

**Public Accounts Committee
NHS Finances
Welsh Government Scrutiny Session – 9th March 2020**

Evidence paper from the Director General, Health and Social Services

INTRODUCTION

The 2019-20 Draft Budget provided for increased investment of over £500 million in health and social services in the current financial year, with nearly £200 million being allocated to support action to implement the vision set out in A Healthier Wales. The First and Second Supplementary budgets provided additional funding for specific pressures and priorities, the most significant of which was an additional £170 million in the First Supplementary Budget to cover the increased costs of employer's contributions to the NHS Pension Scheme.

This paper provides Committee Members with an update on the financial outlook for NHS Wales organisations in 2019-20, and the planning and performance factors impacting on the financial position. It also includes an update on how the additional investment is being used during the current year, as well as an update on the NHS Resource Allocation Review.

INTEGRATED MEDIUM TERM PLANS

2019-20 Integrated Medium Term Plans

At the evidence session in July 2019, I confirmed that the Minister for Health and Social Services had approved Integrated Medium Term Plans (IMTPs) for seven organisations covering the financial years from 2019-20 to 2021-22. This included approval of Cardiff and Vale University Health Board (UHB) for the first time in several years, contributing to the organisation's de-escalation to the lowest level of government oversight and intervention.

Three health boards were unable to submit approvable IMTPs for this period. Hywel Dda UHB developed an Annual Plan for 2019-20. Swansea Bay and Betsi Cadwaladr UHBs developed draft plans which were considered by their Boards, but these could not be finalised due to significant ongoing challenges relating to performance and finance. Welsh Government officials have continued to provide support to all three organisations, and have monitored their positions via the regular Quality & Delivery, Targeted Intervention/ Special Measures, and Joint Executive Team meetings.

NHS Planning Framework for 2020 to 2023

The NHS Planning Framework covering the financial years from 2020-21 to 2022-23 was published in September 2019, in conjunction with a National IMTP. The Framework reflects the Ministerial priorities and also the key learning taken from the previous planning cycle. NHS organisations submitted their board-approved plans to Welsh Government at the end of January 2020 and these plans are currently being reviewed as part of the normal annual assurance process.

The three health boards that were unable to develop approvable IMTPs in 2019-20 are again developing Annual Plans for 2020-21, which will be considered by their Board in March. Bespoke planning guidance has been issued to each of the organisations this year to support the development of their plans noting their particular circumstances. The bespoke guidance complements the NHS Planning Framework and is intended to clarify the requirements and expectations of each of the health boards.

NHS FINANCES

2019-20 Financial Forecast

Our ambition for 2019-20 was to be able to demonstrate a material improvement in the underlying financial health of NHS Wales organisations, and to limit any remaining deficits to the two NHS organisations with the most significant financial challenges - Betsi Cadwaladr and Hywel Dda University Health Boards. This ambition was reflected through the progress being made in the development of NHS plans, with the Minister for Health and Social Services being able to confirm the approval of seven financially-balanced Integrated Medium Term Plans (IMTPs), covering the period 2019 to 2022. This included approval of Cardiff and Vale UHB for the first time in several years, contributing to the organisation's de-escalation to the lowest level of government oversight and intervention.

As at the end of January 2020, all seven organisations with approved IMTPs are forecasting that they will achieve a balanced outturn at the end of 2019-20. In addition, Health Education and Improvement Wales (HEIW) which prepared a one year plan for 2019-20 in line with its establishment arrangements, is also forecasting a balanced outturn. We therefore expect eight organisations to break-even. However, the remaining three health boards – Betsi Cadwaladr, Hywel Dda and Swansea Bay – are forecasting a combined outturn deficit of £92.3 million for 2019-20. Details of the 2019-20 forecasts compared to the 2018-19 outturn are detailed in the table below:

