NHS Wales, I have outlined the important measures introduced by the Welsh Assembly Government to counter fraud in Wales. These included the establishment of the NHS Counter Fraud Service Wales Operational Team and appointment of Local Counter Fraud Specialists based in NHS bodies. In addition, the Counter Fraud and Security Management Service Pharmaceutical, National Pro-active and Dental Fraud Teams also provide services to health bodies in Wales and the Counter Fraud and Security Management Service continues to offer advice and guidance on fraud related issues.

4.11 Following the establishment of the 22 local health boards, the Ministerial Directions first implemented in 2001 are due to be updated in 2005. The directions require each health body in Wales to nominate a Local Counter Fraud Specialist who is responsible for developing an anti-fraud culture in the health body and investigating cases under the value of £15,000. NHS Wales currently has 26 accredited Local Counter Fraud Specialists: nineteen based at the NHS trusts; six based within the five Business Services Centre offices providing services to the 22 local health boards, and one local health board has its own nominated specialist.

4.12 As outlined in the Welsh annual report published by the NHS Counter Fraud and Security Management Service, they have been successful in reducing the levels of Pharmaceutical and Optical Patient and Contractor Fraud in Wales. During 2004, a third exercise to estimate the amount of income lost as a result of Dental patient fraud in Wales was completed, the results of which will soon be available. In addition, a further combined England and Wales risk measurement exercise on dental fraud is being undertaken and the results are likely to be available in April or May 2005.

4.13 The Counter Fraud Service Wales Operational Team has received a total of 47 referrals of alleged fraud or corruption to date. At the end of 2004 the team has concluded 30 investigations, resulting in the recovery of £259,500. The remaining 17 cases under investigation involve funds totalling approximately £1 million. The Local Counter Fraud Specialists received a total of 205 case referrals up to the end of 2004. A total of 76 of the referrals have been completed resulting in the recovery of £283,202. For all investigations the full range of available sanctions which can be used to deter and prevent fraud are considered. Of the completed cases 21 criminal, 19 civil and 28 disciplinary sanctions have arisen.

4.14 NHS Counter Fraud and Security Management Service continue to make a key contribution in identifying, investigating and countering fraud. Important developments during 2004 include:

- The signing of a Memorandum of Understanding between NHS Counter Fraud and Security Management Service and the Inland Revenue in July 2004.

- The first national proactive exercise in NHS Wales designed to uncover and prevent fraud by NHS agency and bank staff was completed during 2004. This exercise identified one major timesheet fraud detailed in **Figure 9** and a number of other system and procedural issues which has resulted in corrective action being taken to strengthen existing procedures. The second national proactive exercise into payroll fraud in NHS Wales was initiated in 2004 and is due to be completed shortly.
- Events were conducted at nineteen venues in NHS Wales during October 2004 as part of the annual NHS fraud awareness month. NHS Wales counter fraud staff met with over 3,400 NHS staff and the public, helping raise general awareness of the NHS counter fraud strategy and explaining the NHS staff role in tackling fraud and corruption in NHS Wales.
- Regular counter fraud presentations to NHS Wales' staff continued during 2004, these include induction days, training days and briefings to professional bodies and audit committees. The Counter Fraud Service Wales Operational Team undertook seventeen presentations during the year.
- Publicity is generated regarding successful cases to help reinforce the message that fraud is unacceptable in NHS Wales. Relevant information and latest news items are available to health bodies in Wales via the NHS Counter Fraud and Security Management Service website while specific guidance and information for accredited counter fraud specialists is available via a secure intranet site.
- The Counter Fraud and Security Management Service Fraud and Corruption Reporting Line has been widely publicised throughout NHS Wales with a total of 55 calls reporting suspicions of fraud in NHS Wales received to date. So far the referrals have resulted in two successful prosecutions and several investigations are on-going.
- Counter Fraud and Security Management Service appointed a Wales Liaison Officer in August 2004 to develop and maintain corporate relationships between Counter Fraud and Security Management Service and the Welsh Assembly Government. Quarterly meetings are held between Counter Fraud and Security Management Service and the Welsh Assembly Government to review counter fraud progress in Wales.

