

Lesley Griffiths AC / AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref: LG/1791/12

Jocelyn Davies AM
Chair, Finance Committee
The National Assembly for Wales

26

June 2012

Dear Jocelyn,

The Minister for Finance and Leader of the House wrote to you on 5th March in response to the Finance Committee's report on the scrutiny of the Spring 2012 Supplementary Budget. In her response, the Minister indicated I would write separately to you to provide further details in respect of the Committee's recommendations relating to the funding package for Hywel Dda LHB. This letter provides that further detail.

Firstly, in response to the Committee's second recommendation, I would like to state with absolute clarity the funding package agreed for Hywel Dda LHB is not dependent on the ongoing consultation on the LHB's service plan, or indeed its outcome. The funding package is to give the LHB the financial stability it needs in the medium term while it develops and implements plans for its services with the support of its staff and the population it serves. It is for the LHB, and not the Welsh Government, to determine the configuration of health services required to meet the needs of its population, and to ensure those services can be delivered within the available funding.

I turn now to the evidence base underpinning the decision to make this funding package available to Hywel Dda LHB.

In 2009-10 and 2010-11, the Welsh Government provided additional non-recurring funding to Hywel Dda LHB of £11 million in each year to ensure it met its financial targets. In 2010-11, the LHB received an additional non-recurrent allocation of £32.1 million. This was its share of the total additional funding of £160 million funded from Welsh Government central reserves and underspends on central Health budgets issued to the NHS to address financial pressures. In total, Hywel Dda LHB received £43.1 million additional non-recurrent funding in 2010-11.

I have referred to the particular service challenges facing Hywel Dda LHB on a number of occasions, including in the evidence I and my officials gave to the Health and Social Care Committee scrutiny of the Draft Budget. The Health Board faces particular challenges in providing rural healthcare services. In particular, it has problems recruiting to posts in its district general hospitals. Its expenditure on locum doctors exceeds the total spent on locums for the rest of Wales. At the same time, the Board is working with its staff and local population to develop a picture of how services may be improved and made sustainable and safe in the future.

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

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As a consequence of the challenges it faces, at the beginning of the 2011-12 financial year, Hywel Dda estimated it would need to save £82 million to avoid overspending. This equated to 12% of its total budget and was significantly in excess of a maximum savings target that can be delivered with any degree of confidence by an LHB of about 5% in any one year.

It was for these reasons we determined Hywel Dda LHB needed to be treated differently to other Health Boards, with the transitional financial support we have now outlined.

In September 2011, a meeting was held between the LHB Chief Executive and my senior officials to discuss and understand two key issues. These were the service changes being planned by the Health Board which would be subject to consultation and the transitional financial support the Board needed in 2011-12 and the following financial years to provide stability while the service changes were consulted on and implemented. At the meeting, the Health Board indicated they would need a package of support of just under £100 million over the four year period 2011-12 to 2014-15, including £39 million in the 2011-12 financial year.

In the Final Budget for 2012-13 to 2014-15 and the Spring 2012 Supplementary Budget for 2011-12, the total package of transitional support for Hywel Dda was confirmed as £80 million, totalling £30 million in 2011-12, £20 million in 2012-13 and 2013-14, and £10 million in 2014-15. The gap between this amount and the funding requested by Hywel Dda in September 2011 has been bridged through Hywel Dda's share of the additional funding I allocated to all Health Boards in October 2011, which will equate to £12 million over four years and further savings planned by the Health Board.

My officials closely monitor the LHBs progress in implementing the savings necessary to stay within budget, including this transitional funding. The LHB has recently re-submitted its financial plan for 2012-13 and this is being reviewed and risk-assessed by officials. I am determined to ensure all LHBs operate on a sound financial basis and within their available funding.

With regard to the Committee's third recommendation that the Welsh Government holds LHB senior management to account for their financial management, I believe the Written Statement I issued on the 2nd May demonstrates this recommendation has been delivered.

With regard to the Committee's fourth recommendation, asking for a full breakdown of additional financial support provided to Local Health Boards during 2011-12, my officials will provide this following completion of the LHB statutory accounts for 2011-12, and in line with the agreement to provide a year-end report on the overall Welsh Government budget.

I am copying this letter to the Minister for Finance and Leader of the House.

Kind regards
Lesley

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