

Mark Drakeford AC / AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: SF/MD/3154/14

David Rees AM
Chair of the Health and Social Care Committee
National Assembly for Wales
Ty Hywel
Cardiff Bay
Cardiff
CF99 1NA

4 November 2014

Deu David

I refer to your letter of 25th October, outlining the key issues you identified during your scrutiny of the Welsh Government's 2015-16 draft budget. You have commented on a number of important issues and have asked for further information in a number of cases.

I also note that you attached a letter from the Chair of the Children, Young People and Education Committee, which refers to issues raised by them and you have also asked for a response to the questions they have raised.

I am happy to provide the further information you have sought and have also included below my responses to the questions raised by the Children, Young People and Education Committee.

1. Additional revenue allocation for NHS services in 2015-16

The Committee would welcome further information from the Welsh Government on how it will monitor and ensure that the additional revenue funding for the 2014-15 and 2015-16 financial years delivers meaningful reform to services and positive outcomes for patients rather than being used by health boards to address end of year deficits resulting from unchanged models of care.

As emphasised within the Nuffield report the majority of the new funding is primarily required to maintain current service levels and the continuation of the provision of high quality safe services. However it is acknowledged that even with additional funding we cannot continue to provide the services in the same way as we have historically. We will need to be more innovative and continue to identify new models of service delivery.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

*Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)
recycled paper*

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Correspondence.Mark.Drakeford@wales.gsi.gov.uk
Printed on 100%

The planning process will be key to identifying how we will deliver this change and the funding will be targeted to meet the challenges outlined in the integrated medium term service plans. Through the continued development of the NHS's integrated service plans we will ensure we achieve the right service models and the right patient outcomes.

We monitor progress against the integrated plans and oversee the performance of the NHS through a number of vehicles, including: Monthly Chief Executive meetings, monthly quality and delivery meeting, detailed submission of monthly financial monitoring returns, joint executive team meetings etc. We also have a recognised escalation and intervention process which has been developed in conjunction with HIW and the WAO. This involves sharing and reporting on the performance and progress on NHS organisations between each other.

2. Resource allocation formula and distribution of additional funding.

The Committee would welcome further detail on the distribution of this additional funding once made, to include information about how the integrated medium term plans of health boards have influenced decisions.

I will provide the Committee with an update on the total revenue allocation made to each health board for 2015-16 once final decisions are made.

3. Intermediate Care Fund

In the short term the Committee would welcome further information from the Minister on how he will monitor and ensure that the positive steps made as a consequence of the funds existence will be maintained once its funding stops at the end of 2014-15.

Although the intermediate care fund was funded initially on a one year basis, we hope to be able to build on some of the key successes it has helped to develop either by mainstreaming some of this work within the primary care and community focus; through the joint working and collaboration we are building and funding through the three year planning approach or by calibrating an element of the additional revenue resources that are being provided to Health and Social Care in 2015/16. We are considering how the additional funding for health can be used to drive forward and mainstream the beneficial impacts made by the Fund.

Furthermore an additional £10 million has been made available to social services, some of which can be used to invest in and reform services to focus on prevention and early intervention which are key elements of the Intermediate Care Fund.

Where additional capital may be required we are also reviewing our capital priorities to develop additional community initiatives and we are looking at how this could be funded through innovative finance solutions built on partnerships across public, private sector and third sector arrangements

In terms of monitoring, each region is required to provide a formal quarterly update on progress in relation to the work being taken forward and officials are also meeting with regions on a quarterly basis to review progress. There is also a requirement for formal evaluation by each region. This will enable us to identify the good practice and interventions which deliver the greatest impact and benefits and which should be sustained and mainstreamed longer term.

4. Capital

The Committee is concerned by the overall reduction in capital funding and would welcome further information about how the new capital prioritisation exercise will work in practice.

The Welsh Government shares the Committee's concerns at the reduction in capital funding for public services in Wales.

The capital prioritisation exercise in my department has focused on identifying capital schemes that will meet and deliver objectives around investment to support service change with clear benefits, including revenue savings and the provision of sustainable services. An expert panel has been set up from within the Welsh Government to undertake this work. The panel includes senior representation from across the organisation including, medical, workforce, planning, finance and information technology leads.

Local Health Boards were asked to prioritise and submit proposals to the panel, based on key investment criteria, linked to health gain, affordability, clinical and skills sustainability, equity and value for money. All schemes within the forward Programme from 2015-16 onwards, including those that have already commenced the business case process but have not yet received Full Business Case approval were included.

The expert panel is in the process of evaluating and further prioritising the submissions received. As part of its remit, it is considering the affordability envelope and the potential impacts on the forward work programmes linked to the pipeline identified. The findings and recommendations of the group will be submitted to me in due course.

