# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE** | **NHS Accounts 2019-20** |
| **DATE** | **6 July 2020** |
| **BY** | **Vaughan Gething MS, Minister for Health and Social Services** |

The accounts of the eleven NHS Wales organisations for 2019-20 have been audited by the Auditor General for Wales and have been laid before the Senedd. As in previous years, the accounts of Local Health Boards and NHS Trusts have been prepared under the NHS three-year financial regime that was introduced under the NHS Finance (Wales) Act 2014. As a Special Health Authority, HEIW is not covered by this Act, and is required to break-even in each financial year.

All NHS accounts in 2019-20 received a clean ‘true and fair’ audit opinion from the Auditor General for Wales. Due to the challenges of preparing and auditing accounts during the pandemic, the Auditor General had to limit the scope of his opinion on Cardiff and Vale University Health Board’s account where it was not possible to undertake the normal level of audit testing of inventories at 31 March 2020.

Eight out of the eleven NHS organisations broke even in 2019-20. Six out of the ten health boards and NHS trusts covered by the 2014 Act complied with the statutory break even duty by operating within their budgets over the three-year period of assessment from April 2017 to March 2020. HEIW also complied with their annual duty to break even in 2019-20. Cardiff and Vale University Health Board broke even in 2019-20 for the first time in recent years, but due to deficits incurred in previous financial years, did not comply with the statutory three year break even duty.

As in previous years, the four health boards that have failed to meet their statutory financial break-even duty for the three-year period of assessment have received qualified regularity opinions from the Auditor General for Wales on their 2019-20 accounts.

Overall, the 2019-20 outturn for NHS Wales was a deficit of £89 million, reduced from £96 million in 2018-19. Whilst I continue to have concerns about the financial position of the three health boards that continue to be in deficit, I am pleased at the progress Cardiff and Vale University Health Board has made in 2019-20 with the development of an approvable Integrated Medium Term Plan as well as ending the financial year in balance. Their experience demonstrates that it is possible for organisations to come out of the higher levels of escalation and intervention by Welsh Government and return to routine levels of monitoring.

It is now six years since the implementation of the NHS Finance Act 2014 and the introduction of the three year break even duty. The last two years in particular have seen a sustained improvement in overall financial performance and the number of organisations now in financial balance. However, the four organisations that have been unable to operate within their budgets over this period have accumulated deficits totalling over £600 million since 2014. In addition, Welsh Government has had to provide strategic cash support totalling nearly £470 million to these organisations to enable them to meet their financial obligations to staff and suppliers whilst in deficit.

This level of historic deficit is clearly a barrier to these four health boards as they start to plan for the immediate and medium term recovery from the Covid-19 pandemic. The expectation until now has been that their future plans should make provision at an appropriate time to repay this deficit and the associated cash support. This would require them to underspend significantly against future allocations to generate the necessary level of surpluses to discharge this expectation.

I am therefore confirming that the strategic cash support provided to organisations in deficit will no longer be repayable, but will continue to be disclosed annually as part of their annual accounts. Furthermore, I am confirming that when an organisation that has previously been in deficit achieves its three year break even duty, it will not be required to repay any historic deficits incurred before it achieved the statutory duty. This is intended to clarify the policy on historic deficits and to give some certainty to these organisations for future planning.

My officials are preparing a summarised account of the Health Boards, NHS Trusts and Health Education and Improvement Wales, which is due to be published in August following sign-off by the Auditor General for Wales.