

## Finance Committee

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Meeting Venue:

**Committee Room 3 – Senedd**

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Meeting date:

**Wednesday, 8 October 2014**

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Meeting time:

**09.00**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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## Agenda

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**1 Introductions, apologies and substitutions (09:00)**

**2 Welsh Government Draft Budget 2015–16: Evidence Session 2 (09:00–11:00)** (Pages 1 – 7)

FIN(4)–17–14 Paper 1

FIN(4)–17–14 Paper 2

Research Brief

Helen Birtwhistle – Director, Welsh NHS Confederation

Adam Cairns – Chief Executive, Cardiff and Vale University Health Board

Paul Roberts – Chief Executive, Abertawe Bro Morgannwg University Health Board

**(Break 11:00 – 11:15)**

**3 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

Items 4 and 5

**4 Welsh Government Draft Budget 2015–16: Consideration of evidence received (11:15–11:45)**

**5 Consideration of draft report on the Assembly Commission draft budget 2015–16 (11:45–12:15)**

FIN(4)–17–14 Paper 3

	National Assembly for Wales Finance Committee
<b>Purpose:</b>	The Welsh NHS Confederation's response to the call for information into Welsh Government draft budget proposals for 2015-16.
<b>Contact:</b>	Helen Birtwhistle, Director, Welsh NHS Confederation <a href="mailto:Helen.birtwhistle@welshconfed.org">Helen.birtwhistle@welshconfed.org</a> Nesta Lloyd – Jones, Policy and Public Affairs Officer, Welsh NHS Confederation <a href="mailto:Nesta.lloyd-jones@welshconfed.org">Nesta.lloyd-jones@welshconfed.org</a> Tel: 02920 349857
<b>Date created:</b>	10 September 2014

### **Introduction**

1. The Welsh NHS Confederation, on behalf of its members, welcomes the opportunity to respond to the Finance Committee's call for information into the Welsh Government's draft budget proposals for 2015-16.
2. 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.
3. The Welsh NHS Confederation supports our members to improve health and well-being by working with them to deliver high standards of care for patients and best value for taxpayers' money. We act as a driving force for positive change through strong representation and our policy, influencing and engagement work. Members' involvement underpins all our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.
4. 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.
5. The seven Health Boards and three NHS Trusts in Wales are already working hard to make sure that high quality, safe and cost-effective healthcare services are available to everyone, based on their clinical need.
6. With money extremely tight and demand rising, finance and funding can never be far from NHS leaders' minds. The NHS in Wales, along with other public services, continues to work in an extremely challenging financial climate and it must prioritise and change. Radical transformation of healthcare, and related services, is now the only way in which NHS Wales can hope to be on a sustainable footing for the longer-term. This 'transformation' is not only about reshaping healthcare and doing things very differently, it also involves recalibrating our relationship as patients, and the public, with the NHS.

7. Change is inevitable. On behalf of our members, the Welsh NHS Confederation feels very strongly that this change needs to be planned, resourced and supported, rather than allowed to happen on an ad hoc basis.

### Summary

8.
  - a. The NHS in Wales has a clear objective to offer high quality healthcare services to the people of Wales within the resources available. It also acknowledges that there are areas where it could, and should, do better.
  - b. The NHS in Wales, along with other public services, continues to work in an extremely challenging financial climate. It is important to acknowledge the enormous achievements made by Health Boards and Trusts to make significant efficiency savings within the Welsh NHS. Health Boards have reduced costs by nearly £1bn from 2010/11 -2013/14, an average efficiency saving of 4.5% per year. While the efficiency savings are significant, the Welsh NHS Confederation has repeatedly said that there is a limit to the contribution that such savings can make. We know from the Wales Audit Office<sup>i</sup> report in July 2013 that even with efficiency savings there is still a funding gap of some £212 million as of April 2013 and the Nuffield<sup>ii</sup> report, published in June this year, estimates that growing pressures on the NHS in Wales mean it could face a funding gap of £2.5 billion by 2025/26.
  - c. The demand on the health service is growing and the rising cost of providing the service means that the NHS faces a significant funding gap at the same time as an understandable expectation of improving the quality and safety of services. This means that the NHS will not be able to continue to do all that it does now, and certainly not in the same way. Alongside debate over the amount of money the NHS has at its disposal, we have been trying to shift the debate to how that money is spent if we are to sustain the NHS in the future, including implementing the principles of 'prudent healthcare'.<sup>iii</sup> The NHS must be able to prioritise, and change must take place right across Wales to ensure efficient, safe and sustainable services are provided within the resources allocated by Welsh Government.
  - d. Given the scale of the demands placed on the service – increasing numbers of older people who often have more than one illness or condition, new expensive drugs and technological advances – service change is an immediate priority and challenge for NHS Wales. This will inevitably mean that difficult choices have to be made on what services are provided where and when. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, while taking more responsibility for how they use those services.
  - e. Service change is a complex and sometimes difficult process. Health services need to work in an integrated and co-ordinated way with other public services to ensure joined-up care is provided to people who require a combination of health, housing and social care services.

