

Y PWYLLGOR CYFRIFON CYHOEDDUS - 11 TACHWEDD 2014

Adroddiad Swyddfa Archwilio Cymru - GIG Cymru: Trosolwg o Berfformiad Ariannol a Pherfformiad Gwasanaethau 2013-14.

Nodyn gan y Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol.

Cyflwyniad

Croesawodd Lywodraeth Cymru adroddiad Swyddfa Archwilio Cymru GIG Cymru: Trosolwg o Berfformiad Ariannol a Pherfformiad Gwasanaethau 2013-14 a gyhoeddwyd ar 14 Hydref 2014. Dyma'r trydydd adroddiad mewn blynyddoedd olynol i adrodd ar berfformiad ariannol a pherfformiad gwasanaethau'r GIG.

Mae'r adroddiad yn rhoi asesiad manwl o'r sefyllfa ariannol ar draws y GIG yng Nghymru yn 2013-14 ac mae hefyd yn edrych ar y perfformiad o ran darparu gwasanaethau, gan ganolbwyntio ar y meysydd hynny sy'n flaenoriaeth i'r Adran.

Mae'n bleser cael nodi bod yr adroddiad yn cydnabod bod yr Adran wedi atgyfnerthu ei threfniadau rheoli ariannol ymhellach, ac mae hefyd yn cydnabod y gwaith da sy'n parhau i gael ei wneud o ran sicrhau arbedion, er ei fod yn cydnabod bod hyn yn dod yn fwyfwy anodd. Mae'r adroddiad hefyd yn gwneud sylwadau am y gwaith gwyb sydd wedi cael ei wneud i hybu cynllunio tymor canolig integredig.

Perfformiad Ariannol

Yn 2013-14 llwyddodd yr Adran i reoli'r alldro o fewn yr adnoddau cyffredinol a gymeradwywyd gan Gynulliad Cenedlaethol Cymru. Mae hyn yn llwyddiant aruthrol o ystyried y pwysau gwasanaeth ac ariannol sylweddol y mae'r GIG yn eu hwynebu, a'r pwysau cynyddol ar gyllideb iechyd a gwasanaethau cymdeithasol Llywodraeth Cymru.

Fodd bynnag, er bod yr Adran wedi llwyddo i fantoli'r gyllideb, ni chafodd adnoddau ychwanegol eu darparu i'r cyrff hynny yn y GIG a fethodd â mantoli'r gyllideb, ac o ganlyniad mae tri chorff y GIG wedi cael barn amodol ar reoleidd-dra ar eu cyfrifon. Cafodd y penderfyniad i beidio â darparu adnoddau ychwanegol ei wneud er mwyn anfon neges glir y byddai colli targedau ariannol yn cael effaith, ac na fyddai'r rheini sy'n gorwario'n sylweddol yn cael cyllid ychwanegol yn y dyfodol.

Bydd trefniadau presennol a pharhaus i reoli a monitro sefyllfa ariannol y GIG yn cael eu cysylltu'n uniongyrchol â'r cynlluniau gwasanaeth integredig a ddarparwyd ar ddechrau'r flwyddyn ariannol. Daeth Deddf Cyllid y GIG (Cymru) 2014 i rym ar 1 Ebrill 2014, ac mae'n rhoi'r hyblygrwydd i fyrddau iechyd reoli eu cyllid dros gyfnod o dair blynedd, ac mae'n cynnig cyfle gwirioneddol iddynt i gynllunio mewn modd mwy

darbodus ac osgoi gorfod gwneud penderfyniadau amhriodol tymor byr ar ddiwedd y flwyddyn ariannol. Er nad oedd pob bwrdd iechyd yn gallu cael cymeradwyaeth gan Lywodraeth Cymru ar gyfer y cynlluniau gwasanaeth integredig tair blynedd ar gyfer y cyfnod rhwng 2014-15 a 2016-17, rydym wedi bod yn gweithio'n agos â'r holl sefydliadau i sicrhau bod y rownd nesaf o gynlluniau ar gyfer y cyfnod rhwng 2015-16 a 2017-18, y mae disgwyl iddynt gael eu cyflwyno erbyn diwedd mis Ionawr 2015, yn dangos gwelliant yn ansawdd a chadernid y cynlluniau hynny.