Organisation	2018-19 outturn £m	2019-20 forecast surplus / (deficit) £m	Improvement / (Deterioration) in 2019-20 £m
Health Boards:			
Aneurin Bevan	0.0	0.0	0.0
Betsi Cadwaladr	(41.3)	(41.0)	0.3
Cardiff and Vale	(9.9)	0.0	9.9
Cwm Taf Morgannwg	0.0	0.0	0.0
Hywel Dda	(35.4)	(35.0)	0.4
Powys	0.0	0.0	0.0
Swansea Bay	(9.9)	(16.3)	(6.4)
NHS Trusts			
Public Health Wales	0.0	0.0	0.0
Velindre	0.0	0.0	0.0
Welsh Ambulance Services	0.0	0.0	0.0
HEIW	0.0	0.0	0.0
Total	(96.5)	(92.3)	4.2

The current overall net forecast outturn for the NHS for 2019-20 is a modest improvement on the 2018-19 outturn. With the exception of Swansea Bay University Health Board (in comparison with its predecessor organisation, Abertawe Bro Morgannwg University Health Board) all organisations are forecasting to have maintained or improved on their outturn for 2018-19. We expect the Health and Social Services MEG budget to break even overall.

Financial Intervention and Support

Despite the overall improvement, we have continued to provide direct challenge and support to the three organisations still in a deficit position. Under the oversight of the Finance Delivery Unit, financial planning and delivery support interventions by external consultants were commissioned for these three organisations. The intention of all three interventions was to ensure action was being taken to deliver against their plans for 2019-20, and to ensure a pipeline of opportunities for future efficiencies was being progressed.

A key theme that emerged from all three interventions, which potentially also applies in other health boards and the trusts, is the need to tighten financial control within organisations. This should include:

- Ensuring a formal process of Board approval of the budget plan, followed by a robust process of delegation to budget holders and holding them to account for delivery;
- An appropriate policy for holding and managing reserves;
- A tight financial performance framework so that variances are identified and escalated to be managed efficiently;
- Ensuing best practice in board reporting.

The Finance Delivery Unit has presented these findings to NHS Finance Directors who have acknowledged the need to review the systems within their own organisations to ensure a robust financial control system is in place and is being complied with. In addition, Finance Directors are also undertaking a refresh of the Standing Financial Instructions which are a core component of the financial governance regime for each organisation.

NHS Finance Academy

The NHS Wales Finance Academy is the voluntary collaboration of every Director of Finance and their teams across NHS Wales, approximately 760 staff in total, with the collective ambition to improve the skills and support of the finance function to organisations across NHS Wales. The ethos of the Academy is that every member of staff working in the NHS Wales Finance is a “member” of the Academy and plays a vital contribution to improvement of both themselves and the finance function, and hence improving services for patients. It has a stated ambition which is to be “Best suited to Wales but comparable to the best anywhere”

Examples of the Academy’s work programme include:

- The development of a Talent Pipeline programme, proactively targeting development support to current and future financial leadership talent across the breadth of a career in NHS Finance – from graduate trainee to Director of Finance. To date over 90 staff have been recruited to our programmes leading to many acquiring new leadership positions across NHS Wales including Directors of Finance
- Collaborating with other public sector organisations in Wales to offer cross public sector development opportunities for finance including the establishment of an annual national public sector finance student event and the launch of public sector finance apprenticeship programme from Sept 2020 targeted at 16-18 year olds.
- Development of a national Finance Digital Strategy focussing on robotics, predictive analysis, Artificial Intelligence and realising the benefits of MS 365
- Collaborating with the Bevan Commission’s Bevan Exemplar programme, providing finance partners to support 132 exemplar projects over the past 4

years. giving finance staff the opportunity to work with an innovative clinician and benefit from the Exemplar development programme

- Playing a leading role in establishing the “Round Table of Finance Academies” with organisations such as Rolls-Royce, BAE, GSK & Ministry of Defence to collectively learn how to approach finance staff development across sectors, NHS Wales hosting the round table in July 2019.
- Collaborating with Medical Directors to establish a joint clinical and financial development programme, accredited by the Faculty of Medical Leadership and Management focusing on the practical application of value based healthcare. To date 11 pairs of clinician and finance staff have completed our programme and applied a VBHC approach in their service areas
- Collaborating with Universities and other Education providers to deliver educational aspects of our programmes including the Executive Education programme for Aspiring Senior Finance Leaders and Directors of Finance.