### The Committee's terms of reference

9. We note the specific questions the Committee has raised in respect of this consultation into the draft budget. While we are not responding to the specific questions posed we thought it would be helpful to give an overview, from the NHS perspective, of the budget challenges. We do welcome the commitment made by the Minister for Health and Social Services to work with the Minister for Finance to explore how further support for new models of care can be achieved to reflect the conclusions drawn by the recent Nuffield report.

### **Efficiencies made and funding**

10. These are difficult and testing times and the seven Health Boards and three NHS Trusts in Wales will continue to drive down costs to meet the reality of an austerity budget. In the last three years there has largely been a flat cash settlement for the health service in Wales. As highlighted within the Nuffield report<sup>iv</sup> funding for the NHS in Wales fell by an average of 2.5% a year in real terms between 2010/11 and 2012/13, while the demands on the service have been increasing in the ways outlined above.
11. Following an increase in 2013/14, funding is likely to continue to fall until 2015/16, when the total budget for the Welsh NHS is projected to be 3.6% lower in real terms than it was in 2010/11. The Welsh Audit Office report 'Health Finances 2012-13 and beyond'<sup>v</sup> recognises that this presents a massive challenge for the NHS. The Nuffield report estimates that growing pressures on the NHS in Wales mean it could face an unprecedented funding gap of £2.5 billion by 2025/26 - worth over two-fifths of the current annual budget.
12. We welcome that the success in achieving these cost reductions has been acknowledged by the Minister for Health and Social Services in his statement<sup>vi</sup> on the publication of the Nuffield Trust report and the acknowledgement that the NHS in Wales has successfully avoided cost increases through a combination of productivity, demand management, pay restraint and procurement / pricing strategies. However, we are frustrated that the success in delivering such savings is not more widely recognised. While the efficiency savings made by the NHS are significant, the annual achievement has been gradually diminishing year on year, a reflection that 'doing more of the same' will not deliver the level of cost reductions required to contend with the anticipated increased demands and costs of running NHS services going forward.
13. While the NHS continues to work in an extremely challenging financial climate, the National Health Service (Wales) Finance Act does enable Health Boards and Trusts to have a greater focus on medium-term planning. The increased flexibility afforded in the Act allows plans to be developed at Health Board and Trust level so investment can be made in one year to support service change and a reduction in costs in future years. As the Nuffield report highlighted, the NHS must transform the way it provides care to meet demand and financial pressures and ensure its resources are used effectively and efficiently. Improving Health Board and NHS Trust planning arrangements is part of this process.

### **Growing pressures on the health service**

14. Against the backdrop of significant financial pressures highlighted above there have been relentless advances in medical technology, increased patient and clinical expectations, long-term demographic trends, lifestyle-related conditions and the challenges of providing services across all parts of Wales. In practical terms this has meant that the NHS in Wales has had to contend with increasing costs arising from, but not limited to:
  - a) The workforce, in respect of capacity to deal with increased demands and the increased cost of the workforce through increments and pension contributions;
  - b) Non pay cost increases, also through increasing demands, price increases and the increasing demands for high cost drugs;
  - c) Increased volumes of packages of care for patients in the community meeting the continuing NHS healthcare and funded nursing care criteria as a result of our growing elderly population;

d) Increased demand for prescribed drugs within the primary care setting.

These have all had an impact on healthcare resources. The growing demand for health services and the rising cost of providing them mean that the NHS faces a significant funding gap, at the same time as improving the quality and safety of services.

