

**PwC has been appointed by the Welsh Government to undertake a review of the current mental health ring-fencing arrangements (read more here: <http://www.pwc.blogs.com/wales/2014/12/mental-health-ring-fence-review.html>). Here is Hafal's response to its call for evidence:-**

### **What difference has the current ring fence arrangements made to improved outcomes?**

In answering this question we think it is important to first look at the rationale for introducing the ring fencing of mental health expenditure in the first place, and to see whether or not the purpose for its introduction has been achieved. This will then better allow for any lessons to be learned and for improvements to the process to be made.

One key part of the rationale for introducing a ring fence for mental health expenditure in 2008 was to address the historical problem of mental health funding having been regularly cut in order to fund other NHS budget areas. The policy intention for its introduction was to ensure that mental health funding would not be cut, and for any efficiency savings made in one area of mental health to be re-invested back into other mental health services - and not fund shortfalls in other budget areas.

Before considering what difference current arrangements have made to improving outcomes for our clients and members, we think it would be sensible to first see what lessons can be drawn from how the ring fence has been applied so far. To do this we think it is important to ask each Health Board what, if any, cuts have been made to their Mental Health Directorate budgets over each of the last 5 years, and if there have been cuts to Mental Health Directorate budgets, why, and where has this funding gone? This is crucial to establishing whether or not the ring fence has been applied correctly, and so whether any lessons can be learnt.

The Welsh Government made mental health services a priority in 2008, and introducing a ring fence for NHS mental health expenditure was one way of it demonstrating this priority. (*The two other main ways of demonstrating this was ensuring that LHB Vice Chairs had a specific remit for mental health, and ensuring that there was a Director at Board level that had mental health as part of their responsibility.*) Hafal's members and clients warmly welcomed the introduction of the ring fence, and we think it is important to recognise the wider national policy context that ensured mental health services were taken more seriously and given a high profile. The message this sent out to Local Health Boards was, 'you must begin to invest more in mental health services'.

We are slowly starting to see improved outcomes for people who use mental health services across Wales, and we believe that the ring fence has been a major factor in this happening. Without these arrangements we think it likely there would have been bigger and more significant disinvestment in mental health services. However, there is currently no single process in place across Wales to measure the overall outcomes being achieved by people who use mental health services. Without further research it is difficult to establish the full extent to which outcomes for people have improved as a result of having the ring fence arrangements in place.

We tend to agree with the conclusion of the Auditor General who in 2011 found that the ring fence arrangements had not been fully complied with, and that despite the Welsh Government's commitment to ensuring spending on mental health is

protected through the ring-fence, cost efficiency savings made were not always being re-invested back into those services, as required by Welsh Government guidance.

Since the Auditor General's report there have been significant changes to mental health services in Wales. The Mental Health (Wales) Measure is now fully in force and we have a major new Mental Health and Wellbeing Strategy that covers all ages. Hafal's members believe that protecting mental health expenditure through ring-fencing should be encouraging greater flexibility in targeting resources to those in greatest need, and where they will have most impact. We think that there is now a much greater willingness amongst Health Boards to ensure there is a higher focus on linking these resources to the achievement of better outcomes for people who use services.

### **How could arrangements be changed to provide a clear and consistent link between expenditure and improved outcomes?**

We think that **all** funding for mental health services should be routed in the first instance through Mental Health Directorates (or as they sometimes are Mental Health and Learning Disability Directorates). The Mental Health Directorate should also be responsible for reporting on the outcomes experienced by people who use mental health services. Using a single channel for both funding and for reporting on improved outcomes allows for a simpler and more accountable process, and enables that clear and consistent link between the two to be made. It would make it easier and simpler to see how expenditure directly benefited people who use the service.

Some mental health expenditure is made outside of Mental Health Directorates, however, in order to ensure simple and straightforward accounting we believe it makes sense to initially route **all** funding via the Mental Health Directorate which would then account for any diversion of spending, e.g. where CAMHs expenditure may be managed through a Children and Families Directorate. We think this would allow for Health Boards to submit quarterly expenditure and outcome returns from information provided by each Mental Health Directorate.