Bydd y Pwyllgor yn ymwybodol o adroddiad annibynnol Ymddiriedolaeth Nuffield a gyhoeddwyd ym mis Mehefin eleni, a oedd yn rhoi asesiad manwl o'r galw a'r pwysau y mae'r GIG yng Nghymru yn ei hwynebu ac a fesurodd y bwch ariannol sylweddol y byddai'r GIG yn ei wynebu yn y dyfodol.

Yn yr adroddiad, gwnaethpwyd sylwadau hefyd am y mesurau y mae'r GIG eisoes wedi'u gwneud i gau'r bwch ariannol a'r mesurau y mae'n rhaid iddo barhau i'w gwneud yn y tymor byr a'r tymor canolig.

Er mwyn sicrhau GIG cynaliadwy, a hynny o dan bwysau parhaus cynni cyhoeddus, bu'r adroddiad yn llywio'r cyhoeddiad a wnaed gan y Gweinidog Cyllid ar 30 Medi am y cynnig i roi £200 miliwn yn ychwanegol i'r adran Iechyd a Gwasanaethau Cymdeithasol yn y flwyddyn bresennol a £225 miliwn yn ychwanegol yn 2015-16. Bydd y cyllid hwn yn helpu i barhau i ddarparu gwasanaethau a chynnig yr hyblygrwydd i alluogi'r GIG i barhau â'i raglen ddiwygio.

Perfformiad wrth Gyflenwi

Mae'n bleser gen i nodi bod yr adroddiad yn cydnabod bod y GIG yn bodloni ei dargedau newydd o ran plant yn cael brechiadau, mynediad at ofal sylfaenol a lleihau nifer y cleifion sy'n cael eu derbyn i'r ysbyty o ganlyniad i gyflyrau cronig. Dyma dystiolaeth bod y GIG yng Nghymru yn symud tuag at ofalu am gleifion yn agosach at eu cartrefi yn unol â'n cyfeiriad strategol ar gyfer y gwasanaeth. Rydym hefyd yn cydnabod bod angen i ni wella rhannau o'r perfformiad. Byddwn yn parhau i weithio gyda'r GIG i wneud yn siŵr ein bod yn canolbwyntio ar wneud y gwelliannau hynny.

Argymhellion yr Adroddiad

Daw'r adroddiad i ben gyda 4 argymhelliad, sydd wedi cael eu derbyn i gyd, ac rwyf wedi atodi ymateb cychwynnol Llywodraeth Cymru i bob un ohonynt (Atodiad 1). Mae nifer o'r sylwadau a'r argymhellion yn cyd-fynd â'r camau y mae'r Adran eisoes yn eu cymryd. Credais hefyd y byddai'n ddefnyddiol i roi diweddariad i'r Pwyllgor o'r argymhellion a wnaeth yn ei adroddiad ar adroddiad blaenorol Swyddfa Archwilio Cymru 'Cyllid Iechyd 2012-13 a Thu Hwnt' a gyhoeddwyd ym mis Mawrth 2014, sydd hefyd ynghlwm yn Atodiad 2.

WAO Report: NHS Wales: Overview of Financial and Service Performance 2013-14

Recommendations and Welsh Government responses

Recs No	Recommendation Summary		Progress / Update
1	<p>During the second half of 2013-14, the Department was managing a very difficult financial situation with a real risk that the NHS bodies would deliver a deficit that the Department could not afford to cover. During this period, the Department was receiving different projections and mixed messages from within some NHS bodies as to what the final position would be.</p> <p>In future, the Department should ensure that all NHS bodies produce a single projected year-end position that is owned and agreed by the Chair, Chief Executive and Finance Director of each NHS body.</p>		<p><u>Accept</u></p> <p>The importance of ensuring robust and well informed forecasts has been re-emphasised to all NHS organisations. This has been done through the Chief Executives meetings and relayed directly to the NHS Finance Directors.</p> <p>Furthermore the monthly detailed monitoring returns submitted to the Welsh Government, which includes the latest year end forecast outturn, are supported by a written commentary signed by both the Chief Executive and Director of Finance.</p>
2	<p>Across Wales, NHS bodies face a number of challenges managing their estate and other assets such as ICT and medical equipment against a backdrop of reducing resources. The Department is currently implementing plans to improve the prioritisation of capital expenditure across Wales.</p> <p>The Department and NHS bodies need to ensure that for capital expenditure:</p>		<p><u>Accept</u></p> <p>Following the submission of their Integrated Medium Term (IMPT) Plans at the beginning of the 2014-15 financial year, organisations were requested to provide a list of prioritised capital schemes in a letter from the Deputy Chief Executive of the NHS on the 29th of May 2014. The commission included details of four Ministerially agreed investment objectives along with five investment criteria covering health gain, affordability, clinical & skills</p>