15. The challenge for the NHS is that, in successive years of dealing with financial challenges, the traditional methods of finding savings are unlikely to serve us well in the future. If the NHS continues to do the same things in the same way but with less money it will fail. We must recognise that, year-on-year, the NHS in Wales has to develop more sustainable and sophisticated plans that have got to be delivered within its responsibility to provide high quality care to patients. Ensuring that efficient and safe services are provided within the resources allocated by Welsh Government requires each NHS body, and NHS Wales as a whole, to prioritise spending. This will inevitably mean that difficult choices have to be made on what services are provided, where and when these services are provided and that a 'prudent healthcare' approach is considered and implemented. In order to achieve such transformation not only generalised but specific support will be needed from NHS staff, the public and politicians. Clearly politicians have an important role to play in creating an environment in which such change is possible and achievable.

16. In order to address the continued austerity in NHS Wales and the challenge it brings, our overriding approach now must be for the NHS in Wales to adopt and implement universally a 'prudent healthcare' approach. This approach should become the norm in how the NHS tackles the dual aims of improving quality and reducing cost.

### **Patient outcomes**

17. There are numerous examples within Europe, and the rest of the world, which demonstrate that focusing on improving outcomes for patients rather than focusing on purely inputs will improve the quality of care delivered, and improve patient experience. This approach will also reduce the cost of delivering care. There are several examples of good practice happening across NHS Wales. We would welcome the opportunity to do further work with Welsh Government to reconsider the performance framework for NHS Wales. This would enable performance to be measured and monitored in a way that will promote improvements in clinical quality and outcomes with this combined ambition in mind.

18. The senior leaders in NHS Wales are engaging with clinical leaders to reconsider longstanding delivery models and to adopt a more prudent approach, without compromising the delivery of outcomes. This will require a combined and shared leadership across professions, particularly for finance and clinical leaders, and aligned Welsh Government policies to support its implementation.

19. For these strategies to be successful, it requires a collective ambition and an acceptance that change in the way we deliver services will be inevitable. This could mean that following the conclusion of reviews within Health Boards and Trusts, services deemed to be fragile, unsustainable or unsafe will need to be removed and replaced by services that focus on improved outcomes for patients. This approach will inevitably take time to embed and we

welcome the Integrated Medium Term Plan as the means to express how we will forward plan for the changes required.

20. For any change to be successful the Welsh Government, the National Assembly and the public must acknowledge that the priorities for health services in Wales will need to be re-assessed and delivery targets set accordingly. The current financial position of the NHS means it is very difficult to transform services at the same time as handling ongoing enormous pressures on existing services, financing and resources.

### **Service redesign**

21. Part of the responsibility of the NHS in Wales, especially in these economically straitened times, is to be open about the difficult choices we face. Given the scale of the demands placed on the NHS, change is an immediate priority and challenge.
22. Of course the NHS can make the current model more cost-effective through efficiency by 'doing things right', reducing the costs of delivering services and workforce redesign. However, there are only so many costs that can be taken out of the existing models. In parallel, the NHS needs to channel resources into new care pathways and more cost-effective models of care, which can generate efficiency savings from 'doing the right thing' in the first place. Moving resources into new models of care won't be easy and evidence suggests it takes time for us to see the benefits. In addition, service change must be driven by quality and safety, with a real focus on the individual.
23. The Welsh Government and NHS bodies have limited flexibility to shift significant investment away from traditional treatment services when the current demands on the health service are so great. This will inevitably mean that difficult choices have to be made on what services are provided where and when. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, while taking more responsibility for how they use those services.

### **Capital Funding**

24. The shortage of capital funding is a very particular barrier to service change. In order to consolidate services and make them more efficient to release revenue there will need to be a significant investment in buildings, equipment and information and communication technology both in the secondary care sector but also in primary and intermediate care. The reduction in the availability of capital means that service change will be slower but importantly the NHS will need support to find alternative ways of investing in capital assets. We need to prioritise against strategic goals and benefits to ensure that what capital we have is used most effectively to enable service change and ensure that our aging infrastructure is safe.

### **Engaging with the public**

25. We believe that the people of Wales understand that the current economic climate affects not only the size of the budget for public services but also how it is used. We know 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. In the Welsh NHS Confederation's recent discussion document 'From Rhetoric to Reality - NHS Wales in 10 years' time'<sup>vii</sup> we referred to the need to find a way of informing and building a new understanding of how the NHS should be used, embodied by an agreement with the public that would represent a shared understanding. In 'From Rhetoric to Reality' we highlighted the importance of working with the public to co-produce services and reduce demand, therefore releasing capacity in the system.

