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Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol  
Minister for Health and Social Services



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref : SF/MD/312/15

David Rees AM  
Chair of the Health and Social Care Committee  
National Assembly for Wales  
Ty Hywel  
Cardiff Bay  
Cardiff  
CF99 1NA

*Dear David,*

3 February 2015

### Health finances and reform

I refer to your letter of 10th December in which you ask for further information to help inform your decision on whether or not to undertake work on health reform before the end of this Assembly. To help inform your Committee's consideration of the Finance Committee's recommendations you have asked for further information as outlined below.

### Current funding

*Confirmation of whether plans are in place for the additional funding for 2014-15 and 2015-16 to be used to deliver health service reform or to maintain current service levels only*

The independent report published by the Nuffield Trust in June 2014 clearly set out the future financial challenges facing the NHS. This report provided the main supporting evidence for the additional funding to be provided to the NHS. One of the main conclusions from the report was that the NHS in Wales is affordable in the future if it receives a share of national income and continues to deliver the productivity and efficiency gains it has in the past. These productivity and efficiency actions will continue, with further potential efficiencies coming from centralising highly-specialised services, providing more care in communities closer to people's homes, preventing people from being admitted to hospital for routine treatment, further increasing the integration with social services and pursuing a prudent healthcare agenda across all services we deliver.

Consequently the additional funds announced in the draft budget will be used, alongside the totality of the healthcare budget to continue to deliver the high quality and safe services our patients expect while at the same time ensuring the whole budget is used in a way which contributes to reshaping and reforming the way we deliver our health services to ensure we are on a more sustainable footing.

The refreshed planning guidance, which was issued on 31 October 2014, clearly outlines our expectations in terms of what changes we expect to see. The extent of the reforms and changes NHS organisations are planning to make will be evident within their three-year integrated plans to be submitted by 30<sup>th</sup> January 2015. In order to obtain Welsh Government approval they will need to

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clearly demonstrate how such reforms will contribute to meeting the policy objectives and enable the continued delivery of sustainable services.

*Confirmation of the planned or agreed distribution of the additional £200 million funding available to individual health boards and trusts in 2014-15, as soon as these figures are decided, including how these allocations were calculated*

All NHS organisations are required to submit service and workforce plans in line with the new planning guidance and requirements. Whilst some organisations were unable to satisfactorily complete three-year balanced plans in accordance with the requirements, they must ensure they at least submit robust board-approved plans on a one-year basis.

It is important that organisations continue to be held accountable to deliver against the original planning commitments their boards approved. Consequently the additional £200m has been allocated in accordance with the original resource requirements outlined within their plans.

A proportion of the £200m is needed to cover the cost of the pay award, which will be distributed separately. The remaining £175 m has been allocated as follows:

Organisation	Additional Allocation of £m
Abertawe Bro Morgannwg University HB	26.100
Aneurin Bevan HB	26.700
Betsi Cadwaladr University HB	35.000
Cardiff and Vale University HB	15.500
Cwm Taf HB	8.000
Hywel Dda HB	38.700
Powys HB	25.000
<b>Total</b>	<b>175.000</b>

*Confirmation of the additional funding available to individual health boards and trust in 2015-16, including how these allocations were calculated once available*

I have previously informed the committee that additional allocations in 2015-16 would be based on an updated resource allocation formula. The £200m allocated in 2014-15 will need to be put into the baselines of NHS organisations on this basis.

As part of the 2015-16, health board revenue allocation letter, issued in December 2014 an additional £200 m was allocated as follows:

	Direct Needs Target Share - December 2014	Additional Allocations - 2014
	%	£m
Abertawe Bro Morgannwg University	17.908%	35.815
Aneurin Bevan	19.132%	38.264
Betsi Cadwaladr University	21.257%	42.515
Cardiff and Vale University	14.395%	28.789
Cwm Taf	11.112%	22.225
Hywel Dda	12.128%	24.255
Powys	4.069%	8.137
<b>Total / Average</b>	<b>100.000%</b>	<b>200.000</b>

The receipt of NHS organisations integrated medium term service plans before the beginning of next financial year will provide the further evidence required to inform the distribution of any additional allocations that may be made from the small DHSS contingency fund. This will support the additional financial flexibility which may be requested and provided under the new regime introduced following the NHS Wales (Finance) ACT 2014.

