

Finance Committee

FIN(3)-03-11 : Paper 2 : Paper to Note

Draft Budget 2011-12 – Response from the Welsh NHS Confederation following 6 December meeting

Question

“Members were particularly interested to learn of the changes that have been made within the Welsh NHS during the last year to make more efficient use of resources. You agreed to provide details of specific examples of progress.”

Response

Compendium of examples of collaborative practice, service modernisation and change have been provided to the committee (4th Jan 20011).

Question

“It would also be helpful if you could provide details of how local health boards intend to deliver change during a time of restricted budgets”

Response

By concentrating on the delivery of the Five Year Service, Workforce and financial Strategic Framework for NHS Wales, focusing on:

- an ongoing relentless drive on operational and clinical efficiency through the Annual Operating Framework
- a vision focused on NHS Wales delivering integrated care with its partners
- four strategic outcomes to turn principles into practice
- a structured delivery plan which includes the seven Health Board and three Trust plans
- 14 high value opportunities that are delivering both improvement and efficiency
- 11 national programmes which are ensuring that opportunities are delivered.

Question

(Members had a number of questions in relation to the capital budget which they were unable to ask due to time constraints. It would be helpful if you could provide written answers to these questions.)

“The draft budget shows a £98 million or 32 per cent real terms reduction in the capital allocation for Health and Social Services over the budget period. The Minister has suggested that this will impact on the ability to undertake large hospital projects and also that LHBs will have less to invest in backlog maintenance and will be unable to invest in new equipment and technology. In your opinion what will be the impact of such a reduction in capital on the front line?”

Response

Any possible ill effects will be minimised by careful consideration of how to best use resources and by phasing in of new equipment purchases.

Question

“Are you aware of any specific capital projects which will be cancelled as a result of this reduction?”

Response

We understand that all approved capital schemes will still go ahead although there may be a re-phasing of the start dates of some schemes.

Question

“What will be the implications for the ability of LHBs to deliver the stated priorities given that they will have significantly less funding for maintenance and investment?”

Response

While LHB’s and Trusts are disappointed to be working within reduced capital allocations they are working hard to minimise the potential impact on the maintenance of their estates and to develop innovative ways of using current buildings and equipment in a manner that supports their future service strategies. In addition every effort is being made to dispose of assets that are no longer required for use by the Service.

Question

“Are you exploring any alternative routes of capital funding?”

Response

Organisations are considering alternatives to purchasing equipment outright when leasing arrangements are a viable option. Some NHS bodies are discussing alternative estate funding strategies with partners in the public and third sectors.

Question

“It is stated in the draft budget that the NHS procurement function, worth around £1 billion per year, supports stability and growth of the economy and employment opportunities. In your opinion, how will such significant capital reductions in the NHS budget impact on the economy and employment in the wider Welsh community?”

Response

Clearly we are concerned at the potential impact on the Welsh economy and community, but careful scheduling of major projects over the coming years should secure some degree of employment stability within the sector. As far as procurement of other goods and services is concerned, efforts to make efficiencies in purchasing may potentially have some effect on local companies, but as the NHS is still a huge purchaser of an extraordinary variety of commodities, improved efficiency in procurement is a necessary contribution to putting the NHS on a sustainable financial footing.

Question

“The Minister for Business and Budget recently announced additional capital allocations for the 2010-11 financial year. One of the projects allocations announced was £13 million for Health Scanning and Diagnostic Equipment. Are you aware of how this allocation is to be utilised and what it aims to achieve?”

Response

Unsure of status of this allocation, consequently unable to provide further response.

Question

“There were also some questions in relation to efficiency savings, which we would be grateful for written responses on. The Minister has stated that the NHS has achieved £850 million in efficiencies over the last four years, and that this level of saving will have to be sustained to meet unavoidable cost increases in future years. Would you agree that this will be the level of savings required and in your opinion how realistic is it that this can be sustained in future years?”

Response

We believe that ongoing savings of that order will be required over the next few years and, although it will undoubtedly be extremely challenging to continue generating savings of this magnitude for a further four year period,

the experience gained in achieving this discipline thus far will undoubtedly go a long way towards ensuring that future savings are also realised. Efficiency gains alone, however, will not be sufficient to put the NHS in Wales on a sustainable footing. A programme of radical service modernisation that rationalises hospital estate, reduces unnecessary duplication and delivers improved clinical outcomes will also be necessary.

Question

“Does the Five Year Framework provide for measures to achieve this level of savings? Can you provide an example of an area in which significant levels of savings could still be achieved?”

Response

NHS Wales has developed a robust set of measures through its Five Year Service, Workforce and financial Strategic Framework for NHS Wales to achieve the necessary savings. In 2010/2011, for example NHS Wales will focus its attention on eight key areas of change:

- shifting patient care into community settings
- reducing waste, harm and variation
- efficiency and productivity
- operating within available financial resources
- delivering through an effective workforce
- improving patient care and safety through the use of ICT
- improving the quality of core services and delivering the national targets
- upstream prevention and well-being.

In addition, the annual operating Framework is ensuring that Health Boards are driving their Local Delivery Plans to achieve:

- shifts from acute services to community care, for example establishment of
- consistent chronic disease services
- repatriation of some services
- workforce development and staffing increases and reductions as appropriate by discipline
- week by week saving plans ranging between £1 - 1.5million
- managing down of non - core pay costs
- increasing focus on shared services
- strengthened Local Authority and Health Board partnership working.

In parallel, in 2010/11, NHS Wales is putting particular emphasis on achieving five high value opportunities. These are in the fields of:

- procurement
- medicines management

- mental health
- wasteful interventions
- more effective commissioning of services provided outside of Wales.

Successful implementation of these prioritised initiatives should realise very substantial savings in the current financial year.

One particular area of accelerated and high value opportunity is the Medicines Management Programme which aims to save £50m in 2010/11 through a range of activities targeted at reducing unnecessary prescribing, wastage of medicines as well as through improved purchasing arrangements and increased use of generic medicines.

Question

“In relation to the NHS restructuring it is stated that it is planned to save £40 million, or 20 per cent on management costs by 2013-14. Can you explain how such savings are being made? Does this indicate that there has been a change to the no redundancies policy?”

Response

NHS organisations are looking critically at how to minimise the number and cost of managers through a variety of means, including the reduction of unnecessary bureaucratic functions, the sharing of services and through empowering clinicians to manage their own service areas. The reductions in staff will be achieved through natural wastage and will minimise the requirement for redundancy, which is costly in human term as well as for the NHS budget

Question

“The Draft Budget mentions a new shared service model to reduce back office costs. What measures are in place to move towards such a model, what is the timescale involved and what level of savings could potentially be achieved?”

Response

The Shared Service Project has been established in shadow form and will be formally established from April 2011. A project Chair and National Director have been appointed to the new NHS Wales Shared Services Committee. The project expects to generate a total direct savings of £14.5m over the first five years of operation.