5. Mental health services and the ring fence

The Committee would welcome further detail about the allocation of funds to mental health as information appears to have been presented in a different format in this year's draft budget documentation. Furthermore, the Committee would welcome clarification of whether the ring-fenced allocation for mental health services has grown with inflation since its inception.

The evidence paper provided to the Committee refers to £529m which relates to the primary element of Mental Health funding that is identified within the NHS protected and ring-fenced allocation for 2014-15. In addition to this there are also elements within prescribing and general medical services allocations which form part of the overall total of protected funded for Mental Health of £587m.

The mental health ring fence represents a floor below which expenditure on core Mental Health Services should not fall. The LHBs have consistently exceeded the ring fenced level of expenditure as demand has increased for Mental Health services. Since 2010-11 there has been additional funding added into the ring fence for specific areas like the Mental Health Measure, CAMHS and Advocacy.

The ring fence level is currently under review and consideration will be given to adjusting it for the 2015-16 NHS budget allocation process.

For clarity the evidence paper provided to the Committee also refers to expenditure on Mental Health of £618m. This is included within the Programme Budgeting chart relating to the 2012-13 financial year. For the Committee's information this figure represents a retrospective analysis of fully absorbed reference costs allocated to the Mental Health Programme Budget Category. This would include all of the following:

- The ring fenced funding mentioned above;
- Any further funding directed by each HB from their Discretionary budget; and,
- Overhead costs that are apportioned across the specialties and points of delivery as part of the process that the Health Boards go through when compiling their annual reference costs, which are then mapped to their programme budgeting returns.

6. Litigation and the Risk Pool

The Committee looks forward to receiving further analysis relating to the quantity and level of in-year settlements made against the risk pool in recent years, as requested during the meeting.

In addition to providing the further analysis requested by the Committee, it may also be helpful briefly to explain the accounting conventions associated with the administration of the Risk Pool.

The Welsh Risk Pool reimburses losses over £25,000 incurred by Welsh NHS bodies arising out of negligence and other eligible claims and is funded through the NHS Wales healthcare budget. The annual funding for the Welsh Risk Pool consists of:

- Annually Managed Expenditure resource for movements in the balance sheet provision held in respect of future liabilities and settlements.
- Revenue Departmental Expenditure Limit (RDEL) resource for payments made in a financial year to reimburse Local Health Boards and NHS Trusts for claims settlements made.

In accordance with statutory accounts requirements, a provision is maintained for the future liabilities of the Welsh Risk Pool. This provision is shown in the consolidated Welsh Government statutory accounts annually.

The provision consists of two major elements:

- provision for the future reimbursement by the Welsh Risk Pool to NHS Wales Local Health Boards and NHS Trusts, for approved Clinical Negligence and Personal Injury claims greater than the agreed excess (currently £25,000) and considered to have a probable outcome (greater than 50% likelihood) in favour of the claimant; and,
- provision for periodical payment orders awarded to claimants, managed by the Welsh Risk Pool on behalf of the relevant NHS Wales Local Health Boards and NHS Trusts. (Periodical payment orders are an arrangement whereby a claimant agrees to resolve a claim by receiving periodic payments on an agreed schedule rather than as a lump sum).

The provision in the Welsh Government Accounts for the last two financial years is as follows:

	31 March 2013	31 March 2014
Welsh Risk Pool Provision	£521m	£594m
Periodical Payment Order	£183m	£214m

element of the above		
----------------------	--	--

The movement in this provision annually is funded from the Annually Managed Expenditure budget.

The Revenue DEL resource utilised for in year claim settlements in the the last three financial years is as follows:

	2012-13	2013-14	Forecast 2014-15
Welsh Risk Pool claims settlements	£60.8m	£69.1m	£75.0m

Comment on the general trend of claims

In recent years and in common with other nations NHS Wales has experienced a growth in the number of legal claims, for example in 2013/14 the NHS Litigation Authority in England reported a 17.9% increase in clinical negligence claims from 2012/13 and a growth in their total claims provision of 13.7% compared to the 14% increase in the Welsh Risk Pool provision. Individual claims can take several years before a full settlement is reached, and the timing of such claim settlements is determined by the legal and court processes.

The reasons for the increase in claims are multifactorial and it is not possible to say with any certainty what the primary driver for the increase is. There has been a general upward trend in claims over recent years both in terms of number and value. Recent changes to funding rules for legal claims which came into effect on 1st April 2013 are considered to have had an impact on the registration of claims before this date, and therefore upon the subsequent submitted case volumes being experienced in 2013/14. It is also considered that increased public awareness of clinical redress options is contributing to claim volumes.

