

# **Audit Committee**

**AC(2)-02-06 (p6)**

## **National Assembly for Wales**

### **The Welsh Assembly Government's response to the report of the National Assembly Audit Committee's report on "The Finances of NHS Wales 2005" Committee Report (2) 07-05**

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

#### **Recommendations**

1. Delays in agreeing Strategic Change and Efficiency Plans are not satisfactory and should not be repeated. The strategic change and efficiency plan for Health Commission Wales (Specialist Services) needs to be agreed and approved as a priority to enable it to return to financial balance. We recommend that every effort is made to agree and approve a robust Strategic Change and Efficiency Plan for this body as soon as possible and that it is monitored very closely over the life of the Plan. We also recommend that all possible support is provided to Health Commission Wales to enable it to resolve the underlying reasons for its deficits and prevent them recurring.

#### **Accepted**

A SCEP was agreed in July 2005 but it did not prove to be sufficiently robust. The Health and Social Care Department is holding regular meetings with Health Commission Wales to make progress on developing a further Strategic Change and Efficiency Plan that is sufficiently robust to be approved. The latest version of the plan was submitted in November. This version still contains a level of financial risk that can not currently be managed within the overall health and social services main expenditure group budget. The Department have asked Health Commission Wales to review the plan during January within the context of their 2006-07 revenue allocation, which was issued on 16<sup>th</sup> December. A further meeting is planned for the end of January 2006, at which it is hoped that the plan can be approved.

The Department has recognised the need to provide support to Health Commission Wales to resolve their underlying financial problems. A team from the Delivery and Support Unit will be working with Health Commission Wales to help them identify the remedial actions required under the SCEP.

2. There is a significant variation in the additional funding provided under the SCEPs towards bodies in

the Mid & West and South East regions of Wales. There are a number of very long standing problems that have contributed to these variations and the subsequent impact on the financial balance of NHS bodies, particularly those noted at Carmarthenshire NHS Trust. We recommend that more radical and innovative actions are considered and pursued in the context of the local Wanless action plans so that NHS bodies can provide patient services to acceptable standards within the allocated funding limits.

## **Accepted**

There are substantial number of developments proposed under the Designed for Life strategy that will introduce more radical and innovative actions to address some of the long standing problems across certain parts of Wales. The most significant developments as they relate to the Mid and West Region (including the Carmarthenshire Trust) and the South East Region are:

- The Mid and West Wales NHS Trusts and LHB's issued "The case for change" on 20<sup>th</sup> October that addressed the need for change and how the use of new technology and a wider range of higher quality services provided closer to home will alleviate the pressures on the acute sector.
- The Acute Services Review has been reviewing the provision of Acute Secondary Care within the region and local events are planned for January 2006 where members of the public and NHS staff can raise issues and make comments on the future development of services.
- The project team will then be charged with developing options for public consultation, which will be costed and consulted on in Spring 2006. The improvements in services are intended to provide both clinical and sustainable financial benefits on a regional basis.
- In line with the strategic direction outlined in Designed for Life and the overall direction of the Regional Acute Services review Carmarthenshire has developed a commissioner led recovery plan delivering the required capacity based on accepted best models of care. A review of community hospitals has also been initiated within Carmarthenshire that will recommend the future reconfiguration of Community Health and Social Care and deliver a new model of care based on rehabilitation services, respite care and addressing delayed transfers of care.
- South and East Wales regional office are facilitating service reviews of clinical services in Gwent with all NHS bodies in the area. The results of these reviews are anticipated in April 2006 the results of these reviews will help address long standing problems.

3. The ability for NHS bodies to accurately forecast and analyse their results is essential to the good financial management of these organisations and effective monitoring by the Welsh Assembly Government. We recommend that the Health and Social Care Department work with individual NHS Trusts and local health boards to guarantee that forecasts are prepared on a consistent and comparable basis across Wales, and that good practice is disseminated to all organisations.

## **Accepted.**

All Trust's and LHB's currently provide monthly financial performance returns, (that include their forecast positions) in a consistent format to the Assembly's Regional Offices.

The detailed circumstances and assumptions that may impact on an individual LHB's or Trust's forecast will vary due to local circumstances. The Assembly's Regional Offices work very closely with their local Trusts and LHB's to challenge the forecast assumptions provided, and where possible, all consistent assumptions and best practice that can be shared is communicated to all NHS bodies through regular monitoring return correspondence from the Regions, through technical update letters and Welsh Health circulars.

The Assembly Government is currently working with all NHS bodies through technical sub groups to review this guidance and to take on national best practice (e.g. guidance currently being published by the Health Financial Management Association on forecasting) and it this approach will be further refined in detailed monitoring guidance that will be issued in April 2006.

4. The balanced scorecard is the means for assessing the performance of NHS bodies on a consistent and transparent basis across Wales, for benchmarking bodies with their counterparts and for reducing the burden of producing information for other inspection bodies. We recommend that the balanced scorecard is finalised by the Health and Social Care Department and that it is rolled out to all NHS bodies, including Health Commission Wales if appropriate, promptly with appropriate guidance on its use.

## **Accepted**

The Balanced Scorecard has been successfully implemented in all Trusts, LHBs and the Ambulance Trust within Wales. Three national scorecards have been established and implemented for NHS Trusts, Local Health Boards and the Wales Ambulance Trust with each health organisation reporting their performance against the relevant scorecard to the Welsh Assembly Government on a quarterly basis. The quarterly scorecards are aggregated to produce a national scorecard, as evidenced by the 2004 / 2005 report. Guidance is issued annually and amended in accordance with agreed Strategic and Financial Framework targets.

The development of a balance scorecard for use by Health Commission Wales is being progressed by the Director of Performance and Operations. HCW currently utilise a balanced scorecard to report performance against the annual SaFF targets. The scorecard is provided to the Health Commission Wales Board and Directorate of Performance and Operations on a quarterly basis to assist with the monitoring and management of performance. The scorecard will be further developed to incorporate a wider range of critical success factors in relation to service delivery.

5. The changes in response to the Wanless Report will take some time to engineer and require a number of innovations including partnerships with other service providers, the public and restructuring services. We recommend that the Health and Social Care Department compile a detailed timescale for the implementation and monitoring of all actions in response to the Wanless Report and distribute this widely once the reconfiguration proposals have been revisited.

## Accepted

Although much of the work resulting from the Wanless report had been completed, there had been slower progress than anticipated on three defined issues - the review of mental health services, embedding the principle of involving people in the provisions of services, and the workforce redesign project.

Designed for Life and the complementary social care directions paper now being produced constitute the response to the Wanless review, and it is on their implementation that monitoring and evaluation should best now be focused. A document setting out the way forward incorporating the results of work on reconfiguration, provisionally entitled Designed to Deliver, is to be issued in March 2006, and this document will meet the Committee's recommendation.