

Yr Adran Iechyd a Gwasanaethau Cymdeithasol
Cyfarwyddwr Cyffredinol a Prif Weithredwr, GIG Cymru

Department for Health and Social Services
Director General and Chief Executive, NHS Wales



Llywodraeth Cymru
Welsh Government

Mr Darren Millar
Chair
Public Accounts Committee
Cardiff Bay
Cardiff
CF99 1NA

Our Ref: AG/MS/TLT

10 November 2014

Dear Darren

Public Accounts Committee 11 November – BCUHB and NHS Finances

I refer to your letter dated 6 November regarding the above and I set out below my response to the points raised.

Betsi Escalation

My judgement was that it was important to ensure the Committee was properly aware of the escalation actions taking place with Betsi to support the discussion at Committee

- The month 06 report received from the Betsi Board in mid October was the first time the Board had formally reported that their forecast year end deficit would increase by a further £27.5m.
- In line with Accounting Officer responsibilities the management of financial probity is a personal responsibility of the Chief Executive of each LHB. If organisations are unlikely to be able to meet their statutory responsibility to live within their budgetary resources, the Accounting Officer is required to write to the Chief Executive of the NHS so that remedial actions and escalation procedures can be considered.
- A letter from Trevor Purt the BCUHB Chief Executive was sent to me on the 14 October in line with the requirements set out above. An urgent meeting was then arranged to discuss the potential escalation with the WAO and HIW on 31 October in line with the new escalation and intervention procedures. All organisations agreed

that there was a need for increased escalation and support. The Betsi Board were informed of the increased escalation status on 3 November and the 4 November was therefore the first time the escalation could be conveyed officially.

The Latest Month 06 NHS Finance Position

The latest summary of the publicly reported position of Health Boards and Trusts is set out in the table below:

Organisation	Forecast surplus/deficit £000's
Abertawe Bro Morgannwg	26,100
Aneurin Bevan	34,946
Betsi Cadwaladr	60,250
Cardiff and Vale	15,500
Cwm Taf	8,000
Hywel Dda	44,133
Powys	27,616
Public Health Wales	0
Velindre	0
Welsh Ambulance	112
Additional cost of Pay award to be funded centrally	16,000
<u>NHS Wales</u>	<u>232,433</u>

Members of the Committee will be aware that as per the recent budget announcement an additional £200m will be provided to the health MEG in 2014/15 as announced in the recent draft budget announcement for 2015/16. The £200m will offset the above position. The allocations to each LHB have not been made yet and they are not therefore currently being reflected in the reported position. In addition we would continue to expect organisations to monitor and improve any forecast position, particularly where they may be off track in year.

My team are also continuing to manage the central budgets on a very robust basis to offset further risks to the Health MEG. To date £8m savings have been identified. The remaining £24m current projected shortfall at the mid year point represents 0.4% of the total budget and this must be addressed by the year end.

As part of normal financial management arrangements at the mid year point, a range of actions are already in train by individual LHB/Trusts together with collective initiatives to continue to reduce any residual financial risk and to ensure that the end of year position is achieved within allocations.

2014/15 Budget Announcement

Members of the Committee will no doubt appreciate that the budgets for 2014/15 and 2015/16 are not approved yet and are subject to current budget scrutiny so no additional allocations have been made yet.

The £200m in 2014/15 announced in the recent budget announcement was identified independently as part of the Nuffield review published in June. A review to identify extra funding for 2014/15 and 2015/16 was outlined in the Health Minister's press notice covering the Nuffield publication and this work led to the recent announcement.

The basis of the funding came directly from the Nuffield findings which identified that extra funding of £200m and £225m would be required. The funding was identified as being needed to maintain quality services and to continue to build on the significant efficiencies and savings that have been made since 2010. This was deemed essential to help meet the increasing demand and cost pressures that are on average between 3 and 4% per annum nationally.

The main improvements and efficiencies already reported by Nuffield related to :

- **Productivity and efficiency**
- **Chronic conditions**
- **Pay**
- **Prescribing**

The projected benefits identified by Nuffield totalled £1.0bn against projected funding pressures of £1.2bn by 2016. This represents good performance on savings, within NHS Wales, as also reinforced by the Auditor General's report. The £200m in 2014/15 and £225m in 2015/16 is the funding the Welsh Government has provided to meet the funding requirement needed to 2016.

The Committee should note that the planning deficit at the start of the year for all NHS organisations totalled £175m and was within the recent budget funding identified independently by Nuffield.

In terms of the planned extra resources to be distributed, I have held meetings with all Chairs and Chief Executives to explain the basis of their potential additional allocations. There are different arrangements in 2014/15 for some LHBs depending on the status of their plans and the previous assistance they received in 2013/14 (over their population share). This is quite complex but I will try to summarise this below:

- Those with approved plans were given a commitment earlier in the year that they would receive the investment they asked for in their plans as part of the flexibility arrangements. This totalled £49.6m and covers Cwm Taf, Cardiff, ABMU and Velindre. Both Cardiff and Cwm Taf received assistance in 2013/14 so they have been asked to deliver to their approved plans. In the case of ABMU they delivered against their population share in 2013/14 and their share of funding in 2014/15 is in line with both their plan and their formula allocation share of the additional available funding.
- All other LHBs were required to develop robust one year plans while they continued to develop their 3 year plans. They have all recently been told that we will look to fund the original plans their Board approved e.g. the Betsi UHB plan was a £35m deficit which is £4m higher than their population share of the available funding. The difference is not considered material in view of late confirmation of the amount. The proposed funding for Aneurin Bevan also matches their plan and the population share they would receive.
- In the case of Hywel Dda and Powys, as experienced last year both LHBs are currently unable to provide services and develop plans in line with their share of funding from the resource allocation formula. This underlying problem was the main reason for the qualification of their accounts in 2013/14. It is likely that the £63m planning deficit for these organisations will continue to be held centrally to cover the risks. We are proposing to hold this centrally until their 3 year plans are assessed in

January. This may lead to a further qualification of their accounts in 2014/15 but keeps a focus on their 3 year plan development. We may also have to do this in terms of Betsi Cadwaladr depending on the results of the escalation and support arrangements.

Other Requested Information

In addition to the information requested above the Committee Clerk has also asked that I send the Committee details of the financial costs of the additional support for Betsi Cadwaladr UHB including the use of locums and agency nurses.

I do not hold this information centrally as the expenditure and detail is held by Betsi. I set out in Annex 1 the information that they have supplied to date in relation the various reviews and support they have commissioned.

I hope the information provided is of assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read "Dr Andrew Goodall". The signature is written in a cursive, flowing style.

Dr Andrew Goodall

Expenditure on Locums/Agency nurses and consultancy and support

	2013/14	2014/15
		(to Month 6)
	£'000	£'000
Medical Agency	12,498	8,298
Nursing and other Agency	3,460	4,031
Consultancy and other support	523	114