

**RESPONSE TO THE NATIONAL ASSEMBLY FOR WALES PUBLIC
ACCOUNTS COMMITTEE REPORT ON HEALTH FINANCES
2012-2013 AND BEYOND.**

Report Published 6 March 2014

The Welsh Government welcomes the findings of the report and offers the following response to the reports 12 recommendations.

Recommendation 1.

The Committee recommends that the Welsh Government publishes a clear rationale for funding allocations of additional in year resources to NHS bodies. This would allow greater transparency and clarity in budgets and help to ensure that the resources are being allocated appropriately and value for money.

Response:- Accept

The Welsh Government is fully committed to greater transparency and clarity of budget allocations and the rationale that supports them. For example the health minister made a statement in October 2013 clearly setting out the process and rationale for the additional allocation that was provided in 2013-14.

Furthermore following the enactment of the NHS Finance (Wales) Act and the introduction of new and more robust planning arrangements that underpin it, Health Boards will have certainty and clarity of their budget allocations covering the planning period. Any additional financial flexibility provided under the authority of the NHS Finance (Wales) Act will only be provided when the request is supported by a clear business case outlining the reasons for and how the additional resources will be used. Similarly any further allocations made in year will be underpinned by a clear and transparent rationale on how the funding will be deployed and the outcomes that are required to be delivered.

Implementation date: *Actioned and on-going*

Recommendation 2.

As recommended in the Committee's previous report, we recommend that the Welsh Government hold senior management to account more rigorously, to ensure transparency for financial decisions. In particular, the Committee want to see a thorough process put in place to ensure accountability for any additional in year resources provided by the Welsh Government or other NHS bodies for specific purposes such as brokerage.

Response:- Accept

The Welsh Government endorses the need to hold senior management to account. The Committee will be aware that the Welsh Government has worked closely with the WAO and HIW to establish a new escalation and intervention framework. This framework includes the action to be taken where delivery and performance is falling short of expectations. This may involve a range of actions from simple assurance reviews to fully directed intervention.

Officials meet monthly with Health Boards and Trusts, as well as receiving detailed monthly returns to establish if the organisation is delivering in accordance with its plan. This is supported by policy area specific meetings as required. The intelligence from these meetings is collated via monthly Integrated Delivery Board meetings held within Welsh Government. This process also involves a more integrated approach to the performance management of Health services, better linking plans, priorities, finance and performance.

Senior managers are held to account through these arrangements.

The new escalation and intervention framework can be found within the publications section of the Welsh Governments website.

Implementation date: *Actioned and on-going*

Recommendation 3.

The Committee recommends, in order to enhance transparency and accountability, the Welsh Government publish, the monthly financial position of NHS Wales in a timely and accessible fashion.

Response:- Accept

Detailed monitoring information, showing the actual position to date and current year end forecast information, together with appropriate commentary is provided to the Welsh Government each month within 9 working days of the month end. Considering the complexities and the level of detailed information requested this is considered to be a very efficient and timely submission process.

The monthly financial position of each NHS organisation is currently published as part of their monthly Board papers and although this information is already publicly available at an individual organisational level, it is the intention of the Welsh Government to also publish the collective position quarterly.

Further consideration will be given as to the most appropriate method by which this will be done.

Implementation date: July 2014

Recommendation 4.

The Committee recommends that the Welsh Government considers how it presents future budgets to ensure that it fully explains - in budget tables and the accompanying narrative report - the impact of any substantial changes following the supplementary budget on year-on-year comparisons.

Response:- Accept

The Welsh Government is committed to continuously improving the presentation of Budget information with a goal of enhancing transparency and supporting the Assembly's effective scrutiny. In line with this, the Minister for Finance has worked closely with the Finance Committee in recent years to improve the transparency and presentation of budget material, including the best basis for comparing spending plans. As a result, the Welsh Government uses the most recently published figures for the previous financial year as a baseline.

The Welsh Government accepts however that the presentation of the health funding in the Draft Budget last Autumn did not fully reflect the impact of the in-year allocation to health announced alongside the Draft Budget. That is why the Welsh Government included a footnote to the comparable Table in the Final Budget, a step which has been welcomed by the Public Accounts Committee.

The Welsh Government will continue to look at ways of improving the presentation of Budget material including year on year comparisons, in future Budgets.

Implementation date: Actioned

Recommendation 5.

The Committee recommends that local population needs, value for money and transparency are key considerations in the scope of the Review of the Allocation Basis and that no significant changes be made to the allocation formula without full consideration of the potential impact of redistribution on local health services.