The cost of claims has also increased, especially for settlements involving long term care packages. The reason for this increase is that care needs are becoming more complex and it is necessary to ensure that any care packages are fully compliant with applicable legislation such as Health and Safety and Working Time Directives.

NHS Wales takes a pro-active approach to learning from claims to reduce the risk of recurrence. Before reimbursement is made by the Welsh Risk Pool, Health Boards and Trusts are required to outline the key weaknesses which gave rise to the claim and outline the steps taken to reduce the risk of recurrence. Claims are reviewed internally within the Welsh Risk Pool for efficacy of action and then considered by an All Wales Executive Level multidisciplinary group with representation from Medical Directors, Directors of Nursing, Chief Executives, Directors of Finance, Chair of a Health Board, Directors of Governance and the Welsh Government. Where there is evidence of risks which may be relevant to other NHS bodies, or evidence of good practice, a more detailed claim review can be requested.

Where all Wales issues are evident from claims, the Welsh Risk Pool undertakes themed work. This involves the clinical assessment of high risk areas including those of maternity, emergency departments and the surgical pathway. The findings of the

reviews are shared with the individual Health Boards with a composite report being shared with the Welsh Government and Chief Executives.

Children, Young People and Education Committee

7. Additional £10 million for Social Services

What mechanism has the Welsh Government put in place to ensure that an appropriate proportion is spent on Children

The Government has worked hard to find extra resources for Social Services and schools in the draft Budget. This means local authorities in Wales no longer on average face the 4.5% reduction we feared earlier this year.

An additional £10 million has been added to the settlement in recognition of the importance of strong local social services to the long-term success of the health service in Wales, and we will continue to protect school funding in line with our commitment to provide an increase in resources at 1% above the overall change in the Welsh Budget.

The local government settlement is unhypothecated to provide flexibility for Authorities to determine local spending priorities. It is for local authorities to set their budget priorities and ensure they meet their statutory responsibilities. This includes the safeguarding and provision of services for children, and the legal duty to take account of the rights of the child in developing and delivering services.

8. Transfer of £4.6 million for the Integrated Family Support Services to RSG

What safeguards have been put in place to ensure local authorities make a continued investment in this new programme over time.

The vast majority of social services are delivered and funded by local government. Where the Welsh Government invests in these areas it is primarily for development and start up costs. Our main focus is on the outcomes achieved across social services, but we will be tracking activity and expenditure in these areas through regular meetings with statutory directors of social services.

For the Integrated Family Support Services (IFSS), there are regulations in place setting out the requirements for provision and delivery of these services by local authorities and their partners. This includes the requirement for an IFSS Board, which receives and reviews quarterly monitoring reports from the IFSS team. The reports include information on activity and outcomes, workforce and finance (income and expenditure). The Board must notify the local authority and the local health board of any financial or other resource issues which are likely to affect the ability to fulfil its functions.

There is also a requirement for the Board to submit an Annual Report to Welsh Government. This will be used to ensure that the Integrated Family Support Services are being delivered in line with the requirements set out in regulations and statutory guidance.

9. £3 million for Social Services Act implementation:

What mechanism has the Welsh Government put in place to ensure the appropriate proportion is spent on the legislation as it affects children and young people.

Our financial support for the implementation of the Social Services and Well-being (Wales) Act is not hypothecated for particular groups of service users, but it supports local authorities and partner organisations in preparing and delivering their own regional implementation plans. The Act, very deliberately, an all-age 'people's Act'. The Act introduces a requirement for local authorities and local health boards to develop population needs assessments, which will include the needs of children that will be used to shape and prioritise their services.

10. Funding arrangements for LHBs:

Given that funding arrangements are at the discretion of the LHB and have no age related hypothecation: How does the Welsh Government assess the impact of LHB spending decisions on children's health and wellbeing; What assessment has the Welsh Government undertaken of the potential impact on children's health arising from the LHB resource review.

Local Health Boards are responsible for the provision of healthcare to all of their resident populations and it is for health boards to determine the best use of this funding across all their areas of responsibility, informed by an assessment of the health and wellbeing needs of their local populations. A range of national policies exist which focus on the need for effective investment in services for children and young people.

The Welsh Government has a number of mechanisms in place to monitor and review the performance of the NHS against their service plans and the impact of spending decisions against the policies associated with the healthcare needs of children and young people is reviewed through this process.

The committee will be aware that the basis of revenue resource allocation is being updated to include the impact of the latest data sets which will include, for example, the age profile of the population.

Best wishes,

Mark

Mark Drakeford AC / AM

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services