The Academy has received recognition for its work through winning the following awards

- 2018 Leading Wales Award for “Inspiring Great Leadership”
- 2019 Public Finance Award for “Finance Training and Development Initiative” (cross UK / cross public sector)
- 2019 Public Finance Wales Award – Team of the Year (for the Finance Academy Programme team)

NHS Resource Allocation

The Committee has previously recommended that Welsh Government complete its review of the funding formula for health boards to ensure that variations in funding levels properly reflect differences in population health needs and other determinants of healthcare costs. Previous updates have described the work being undertaken to deliver this recommendation. The work has been overseen by a Technical Advisory Group, consisting of senior Welsh Government officials and NHS representatives, with the addition of independent specialist economic advice.

The work to develop the formula to be applied to the £4.9 billion discretionary hospital and community health board allocation was completed last Autumn, and has now been used to distribute £110 million of additional growth funding for 2020-21. The following table sets out the new allocation shares for each health board and compares to their population proportions to provide an index of relative need;

	Population Share	Formula Share	Index
Aneurin Bevan	18.80%	18.95%	1.008
Betsi Cadwaladr	22.23%	22.38%	1.007
Cardiff and Vale	15.95%	13.50%	0.846
Cwm Taf Morgannwg	14.16%	15.13%	1.068
Hywel Dda	12.26%	12.90%	1.052
Powys	4.18%	4.17%	0.996
Swansea Bay	12.41%	12.97%	1.045
Total	100.00%	100.00%	

The work on formula development and refinement is continuing into 2020-21 with oversight from the Technical Advisory Group. Consideration is now being given to extending the formula to cover other elements of the revenue allocation, including mental health and primary care.

AGENCY STAFFING

There will always be a need for temporary staffing capacity within organisations to cover unpredictable circumstances such as sickness absence or staff turnover and the impact of these events will fluctuate over time. In addition, organisations may decide to draw on some temporary staffing capacity to provide flexibility during periods of organisational change or during preparation of local service redesign. The critical issue is ensuring that any change in expenditure has been clearly scrutinised, the reasons for deployment is clearly understood and action is in place to minimise deployment of temporary staffing capacity where this is practical.

We introduced a standardised control framework across Wales in 2017 to address some of the generic issues affecting deployment of agency staff and overall this has resulted in a reduction on medical agency expenditure. These controls included establishing cap rates, financial controls and consistent data collection and reporting arrangements to enable all Wales benchmarking and reporting. However, we have also recently seen an increased expenditure on the number of temporary nursing staff being deployed. The reasons for increased deployment are likely to be multifactorial and some of the increase is likely to be a result of the significant increase in demand on NHS Wales services due to Winter pressures and introduction of the first full year of the requirements of the Nurse Staffing Levels (Wales) Act.

It's important to highlight that a range of local factors that affect demand for services within different organisations and different parts of the workforce are reflected in their expenditure profiles. Therefore, we would not necessarily expect the spend figures on Agency and Locum to follow a smooth downward trend.

Alongside the implementation of the new Control Framework, and in response to the WAO study and recommendations a NHS Wales Strategic Workforce Deployment Steering Group has been established to provide leadership across the NHS. The purpose of this group is to support the development and delivery of a work programme for finding more effective ways of delivering priorities, building capacity and ensuring that resources are in place to improve the effective deployment of the workforce. These include a work stream to improve rota management by standardising and improving flexible staff deployment through e-rostering by identifying and sharing best practice. Improved flexibility and deployment of the temporary workforce will be delivered through the development of a collaborative Workforce Bank. The first stage of this work stream is due to go online with the Collaborative Bank Partnership (pilot phase) for Registered Nurses from 6 April 2020.