## 9 NHS Counter Fraud Services examples of fraud cases

### 1. Senior Nurse - Timesheet Fraud

Between August 2000 and September 2003 a senior nurse submitted a total of 191 false claims for bank shifts she never completed. The nurse would enhance timesheets after they were authorised by her supervisor and she received £36,000 in salary to which she was not entitled. She pleaded guilty at Cardiff Crown Court to a total of nine charges of false accounting with 169 other incidents also taken into consideration and was sentenced to nine months imprisonment in July 2004. The nurse has resigned and civil action is underway to recover the £36,000.

### 2. General Practitioner

A General Practitioner forged signatures on prescription pads of other doctors which he had obtained from out of hours clinics at local hospitals. The forged prescriptions were issued in the name of family members and used to obtain slimming drugs. It was alleged that the drugs were used for his private patients who attended a slimming clinic run by the GP. The GP pleaded guilty in August 2004 at Swansea Crown Court to three charges of obtaining property by deception, he was sentenced to a Community Rehabilitation Order and ordered to pay costs of £416. The matter has also been referred to the General Medical Council.

### 3. Health Care Worker

A Health Care Worker successfully applied to complete a three-year Nursing Degree at the University of Wales, funded by his NHS Trust. The agreement meant he was paid a monthly salary for the three year course and was required to work at the Trust during the summer holidays. However, he failed his exams and was dismissed from the course but did not inform his employers. They continued to pay him a salary of £9,350 between September 2002 and August 2003. He pleaded guilty to 12 offences of obtaining a money transfer by deception at Bridgend Magistrates court and was sentenced to a 200 hours Community Service Order. The funds of £9,350 were repaid to the Trust.

- The continuation of the Quality Assurance Programme which ensures all counter fraud work is carried out to a high standard and that standards are maintained across Wales. During 2004 the Quality Assurance Team conducted reviews at eight health bodies in Wales and reports from four of these reviews have been issued to date. The view of the Counter Fraud Service Wales Operational Team is that these inspection reports generally confirmed a commitment to counter fraud work. Some improvements were highlighted in the reports and they also recommended more proactive programmes of work for raising fraud awareness and fraud detection.

4.15 Several NHS Counter Fraud Services Operational Service (Wales) and Local Counter Fraud Specialist cases have led to successful prosecutions. Figure 9 provides further information on three cases concluded in 2004.

4.16 In addition Counter Fraud Services Operational Team Wales is dealing with several ongoing optical investigations where the optometrists have repaid a total of £194,000 to the NHS in Wales during 2003-2004.

### Prescription charges fraud

4.17 The Post Payment Verification Unit (part of Velindre NHS Trust) is responsible for the investigation of claims for exemption from relevant prescription charges, to pursue the recovery of such charges and to levy penalty charges and other surcharges as appropriate. **Figure 10** provides a summary of the work undertaken.

## 10 Summary of work undertaken by the Post Prescription Verification Unit

Investigation	31 December 2004	31 December 2003
Scripts Examined	184,000	350,000
Initial letters	9,900	12,000
<i>Follow up letters</i>		
Penalties	3,300	3,000
Surcharges	2,200	1,800
Prescription income recovered	£27,300	£31,000
Penalties & surcharges	£64,600	£34,000

Source: Prescription Pricing Verification Unit

## The Role of the Audit Commission in Wales in countering fraud

4.18 The proper stewardship of public money is the cornerstone of public sector business. The appointed auditors have to consider whether NHS bodies have established adequate arrangements to maintain proper standards of financial conduct and to prevent and detect losses through fraud and corruption. The Audit Commission in Wales told me that in general, across local health boards and NHS trusts sound frameworks are in place. However, a number of weaknesses and inconsistencies were identified in the level of counter fraud services provided to the local health boards by the Business Services Centre. The low levels of anti-fraud work and post payment verification activity on general medical services and ophthalmic payments at some of the local health boards were attributable to changes in personnel and a lack of resources available at some Business Services Centre sites. The Audit Commission in Wales confirmed that recommendations have been made to strengthen the arrangements for future years.

