

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/
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Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director General Health and Social Services/
NHS Wales Chief Executive
Health and Social Services Group



Llywodraeth Cymru
Welsh Government

Nick Ramsay, MS
Chair Public Accounts Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1NA

28 August 2020

Dear Mr Ramsay

Implementation of NHS Finance (Wales) Act 2014

Thank you for your letter of 11 August 2020 regarding the Committee's ongoing work on the NHS Finance (Wales) Act 2014.

I am pleased that the Committee acknowledges the progress that was made in last financial year with Cardiff and Vale University Health Board being able to submit an approvable Integrated Medium Term Plan and breaking even in year for the first time in recent years. Setting aside the impact of the public health emergency, I acknowledge the financial challenges that the three boards still in an ongoing deficit position continue to face. I have recently restarted the regular monthly dialogue with these three boards under the escalation and intervention process to support and challenge their financial and service improvement programmes as they start to recover from the impact of the pandemic.

You have requested some clarification regarding the Minister's announcement on 6 July on NHS accounts, and my responses are as follows:

1. Where did the £470 million come from?

The £470 million is strategic cash support that has been provided to the four health boards to enable them to meet their financial commitments to pay staff and suppliers whilst in a deficit position. This support does not form part of the health boards resource allocation, and is not a charge to DEL budgets, but is issued as an additional cash uplift.

In each financial year in which the support was provided, the cash support has been met from the voted ambit for the Health and Social Services Main Expenditure Group (MEG) for that financial year.

2. Were there any conditions attached to the funding when it was provided, and if so, were they met?

At the time the cash support was provided, there was an expectation it would be repaid when the organisation returned to financial balance. However, to enable an organisation to be able to repay this support, they would need to generate an in-year cash surplus through underspending against their annual resource allocation. This requirement would place an additional burden on an organisation once it had achieved a position of recurring financial balance. It was for this reason that the Minister agreed that this cash support would no longer be repayable.

3. How the additional funding and the decision that has now been taken around pay-back marries with the principles and requirements of the NHS Finance (Wales) Act 2014?

As outlined above, the cash support does not form part of health board's resource allocations, and so is not covered by the statutory break-even duty in the NHS Finance Act.

The Minister also confirmed that when an organisation had met its three year break-even duty under the provisions of the Act, any historic deficit incurred prior to the organisation breaking even would not need to be repaid.

To give an example of how this would work, Cardiff and Vale UHB broke even in 2019-20 after incurring deficits in previous years accumulating to £87 million by the end of 2018-19. If the UHB delivers its extant approved balanced plan in the current and next financial year, by the end of 2021-22 financial year it would have met its three year break-even duty. At that point, the historic deficit of £87 million would effectively be "written off", in that it would not need to be recovered in future years.

4. Whether it is now the position that NHS bodies that continue to over-spend in future will never have to pay back those deficits?

In line with the Minister's announcement, an organisation will not be required to repay any historic deficits, including deficits incurred in the current or future financial years, once they meet their statutory three year breakeven duty under the terms of the NHS Finance Act.

This action was taken to support these four health boards build financial resilience for the future as they plan their recovery from the significant impact that COVID-19 has had on their organisations. However, it does not remove the expectation that these boards need to address their underlying deficit positions by developing and implementing sustainable financial and service plans going forward.

The Committee will be aware of a similar announcement made by the Secretary of State for Health and Social Care in early April on the write-off of £13.4 billion debt held by English NHS trusts. Whilst the NHS financial regimes differ between England and Wales, we have taken a comparable approach to clarifying the policy position on historic deficits and debt.

I trust this provides the clarity the Committee is seeking.

I am pleased to report that the Auditor General for Wales was able to provide a clean true and fair view opinion on the 2019-20 NHS summarised accounts, and these were laid before the Senedd on 24 August 2020.

At Committee in March I promised to provide you with a note on examples of initiatives and projects that are helping to control and manage the deployment of agency staff as part of wider workforce planning.

Pre Covid we were focussing on reducing any unnecessary expenditure on Agency and Locum through a number of key elements. This included implementation of a Welsh Government Circular WHC/2017/042 which established a new control framework and reporting mechanisms on agency and locum spend to Board level in all NHS organisations which led to reduced expenditure across Wales and reflected on the WAO study.

We had also established an All Wales Strategic Workforce Deployment Group to work on a national basis with key partners to address some of the underpinning issues leading to the additional reliance on agency and locum staff.

Some of the early work included discussions with the BMA and employers on a new more attractive pay structure and contractual arrangements for SAS grade doctors who form a disproportionate part of the agency and locum expenditure. These discussions were paused during the peak Covid period but have now resumed and we are hoping to reach agreement soon. This should enable substantive recruitment into more roles and so reduce the reliance on temporary staff.

In addition the All Wales Strategic Workforce Deployment Group commissioned a business cases on the use of key developments which would enable more flexible deployment of the workforce, including the use of DBS checks which are run on a continuous mandate and so are portable across organisations rather than needing to be redone each time an individual wants to work for a different employer.

In addition, a new online system has been developed to support the recruitment and deployment of locum GPs across multiple practises which has the potential to extend across other staff groups to provide an effective way of deploying staff flexible across different employers and locations. This was used during the Covid period to deploy staff quickly across the NHS and now has the potential to make deployment of existing staff more efficient and effective and broaden the potential pool of temporary

staff so reducing the reliance on agency and locum staff from an existing small pool of individuals.

Due to efforts being focused on our response to COVID 19 work to help control and manage agency staffing was paused. Work on this has now resumed, albeit it in a slightly different format, but will still be focussed on the following areas –

- Enhanced national leadership
- Improved data collection and analysis
- Reducing the demand for temporary staff by minimising gaps in the substantive workforce by:
 - recruitment and retention into the substantive workforce
 - more effective deployment of existing staff

Building on the work started pre Covid we are now able to draw on the learning from the earlier work, and build on some developments which supported deployment of staff during Covid period, and accelerate progress to collaboratively to take forward –

- The roll-out of standardised E-rostering across Wales which will maximise increased efficiency and opportunity for more flexible staff deployment both locally and nationally, this will initially be focused on nursing staff. This will include the safecare module to help ensure safe staffing levels on wards.
- E-rostering combined with the development of a Collaborative Workforce Bank will provide potential to reduce the cost of the temporary workforce by enabling more flexible deployment of staff across Wales. On the Medical front, work had progressed to define the core elements required to establish Medical banks across all Health Boards.

Yours sincerely



Andrew Goodall

Director General for Health and Social Services and Chief Executive of NHS Wales