Response:- Accept

A commitment to review the basis of revenue allocation was given within the publication of "Together for Health" a five year vision for the NHS in Wales. The key requirement for the Resource Allocation review will be the equitable distribution of resources in line with the population needs. It is important to note that in developing an allocation formula the local population needs will be used to determine the relative not absolute health needs within Wales. The Welsh Government acknowledges that it is essential that the basis of the formula is transparent, understandable and reliable.

Previous allocation formula implementation has been based on the differential distribution of growth funding to those areas most under target so that no organisation suffered a reduction in their allocation. In the context of public finance austerity the implementation of the formula, including phasing of implementation, particularly around any redistribution, will necessitate full consideration of potential impact.

Issues of population needs, value for money and transparency are key considerations which need to be taken into account, in all matters of resource allocation.

First findings will be reported upon by December 2015.

Implementation date: *First report December 2015*

Recommendation 6.

The Committee recommends that the Welsh Government commission a piece of work to consider approaches to profiling potential pressures and how this can be used as an effective management tool within the NHS Wales.

Response:- *Accept*

This is being taken forward as part of the new Planning Framework issued in November 2013.

Historically Welsh Government has required Health Boards and Trusts to submit recovery profiles where performance has deviated below the required standard. In developing the new Planning Framework and Guidance for the Integrated Medium Term Plan (IMTP) process for 2014-2017, consideration was given to how delivery profiles could be used to support the effective management of health services. This is central to an approach whereby Health Boards and Trusts are robustly managed against their agreed plans.

All Health Boards and Trusts are required through the planning guidance to submit detailed delivery profiles for the full range of tier 1 performance areas as well as finance. These profiles will be used to performance manage the organisations from April 2014, and will form the basis of the

performance management meetings within the National Delivery Framework. Performance against planned profiles will then be used to review organisations escalation status, in line with the new Escalation and Intervention Framework developed in partnership with Health Inspectorate Wales and Welsh Audit Office. This will be supported in year through regular meetings to discuss and share intelligence.

Implementation date: *Actioned*

Recommendation 7.

The Committee recommends that the Welsh Government sets out the process for agreeing the three year budgets for health boards and how this differs from current processes, as well as how it intends to resolve any disputes that may arise during this process.

Response:- *Accept*

The process for agreeing the three year budgets for Health Boards is intrinsically linked to the process for agreeing Medium Terms plans (covering finance, service, workforce performance, and quality), which was set out within the NHS Wales Planning Framework issued to all NHS organisations in November 2013 (include a link to the framework). The framework sets out clear milestones, including:

There has been a strengthening in Medium Term Planning capacity at a Health Board and Trust level and an increase in the level of scrutiny undertaken within the Welsh Government. The plans submitted to Welsh Government are subjected to extensive multidisciplinary assessment, which is quality assured and augmented by other information available on the strength and maturity of planning arrangements within Health Boards and Trusts (including information held by the WAO and HIW).

A three year budget will only be approved if a plan robustly meets all of the requirements set out within the NHS Wales Planning Framework. Where the Welsh Government is not satisfied that requirements have been met by Boards of NHS organisations, it will set out the key improvements required, and develop a delivery agreement (for core performance, finance, workforce, and quality requirements) for the intervening period. This is described within the Planning Framework as the escalation process.

Implementation date: *Actioned*

Recommendation 8.

The Committee further recommends that given the risks of financial planning over 3 years, the Welsh Government should require:

a) Fully balanced plans over three years for each Health Board with supporting detail

b) Collective financial planning showing how budgets will balance across the whole NHS every year (so as to stay within DEL)

c) Detailed contingency plans setting out how Health Boards will respond if planned savings from up-front investment do not materialise and / or there are additional cost pressures. These contingency plans should include an assessment of risks to patients/ services.

Response:- *Accept*

In November 2013 the Welsh Government issued a revised planning framework which clearly set out what was expected to be delivered from the planning process. This included a requirement to show clearly within their integrated plans how Health Boards intended to balance their finances over a three year period. The Welsh Government acknowledges that this may not always be possible at the planning stage and financial flexibility may need to be offered under the authority of the new NHS Finance (Wales) Act. The new process also requires the plans to be approved by the Welsh Government which will only be confirmed following a review of the collective position and the affordability of any required financial flexibility within each financial year.

Each organisation's plan is required to fully disclose a risk assessment to service delivery and the achievement of its financial targets. These risks are closely monitored throughout the year through the organisation's risk management processes, alongside the identification of mitigating action and the contingency measures that need to be taken in the event of unforeseen circumstances. Contingency measures will form part of the Welsh Government's oversight and will be considered in the context of the overall resources available.

