

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/
Prif Weithredwr GIG Cymru
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 AM
Chair
Public Accounts Committee

Our Ref: AG/SE/JM

6 November 2017

Dear Mr Ramsay

NHS Finance (Wales Act) 2014

Further to my appearance at the Public Accounts Committee meeting on 10 July 2017 and your letter dated 11 October 2017, I wish to provide the committee with a further response on the issues raised, which I hope will be helpful.

In year funding

We have taken action since the introduction of the Act to remove the traditional reliance by health boards on additional in-year funding. In particular, we have been quite clear that we will not provide funding for boards just to cover deficits. We have placed a strong emphasis on board governance and accountability, which was why we commissioned Deloitte LLP to undertake financial governance reviews of those organisations in escalation. Their reports, and the health board's responses, were published by the boards with their September board papers.

In terms of medium term planning, we issue health boards with a confirmed annual revenue allocation at least three months before the start of the financial year, and we also issue further planning assumptions to enable them to plan over a three year period.

We have provided NHS organisations with an additional £50 million funding for performance in 2017-18. This funding is in addition to recurrent allocations, and is to enable organisations to improve on their planned performance levels during the year.

Finance Academy

The Finance Academy vision to create a Finance Function that is "Best suited to Wales but comparable with the best anywhere." includes a programme covering four main themes of:

- Developing our People
- Innovating and Adding Value
- Working in Partnership
- Driving Excellence

Each theme is overseen by a Finance Director Sponsor and all FDs in Wales come together to oversee the entirety of the programme through the Finance Academy Board

<http://www.financeacademy.wales.nhs.uk/home>

Programme Plans and achievements include:

- Finance Skills Development programme – series of learning events that are open to all NHS Wales finance staff
- Annual recruitment of graduate trainees for future succession planning
- Talent Pipeline development programmes for improving Finance Leadership across NHS Wales
- Delivering a bespoke programme of masterclasses to provide practical support to DoFs and their senior teams along the themes of value, financial governance, understanding variation & programme delivery
- Collaboration with WAO, Local Government and other publically funded bodies to jointly organise finance training and development for students/trainees across the public sector
- Promoting Value based Healthcare methodology and supporting its practical application, including working with the National Respiratory Health Implementation Group to identify improvement opportunities in COPD
- Working with Bevan Commission to support Bevan Exemplar programme – supporting financial evaluation & value driven business case development, bringing financial and clinical staff together & facilitating the spread of innovative practice across Wales
- Communication and Engagement programme for and with Finance Staff including surveys, Finance Academy website and newsletters to support finance staff development and signpost learning and development
- Working with clinical and non clinical professional groups - including workforce, procurement, informatics, planning, HR &OD - to share good practice, experience of setting up an academy, and facilitating joint learning events
- Developed working partnerships with other organisations to further the work of the Academy including HFMA, professional accounting bodies, WAO, Universities; Private sector; ICHOM; all-Wales Finance Skills Development Group
- Improving use of systems and processes in partnership with Workforce Directors (Hire 2 Retire Programme) and Procurement leads (Purchase 2 Pay Programme)

Future programme proposals include

- Developing a joint clinical / financial development programme for mutual learning across professions
- Developing a culture of coaching and mentoring across NHS Wales Finance
- Developing Excellence in Financial Governance – supporting development within Finance and across Boards
- Supporting the spread of Innovation that works through the finance community

Finance Training for Board members

In June 2016 the Finance Academy arranged development session for Independent Members on Finance and Governance. The development session included presentations from Deputy Chief Executive NHS Wales, HSS Finance Programme Director, an LHB Finance Director, Wales Audit Office Director and Board Secretaries. The Finance section covered funding and allocations, NHS Finance (Wales Act) 2014, three year financial duties, integrated medium term planning and business cases.

Academi Wales, supported by HSS and NHS officials, has developed an Induction Programme for new Independent Members to provide information and support they need to be confident and productive in their roles. Module 2 of the programme, on “Planning, Resources and Delivery” will include finance, based on the earlier Finance Academy finance section, on funding and allocations, NHS Finance (Wales Act) 2014, three year financial duties, integrated medium term planning and business cases.

Reporting of Deficits

I note the Committee’s view that deficits are shown clearly on the balance sheet of organisations. The format of local health board accounts follows directions issued by Welsh Government in accordance with HM Treasury requirements which are consistent across the UK public sector. As the deficits incurred are essentially comprised of overspends against annual revenue resource limits, in terms of accounting treatment there are technically no liabilities incurred which need to be recorded in balance sheets at the end of the financial year.

Welsh Government have agreed a reporting approach with the Wales Audit Office so that there is a dedicated note in health boards accounts on performance against financial duties, which sets out the performance against the requirement to break-even over a rolling three-year financial period.

An example of this disclosure can be found in note 2.1 (page 20) of the 2016-17 annual accounts for Hywel Dda University Health Board that were laid before the Assembly on 9th June 2017. The link to this document is <http://www.assembly.wales/laid%20documents/agr-ld11065/agr-ld11065-e.pdf>.

Hywel Dda University Health Board

A Zero Based Review was undertaken to assess any “excess” costs of the current configuration of Hywel Dda UHB healthcare services against an appropriate comparator. The review assessed any “excess cost” within the four key areas of

- Demographics:
- Remoteness:
- Service configuration (scale):
- Efficiency:

Within these four areas the costs were assessed and categorised the over the following headings:

- Unavoidable
- Partially controllable in the medium to long term
- Controllable in the short to long term

The findings of the zero based review are being evaluated by officials and advice will be developed in due course.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Goodall". The signature is fluid and cursive, with the first name "Andrew" and the last name "Goodall" clearly distinguishable.

Dr Andrew Goodall