PERFORMANCE CONTEXT

Welsh Government has provided significant support to NHS organisations during 2019-20 to support improvements in planned care performance, and to meet the additional demands on unscheduled care service provision over the winter period. However, a number of factors have led to this being a challenging year for delivery.

Planned care

An additional £50 million has been provided for planned care improvements, of which £46.5 million was allocated to health boards and £3.5 million has been used to support outpatient redesign. This funding was intended to be used to build on progress made over the previous three years and deliver improved waiting times at year end across a range of planned care areas. However, due to increased unscheduled care pressures during the year, with the highest number of A&E attendances recorded in 10 of the 12 months, and changes to HMRC pension tax rules, health boards have been unable to secure the additional capacity locally to deliver the necessary improvements. As a consequence, improvements in planned care have been limited during the year. Analysis of patient impact between April to December across Health Boards assessed that 3,200 sessions were lost and 27,000 patients were impacted by limited flexibility to operate core and additional sessions.

Unscheduled care

Welsh Government has provided £40 million to the health and care sector during 2019-20 to manage demand for unscheduled care, especially during the winter period. £27 million of this funding has been allocated by choice through Regional Partnership Boards (RPBs) to develop integrated solutions to managing hospital avoidance, early discharge and support community infrastructure; £10 million has

been allocated directly to health boards and £3 million has been used for national programmes.

The application of the funding has been aligned to seven key themes co-designed with clinical and system leads at the beginning of 2019-20:

- Optimising cross sector working
- Out of Hours primary care resilience
- Preventing unnecessary conveyance to Emergency Departments and admissions to hospital
- Discharge to assess and recover pathways
- Community step down capacity
- Focus on respiratory pathway
- Focus on frailty

Whilst 2019-20 has been one of the most challenging years on record in terms of demands facing unscheduled care services, and has been the busiest year on record for A&E attendances, the additional investment has generated a range of outcomes which have helped to mitigate this impact, including:

- 24,000 patients supported by British Red Cross in December 2019 through the Emergency Department wellbeing and home safe service. 365 vulnerable patients transported and resettled at home. 197 patients referred to other community services leading to a 96% patient satisfaction rate.
- 1985 patients supported to leave hospital more quickly and safely through home improvements, 3205 home improvements made, 1400 healthy home checks (April – December), patients supported to access £0.7m of unclaimed benefits (additional benefits per annum), 98% of patients to return survey said the service helped them to return home safely and live independently.

INVESTING IN A HEALTHIER WALES

2019-20 has been a year of significant investment to support delivery of the vision we set out in our long term plan for health and social care, A Healthier Wales. This section updates the Committee on progress during the year from this investment.

Transformation Fund

The Transformation Fund was launched in the summer of 2018 with a budget of £100million. So far £89million has been committed across all RPBs, with the support of local stakeholders, with the aim to improve healthcare and social services by

scaling up successful service models with the ultimate aim of replacing less successful or outdated ones.

Proposals were required to provide convincing information to show that they comply with the **ten design principles** set out in *A Healthier Wales* and in particular that they were:

Scalable – ensuring that good practice scales up from local to regional and national level, and out to other teams and organisations.

Transformative – ensuring that new ways of working are affordable and sustainable, that they change and replace existing approaches, rather than add an extra permanent service layer to what we do now.