4.19 The Audit Commission in Wales also informed me that the establishment of 22 local health boards with large non-executive boards has given rise to concerns about the knowledge and experience of the non executives to examine internal control, financial reporting and compliance with regulatory matters. During 2003-2004 the Audit Commission recommended additional training at some local health boards to ensure that non-executives fully understand their roles and responsibilities.

4.20 The Public Interest Disclosure Act (PIDA) provides statutory protection to public sector employees, including NHS staff, who 'blow the whistle' on fraud and corruption taking place in their employing bodies. Over recent years, the Audit Commission, as a 'prescribed person' under the Act, has received a number of Public Interest Disclosures relating to public bodies in Wales. There were no such disclosures relating to NHS bodies during 2003-2004.

4.21 I welcome the measures being taken by the Health and Social Care Department, the Counter Fraud Service and the various health bodies in Wales to combat fraud, and will continue to review and report on progress in this important area.

## Modernising pay

4.22 In 2004-2005 there has been the introduction of a number of significant projects aimed at modernising the pay of Consultants, General Practitioners and NHS staff. There are also further contract changes for dentists and pharmacists over the next two years. For 2005-2006 the cost of these new contracts has absorbed all the growth in health funding and resulted in the need for efficiency savings in the NHS of over 3%. The new contracts provide an opportunity for improved ways of working and the Welsh Assembly Government will need to monitor the productivity improvements that will arise in future years and whether value for money has been achieved by the modernisation process.

## Prescribing

4.23 During the period 2003 to 2005 primary care prescribing budgets have remained on target largely because of windfall savings from drugs that have come off patent and been replaced with cheaper substitutes, and pricing improvements arising from renegotiation of the Purchase Price Regulation Scheme. This funding was earmarked in England to fund the costs of the new consultant contract and in Wales for the new pharmacist contract for 2005-2006. Where local health boards had directed this funding to manage other cost pressures, they will need to identify savings in their prescribing budgets in order to remain within financial balance in the next financial year.

## Whole of Government Accounting developments

4.24 The individual NHS bodies have traditionally been amongst the first public services to close and sign off their individual accounts each year prior to summarisation. The Whole of Government Accounting developments particularly for 2005-2006 require the Welsh Assembly Government to bring forward all of the accounts sign off processes by a number of months. This will have a significant impact on the reporting timescales of all public bodies and on the audit process. It is therefore essential that the NHS looks at ways of ensuring even earlier closure of its accounts in 2005-2006 and that it works closely with the appointed auditors and the Welsh Assembly Government to achieve the timescale.

# Appendix 1

## Forecast outturn position for 2004-2005

	Forecast outturn before SCEP assistance £'000
<b>South East Wales Region</b>	
Cardiff LHB	(4,300)
Merthyr Tydfil LHB	132
Rhondda Cynon Taf LHB	(1,149)
Vale of Glamorgan LHB	50
Blaenau Gwent LHB	-
Caerphilly LHB	(700)
Monmouth LHB	-
Newport LHB	-
Torfaen LHB	(2,100)
Cardiff & Vale NHS Trust	-
North Glamorgan NHS Trust	400
Pontypridd & Rhondda NHS Trust	(469)
Gwent Healthcare NHS Trust	1,452
Velindre NHS Trust	<b>(6,684)</b>
<b>Mid &amp; West Wales Region</b>	
Carmarthenshire LHB	(150)
Ceredigion LHB	-
Pembrokeshire LHB	-
Powys LHB	-
Bridgend LHB	200
Neath & Port Talbot LHB	-
Swansea LHB	-
Carmarthenshire NHS Trust	(4,500)
Ceredigion NHS Trust	(484)
Pembrokeshire & Derwen NHS Trust	(2,444)
Bro Morgannwg NHS Trust	-
Swansea NHS Trust	-
	<b>(7,378)</b>
<b>North Wales Region</b>	
Conwy LHB	-
Denbighshire LHB	-
Flintshire LHB	-
Gwynedd LHB	-
Wrexham LHB	9
Ynys Mon LHB	-
Conwy & Denbighshire NHS Trust	-
North East Wales NHS Trust	-
North West Wales NHS Trust	205
	<b>214</b>
<b>Welsh Ambulance Services NHS Trust</b>	<b>111</b>
<b>Total local health boards</b>	<b>(5,908)</b>
<b>Total NHS trusts</b>	<b>(7,829)</b>
<b>Health Commission Wales (Specialist Services)</b>	<b>(10,298)</b>