Implementation date: *Actioned*

Recommendation 9.

The Committee recommends that the Welsh Government produce a clear set of guidelines for the utilising of external expertise for financial planning. This should include information on trigger points as part of the financial management process when Welsh NHS bodies would be required to use external support.

Response: - *Accept*

Guidance currently exists which supports and helps regulate the use of external expertise by NHS organisations e.g. their Standing Financial Instructions require that they follow the Department of Health guidance on 'procurement and management of consultants in the NHS. The manual of accounts also sets out guidance with regard to when NHS organisations should consider using consultants and also all public bodies are required to adhere to the requirements of 'Managing Welsh Public Money'.

Officials are preparing advice for Ministers on further guidance to the NHS that will cover all external support which may be required for a number of service planning, delivery and/or accountability issues and not just finance. It is anticipated that such guidance will include the trigger points and utilisation of any external expertise will link to the recently published escalation and intervention requirements. External support may be required in various forms but this must be a consideration for any organisation that is in the highest "enhanced monitoring" category. The nature and use of any external support will need to be agreed with the Welsh Government and all reports produced will form part of the enhanced monitoring arrangements and must be copied to the Welsh Government. We will use or develop national procurement frameworks for such support with the NHS procurement shared services to ensure that value for money is maximised for any support that is provided.

Implementation date: *July 2014*

Recommendation 10.

The Committee recommends that the Welsh Government works with Health Boards to develop mechanisms for sharing financial/service planning and management of good practice across the NHS Wales at all levels. This could involve using the model of the Wales Audit Office Good Practice exchange.

Response: - Accept

As part of the process for updating the 2013/14 plans, the Welsh Government implemented a supportive peer review process which reinforced the need for sharing good practice as part of development of the Integrated Medium Term Plans. This included running workshops in September and November 2013. Additionally Welsh Government have supported Health Boards and Trusts in sharing their 2014/15 to 2016/17 Integrated Medium Term Plans and in running workshops to seek feedback from the current planning process and identifying improvements and support required for future plans.

Additionally the Directors of Finance group have, during 2013/14, realigned to a forward looking agenda and work plan to focus on the

sharing of good practice and benchmarking. This also includes the Directors of Finance sub groups terms of reference and work programmes to include best practice.

The key to sharing good practice will be through clinicians via clinical networks and other professional and specialty groups. The strength of these groups provides the environment for clinical peer reviews across organisational boundaries. This will be taken forward as a key theme through the prudent healthcare group, through organisational Boards and all professional groups.

Implementation date: *Actioned and on-going*

Recommendation 11.

The Committee recommends the Welsh Government examine whether the differences in terms and conditions between Wales and England have led to differences in cost-effectiveness and whether these are offset by benefits to recruitment and retention. The findings should inform discussions about the terms and conditions to ensure Wales is able to attract the right calibre of staff while achieving optimum value for money.

Response:- Accept

With regard to the difference in the consultant contract in Wales, this is already the subject of on going engagement with the British Medical Association (BMA) and as part of the broader employee relations framework.

With regard to staff on the Agenda for Change (A4C) contract (all staff other than medical staff and Very Senior Managers/Executives) a negotiation exercise has just been completed and Trade Union and staff representatives are in the process of consulting their members on re-aligning the terms and conditions in Wales with the rest of England. Recent evidence to the Pay Review Body in September 2013 indicated that the recruitment and retention of staff on these contracts is not a cause for concern. The ongoing remit of the Strategic Pay Taskforce will continue to examine the impact of current and/or proposed changes and is due to provide an update in September 2014.

Implementation date: *Actioned*

Recommendation 12.

In light of the move to disinvest in services, the Committee recommends that the Welsh Government provides the costs relating to

pay protection in the NHS Wales. This will enable the cost and value of this policy to be determined.

Response:- *Accept*

Costs relating to pay protection have been provided as part of the discussions with Trade Unions in the course of the Strategic Pay Taskforce's work. It has formed part of the on-going discussions and proposals put forward by NHS employers and Trade Unions on how savings can be achieved by revising existing all Wales policies.

One such policy is the Organisational Change Policy (OCP). The policy had been originally agreed by the Welsh Partnership Forum and had been a reference document for re-organisations undertaken in 2007 and 2009. One of the NHS employers' suggestions has been to address what they consider to be overly generous protection arrangements detailed in the OCP.

Negotiations continue in line with broader discussions on further changes to Agenda for Change Terms and conditions and the sustainability of the NHS pay bill.

Implementation date: *Actioned*