

Public Accounts Committee

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**National Assembly for Wales Public Accounts Committee's Inquiry:
"A Picture of Public Services 2011"
Submission from the Welsh NHS Confederation
February 2012**

Summary

- The Welsh Audit Office (WAO) report "A Picture of Public Services 2011" clearly identifies the tough choices that Wales' public services face over the coming years and the Welsh NHS Confederation welcomes the opportunity to respond to the key points raised in the report.
- As the WAO report rightly recognises, the NHS in Wales is operating in a challenging financial environment and there are difficult choices ahead. Quite simply, if the NHS continues to do the same things in the same way but with less money then it will fail.
- The Welsh NHS Confederation and its members have been clear that the way health services are delivered to patients needs to change radically in order for the NHS to improve services in the future as well as reducing costs. More support needs to be provided to people in their homes and communities therefore reducing our reliance on costly hospital based care.
- The NHS in Wales is working in a tough financial climate, but many of the changes would need to be made anyway on the basis of improving the quality and safety of services.
- It is important to recognise that the NHS in Wales has already taken great steps to reduce costs; in the first two and a half years of establishing new organisational structures, the NHS in Wales will have managed cost pressures and made savings which total over £1billion.

Background

1. 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.
2. 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 of our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.

The need for Transformational and Strategic Change

3. The Welsh NHS Confederation welcomes the Auditor General's message that "*change and tough choices are the order of the day.*" As the WAO's report recognises, transformational change is essential if public services are to deliver improved outcomes for people in the future. This is a message that the Welsh NHS Confederation and its members have been giving for some time.

4. Long term demographic trends, increased patient demand, costly medical advances and new drugs, lifestyle related conditions and the challenge of providing all services across all parts of Wales will have an impact on healthcare resources. Quite simply, if the NHS continues to do the same things in the same way but with less money then it will fail.
5. We are working in a tough financial climate, but many of the changes would need to be made anyway on the basis of improving the quality, safety and sustainability of services. It is clear that this is also the case for any public service operating across the UK.
6. The Welsh NHS Confederation and its members are committed to working with the Welsh Government and its partners to ensure there is a strong NHS which delivers high quality services to the people of Wales.
7. However, the Welsh NHS Confederation and its members have been clear that the NHS needs to make transformational changes to the way it operates. The way health services are delivered to patients needs to change radically so that more support is provided to people in their homes and communities therefore reducing our reliance on costly hospital based care. This is absolutely essential for the NHS to improve services for people in the future as well as reducing costs. Our overriding message is that the status quo is not an option.
8. Health Boards and Trusts in Wales are aware of the urgency of the need to make these changes and the responsibility to involve the public, patients and staff in explaining and working through the choices that need to be made.
9. In a challenging financial environment, Health Boards and Trusts in Wales are committed to improving engagement involving all these groups to explain priorities and to continue developing a modern, safe, high quality and value for money health service in Wales.
10. The Welsh NHS Confederation welcomes the WAO's comments regarding the importance of careful and bold leadership in the delivery of public service change. What is clear is that the NHS in Wales will need political support if the level of change necessary is to be achieved.

Plans for Improving Services for Patients

11. In November 2011, the Minister launched 'Together for Health,' the Welsh Government's Five Year Vision for the NHS in Wales. By outlining the challenges facing the health service and actions necessary to ensure the NHS in Wales is capable of world class performance, 'Together for Health' sets out the case for reform of the NHS.
12. The NHS in Wales is ready to meet the challenge set out in 'Together for Health' but nobody should be under any illusion about the scale of that challenge.
13. To meet the challenges outlined in 'Together for Health,' Health Boards are currently working on their proposals for reform. As the Health Minister has recently outlined in her written evidence to the Health and Social Care Committee, each Health Board will have individual service plans but the six South Wales Boards are working collaboratively to ensure that planning recognises the common challenges they face.
14. Health Boards will develop their options for service change over the coming months and are undertaking a programme of pre-consultation engagement with their local communities.