Source: Health and Social Care Department

# Appendix 2

## Public sector payment performance 2002-2003 and 2003-2004

	2002-2003		2003-2004	
	Non NHS value of bills %	Non NHS number of bills %	Non NHS Value of bills %	Non NHS number of bills %
<b>Mid &amp; West Wales Region</b>				
Bridgend Local Health Board	-	-	85.2	91.7
Carmarthenshire Local Health Board	-	-	97.6	95.6
Ceredigion Local Health Board	-	-	95.9	95.8
Neath Port Talbot Local Health Board	-	-	85.2	91.7
Pembrokeshire Local Health Board	-	-	98.4	97.8
Powys Local Health Board	-	-	87.6	90.6
Swansea Local Health Board	-	-	85.2	91.7
Bro Morgannwg NHS Trust	84.8	87.1	96.0	95.6
Carmarthenshire NHS Trust	72.4	70.3	89.2	86.9
Ceredigion & Mid Wales NHS Trust	97.7	97.7	93.8	96.0
Pembrokeshire & Derwen NHS Trust	83.5	79.8	93.3	91.1
Swansea NHS Trust	96.7	93.3	96.2	95.1
<b>North Wales Region</b>				
Anglesey Local Health Board	-	-	95.3	94.2
Conwy Local Health Board	-	-	96.8	95.6
Denbighshire Local Health Board	-	-	98.5	97.1
Flintshire Local Health Board	-	-	99.7	97.9
Gwynedd Local Health Board	-	-	94.5	96.3
Wrexham Local Health Board	-	-	97.4	96.5
Conwy & Denbighshire NHS Trust	93.7	90.2	96.7	93.6
North East Wales NHS Trust	83.6	86.4	83.3	82.0
North West Wales NHS Trust	96.9	95.5	97.6	97.5
Welsh Ambulance Services NHS Trust	96.1	93.9	97.5	95.6



	2002-2003		2003-2004	
	Non NHS value of bills %	Non NHS number of bills %	Non NHS Value of bills %	Non NHS number of bills %
<b>South East Region</b>				
Blaenau Gwent Local Health Board	-	-	93.9	89.5
Caerphilly Local Health Board	-	-	95.1	84.3
Cardiff Local Health Board	-	-	99.8	99.5
Merthyr Tydfil Local Health Board	-	-	99.6	99.4
Monmouthshire Local Health Board	-	-	94.8	87.5
Newport Local Health Board	-	-	96.2	88.8
Rhondda Cynon Taf Local Health Board	-	-	99.9	99.8
Torfaen Local Health Board	-	-	97.7	89.7
Vale of Glamorgan Local Health Board	-	-	99.7	99.5
Cardiff & Vale NHS Trust	86.7	83.4	93.9	93.5
Gwent Healthcare NHS Trust	61.6	58.2	87.9	86.1
North Glamorgan NHS Trust	58.7	55.2	86.1	82.2
Pontypridd & Rhondda NHS Trust	83.1	69.6	94.8	90.6
Velindre NHS Trust	96.9	95.2	90.3	91.6
<b>Health Commission Wales (Specialist Services)</b>	-	-	<b>97.9</b>	<b>81.6</b>
Bro Taf Health Authority	99.9	99.0	-	-
Dyfed Powys Health Authority	97.9	94.3	-	-
Gwent Health Authority	99.7	93.8	-	-
Iechyd Morgannwg Health Authority	98.7	86.5	-	-
North Wales Health Authority	99.5	95.7	-	-
<b>All health authorities</b>	<b>93.3</b>	<b>99.2</b>	-	-
<b>All local health boards</b>	-	-	<b>90.9</b>	<b>92.2</b>
<b>All NHS trusts</b>	<b>84.1</b>	<b>80.0</b>	<b>92.9</b>	<b>91.0</b>
<b>All Wales total (excluding Health Commission Wales)</b>	<b>93.8</b>	<b>85.2</b>	<b>91.9</b>	<b>91.6</b>

