

Audit Committee

Date: 21 November 2002
Time: 13:30
Venue: Committee Room 1, National Assembly for Wales

Summary of conclusions and recommendations

On the overall financial performance of NHS Wales

- i. We accept that it was necessary to provide strategic assistance funding in order to enable certain NHS trusts to achieve their financial recovery plans. We further accept that it would be unreasonable to burden new NHS organisations with the debts of their predecessors. However, we are concerned that such actions could be regarded as rewarding poor financial performance and could be a disincentive to prudent organisations.

Response

Strategic assistance funding has only been provided where an approved recovery plan is in place. As well as the administrative burden of producing a recovery plan, NHS Trusts in financial recovery must seek Welsh Assembly Government approval for any significant developments, such as the appointment of new medical consultants. These restrictions acted as an incentive for trusts to avoid being placed in recovery by maintaining financial stability.

To benefit from the arrangements for the cancellation of debt, announced by the Minister in January 2002, NHS Trusts must demonstrate that they are able to sustain financial balance without Assembly financial assistance for at least two years.

- ii. The restructuring of NHS Wales and the provision of additional finance for the NHS arising from the budget is an excellent opportunity for a new start. We therefore strongly recommend that the NHS Directorate take this opportunity to emphasise to all NHS organisations in Wales the need for financial stability and the importance of operating within the available resources. We also suggest that it would be appropriate for the NHS Directorate to set out in clear terms from the outset the exceptional circumstances under which repayable loans will be made available.

Response

Accepted. The NHS Wales Department has instigated a Service and Financial Framework process for the first time in 2002-03. This process requires NHS organisations to demonstrate how Welsh Assembly Government key priorities and other service delivery priorities can be delivered within available resources. The process stressed the requirement for all NHS organisations to plan to achieve financial balance, although this has not been possible in all areas of Wales in 2002-03. Where a financial deficit is unavoidable, NHS organisations are required to obtain independent verification that all appropriate action has been taken. The terms of any repayable loans issued by the Welsh Assembly Government to support financial deficits will be set out clearly to the organisations concerned.

- iii. We note the measures taken to date to improve the accuracy of financial forecasting. We look forward to formal confirmation of the results for 2001-02 and an even better result for 2002-03. We recommend that the NHS Directorate and NHS bodies continue to take appropriate measures to improve their financial forecasting to ensure that available resources are deployed at the earliest opportunity to maximise patient care.

Response

The outturn in 2001-02 of a net deficit of £15.2 million was within the forecast of a net deficit of between £16.8 million and £8.6 million as indicated in paragraph 2.28 of the Auditor General's report. The NHS Wales Department continues to work closely with the NHS to improve forecasting processes.

- iv. We remain deeply concerned at the ever-increasing cost of clinical negligence claims. Such costs will eat a large hole into the additional financial provision for the NHS recently announced by the Chancellor of the Exchequer. We trust that the external review of the management arrangements for the Welsh Risk Pool will consider all aspects of the management of claims from incidence to resolution and settlement.
- v. Any new system for managing clinical negligence claims should draw on best practice elsewhere and include in-built incentives to provide the best possible standards of patient care, reduce the incidence of and the expenditure on clinical negligence claims and provide value for money for the taxpayers.
- vi. Whilst not criticising Conwy and Denbighshire's NHS Trust, we question whether the operation of the Pool by one NHS body on behalf of the whole of NHS Wales is still appropriate given the increasing complexity of claims management and resolution and the amounts of money now involved. The ongoing restructuring of NHS Wales provides an excellent opportunity to look at these arrangements afresh and we trust that this issue will be addressed as part of the review.

Response

The Welsh Assembly Government is participating in an England and Wales review of the clinical negligence system, which amongst other matters, will look at ways to make the system faster and fairer. The review is due to report in the Autumn and a report will then be made to the Minister for Health and Social Services.

The Welsh Risk Pool External Review has been reviewing all aspects of the management of claims from incidence to resolution.

