



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **NHS Financial Performance 2017-18**

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BY **Vaughan Gething, Cabinet Secretary for Health and Social Services**

The accounts of all ten NHS Wales organisations for 2017-18 have been audited by the Auditor General for Wales and have been laid before the National Assembly.

This is the fourth year the accounts have been prepared under the NHS three-year financial regime that was introduced under the NHS Finance (Wales) Act, effective from 1 April, 2014.

All NHS accounts in 2017-18 received a clean ‘true and fair’ audit opinion from the Auditor General for Wales. Six out of ten organisations have complied with the statutory break even duty by operating within their budgets over the three-year period of assessment from April 2015 to March 2018. In addition to their reported outturns, Aneurin Bevan and Cwm Taf generated surpluses during 2017-18 of £2.4 million and £3 million respectively which Welsh Government has agreed to carry forward. These amounts were removed from the boards’ 2017-18 allocations, and will be re-provided to them in 2018-19.

Four of the ten organisations have not achieved their financial duty to break even over three years. Abertawe Bro Morgannwg operated within allocations in 2015-16 but failed to do so in 2016-17 and 2017-18; Cardiff and Vale University Health Board operated within allocations in 2015-16 but failed to do so in 2016-17 and 2017-18; Betsi Cadwaladr and Hywel Dda University Health Boards have failed to operate within allocations in all three years. Consequently these four organisations have failed to meet their statutory financial break-even duty for the three-year period of assessment, and as a result have received qualified regularity opinions from the Auditor General for Wales on their 2017-18 accounts.

As independent bodies that have a statutory duty to operate within their allocations over a three year period, Welsh Government expects the health boards to take the action needed to meet their financial duties. In 2017-18 four health boards indicated they would be unable to break-even and planned for a deficit outturn. To maintain financial discipline with these

organisations, Welsh Government set maximum deficit financial control totals in 2017-18 as follows;

- Abertawe Bro Morgannwg £36.0 million
- Betsi Cadwaladr £26.0 million
- Cardiff & Vale £30.9 million
- Hywel Dda £58.9 million

Two organisations– Abertawe Bro Morgannwg and Cardiff and Vale – achieved an improved financial deficit position in 2017-18 compared to 2016-17, and improved upon the deficit control totals set by Welsh Government.

In 2015-16 and 2016-17, Welsh Government provided Hywel Dda with additional non-recurrent funding of £14.4 million in each year as short term structural support in recognition of the financial challenges facing the Board. During 2017-18, no additional funding was provided, pending the commission by Welsh Government of a zero based review of the board’s cost base. On 23 May 2018 I announced the findings of this review which partially confirms the view that Hywel Dda faces a unique set of healthcare challenges that have contributed to the consistent deficits incurred by the Board and its predecessor organisations. In response, I approved the release of £27 million additional recurrent funding to the Health Board from 2018-19 onwards. This places the Health Board on a fair funding basis going forward compared to other health boards and provides a sound footing for the Board to develop and transform services.

Betsi Cadwaladr remains in Special Measures, despite progress in some important areas, the health board continues to face significant challenges. During 2017-18, in addition to other areas under special measures, the escalation status was raised in relation to financial management and key areas of performance. A framework setting out the expectations for the next 18 months was issued to the Health Board on 8 May 2018.

All Local Health Boards reporting financial deficits in 2017-18 have received reports from independent financial governance reviews commissioned by the Welsh Government during 2017-18, and have developed and published action plans for implementation. Progress on delivery of these actions is being monitored by officials through the regular intervention meetings with these boards.

Additional cash support has continued to be provided when required to all boards in deficit to enable them to meet their normal cash commitments including payroll expenditure. This cash assistance is repayable in future financial years when appropriate and improved plans are developed and approved under the Act to enable the repayment of deficits.

Taking account of the two health board surpluses brokered forward during 2017-18, and the additional non-recurrent funding provided in previous years to Hywel Dda which was not provided in 2017-18 but will be replaced from 2018-19 by recurrent funding following the zero based review, the overall net outturn for NHS Wales in 2017-18 was slightly improved on the 2016-17 position. This indicates that the actions being taken to increase financial discipline in NHS Wales through the medium term planning process and escalation and intervention process are having effect. I expect to see further progress towards financial sustainability for NHS Wales during 2018-19.

I look forward to the Auditor General for Wales finalising his audit of the Welsh Government's overall accounts. I am confident this will demonstrate that the health and social services budget has made a modest surplus in 2017-18 through the actions that have been taken to manage the deficits incurred by the four health boards in 2017-18.

The accounts can be found at: <http://www.assembly.wales/en/bus-home/Pages/Plenary.aspx?assembly=4&category=Laid%20Document>