

Date: 23 June 2004

Venue: Committee Room 3, National Assembly for Wales

Title: Provisional Financial Outturn 2003-2004

Purpose

1. This paper presents the provisional financial outturn for health and social services for 2003-2004.

Summary

2. The provisional financial outturn for 2003-2004 is a range between a balanced position and a small surplus of £7million. This reflects the final provisional spend for LHBs and trusts and central budgets for 2003-2004. These sums are subject to audit and technical accounting adjustments and therefore may change.

Background

3. The voted provision for health and social services for 2003-2004 was £4,053.872million. This includes an additional £70.7million that was allocated in year by the Minister of Finance, Local Government and Public Services to meet commitments made in earlier years that fell due in 2003-2004, in year cost pressures and technical accounting adjustments following the introduction of resource budgeting.

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4. 2003-2004 saw the establishment of Local Health Boards and Health Commission Wales. These new commissioning arrangements enable services and their associated finances to be more focused and provide a means of achieving both improved value for money and stringent financial control. This has

enabled NHS Wales to invest in vital improvements to meet the needs of patients and achieve financial balance.

5. 2003-2004 was also a transitional year with Local Health Boards and Health Commission Wales managing some underlying deficits inherited from Health Authorities. 5 Local Health Boards (Cardiff, Vale of Glamorgan, Monmouthshire, Newport and Powys) required central financial support issued as repayable loans. These loans were subject to the approval of Strategic Change and Efficiency Plans by my officials before they were issued and they are subject to be repaid in line with the approved Plan. All other Local Health Boards are expected to report a balanced financial outturn for 2003-2004.

6. The improved financial outturn in 2003-2004 enabled 2 Local Health Boards (Pembrokeshire and Ceredigion) to make an early repayment of loans drawn down in 2002-2003 by the former Dyfed Powys Health Authority.

7. In addition to the Local Health Boards, 4 NHS Trusts (Cardiff and Vale, Ceredigion and Mid Wales, Carmarthenshire and Pembrokeshire and Derwen) required repayable loans in 2003-2004. As with Local Health Boards these loans were subject to approval of financial recovery plans by my officials before they were issued and they are subject to being repaid in line with the approved plan.

8. Early indications in 2003-2004 were that NHS Wales was facing a deficit of £46.5million identified through the Service and Financial Framework (SaFF) and loans were set aside to meet this. I am pleased to report that the provisional outturn for 2003-2004 is a substantially reduced need for loans with the overall position being a shortfall of £14.2million.

9. Significant management action was undertaken both in the NHS and by my officials to identify and release efficiency savings not just to support organisations with inherited deficits but more to meet in year cost pressures and invest in service developments. These savings totalled £74million. In year cost pressures in respect of health mainly relating to pay modernisation, waiting times, orthopaedics capacity and prescribing were able to be accommodated within the resources allocated to health and social services.

10. In addition capital expenditure totalling £120million was incurred. This has included investment of over £22million in the development of mental health services. The infrastructure for the development of clinical schools in North Wales and Swansea and phase 1b of the Children's Hospital were also part of the capital programme in 2003-2004.

11. The main areas of expenditure on social care related to Cymorth, Children First, People with Learning Disabilities and Flexible Care and Joint Working. Separately, the Revenue Support Grant supported a range of social care activities.

12. As the annual accounts for 2003-2004 remain subject to audit and any technical accounting adjustments that may be required it is only possible at this stage to provide a provisional outturn for

2003-2004. This provisional outturn is in the range between a balanced position and a small surplus of £7million.

Compliance

13. There are no issues of compliance.

Financial Implications

14. There are no financial implications as this is a paper to note.

Action for Committee

15. The Committee is invited to note this paper. An update will be provided to the Committee via the Minister's Monthly Report once the accounts for 2003-2004 have been audited.

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