

**WELSH NHS CONFEDERATION CONFERENCE
THURSDAY, 16TH JANUARY 2014**

**AGW/HVT SLOT: 2.00PM TO 2.15PM - DURATION: 15 MINUTES
GOOD GOVERNANCE AND WELL-MANAGED RISK TAKING:
ESSENTIAL INGREDIENTS FOR AN EFFECTIVE NHS WALES IN 2024**

I could talk to you today about the economic pressures on health and social care, delve into the latest performance figures for the NHS in Wales, remind you of the demographic time bomb; projections of increased demand. I could focus on the need to redesign health and social care systems to root out inefficiency and smooth patient pathways. I could stress the essential task of transforming patterns of delivery so that they are sustainable for future generations as well as our own. I could challenge you to provide sound information to policy makers and equip them to bring patients and communities with them.

And, no doubt I will touch on all these matters. But what I really want to talk to you about is two qualities - courage (well managed risk taking) and integrity (good governance) Because I am firmly convinced that by cultivating and capitalising on these qualities you can meet the challenges facing the NHS in Wales and make our health and social care system by 2024 an exemplar of good practice that safeguards the health and well-being of our nation.

Now this may sound a little heroic and nebulous.

But it's a statement of the obvious that that NHS is currently facing some of its greatest challenges since it was created. The wider economic environment, public sector spending squeezes and the Barnett consequential, alongside rapid advancements in clinical practice and changing demographics and demand patterns combine to create the kind of storm we are becoming used to in this tempestuous January weather.

Year on year savings of significant proportions are being required and the challenge of meeting annual resource limits becomes more and more difficult. And of course in the post Francis world, the focus on the quality and safety of services is quite correctly taking centre stage. All NHS bodies met their break-even target in 2012- 13 through a mix of savings and additional funding but many of the actions taken are not sustainable and improvements are required to financial planning and reporting.

I have gained a bit of a reputation it seems, for basing my remarks on a text. Today I offer you two: Livy: "In difficult and hopeless situations, the boldest plans are safest." And Machiavelli: "There is nothing more difficult to take in hand,

more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.”

It surprises some that the Auditor General is an advocate of well-managed risk taking. But how else could those running the NHS in Wales tackle this problem?

Many commentators, including ourselves, have said that the current configuration of services is not sustainable – either financially or clinical. So, service transformation plans, of an order of magnitude not hitherto seen, are more than necessary, they are vital. Is there risk in such dramatic and rapid change? Of course there is, but the risks of failing to make these changes is greater. So you will need to be courageous in taking risks – but always in a “well-managed” way and that means good planning.

As I said in my report on Health Finances last year, the WG Health Department marginally exceeded its approved budget in 2012-13 but I commended its risk-based approach to reducing spending on central programmes in order to provide additional funding to NHS bodies.

Never before has planning been so important to the NHS in Wales and the current national scrutiny on the quality of integrated 3 year plans is testament to this. Your plans must be robust and underpinned by sound financial, workforce and

service delivery plans, with a clear focus on positive outcomes and patient experiences. The Boards role in risk management and future planning is vital. The Board has to be continually satisfying itself that there is an open approach to identifying risks, and a robust and systematic way of managing them to ensure sustainable delivery and improvement.

In my report on Health Finances last year, I concluded that NHS bodies did not have realistic savings plans. At the beginning of 2013-14 to bridge the financial gap NHS bodies had a net gap of £211 million AFTER the savings of £192 million which they had identified. The additional funding the WG announced for 2013-14 was £150 million. Leaving aside the intense pressures on the service, the maths alone suggest that achieving break even for the 2013-14 financial year is going to be very difficult. I also said that service plans and the monitoring and reporting of financial savings needed to improve. In the face of financial and service pressures in 2012-13, there were some improvements in efficiency and quality but there was a downturn in performance in some key areas. Efficiency indicators showed patients spending less time in hospital, thanks in part to rising rates of day surgery, but there had been a decline in waiting times performance for elective and unscheduled care.

I don't underestimate the challenges facing the NHS in Wales. The scale of ongoing financial challenges suggests that even with the planned actions NHS bodies are likely to struggle to sustain current levels of service and performance.

But with challenges come opportunities, and the extent of changes required present a once in a generation opportunity to create a blueprint for the NHS in Wales that delivers quality care that is sustainable.

So, if courage is the first watch-word, the second is integrity.

Wales has a population of around 3.1 million and in Wales each year; there are around 8.8 million unplanned contacts with the NHS or social care in an emergency or urgent situation.

Naturally then, and in common with the rest of the UK, these services in Wales are under considerable pressure.