The terms of reference require the review to consider best practice within the NHS and commercial sector and to take account of wider policy and legal developments likely to affect clinical negligence claims in the U.K., including the structural changes in NHS Wales. The review is also considering premiums paid by health bodies and the future operational arrangements for the Welsh Risk Pool.

The review has drawn on relevant professional and expert advice and will make recommendations for the ongoing provision of support to the Welsh Risk Pool and claims management system in NHS Wales. The review team is scheduled to report to the Minister for Health and Social Services in September 2002.

- vii. We welcome the improvement in prompt payment performance but stress the need to make further efforts to ensure that all valid bills are paid within the 30-day target deadline. In this regard we also welcome the intention to introduce a statutory target for 2003-04. We stress that the key target should relate to the number, rather than the value, of bills paid to ensure that small suppliers are not overlooked.

Response

Twelve of the fifteen Trusts in Wales have now implemented a new financial system which will ensure that performance is measured consistently across Wales. The other organisations have also been instructed to follow the same monitoring procedures. Although there are inevitable implementation issues to be addressed, the new system will also should provide for a more stream-lined payment process in future by using technological advances in purchasing, receipting authorisation and payment procedures. Prompt payment performance of NHS organisations is monitored monthly by the NHS Wales Department, and is based on number, rather than value, of invoices paid.

- viii. We also recommend that the NHS Directorate ensure that the target is applied and measured in a consistent manner across all NHS bodies. We consider that the target should focus on payments to external suppliers and not include salaries or inter-NHS payments.

Response

Accepted. A working group, consisting of representatives of NHS organisations and NHS Wales department, is currently considering the measurement of the target.

- ix. We urge the NHS Directorate to work with Carmarthenshire NHS Trust and Cardiff and the Vale NHS Trust and take all reasonable measures to recover their financial position. We are particularly concerned at the over reliance on and the cost of engaging agency staff, as well as the potential impact that this could have on the standard of patient care.

Response

The NHS Wales department is working closely with Cardiff and Vale Trust and Bro Taf Health Authority to agree how the financial position will be recovered. A tri-partite meeting will be held in October, at which point the Trust's plans to restore financial balance, including the arrangements for the issue and repayment of loans if necessary, will be considered. The NHS Wales Department is taking

action to address the cost and service impact of the increasing use of agency nursing staff, and a paper (HSS 16-02) was presented to the Health and Social Services Committee detailing the proposed action.

The NHS Wales Department and Dyfed Powys Health Authority and Carmarthenshire NHS Trust have set up a strategic service review group to consider the configuration of services across South West Wales. In addition, the new Chief Executive of Carmarthenshire NHS Trust has taken personal responsibility to meet with all internal budget holders to ensure that the trust's financial position is restored to a sustainable level.

- x. We are concerned about the time taken to produce an acceptable recovery plan for the Gwent health economy area and expect an acceptable plan to be finalised and agreed without further delay. We concur with Mrs Lloyd's view that the role of management in the NHS has changed considerably in the last five years. We note the steps being taken to ensure that NHS managers have access to continuing professional development and have the necessary tools to manage complex organisations in an effective way. We also agree that it is the responsibility of the NHS Directorate to make clear its expectations of NHS managers to help them manage the environment in which they now work.

Response

The NHS Wales Department gave conditional approval to the Gwent recovery plan in August 2002. There remain risks within the plan, but these are being closely monitored by the NHS Wales Department.

The NHS Wales Department is committed to supporting the continued professional development of NHS staff with an increasing emphasis on training and development for managerial and leadership skills. The NHS Wales Department will require managers to abide by a Code of Practice and ensure their continuing professional development.

On prescription pricing

- xi. We are disappointed with the further slippage in clearing the prescription pricing backlog and the delay in the recovery of overpayments to pharmacists. This unacceptable delay has had a detrimental effect on the efforts to improve financial forecasting. The current paucity of information on the prescribing habits of general practitioners has made it more difficult to control the cost of drugs. We expect the NHS Directorate and Health Solutions Wales to ensure that there are no further delays and that the whole sorry matter is concluded well before the abolition of the health authorities in 2002-03.

