

Summary of conclusions and recommendations

On the overall financial performance of NHS Wales

- (i) It is vital that NHS Wales is able to take advantage of all available resources, and use them to maximum effect for the provision of a high quality health service for the people of Wales. Given the poor state of the existing financial forecasting and management information systems, we do not consider that this is possible at present. We therefore urge the NHS Directorate to take all necessary steps to ensure timely and accurate forecasting of expenditure and income within NHS Wales, in order to manage its budgets more effectively and maximise the volume of health care provided;

Response

The NHS Directorate has emphasised the importance of improving forecasting to all health authority and NHS trust Directors of Finance and reviewed with each health authority the reasons for the late changes in their 2000-01 forecasts in order to identify issues that need to be addressed. The NHS Directorate has this year taken action to keep the NHS fully informed of any centrally held funding that is likely to be made available to them, so that health authorities are not faced with unanticipated late changes to funding allocations.

The frequency of meetings held with Directors of Finance to review all aspects of financial performance and forecasting in trusts and health authorities which have previously experienced difficulties in forecasting, has been increased. The monthly monitoring of actual and forecast financial performance of health authorities and NHS trusts in Wales has also been extended to include separate monitoring of monies allocated for specific projects and programmes in order to improve forecasting where programmes are subject to delay, for example because of recruitment issues. The health authority Directors of Finance have established a group to produce a best practice guide for accounting and forecasting primary

care prescribing and dispensing to ensure more consistency. A key element that still needs to be resolved is a reliable monthly reconciliation between prescribing and dispensing from Health Solutions Wales. The work is also hampered by the continued lateness in receiving priced prescription data during this year. This work will however improve the quality of forecasting for 2002-03 and subsequent years when more timely pricing information becomes available.

The NHS Directorate has liaised with the Department of Health about their use of forecasting models for primary care prescribing. The Department of Health model proved unreliable for 2000-01 with significant variations at year end and so although not adopted in Wales, the model is still being kept under review as improvements are made.

- (ii) We recognise that historically it has been difficult for the NHS Directorate to engage general practitioners in projects such as improving the quality and range of general medical services. We recommend that, within the framework set out in the Assembly's July 2001 consultation document *'Improving Health in Wales - The Future of Primary Care'*, the NHS Directorate should seek opportunities to assist the general practitioner community in providing a wider range of high quality services at their practices;

Response

Accepted. The NHS Confederation is working on behalf of the four UK Health Ministers to negotiate a new contract for general medical practitioners. Improvements to the range and quality of services will be a key objective.

- (iii) We are deeply disappointed at the only marginal improvement in prompt payment performance in 1999-2000, and urge the NHS Directorate to take appropriate and urgent action to ensure a significantly higher level of payment performance for at least the final quarter of the 2001-02 financial year;

Response

Accepted. Health authorities and NHS trusts have been tasked with producing action plans detailing how at least 95% compliance with the CBI prompt payment performance target will be achieved.

A working group has been established by the NHS Directorate with the aim of producing a guide that will ensure consistency of measurement and will disseminate best practice. The draft guide which will inform the development of these action plans, has been circulated to NHS bodies and external audit bodies for comment and should be finalised by the end of March 2002.

For 2002-03, performance against the CBI prompt payment code will become a shadow administrative target for health authorities and NHS trusts with full implementation in 2003-04.

- (iv) We endorse the NHS Directorate's decision to make payment performance a managed performance measure. However, whilst we recognise the additional benefits of measuring payment performance by the value of invoices paid within 30 days, we recommend that the over-riding performance measure should remain the volume of invoices paid within 30 days;

Response

Accepted. The formal target is to be based on volumes of invoices rather than value although this will continue to be monitored.