The following proposals have been **approved to date** (a summary has been published on the Welsh Government webpages:

<https://gov.wales/sites/default/files/publications/2019-03/transformation-fund.pdf>):

RPB	Total	Transformation Fund - proposal title
Cardiff and Vale RPB	£6,947,984	Me, My Home, My Community
Cwm Taf Morgannwg RPB	£22,734,000	1. Stay Well in Your Community / Accelerating the Pace of Change for Our Integrated Services
Cwm Taf Morgannwg RPB	£1,385,124	2. Home Dialysis
Gwent RPB	£13,458,000	Implementing a seamless system of health, care and wellbeing
North Wales RPB	£2,320,000	1. Together for Mental Health in North Wales
North Wales RPB	£1,690,000	2. NW Together: Seamless services for people with learning disabilities
North Wales RPB	£3,000,000	3. Integrated Early Intervention and Intensive Support for Children and Young People
North Wales RPB	£6,004,000	4. Community Services Transformation
Powys RPB	£2,554,360	Delivering a Healthy, Caring Powys
West Glamorgan RPB	£1,731,000	1. Cwmtawe Cluster Whole System Approach

West Glamorgan RPB	£8,883,000	2. Seven cluster roll-out of the Whole System Approach
West Glamorgan RPB	£5,920,840	3. Our Neighbourhood Approach
West Glamorgan RPB	£261,393	Nocturnal Dialysis
West Wales RPB	£11,963,306	A Healthier West Wales
	£88,853,007	

Aspects of key themes – such as cluster-based working and shifting healthcare from secondary to primary and community-based care, and the linking of healthcare and social care – are apparent in all proposals. Work is ongoing as part of evaluation activity to compare and consolidate outputs and indicators to enable meaningful evaluation at regional and national level, and we are developing Communities of Practice to support practical learning and implementation.

In his Oral Statement on 14 January, the Minister provided an update on the Fund and outlined the approach to allocating the remaining £11million. This was followed by a letter to RPBs including a call for proposals and supplementary guidance.

All regions have completed Theories of Change for their proposals, and a National Evaluation Framework for the Transformation Fund was agreed with RPBs in April 2019. This will help us to understand what works, in a comprehensive and consistent way, and to support the opportunity for broader and consistent implementation across Wales. RPBs have submitted their first Mid-Point Evaluation Reports to provide early findings on the progress of transformation projects to date.

We have implemented regular learning network workshops where regional teams and Welsh Government discuss progress, lessons and examples of good practice emerging from proposals, and fourteen workforce engagement events highlighting local transformation projects have taken place across Wales, organised and run as a partnership by Welsh Government and RPBs.

Digital Priorities

A Digital Priorities Investment Fund, totalling £50 million comprising of capital and revenue investment, has been established in 2019-20 as a key enabler of system change. The Fund is being managed as a portfolio of strategic programmes across

six themes:

- Transforming digital services for patients and public
- Transforming digital services for professionals
- Investing in data and intelligent information
- Modernising devices and moving to cloud services
- Cyber-security and resilience
- Key Cross Cutting Activity

The key outputs from the Fund in 2019-20 include:

- Delivery of four key reviews (infrastructure, commercial, workforce and communication);
- Establishing and recruiting a Chief Digital Officer for Care;
- Transitional work to establish a new Special Health Authority for Digital services; and
- Key programmes such as the National Data Resource and Welsh Community Care Information System.

Primary Care

The national primary care fund of £40m was set up in 2015-16 with 3 stated priorities; service sustainability, better access and more services available in the community. The funding is achieving:

- Systematic testing and sharing of learning of new seamless models of care through the national primary care pacesetter programme
- Better access to the right professional through more multi professional teams in GP practices e.g. pharmacists and physiotherapists
- Better access to a wide range of non clinical wellbeing services through new workforce roles to link people to these services
- Increased capacity in community services teams

In June 2019, following the conclusion of negotiations, the Minister for Health and Social Services announced the new General Medical Services (GMS) Contract for 2019-20. This included new investment of around £25m into GMS services and a one-off permanent adjustment relating to indemnity costs, with no future implications for the GMS contract.