26. Health Boards and Trusts are committed to improving arrangements for involving all these groups, explaining priorities and continuing the development of a modern, safe, quality, value-for-money health service. There are positive examples from NHS Wales of engaging with the public for the re-design of local services and to make savings, including:
- Through the local development of services that allow patient activity to be brought back to a local area;
  - By developing new service responses to growing demand;
  - By creating patient-focused alternatives;
  - By shifting services and resources more appropriately to the community; and
  - Simply by continuing to focus on more patient activity and efficiency.

### **Integration**

27. Integration across the whole public sector is important. The conversations need to be more than just arguments about who wins and who loses in financial terms. Budget cuts can create tensions between those in the public sector but good relationships are vital if we are to transform services. Local relationships need to be looking at the other side of the financial coin - at quality, outcomes and on reducing the demand for care more generally.
28. As 'From Rhetoric to Reality – NHS Wales in 10 years' time' highlighted, engagement with all our public service colleagues is necessary to take us all from an ill health service that puts unnecessary pressure on hospital services, to one that promotes healthy lives. *"Health and healthcare must be premised on how we best support people to maintain their health, with the aim of eliminating or reducing their potential to require NHS services, and we must work in an integrated way with all sectors across Wales"*.<sup>viii</sup> In serving the public the NHS must consider its own success with regard not only to treating healthcare needs, but more importantly in relation to the ability of other sectors to impact on the quality of life for individuals.
29. All public bodies in Wales must, therefore, build on how we might improve our ability to work together and support our partners and colleagues in other sectors. We were pleased to see the announcement in the previous budget of funding for the new Intermediate Care Fund, specifically to progress the objectives for more joined-up care for people who need a combination of health, housing and social services.

### **Preventative spending**

30. Services provided by the NHS in Wales cover both prevention and treatment-based services. Evidence has long been put forward that the amount that the NHS spends on preventative services is too little and that there are significant health and economic gains from shifting the emphasis of the NHS from a treatment to a preventative service. The challenge is that the Welsh

Government and NHS bodies have limited flexibility to shift significant investment away from traditional treatment services when the current demands on the health service are so great.

31. As a result, investment in new preventative initiatives tends to be linked with specific policy initiatives funded (usually) by top sliced allocations taken from the NHS budget. There is a challenge both for Welsh Government and NHS bodies to demonstrate that this approach is effective and to ensure that plans produced by the NHS are tested in terms of the investment in preventative services and the expected outcomes and timelines.

### **Conclusion**

32. The Welsh NHS Confederation does not underestimate the massive challenge of public service budget setting in a time of austerity.
33. The Welsh NHS Confederation, and our members, remain committed to doing the very best we can to continue to provide an NHS, in partnership with other public services, which supports the people who need it most, and helps the population generally live healthier lives.
34. But we can only do what we can afford to do. All parts of the NHS in Wales have been making changes to the way services are organised. While healthcare changes and evolves all the time – mostly without comment or fanfare – some changes have proved very unpopular.
35. The fact is that, with funding very tight, the NHS has to make difficult decisions about the future shape of healthcare services and about priorities. To do this effectively, the input and support of the public, politicians and staff is vital.

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<sup>i</sup> Wales Audit Office, July 2013, 'Health Finances 2012-13 and beyond'.

<sup>ii</sup> Nuffield Report, Adam Roberts and Anita Charlesworth, June 2014, 'A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26'.

<sup>iii</sup> Bevan Commission, Mansel Aylward, Ceri Phillips, Helen Howson, December 2013, 'Simply Prudent Healthcare – achieving better care and value for money in Wales – discussion paper'.

<sup>iv</sup> Nuffield Report, Adam Roberts and Anita Charlesworth, June 2014 'A decade of austerity in Wales? The funding pressures facing the NHS in Wales to 2025/26'.

<sup>v</sup> Wales Audit Office, July 2013, 'Health Finances 2012-13 and beyond'.

<sup>vi</sup> Minister for Health and Social Services Oral Statement, 17 June 2014, 'A Decade of Austerity for Wales? The funding pressures facing the NHS in Wales to 2025-26 - a Nuffield Trust Report'.

<sup>vii</sup> The Welsh NHS Confederation (January 2014), 'From Rhetoric to Reality – NHS Wales in 10 years' time'.

<sup>viii</sup> The Welsh NHS Confederation (January 2014), 'From Rhetoric to Reality – NHS Wales in 10 years' time'.