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Together for Health:
South Wales Programme
Law yn Llaw at Iechyd:
Rhaglen De Cymru

Mr D Rees
Chair, Health and Social Care Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

25th October 2013

Dear Mr Rees

South Wales Programme – Financial assessment

Further to your letter dated 9th October 2013 following our attendance at the Health and Social Care Committee on 3rd October, I am pleased to outline to members how the programme is undertaking the financial assessment of the four options contained within our proposals.

The South Wales Programme Board has tasked the Director of Finance of each of the participating Local Health Boards (LHBs) and the Welsh Ambulance service (WAST) to develop a consistent approach to the costing methodology that should be applied to each option under consideration. The Directors have established a Finance Workstream, led by one of the Finance Directors, to work closely with the service and data analysts to undertake this work.

The costing to date as presented in the consultation documentation, has been undertaken at a South Wales level for A&E/paediatrics/neonates and maternity services. It is proposed that the workstream will now also cost, at a high level, the potential impact of the options on acute medicine and emergency surgery using proxy rather than detailed activity models.

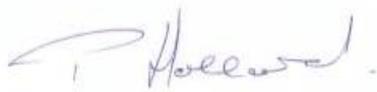
It is proposed that the options will be costed in terms of impact on each LHB. At this stage we could attribute a pro-rata share to give a sense of likely impact, but the current financial work being finished off in the next few weeks will accurately address this.

Like other criteria, the financial impact is likely be differential by HB for different options and the Programme Board may therefore need to agree principles which support an 'optimum decision' for South Wales.

The costing work will focus upon the medical staffing associated with each of the modelled flows, the impact of activity on beds, theatres for emergency surgery and A&E cubicles and model the potential impact on current estate i.e. the potential requirement for additional accommodation and projections of surplus accommodation that may become available in local hospitals.

The Programme Board has asked that this work be completed in November for consideration by the Board in making its recommendation on the way forward and also made available to each Community Health Council and Local Health Board prior to their decision making by the end of the calendar year.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'P. Hollard'.

Paul Hollard
Programme Director
South Wales Programme

South Wales Programme - Finance Summary

Background

A Finance Workstream was established under the revised governance arrangements agreed for the programme in November 2012. This included the formation of a supporting working group with representation from each of the five Health Boards (Abertawe Bro Morgannwg, Aneurin Bevan, Cardiff and Vale, Cwm Taf and Powys) and the Welsh Ambulance Services NHS Trust (WAST). The group has met regularly and has produced Highlight Reports reporting progress and risks as part of its responsibilities. The work undertaken shows the financial impact of each option as part of a collaborative solution for South Wales and not on an individual health board basis.

Introduction

The Finance Workstream has:

- determined the relevant areas of spend affected by the programme;
- completed work based upon the information which has been made available to it; and delivered its work in support of the programme through participation by all partner organisations;
- highlighted financial considerations to support the programme's overriding aim for service changes to deliver safe services;
- calculated on a transparent and consistent basis the marginal cost revenue impact of each Option for the direct cost areas of Medical Staffing; Midwifery and Clinical Conveyance;
- identified the cost of the capital requirements for Clinical Conveyance;
- outlined potential financial benefits and risks which are not considered to be relatively different between the options;
- produced a relative cost comparison for consideration following the Qualitative (ie non-financial) Options Evaluation Exercise, for each of the options as follows:

	Marginal Cost for Current State*	3+RGH	3+PCH	3+POW	3+PCH+RGH	3+POW+RGH	3+PCH+PoW
	£000	£000	£000	£000	£000	£000	£000
Revenue Impact (per annum) for Cost Areas:							
Medical Staffing	17,503	4,382	5,377	5,231	8,525	9,296	9,296
Nursing – Midwifery	0	-360	-400	-440	-280	-280	-320
Clinical Conveyance	3,374	6,564	6,668	6,170	5,351	5,634	5,061
Total Revenue Impact	20,877	10,586	11,645	10,961	13,596	14,650	14,037
Total Capital Requirement: Clinical Conveyance	260	1,545	1,545	1,545	1,370	1,370	1,110

*To meet safety and standards with the current configuration that is not feasible but shown only for comparative purposes.

Key findings from the financial assessment are:

- although it would not be feasible to provide safe and sustainable services within the current configuration of hospitals, even with additional investment, this configuration has been costed purely for comparative purposes and it is evident that all options will cost less than this theoretical scenario;
- the revenue impact for 4 site options are more favourable than 5 site options;

- the cost area with the greatest revenue variation between options is for Medical Staffing and 4 site options cost less than 5 site options;
- the cost area with next greatest revenue variation between options is for Clinical Conveyance however 4 site options cost more than 5 site options;
- the most favourable Option in revenue impact terms is 3+RGH;
- the least favourable Option in revenue impact terms is 3+POW+RGH;
- using the revenue impact value as a high level estimate for running costs per annum and expressing it as a percentage of the annual collective running costs of the Health Boards, the lowest cost option's value equates to 0.3% and the highest cost option's value equates to 0.42%.

There is further work to be undertaken at the implementation stage because:

- the financial assessment has not taken account of the impact within other specialties which may be affected such as Trauma, Emergency Surgery and Acute Medicine;
- no detailed modelling of requirements such as beds, trolleys and cubicles has been undertaken and consequently no detailed costing of Nursing in A&E and Paediatrics have been calculated;
- no information is currently available to assess the impact on supporting services such as Radiology and Theatres;
- no information is currently available on the capital requirements for Hospital Services generated by each option.

The affordability strategy will be finalised during the implementation stage and will ensure that all hospital sites are utilised to their fullest potential and no individual Health Board is financially destabilised.