15. Health Boards are at different stages of plan development and, as such, the precise extent of stakeholder and community engagement to date varies between Boards.
16. Health Boards and Trusts in Wales recognise the importance of stakeholder dialogue and engaging with their local communities. We also recognise that the NHS in Wales must do more to involve the public and patients, staff and partner services in explaining and working through the choices that need to be made.
17. Over the next four to five months, a robust process of stakeholder engagement will be taken and Health Boards will have full, frank and open discussions with stakeholders and local communities on the issues faced and how they might be tackled.

LHBs Financial Position

18. The WAO's report clearly captures the financial challenges facing the NHS in Wales. Growing demand for health services and the rising cost of providing them means that, as identified by the WAO report, there is a significant funding gap which the NHS must bridge whilst, at the same time, improving the quality and safety of services.
19. As identified in the report, although spending has been protected in cash terms, the Welsh NHS still faces the toughest financial settlement in the UK.
20. However, given the current economic climate, the NHS appreciates the Welsh Government's recent Budget which will release an additional £288 million over the next three years.
21. The Welsh NHS Confederation and its members also welcomed the Health Minister's announcement in October 2011 of extra monies for this financial year. By making Health Boards aware of additional resources earlier in the financial year, Health Boards have been able to make it an integral part of the planning of services. It has also given Health Boards the opportunity to take stock of their current financial position, of their forecasts, their performance and to reassess their service priorities and how they will deliver services.
22. In terms of financial planning, this also represents a significant change in approach by signalling recurring monies rather than operating on simply an in-year basis. This has also meant that health organisations are better placed to take a longer term view of service change and improvement, which can only benefit patients.
23. However, notwithstanding this extra funding, cost pressures in the NHS are still significant and rising and it does not reduce the scale of the challenge ahead.
24. Health Boards will need to continue to take stringent cost reduction measures. Over the next three years, costs will need to reduce further by a minimum of 15 per cent, which comes against a backdrop of the last two years which have required savings of more than 5 per cent a year. This is clearly a challenging position for the NHS and will result in difficult decisions having to be made in order to meet the legal obligation to break-even by 31st March 2012 and for each financial year thereafter.
25. As the WAO's report recognises, the NHS in Wales has faced significant reorganisation. Nevertheless, the NHS in Wales is on track to exceed £310million in savings this financial year by reducing costs, containing costs, reducing capacity and redesigning services. This means that in



the first two and a half years of establishing new organisational structures, the NHS in Wales will also have managed cost pressures and made savings which total over £1billion.

26. It is also important to note that the NHS in Wales has delivered another year of delivering over five per cent in savings for the third year running. These successful savings stand up to comparison with any NHS performance across the UK and also other public services. These savings have been achieved whilst also improving NHS Wales on a range of performance areas, targets and quality outcomes.
27. At the beginning of the 2011-2012 financial year, Health Boards reported that savings of approximately £456million were required to achieve financial balance. To address this significant gap, each Health Board prepared detailed savings plans to mitigate against identified cost pressures.
28. At the time of the Welsh Government's draft Budget, Health Boards' plans had forecast a savings achievement by the year end of £295million. Together with additional funding provided to the Health Boards of £149million for this financial year, these plans are expected to ensure that Health Boards in Wales meet their financial targets for the current financial year.
29. As at the end of January, the Health Boards and Trusts' current projected deficit is less than one per cent of its budget at 0.6 per cent.
30. We expect the financial position to stabilise and improve over the remaining months in the financial year. This is in line with our projections and demonstrates effective action to ensure the NHS in Wales breaks even by the end of the year.
31. As identified by the Health Minister in her written evidence to the Health and Social Care Committee, further savings of approximately £16million are still to be achieved; however the levels of risk identified by Health Boards are considered to be at a level which can be successfully mitigated by the end of the financial year.
32. The current residual financial risks we are managing to the year end amounts to as little as 0.1 per cent of the NHS budget and we remain confident that the NHS in Wales will break even by the end of the year.
33. The Welsh NHS Confederation welcomes the publication of the WAO's report "A Picture of Public Services 2011" which clearly identifies the tough choices that Wales' public services face as a result of real terms reductions to funding and other pressures over the next coming years.