Response

The Prescribing Services Unit has now returned to normal operating timescales for current pricing. The Assembly has provided additional funding to the PSU to ensure that current productivity levels are maintained and their performance is being monitored on a regular basis.

The six month (October 1999 to March 2000) backlog will now be addressed and this will be complete by the end of the financial year. Recovery of overpayments made to pharmacists will begin as soon as is practicable and every effort will be made to complete the recovery by April 2003. However, under the terms of the offer made to pharmacists for payment based on sampling, it was agreed that recovery of over-payments would be made over six months, in line with normal debt-recovery procedures. Contractors experiencing difficulty in meeting these time-scales have been advised to contact their health authority who will consider individual cases on their merit.

Information on the prescribing habits of general practitioners is covered in (xii) below.

- xii. We note that some prescribing information relating to 2000 has recently been placed in the public domain. We trust that this will be updated and enhanced at regular intervals so that prescribing habits and the associated costs can be managed in a more structured way by the new local health boards.

Response

An annual report of prescribing information will be provided by the Prescribing Services Unit to the Assembly for publication on Health Of Wales Information Service (HOWIS) within 2 calendar months of the completion of the pricing of December prescriptions. Under the Service Level Agreement that the Assembly has with Health Solutions Wales, GP Practices and Local Health Groups (and their successors Local Health Boards) receive monthly reports of prescribing information within 12 working days of completion of pricing each month's prescriptions. This enables prescribing habits to be monitored on a regular basis.

- xiii. In our view it is vital that the health authorities make a reasonable and robust estimate of the shortfall in revenue from prescription charges and to use this as the starting point for taking appropriate action to combat associated fraud and error. We note the action taken to date and recommend that the health authorities continue to work closely with their appointed auditors and Health Solutions Wales to address this issue.

Agreed.

On NHS fraud

- xiv. We welcome the work now being undertaken to assess the extent of fraud in NHS Wales and look forward to seeing the results. We also welcome the measures being taken to increase the awareness of fraud and its effect on the public purse. More needs to be done to ensure that those responsible for enforcing regulations at the point of delivery of service are aware of their responsibilities. This may require a change of systems in order to have fraud avoidance built in to operating procedures.

Response

The results of the Prescription Risk Measurement Exercise are due in October 2002 and will be reported to the Minister for Health and Social Services.

In July 2002 the Minister for Health and Social Services signed a series of counter fraud charters with

the professional associations and appropriate NHS regulatory bodies for GPs, dentists, pharmacists and opticians. The charters represent a common understanding of the requirement on all bodies to tackle fraud in the NHS in Wales and are part of a programme to achieve a cultural change. Reviews of the operation of the charters will be carried out annually.

Also as part of the cultural change programme a series of Fraud Awareness Presentations to Local Representative Committees are scheduled to take place throughout Wales in October. These will reinforce the requirement for checks to be carried out by contractors.

On restructuring

- xv. We note that the NHS Directorate will be estimating the costs of restructuring and we would welcome regular updates on the actual costs in future years. We agree with the Auditor General that redundancies and early retirements must be publicly defensible and note in this context that the NHS Directorate has now issued guidance on severance terms. We urge the NHS Directorate to act further on the Auditor General's recommendation and provide advice as appropriate on the drafting of new employment contracts.

Response

Estimates of the costs of the NHS Wales structural change programme were presented to the Health and Social Services Committee on 17 July (Annex A to HSS-16-02(p.1) They indicate that the structural change programme will be established on the basis of no increase in operational costs from the existing structures, and that transitional costs will be in the range of £12.5 million to £15.5 million over the four financial years 2001-2002 to 2004-2005. These estimates, working assumptions and calculations will be subject to review by the National Audit Office in September/October 2002 to provide independent assurance on their robustness and acceptability. The National Audit Office will be kept fully informed of the actual costs of restructuring on a regular basis.

In addressing the need for more formal and explicit guidance on the drafting of new employment contracts, the NHS Wales Department is currently developing a common employment contract for all Local Health Board employees.