Recs No	Recommendation Summary		Progress / Update
	<ul style="list-style-type: none"> • NHS bodies clearly identify their capital expenditure needs based on their three-year plans and these are supported by robust approved business cases which set out the capital and revenue implications along with the impact on services; and • the Department will need to ensure it develops and improves the strategic capital programme based on the planning priorities and investment objectives agreed in the three-year plans. 		<p>sustainability, equity and value for money. These returns were requested to be submitted by the 27th of June 2014.</p> <p>An expert panel has met three times to date to consider the returns received from organisations. The intention being to identify a pipeline of schemes which show clear alignment to the organisation's IMTP and that sufficient evidence has been provided against the investment criteria.</p> <p>The expert panel is due to meet again in early November with a view to providing recommendations to the Minister later in the month.</p>
3	<p>The introduction of three-year integrated planning across NHS bodies is a significant and positive step forward. As would be expected with a new approach, some aspects could be further strengthened.</p> <p>In its updated guidance on three-year integrated planning, the Department should require that NHS bodies:</p> <ul style="list-style-type: none"> • undertake sensitivity analysis, showing how changes in their assumptions including finances, demand, and workforce would impact on their plans; and • develop high-level contingency plans setting out how they intend to respond should performance depart from the agreed plan. 		<p><u>Accept</u></p> <p>The revised NHS Planning framework, issued to the service on October 31, includes sections detailing the Welsh Government's expectations of the plan development and approvals process.</p> <p>Both require Health Boards and Trusts to undergo a thorough process, including sensitivity testing and putting in place contingency plans. There is also a section at the end of the document detailing governance expectations.</p>

Recs No	Recommendation Summary		Progress / Update
4	<p>Overall the Department is making reasonable progress in implementing our previous recommendations. However, there are two areas where progress has been slow.</p> <p>The Department should strengthen and increase the urgency around:</p> <ul style="list-style-type: none"> • the challenge it provides to NHS bodies on the reported workforce savings and the scale of workforce changes; and • facilitating NHS bodies to share learning and lessons from successful (and unsuccessful) efforts to deliver sustainable service improvement and, where relevant, cost reductions. 		<p><u>Accept</u></p> <p>The refreshed Planning Framework, issued on October 31, covering guidance on planning requirements for the period 2015-16 to 2017-18 includes refreshed and updated workforce savings templates which will provide additional analysis required for effective challenge. Separately and in addition to this, the message concerning realistic and integrated savings plans for workforce has also been conveyed to the Directors of Finance group, with further messages to HR Officials to ensure improved manpower planning.</p> <p>In terms of facilitating learning and lessons from delivering sustainable service improvement and cost reductions the Directors of Finance group have set up a newly constituted sub group ‘the Sustainability and Delivery group’ to specifically focus on the sharing of good practice and savings schemes.</p>

**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 total 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*

Update as at 5 November 2014

As part of the draft budget announcement made on 30 September the Finance Minister announced an additional £225m for the Health and Social Services MEG in 2015-16 and £200m in the current financial year. The Health Minister made it clear in the budget documentation and subsequently whilst attending the Health and Social Services scrutiny Committee session, that the additional funding in 2015-16 would be allocated in accordance with the Townsend Formula and with reference to the NHS bodies integrated medium term plans. During the current financial year the additional funding will be allocated in accordance with the requirements as set out in the individual service plans of the Health Boards. This

supports a clear rationale to provide funding on the basis of identified need supported by evidence contained within the integrated service plans.