*An outline of how the additional £70 million funding announced by the Minister for Finance and Government Business following the UK Government's Autumn Statement, will be targeted to "support the Welsh NHS to undertake the reform and the step change needed to secure the long-term sustainability of the health service in Wales" as set out in her written statement on 3 December*

As detailed in the note I sent to you on the 28 January, I issued a written statement to all Assembly members on that day. The statement outlined how the additional funding from the Welsh Government to the NHS would be invested.

*A summary of the key dates in the 2015 timetable for agreeing three year plans, to begin with the deadline for the submission of plans in January 2015.*

The NHS Planning Framework issued 31 October 2014 included the following Plan Approval timeline.

Action	Timescale	WG	NHS
NHS Boards approve 'Final Draft' version of IMTP	January 2015		✓
NHS organisations submit the 'Final Draft' Board-approved plans to WG	31 <sup>st</sup> January 2015		✓
WG scrutiny process	February – March 2015	✓	
Boards respond to feedback from scrutiny process and amend Plans accordingly. Boards then approve final versions	Prior to 31 <sup>st</sup> March 2015		✓

### Future funding and long-term sustainability

*An outline of additional outcomes, if any, to be achieved with the additional funding in 2014-15 and 2015-16*

As referred to above, the additional funding will enable the NHS to continue to deliver the services and positive outcomes our patients expect, whilst at the same time reshaping and reforming our services. The required delivery outcomes and the actions necessary to delivery these are/will be clearly set out in the NHS organisation's three-year integrated medium term plans.

*An outline of the arrangements that have been or will be put in place to monitor the outcomes of this investment*

We have a number of vehicles through which we monitor and oversee the performance of NHS organisations to ensure they are delivering against expectations and remain on track to deliver against their approved service plans.

These include:

- Monthly chief executive meetings where delivery and financial performance is scrutinised.
- Joint Executive Team meetings (JET) are held every six months with each health board and NHS trust and are attended by members of the executive director team

and the chief executive and the executive team of the individual health board or NHS Trust.

- The integrated delivery board (IDB) is held monthly and chaired by the delivery programme director or deputy chief executive of NHS Wales. This meeting monitors the progress of health boards and NHS trusts' performance against the delivery and outcome framework and their integrated medium term plans.
- The quality and safety assurance group is held monthly and chaired by the deputy CMO. This meeting monitors the progress of health board / NHS trust performance against WG quality and safety delivery requirements.
- Quality and delivery meetings are held monthly, although they can be less frequent when organisations are considered to be delivering on performance and quality.
- Detailed submission of monthly financial monitoring returns. Where the financial performance is reviewed in detail and explanations sought for any adverse variances from plan.

In addition we also have escalation and intervention arrangements developed in agreement with HIW and the WAO, where information on the performance and progress of NHS organisations is shared.

*An outline of any plans the Welsh Government has in place to assess whether services are being reformed and also the levels of funding required for the health service beyond 2015-16 to ensure that the delivery of services remains sustainable*

One of the main ways in which we will examine whether services are being reformed is through the medium term plans. The assessment of whether services are being reformed will be undertaken through the formal review, scrutiny and approval of the integrated medium term plans, with performance and delivery of those service reforms managed through the main performance management arrangements detailed above.

The levels of funding required for the health service beyond 2015-16 is clearly a matter for Welsh Government to consider in context of the settlement from the UK Government. The Nuffield Trust report "A Decade of Austerity in Wales?" published in June 2014 is a key independent assessment of the funding requirements and challenges.

Best wishes,

Mark

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