

**National Assembly for Wales Public Accounts Committee
Inquiry into the Wales Audit Office report 'Health Finances 2012-13 and beyond'
Submission from the Welsh NHS Confederation
November 2013**

Background

- By representing the seven Health Boards and three NHS Trusts in Wales, the Welsh NHS Confederation brings together the full range of organisations that make up the modern NHS in Wales. Our aim is to reflect the different perspectives as well as the common views of the organisations we represent.
- The Welsh NHS Confederation acts as an independent voice in the drive for better health and healthcare through our policy and influencing work and by supporting members with events, information and training. Member involvement underpins all our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.
- On behalf of its members, the Welsh NHS Confederation welcomes the opportunity to respond to the Public Accounts Committee's inquiry into the WAO report "Health Finances 2012-13 and beyond".

Introduction

- The Welsh Audit Office (WAO) report "*Health Finances 2012-13 and beyond*," July 2013, paints a mixed picture of NHS finances: on the one hand recognising that NHS Wales has delivered on its statutory obligations to break even in a punishing financial climate; and on the other highlighting that some of the financial savings achieved cannot be sustained, or repeated, year on year.
- As the organisation representing Wales' seven Health Boards and three NHS Trusts, the Welsh NHS Confederation has repeatedly said that there is a limit to the impact that efficiency savings can have. At the same time, we would want to acknowledge the enormous achievements of Health Boards and Trusts and of their staff in making more than 5 per cent efficiency savings year on year and saving £1.3 billion over the last three years or so.
- The NHS in Wales, along with other public services, continues to work in an extremely challenging financial climate. The WAO report recognizes that this presents a massive challenge for the NHS. Growing demand for health services and the rising cost of providing them mean that the NHS faces a significant funding gap, at the same time as improving the quality and safety of services. This means that the NHS will not be able to continue to do all that it does now, and certainly not in the same way.
- In a previous report (October 2011) the Auditor General for Wales said that: 'change and tough choices are the order of the day'. Health organisations in Wales have been making some of those changes and tough choices. They are not always well received.
- Given the scale of the demands placed on the NHS – increasing numbers of older people, often with more than one illness or condition, new expensive drugs and technological advances – service change is an immediate priority and challenge for NHS Wales. That service change must be driven by quality and safety, with a real focus on the individual.
- This is a complex and sometimes difficult process. We welcome the clear recognition in the recent draft budget that healthcare services need support to meet the increasing and changing needs of the people of Wales. We were particularly pleased to see the proposal for funding through a new Intermediate Care Fund, specifically to progress the objectives for more joined up care for people who need a combination of health, housing and social services.
- Even with this additional funding, change must take place right across Wales to ensure efficient, safe and sustainable health care services are provided within the resources allocated by Welsh Government.
- This will inevitably mean that difficult choices have to be made on what services are provided where and when. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, whilst taking more responsibility for how they use those services.

- These are difficult and testing times and the seven Health Boards and three NHS Trusts in Wales will continue to drive costs down to meet the reality of an austerity budget. The challenge is that Welsh Government and NHS bodies have limited flexibility to shift significant investment away from traditional treatment services when the current demands on the health service are so great.
- The NHS in Wales has a clear objective to offer good quality healthcare services to the people of Wales within the resources available. It also acknowledges that there are areas where it could, and should, do better.
- It must be allowed to make the radical transformation of services needed, which “offers the best hope for putting the NHS in Wales on a sustainable footing” in the longer term.

Impact of the 2013/2014 Budget

- The 2013-14 Budget represents the third year of largely flat cash settlements for the health service in Wales. Against this backdrop, there have been relentless advances in medical technology, increased patient and clinical expectations and changes to the health needs of a growing elderly population and well as the impact of both pay and non pay inflation.
- As a result, Health Boards in Wales need to make considerable savings this year and the net funding gap (once identified savings have been taken into account) is estimated at £212m (WAO “*Health Finances 2012-13 and beyond*”). This is addition to the £1.3bn that has been saved since the inception of the Local Health Boards and Trusts.
- The year on year need to step up savings plans, and the clinical need to reshape services which are fit for purpose for the future, present a major service and financial challenge for NHS organisations. This was recognised in the WAO report.
- Ensuring that efficient and safe services are provided within the resources allocated by Welsh Government requires each NHS body to prioritise its spend. This will inevitably mean that difficult choices have to be made on what services are provided where and when.
- Many organisations in Wales are also currently engaged in major public consultation exercises regarding service change. The outcome of these consultation exercises will have a significant impact on plans going forward into 2014/15 and beyond.

Budget Allocations for 2014/15

- Based on evidence published by the Wales Audit Office in its report “*Health Finances 2012-13 and beyond*”, the health service in Wales is facing the toughest financial challenge in the UK. Other parts of the UK have small real terms increases in health revenue budgets, whereas the NHS in Wales has faced a real terms reduction since 2010-11. The evidence presented by the Wales Audit Office suggests that health spending in Wales will be the lowest per capita in the UK by the end of 2014/15.
- Notwithstanding the funding proposed in the recent draft budget from the Welsh Government, health bodies will be required to make significant cash savings (before the budget announcement these were estimated at an extra £300m again next year), which will place further significant pressures on services and finance. The WAO report statement sums up the significant challenge which NHS Wales is facing.
- While efficiency savings will always be a feature of NHS financial plans – and rightly so – the potential for savings inevitably reduces year on year.
- Continued inflationary pressures, including within a flat cash environment, and the ring-fencing of some budgets, means that spending on pay - which accounts for around 50% of the total budget - is under increasing examination. Therefore the scale and nature of the service and workforce change needed to meet financial targets increases exponentially.
- Given the scenario outlined above, Welsh Government acknowledges that the priorities for health services in Wales will need to be re-assessed and delivery targets set.

- The Welsh Government is also committed to a process of agreeing three year plans with some financial flexibility between years for LHBs, and this is welcomed.
- Driven by standards, safety and quality and staffing pressures, service configuration and change is an immediate priority and challenge for NHS Wales.
- There are positive examples from NHS Wales of redesigning local services and making savings:
 - Through the local development of services that allows patient activity to be brought back to a local area;
 - By developing new service responses to growing demand;
 - By creating patient-focused alternatives;
 - By shifting services and resources more appropriately to the community; and
 - Simply by continuing to focus on more patient activity and efficiency.
- Health Boards' plans will need to be developed in the context of managing future services within budgets and creating the right balance of where care should be provided across the health system in future, with a greater focus on community services and infrastructure, supported by excellence in hospitals.
- Some strategic change requires transitional support, double-running costs or pump-priming and the health service recognises that some of our population wish to be confident that better alternative services are in place on the ground before some of the more traditional and less effective services are removed.

Preventative spending

- Services provided by the NHS in Wales cover both prevention and treatment based services. Evidence has long been put forward that the amount that the NHS spends on preventative services is too little and that there are significant health and economic gains from shifting the emphasis of the NHS from a treatment to a preventative service.
- The challenge is that the Welsh Government and NHS bodies have limited flexibility to shift significant investment away from traditional treatment services when the current demands on the health service are so great.
- As a result, investment in new preventative initiatives tends to be linked with specific policy initiatives funded (usually) by top sliced allocations taken from the NHS budget. There is a challenge both for Welsh Government and NHS bodies to demonstrate that this approach is effective and to ensure that plans produced by the NHS are tested in terms of the investment in preventative services and the expected outcomes and timelines.