- (v) Whilst we recognise the exceptional circumstances which led to the break-even period for two NHS trusts being extended from three to five years as part of the recovery plan process, we would not normally endorse such retrospective extensions to the statutory break-even period as this represents in our view a considerable weakening of the financial control regime of NHS Wales;

Response

Break-even duty periods were only extended to align with the projected timescales for the delivery of agreed recovery plans which would not jeopardise service delivery. In some instances, services have needed to be

reconfigured, and building programmes completed, necessitating an extended recovery period.

- (vi) We welcome the positive action being taken by the NHS Directorate to ensure the recovery of NHS trusts in Wales, but urge the NHS Directorate to agree recovery plans for North East Wales NHS Trust and the Gwent health authority area as a matter of urgency. The Committee will continue to monitor closely the recovery process within NHS Wales.

Response

The National Assembly for Wales needs to be satisfied that recovery plans are robust and deliverable. Work on the North East Wales NHS Trust plan is very close to being ready for Assembly Government consideration. Work on the Gwent health community recovery plan is continuing as a matter of urgency.

The Assembly Government will inform the Committee once both recovery plans have been approved by the Minister for Health and Social Services.

- (vii) On the management of the reconfiguration and restructuring of NHS Wales, we strongly recommend that:
- the framework of management, oversight and accountability should be clear and straightforward, with a clear focus on delivering improvements in the operational effectiveness of NHS Wales;
 - there should be strong and effective corporate governance, using the collective skills of NHS Wales to provide oversight and control;
 - the restructuring should proceed on the basis of a full understanding of all costs, and that forecasts of restructuring costs and savings should be revised as the changes highlighted in *'Improving Health in Wales'* are worked through;
 - the NHS Directorate should develop contingency plans and also set aside tightly-controlled financial provisions to deal with unforeseen events;

- all expenditure commitments made during the restructuring process should be tracked and recorded centrally, in order that the Assembly can identify fully and quickly the total level of commitments and liabilities incurred; and
- the financial costs of restructuring NHS Wales should be reported to the Assembly clearly, accurately and on a timely basis.

Response

Agreed. Full details of the management and accountability arrangements of the new structures will be defined as part of the restructuring project.

The National Assembly has recently appointed a senior project director to manage the restructuring programme. It also recognises the value of drawing on the collective skills of NHS Wales, and will continue to do so throughout the implementation phase both on the Local Health Board and Partnership Steering Group and on the dedicated project teams which are to deliver the implementation plan by April 2003. Strong and effective corporate governance has been and continues to be, integral to the implementation process.

One of their key tasks will be a full and complete costing analysis of both the existing and proposed new organisational structures. This process will encompass risk and uncertainty analysis and any resultant forecast changes. The NHS Directorate will keep a central record of all financial commitments associated with restructuring and monitor expenditure incurred against them.

The financial costs of restructuring within the NHS, will be reported in the statutory annual accounts and also as part of the monthly financial monitoring process.

On the reconfiguration and restructuring of NHS Wales

- (viii) We endorse the need for the NHS Directorate to work closely with health authorities in Wales to ensure that talented staff are not lost from NHS Wales

as a result of the restructuring arising from the implementation of '*Improving Health in Wales*'. We also urge the NHS Directorate to continue to strive to ensure that redundancies resulting from the proposed disbanding of health authorities in Wales are kept to an absolute minimum.

Response

Agreed. The National Assembly is committed to retaining staff with skills and experience within Wales and to ensuring their skills are utilised effectively. The joint all-Wales Human Resources Steering Group has already established the key principles by which the changes in the employment of health authority staff will be managed. These principles ensure that the arrangements for staff will be open, transparent and fully involve all staff, and recognise the value and skills of staff. The arrangements will also promote and support the continued development of staff and provide reassurances that they will have a valuable contribution to make to the new agenda.

All Health Authority staff have been kept informed of the group's progress and will be consulted on the proposals before any final decisions are made.