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 fully 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 Board uses both data and local intelligence to determine the appropriate escalation level and any associated interventional actions required to ensure performance returns to agreed trajectories. 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 new 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*

Update as at 5 November 2014

The Welsh Government continues to hold Health Boards and Trusts to account through the Performance Management structures. The approach has been amended slightly to reflect the new 3 year Integrated Medium Term Planning process, and as part of this, organisations are required to provide delivery profiles for key delivery measures. All organisations are required to attend bi-monthly Quality and Delivery Meetings to monitor progress against their submitted delivery profiles for in year-delivery. Where organisations are not delivering to profile, the frequency of these meetings can be increased to monthly, and additional theme specific meetings held to discuss areas of specific concern (for example Quality issues, Unscheduled Care or Planned Care).

Where organisations have agreed 3 year plans and are delivering in accordance with their profiles, then this could earn them some autonomy and the frequency of Quality and Delivery Meetings may become quarterly to reflect that performance.

It is against these profiles that they are held accountable, and any escalation is applied through the existing performance management structures. This escalation continues to be considered by the Welsh Governments Internal Delivery Board, which is supported by a new Quality and Safety Assurance Group which looks in detail at all matters that impact on the quality and safety of services being delivered.

In addition to the Quality and Delivery Meetings, there are 6 monthly Joint Executive Team Meetings held between the Executive Director Team in DHSS and the Executive Teams of NHS organisations, Chaired by the Director General/Chief Executive of NHS Wales. These are also a formal part of the accountability arrangements.

Following each round of JET meetings, a tripartite meeting is held with WAO and HIW under the NHS Joint Escalation and Intervention Arrangements published in April 2014. At these meetings, the 3 bodies share information and intelligence on each of the NHS organisations, and agree an escalation status as described in the joint Escalation and Intervention Arrangements. This escalation status for each organisation is made publically available. The first Tripartite meeting following the introduction of the arrangements was held in July 2014. Any of the 3 bodies may call a meeting to discuss any NHS Health Board or Trust if in the intervening 6 month period, it identifies areas of concern that it feels should be shared and discussed to consider a review of that organisations escalation status.

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 each month.

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

Implementation date: July 2014

Update as at 5 November 2014

In order for the publication of the collective NHS financial position to be informative, the data would need to be accompanied by an appropriate balance of contextual narrative. Each NHS organisation will be facing their own particular challenges and the most suitable method by which to publish financial and non financial information, combined with other performance / planning information of NHS organisations remains under consideration.

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*

Update as at 5 November 2014

To maintain clarity, the Welsh Government included a footnote again to the comparable tables published in the draft budget announced by the Finance Minister on 30 September 2014.

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.

Implementation date: December 2015

Update as at 5 November 2014

The Minister has met officials to discuss and agree the approach to the Resource Allocation Review Programme. It is acknowledged that the allocation formula needs to be kept under constant review and some changes may take some time to implement. However, in light of the clear recognised demographic changes, over the last few years, and those projected going forward, a number of short term goals and improvements will be prioritised to maximise benefits and to help achieve sustainable services in the short term. These include:

- *Reviewing and fine tuning the weaknesses and limitations in collection of information and applications of the current direct needs formula e.g. information collected through the Welsh Survey;*
- *Aligning allocations and the formula around the key strategic objective to shift resources in line with the prudent healthcare agenda and towards earlier prevention and treatment;*
- *Addressing problems in funding flows between NHS organisations and communities;*
- *A review of continued ring-fencing of allocations within integrated health organisations, including bringing forward the mental health ring fence review into 2014; and*

- *To develop other funding mechanisms and incentives to ensure that the transfer of care to appropriate primary and community services is achieved.*
- *To develop an on going Resource Allocation Review programme to maintain, update and further develop the formula to reflect latest evidence, population needs, financial and allocation data.*

The initial phase of this work is updating the “Townsend” direct needs formula with the latest available datasets on population, Welsh Health Survey, Cancer Registry, Programme Budget Costs, Births, Population and Age Cost Weights.. This update will inform the additional allocation of the £225m in 2015-16. The second stage of the work will be:

- *reviewing the validity of datasets against other potentially suitable datasets,*
- *assessing whether health inequalities and deprivation are appropriately addressed and recognised and*
- *whether differing demographics and changes in demographics sufficiently covered*

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

Update as at 5 November 2014

As part of the planning process, all Health Boards and NHS Trusts are required to provide delivery profiles for the full range of performance indicators. The planning round in 2013/14 was the first time NHS organisations had been asked to provide this at the start of the year to demonstrate how their plan would be delivered. .