Two-thirds of those over 65 have at least one chronic condition and people with chronic conditions, as you all know, are frequent users of the Welsh unscheduled care system. They account for around one in six of all emergency medical admissions and over 15 per cent of bed days on acute medical wards and many of them do not need to be in hospital. We are all clear on the benefit to these patients and to the healthcare system as a whole, of providing more effective and accessible

treatment for chronic conditions in community settings. Yet too many patients with chronic conditions continue to be treated in an unplanned way in acute hospitals; services are fragmented and poorly co-ordinated and service planning and development insufficiently integrated.

I have heard integrity defined as the willingness to do the right thing even when no-one will thank you. Perhaps in this context that is an appropriate definition. People generally feel safe in hospital and may even feel that treatment in the community is less effective. So, there are unlikely to be any plaudits in the first instance for changing this pattern of delivery. Yet it must be done and you must be transparent and determined in leading that change.

There are other challenges to be faced that can be uncomfortable and require integrity from leaders. For example, to establish an effective network of community health and social care services requires good, sound information. Our work has shown that this information is often deficient.

Improvements are being made but there is still more to do and for many Health Boards the weaknesses in management data present a real barrier to change and improvement. Facing up to that reality demands real integrity, because admitting gaps in

your knowledge, particularly in an era of unforgiving media spotlighting, is never pleasant.

Boards and operational managers need good information to know how services are performing, and what patients are experiencing. Performance targets often drive the system and the way organisations work. The Minister's commitment to move to a system of more intelligent targets, focused on outcomes is therefore to be welcomed although I would argue that some of the process-based measures provide essential management information which Boards should continue to record and use.

NHS Boards will receive lots of information, and indeed many assurances, about how services are provided. But Board members need to ask themselves how much they know about what services are actually like, what sort of cultures and behaviours predominate in their organisation, and what the Board members and senior leaders are doing to set the right culture. How complaints are dealt with is a good yardstick.... A complaining patient should not be treated as an administrative burden or a target to manage but as a rich source of organisational learning to help improve service quality.

Based on sound and timely information the governance of financial matters and of quality must also be well-integrated. It must enable NHS bodies to look at issues in the round. Actions taken to meet challenging financial targets can too easily have disastrous effects on the quality and safety of services and guarding against this will become increasingly important as the financial pressure intensify.

Another area where your integrity will be tested is in engagement with staff and the wider community. In such a challenging climate, good governance becomes more important than ever. Health services must be in a trusting relationship within the organisation and with their wider stakeholders. Candour and openness are essential and never more so than in the relationship between Executives and Independent Members.

Transparency has to characterise every Board and management team. No engagement is ever successful where it is insincere - and by this I mean lip-service consultation and elaborately spun media statements. Despite a tough financial settlement, NHS bodies met their statutory financial targets in 2012-13 but we all know that some of the actions taken to break-even are not sustainable. Honesty about the financial

position is indispensable if people are to trust leaders of our health services.

Engagement starts with being completely honest with those who work in health and social care. Clinical engagement is vital, for without it, your plans will be very difficult to implement. Clinicians and other health service staff are often quickest to see the flaws in planning. They will resent leaders who seem oblivious to their concerns but can be your strongest allies in effecting change.

If we take the time to engage honestly at all levels and with a genuine willingness to listen our plans will ultimately be more effective. Be particularly vigilant in ensuring that communication between the ward and the Board is operating effectively in both directions. Governance swiftly breaks down when relationships lack trust and decision-makers need to speak with one voice.

Although there has been some success, and emergency admissions for certain chronic conditions have reduced, my follow-up report on chronic conditions management, to be published this Spring, will be unlikely to highlight significant progress in shifting resources and expanding access to community-based chronic conditions services. It is clear that you need better information on patterns and levels of

community services in order to properly plan the desired shift from hospital to community settings.

I would go further and say that you need to be asking questions about what services are for and whether they are really needed in their current form. We should all be open to the possibility that they could be delivered by somebody else for less or even free. If healthcare has to be delivered at a significantly lower cost (and it does) then you should be looking at opportunities to draw more on the capabilities and capacities of patients, their families and communities.

You also need a clearer approach to workforce planning. In our audit work we see capacity emerging as a risk more and more often. Lack of capacity is an issue at all levels in the system, from the Board through to the point of delivery of care. So you need to press ahead with identifying the sorts of skills sets and the patterns of deployment which are needed within the changing system. Until you tackle these key issues, it is likely that progress with transformation will remain slow and patchy.

Courage and integrity, good governance and well-managed risk-taking are of course not the only keys to the success of the NHS in Wales over the next ten years. But I hope that in the short time available to me I have convinced you - as leaders of that potential success story - of their importance. If there is one

message I hope you take away it is this - be bold and take risks if you wish to achieve transformational change.

ENDS