

Eluned Morgan AS/MS
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair
Finance Committee

SeneddFinance@senedd.wales

6 February 2023

Dear Peredur,

I write in response to the requests for additional information that arose in your scrutiny session on the Draft Budget for 23-24 on Thursday 19th January 2023, with the Minister for Finance and Local Government.

An update on NHS Local Health Boards' financial positions.

We have provided NHS organisations with significant funding this year of nearly £900m to cover cost and demand growth, pay increases, exceptional energy costs and the ongoing responses to the Covid pandemic.

Our expectation was for organisations to manage their core financial positions alongside this support. However, despite this support, we are seeing significant core deficits being reported by organisations at this point of the year. As reported at month 9 (December) the NHS position was forecast as expected to be around £166.9m deficit by the year end, with all but one Health Board expecting to report a deficit.

The deficits are a reflection of the significant demand and inflationary pressures that the NHS is experiencing this financial year. For example, the cost of drugs is increasing by at least 5%. Local health boards have also seen a material increase in the cost of continuing healthcare packages.

Despite forecasting to deliver £140m efficiency savings this year, organisations are reporting a shortfall of nearly £30m in the savings they planned to deliver this year, which is contributing to the deficit position.

Service pressures are also contributing with a number of health boards increasing their bed capacity on a recurrent basis to respond to the demand. This is generating increased staff costs, including the need to continue using high cost agency staff.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

We are closely monitoring NHS financial positions on a monthly basis, and my officials, along with the Finance Delivery Unit, undertook detailed mid-year reviews with each organisation to confirm their expected outturn. These meetings were followed up by formal Accounting Officer letters submitted by the Chief Executives to Judith Paget as NHS Wales Chief Executive.

Three health boards (Cardiff and Vale, Cwm Taf Morgannwg and Hywel Dda) are now in increased levels of escalation due to the deterioration in their financial position as they described in their financial plans for this year.

As part of a structured process of intervention, we are working with these organisations to confirm the reasons for their financial deterioration. The interventions are also testing that they have a process for developing a pipeline of efficiency opportunities and making sure these are translated into firm and deliverable savings schemes.

We are closely monitoring the positions of the other three health boards (Aneurin Bevan, Betsi Cadwaladr and Powys) that are currently reporting a deficit against the balanced plans they submitted at the beginning of the year. It is likely that further interventions will be required but this will be subject to the usual tripartite arrangements.

On the question of what can be done to improve the efficiency of the NHS, and in particular learning from best practice from other parts of the UK and elsewhere in the world.

NHS organisations have annual efficiency programmes and are consistently looking to improve the way services are delivered to ease service pressures and to generate increased productivity and cost savings. There is also a significant focus on increasing value, improving outcomes that matter for patients through better utilisation of resources.

The 2022-23 planning assumption was for the NHS to deliver around 1.5% of efficiency savings as a minimum and maintain that going forward. Whilst NHS organisations are flagging a shortfall on original targets; at month 9, they are forecasting an outturn for savings delivery at around £140m, with the shortfall of around £30m contributing to their overall deficit position.

We are expecting NHS organisations to deliver a minimum of 2.5% efficiencies next year and this is expected to be reflected in their plans which are due to be submitted in March 2023.

Judith Paget, the NHS Wales Chief Executive, has established and is chairing a Utilisation of Resources Group which brings together senior managerial and clinical staff from across the NHS, as well as Welsh Government officials, to provide a national and system-wide approach to delivering efficiency. This Group is considering opportunities to improve value and productivity as well as cash-releasing efficiency savings. Early work includes a review of medicines and also considering workforce opportunities to reduce reliance on agency staffing.

The NHS has also developed a framework for identifying, sharing, and developing benchmarking and opportunities for delivering improvement via the Finance Delivery Unit (FDU) in a centralised data repository, which supports NHS Wales organisations and the utilisation of resources group.

NHS organisations participate in established benchmarking groups such as the UK wide NHS Benchmarking network and uses other systems to benchmark performance and opportunity potential, against comparator organisations and peer groups.

The NHS also engages with other health systems to identify opportunities for shared learning and improvement, such as the Value in Health Centre – this being a coalition hub of the World Economic Forum’s Global coalition for Value Based Healthcare.

There is a lot of work ongoing in the area of Value-based healthcare in NHS Wales. We are investing in a value-based approach to recovery over the medium term, with a focus on improving outcomes that matter to patients. There is £19million allocated in 2023-24 for this. This allocation will also support NHS recovery, with a focus on delivery of high value interventions that ensure improved outcomes for patients and support service sustainability and reducing waits for treatment over the medium term. The investment will give greater focus on delivery of outcomes that matter for patients and will complement the implementation of plans currently being developed to tackle the immediate backlog of patients waiting for treatment.

In response to further information on which Health Boards have taken up the use of invest to save and other related initiatives to improve energy efficiencies.

The Invest to Save Fund has an on-going ring fenced budget allocation for energy efficiency schemes supported by a wide range of repayments from previous carbon reduction project investments.

In 2022-23 the budget of £4 million was fully allocated and supported projects at Cardiff and Vale University Health Board and Hywel Dda University Health Board. The fund has a budget of approximately £4m in 2023-24 and a similar amount for 2024-25 which we expect to be fully utilised. Investments made in these financial years will help to support the on-going operation of the fund post 2024-25 due to the repayments coming back in from new investments.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. E. Morgan'.

Eluned Morgan AS/MS

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Minister for Health and Social Services