# Appendix 3

## Repayment schedule for additional resource allocation provided under Strategic Change and Efficiency Plans

Repayment Schedule for additional resource allocation provided under Strategic Change and Efficiency Plans									
	B/fwd £m	2003-2004 £m	2004-2005 £m	2005-2006 £m	2006-2007 £m	2007-2008 £m	2008-2009 £m	Unprofiled £m	Total £m
Ceredigion LHB	0.276	(0.276)	-	-	-	-	-	-	-
Carmarthenshire LHB	0.622	-	0.150	-	(0.266)	(0.266)	(0.240)	-	-
Pembrokeshire LHB	0.420	(0.420)	-	-	-	-	-	-	-
Ceredigion NHS Trust	0.892	0.892	0.484	-	(0.756)	(0.756)	(0.756)	-	-
Pembrokeshire & Derwen NHS Trust	2.444	3.350	2.444	-	(1.500)	(3.000)	(3.738)	-	-
Powys LHB	0.832	0.504	-	(0.189)	(0.570)	(0.577)	-	-	-
Carmarthenshire NHS Trust	6.002	4.927	4.500	-	(5.140)	(5.140)	(5.149)	-	-
<b>Mid and West</b>	<b>11.488</b>	<b>8.977</b>	<b>7.578</b>	<b>(0.189)</b>	<b>(8.232)</b>	<b>(9.739)</b>	<b>(9.883)</b>	-	-
Monmouth LHB	-	0.700	0.700	-	(0.406)	(0.497)	(0.497)	-	-
Newport LHB	-	0.900	-	-	(0.300)	(0.300)	(0.300)	-	-
Vale of Glamorgan LHB	0.858	1.811	1.149	-	(0.721)	(1.196)	(1.901)	-	-
Cardiff LHB	2.261	5.015	4.300	-	(2.674)	(4.451)	(4.451)	-	-
Rhondda Cynon Taff LHB	1.577	-	-	-	-	-	-	(1.577)	-
Merthyr Tydfil LHB	0.340	-	-	-	-	-	-	(0.340)	-
Cardiff & Vale NHS Trust	13.629	2.507	2.100	(8.579)	-	-	-	(9.657)	-
<b>South East</b>	<b>18.665</b>	<b>10.933</b>	<b>8.249</b>	<b>(8.579)</b>	<b>(4.101)</b>	<b>(6.444)</b>	<b>(7.149)</b>	<b>(11.574)</b>	-
<b>Health Commission Wales (Specialist Services)</b>	<b>0.164</b>	-	<b>10.200</b>	<b>10.000</b>	<b>5.000</b>	-	-	<b>(25.364)</b>	-
<b>Total</b>	<b>30.317</b>	<b>19.910</b>	<b>26.027</b>	<b>1.232</b>	<b>(7.333)</b>	<b>(16.183)</b>	<b>(17.032)</b>	<b>(36.938)</b>	-

### NOTES

Cardiff & Vale NHS Trust amount for 2005-2006 includes £10.179m written off.  
 Figures in brackets represent the repayment of additional resource allocation.

Source: Health and Social Care Department