On prescription pricing

- (ix) We are concerned that final recovery of the overpayments made to pharmacists is likely to slip to 2002-2003. Whilst we recognise the potential impact of such recoveries on the cash flows of each pharmacy businesses, we urge the NHS Directorate to work closely with Health Solutions Wales and the five health authorities to ensure full recovery of the overpayments at the earliest opportunity, so that these funds can be channelled back into patient care;

Response

Health Solutions Wales' original recovery plan aimed to return the unit to normal time-scales by 31 March 2002 . However, an unexpected 2% increase in prescription numbers last year, problems with recruitment

and retention of additional temporary staff and failure to achieve the desired productivity improvements all contributed to non-attainment of the original estimated time-scales. This was advised in the NHS Director's letter to the Clerk of the Audit Committee of 23rd November 2001.

HSW prepared a revised recovery plan in agreed consultation with the National Assembly and Community Pharmacy Wales in November 2001 that aims to return current pricing to normal time-scales for July 2002 prescriptions. The October 1999 to March 2000 backlog will be priced following return to normal pricing in August. It is estimated that the six-month backlog will take some three months to price and therefore HSW aims to be able to issue full and final payment schedules by end November 2002. Recovery of overpayments will follow.

Assembly officials are monitoring the revised plan on the basis of weekly data and regular reviews with HSW managers and Community Pharmacy Wales' representatives. Current data is encouraging and suggests that the recovery plan will be achieved.

- (x) We look to Health Solutions Wales, working in partnership with the 5 health authorities and the Assembly, to improve prescription income monitoring and to reduce significantly the income foregone as a result of allowing inappropriate exemptions. We intend to return to this issue at a future date.

Response

The National Assembly for Wales has put in place the statutory framework for the levying of penalty charges and surcharges with effect from 1 November 2001. An extensive publicity campaign was undertaken with the theme "*Help for People who can't pay – Penalties for People who won't*". In addition to work being undertaken by each health authority, the National Assembly for Wales has also provided funds for a new Post Payment Verification Unit to be based at Health Solutions Wales. The team leader is currently being recruited and the team is expected to be

fully operational by the end of the summer of 2002. The new unit will carry out exemption checking on a sample of prescriptions and will take follow up action on people who wrongly claim exemption, in conjunction with the Pharmaceutical Fraud Team within the NHS Counter Fraud Service which, as noted in response to recommendation (xi) below, is currently also undertaking a baseline measurement exercise with appropriate follow through of cases where wrongful use of exemption claims is suspected.

Publicity for the further action being taken to follow up where claims for exemption are wrongly made and in the cases where penalty charges and/or surcharges are levied against people who persistently wrongly claim exemption including Court action will be built in to the Counter Fraud publicity strategy.

On tackling NHS fraud

- (xi) We are pleased to note that the Counter Fraud Operational Service (Wales) Team is now fully operational, and await with interest early indications of the financial impact that the Team is making in targeting fraud within NHS Wales;

Response

Agreed. There is a need to obtain a better assessment of the current level of fraud against the NHS in Wales. NHS Counter Fraud Service is carrying out a risk measurement exercises on patient prescription exemption fraud. Results on prescription fraud levels should be available in the summer of 2002. This will establish a baseline measurement to enable comparisons to be made in subsequent years and with levels in England. The outcome will also inform the setting of fraud reduction targets in subsequent years. Further exercises are planned to measure the levels of ophthalmic and dental fraud to commence in 2002.

The suitability of other indirect indicators is being considered relating to changes in income and activity levels which, could indicate a lower level of fraudulent activity.

- (xii) We urge the NHS Directorate to work closely with the Counter Fraud Operational Service (Wales) Team to ensure that all staff within NHS Wales understand the nature of and are fully aware of their responsibilities in identifying and countering fraud.

Response

A programme of activity has been agreed with NHS Counter Fraud Service. The communications strategy and culture change programme forms part of this activity. Presentations have been made to key NHS staff and non- executive Directors throughout Wales, and a seminar for Directors of Finance will be held in March 2001 to confirm and reinforce their particular responsibilities under the directions. Further fraud awareness presentations will be made in 2002-03 to a range of professional groups throughout Wales as part of the culture change programme.