### **How could arrangements be changed to provide a clear link between expenditure and mental health needs?**

Each Health Board should develop and publish an annual Mental Health demand and capacity report at the beginning of each financial year. Before developing the detail of exactly what level of resource needs to be invested in any particular service, it is fundamental (and common sense) to establish the actual and expected level of demand for such services. The new Social Services and Wellbeing Act 2014 provides the process and the platform to establish what local demand there is (and is likely to be), and to better establish the needs of people using secondary mental health services. We think that better and smarter use could be made of information taken from mental health assessments and Care and Treatment Plans to establish needs, including unmet needs.

Once the mental health needs of the local population has been established, we think it is then essential to target resources to those in greatest need and to where they will have the greatest impact. This is consistent and in line with the Welsh Government's guidance on prudent healthcare, etc.

## **What expenditure should be included in any future ring fenced arrangements for mental health services and why?**

We think that this review should also examine the amount each Health Board has included in its ring fence – i.e. the amount shown within the NHS Revenue allocations each year and which the Welsh Government states is the minimum that must be spent on mental health services. The amount ring fenced for mental health shown within the overall revenue allocation is based on historical expenditure prior to 2008, and has hardly changed since first set.

We think it would make better sense for the Welsh Government to set the ring fenced amount for mental health expenditure at a fixed percentage of the total NHS revenue allocation, and apply this equally across all Health Boards. So, for example, if mental health expenditure has been shown to be 11.5% of total NHS spend then the amount ring fenced for mental health should be set at 11.5% of total revenue allocation. This would ensure equity and fairness in terms of the actual amount included in each Health Boards ring fenced allocation. Effectively this also means that all funding for mental health services is included within the ring fence, which makes the whole process much simpler, more transparent and more easily accountable.

Given the high priority currently being given to integrating health and social services, we think now is an ideal time to integrate mental health expenditure across health and social care, and establish a single pooled budget. This would mean including social services funding for mental health within the scope of the ring fence.

## **How can arrangements for reporting mental health expenditure be improved to promote transparency?**

We think that there is still a lack of consistency and transparency in the recording of mental health expenditure, and that it would be helpful if the Welsh Government sought assurances from Health Boards within each relevant financial year that mental health expenditure is no lower than the ring fence, and assurances that any efficiency savings made have been reinvested back into other mental health services.

The Auditor General in his 'Adult Mental Health Services Follow up Report' published in 2011, found that, *'the arrangements for ring-fencing lack clarity, cannot be easily monitored and may not have been complied with'*. Despite the Welsh Government's commitment to ensuring spending on mental health is protected through the ring-fence, the Auditor General found that cost efficiency savings made were not always being re-invested back into those services, as required by Welsh Government guidance.

We think it is therefore now the right time for the Welsh Government to reinforce its commitment to protecting expenditure on mental health services through the ring-fence, to strengthen its application and to ensure there is greater openness and transparency in recording and reporting how and where money is spent. Further suggestions for improving transparency are made in the next section.

**What mechanisms should be built into future financial arrangements to incentivise efficiency, best practice and innovation?**

We think that all funding allocated for mental health services should be ring fenced, and should be routed in the first instance through Mental Health Directorates. We think that this will ensure greater efficiency, allow direct links to be made between expenditure and outcomes, allow for greater transparency, and be much simpler.

This system would also make it easier for Mental Health Directorates to be pro active in seeking to make efficiency cost savings, knowing that any savings made could be reinvested back into other mental health services. This would help incentivise Mental Health Directorates to disinvest in services that are not working and be innovative in developing services that are centred on people's needs and actually make a difference to their lives.

We also think that it is important for Mental Health Directorates to report on a quarterly basis against total mental health expenditure, and that Health Boards should make public these returns. At present we have to wait for around 18 months after the financial year end for Programme Budget returns to be published showing mental health expenditure, but the new system proposed would allow for in year reporting.

**What mechanisms should be built into future financial arrangements to ensure improved outcomes are delivered?**

Through routing all funding for mental health services through Mental Health Directorates, and linking this funding directly to outcomes – as set out in our response to question 2 and elsewhere – the mechanism is simpler, easier to manage, more transparent and more efficient,

Ensuring that Mental Health Directorates report consistently and regularly (quarterly) on the outcomes experienced by people who use mental health services also allows for improvements to be recognised. As previously stated in response to question 2, using a single channel for both funding and for reporting on improved outcomes allows for a simpler and more accountable process, and enables that clear and consistent link between the two to be made.