The new investment included:

- An uplift of 3% to the general expenses element of the contract;

- Investment in the implementation of the Access to In-Hours GP Services Standards;
- Investment into Global Sum to fund the infrastructure needs of practices in working towards achievement of the access standards;
- The introduction of a new Partnership Premium Scheme to incentivise partnership working as the preferred delivery model and to encourage our new GPs to take up these partner roles

The following activities were also agreed to improve the provision of GMS:

- With a clear focus on strengthening the role of clusters in terms of working collaboratively to plan and deliver services locally, practices will now be required to be members of a cluster, through the terms of the core contract.
- An improved cluster planning process with clearly defined output and activity indicators included in the new Quality Assurance and Improvement Framework (QAIF) and a requirement for the delivery of Enhanced Services to be planned at cluster level. The wider strategic context and governance arrangements of Enhanced Services will be reviewed during 2020.
- A revised improvement focussed Quality Assurance and Improvement Framework (QAIF), to include the introduction of a “basket” of Quality Improvement Projects to be delivered at a cluster level with a focus on Patient Safety.

Prevention and Early Years

£10 million has been invested in supporting effective interventions in relation to the prevention of ill health and early years. The Minister for Health and Social Services agreed that £2.8 million should be used to establish a grant scheme specifically to enhance early years’ provision. I wrote to health boards, Public Health Wales and to chairs of RPBs setting out details for allocation of the remaining £7.2 million for targeted health intervention programmes. The funding allocated to the health boards is being invested through plans agreed jointly with RPBs who were asked to agree priorities for investment in their regions. Funding for Public Health Wales is intended to enhance system leadership at a national level and allow for upscaling of universal prevention schemes.

As part of their system leadership role, Public Health Wales have drawn up a draft specification on tracking spend on prevention. Included in the specification is: the baselining of spend on prevention; evidence review to learn from countries that invest a lot in prevention or have successfully made a shift; stakeholder engagement

to understand the barriers and enablers and development of a model to track spend on prevention. This work to be taken forward in 2020-21 will be aligned to the Building a Healthier Wales priorities and Public Health Wales is working with officials to deliver this.

Investing in our workforce

Our objective is to ensure staff feel valued and that the NHS remains an employer of choice in Wales.

Wales is committed to the independent pay review process whereby the Doctors' and Dentists' Review Body (DDRB) and the NHS Pay Review Body (NHS PRB) are commissioned by UK health departments on an annual basis to provide observations and recommendations on pay for NHS doctors and dentists and NHS staff on Agenda for Change (AfC) terms and conditions, respectively.

A three year pay agreement for AfC staff, which has been implemented on a four country basis, was reached in partnership in 2018 and so for pay rounds 2019-20 and 2020-21 the NHS PRB has been asked simply to monitor and provide observation on the implementation of this agreement.

For the 2020-21 pay round as for 2019-20 we have asked the DDRB to provide observations and recommendations on what would be an affordable and fair pay award for doctors and dentists. We expect both the NHS PRB and the DDRB to publish their 2020-21 reports in June after which time we will consider their recommendations and provide advice to the Minister for Health and Social Services.

We are increasing our investment in education and training programmes for healthcare professionals in Wales. We invested an additional £7 million in 2019-20, and will invest a further £15 million in 2020-21. 2020-21 will be the sixth consecutive year funding to support health professional education and training in Wales has increased.

2019-20 represents the first full financial year for Health Education and Improvement Wales (HEIW) which has specific functions to transform the workforce. The organisation is working to a one year annual plan in 2019-20, and have now submitted a three year IMTP to for approval covering 2020 to 2022.

SUMMARY

Whilst there remain a number of financial challenges during the remainder of this financial year still to be managed, I expect the overall Health and Social Services MEG to balance again at the end of the year. The majority of NHS organisations are

now demonstrating financial stability and maturity in their planning processes, but three organisations continue to cause concern specifically in terms of managing finances, although there are other areas highlighted in the escalation process. A range of factors, including changes to tax rules and significant levels of demand for acute care, have made the year challenging in terms of performance and service delivery. However, we continue to make progress in transforming the health and social care sector, in line with our plan set out in A Healthier Wales, with new models of care being developed and implemented in each region, and with significant new investment in digital technology. This progress is expected to continue and accelerate into 2020-21.