This has enabled performance management to focus on the delivery actions contained in Health Board Plans in the most rounded way, as opposed to focus on in-month delivery of a target performance level. This process has also enabled organisations to plan delivery and be monitored in a way that can reflect their proposed means of delivery, taking into account more transparently inter-dependencies within the system. For example, the way in which unscheduled care pressures and planned care services can impact on each other.

This has helped organisations plan delivery of services in a more holistic way, and ensures that performance management of delivery doesn't inadvertently promote the wrong behaviour and response.

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.

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

Update as at 5 November 2014

The first year of the planning cycle saw four organisations have their integrated medium term plans (IMTPs) approved in line with the 2014/15 NHS Planning Framework and NHS Finance (Wales) Act 2014. Six organisations were held in an annual cycle with agreement on the key deliverables for 2014/15 and milestones for developing the 2015/16 IMTP outlined.

The delivery of approved IMTPs has been monitored through the current delivery and performance management framework. Where performance has varied from the agreed trajectories (performance or finance) the escalation process has been triggered.

The NHS Planning Framework has recently been revised, incorporating lessons learnt from the first cycle with a focus on being clearer on expectations and national requirements and clarifying the significance and consequences of approval and non approval of plans.

The 2015/16 NHS Planning Framework was issued on 31 October.

The planning framework sets out the expectations and criteria against which IMTPs are assessed. All organisations, including those already with approved IMTPs, are required to submit IMTPs by 30 January 2015. The IMTPs will again be subjected to a robust and rounded assessment process, building on the approach from last year but strengthened to include organisational visits and/or meeting to explore issues emerging from the assessment. Plans will only be approved by the Minister once areas requiring strengthening are addressed and a mutual agreement on delivery is reached.

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 organisations 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 organisations 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 Governments oversight and will be considered in the context of the overall resources available.

Implementation date: *Actioned*

Update as at 5 November 2014

A refreshed and updated Planning Framework was issued to NHS organisations on 31 October 2014, requiring balanced integrated service plans covering the period 2015-16 to 2017-18 to be submitted by 31 January 2015. The Framework clearly articulated Welsh Governments expectations and includes a specific requirement for organisations to undergo sensitivity analysis and have in place contingency plans.

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'.

Notwithstanding the presence of the above guidance the Welsh Government is currently looking to issue further guidance 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. 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

Update as at 5 November 2014

Refreshed guidelines for Health Boards and Trusts around the preparation of Medium Term Plans was issued on 31 October 2014. The guidelines require all organisations to consider their capacity and capability to develop plans in line with the Welsh Government’s requirements. The necessity to utilise any external expertise will be highlighted as part of this process.

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

Update as at 5 November 2014

The Sustainability & Delivery Group, a Director of Finance sub group, are leading the exchanging of good practice examples within the NHS Wales finance community. The proposed Terms of reference recognise that this will require a level of commitment for members of the Group to:

- *Research areas of good practice across organisations and sectors, and*
- *Engage with non-finance professionals in identifying and evaluating good practice and effective implementation.*

Furthermore the group are engaging with non-finance professionals within NHS Wales and to involve other organisations, who may be able to support the identification and sharing of good practice.

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

Update as at 5 November 2014

Ratification of proposed changes to the Agenda for Change terms and conditions have stalled, pending the outcome of discussions between employers and staff representatives around the 2014-15 and 2015-16 pay deal. It is anticipated that the Minister will confirm the preferred pay option in early November, after which staff representatives have indicated they are likely to recommend ratification of the terms and conditions changes at the NHS Staff Council on 14 November. Whilst the pay deal and terms and conditions are separate, ratification is unlikely to be

taken forward for recommendation if the pay deal fails to address the trade unions' ongoing dispute.

Wales have joined the England/Northern Ireland negotiations with regards to a modernised and sustainable Consultant Contract, however these discussions collapsed in October as a result of BMA claiming insufficient safeguards around working hours. As a result, discussions are on going with the Department of Health to determine the next steps and in particular whether evidence should be sought from the Doctors and Dentists' Review (Body DDRB) around contract reform. A decision on the remit to the DDRB will be made in early November.

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

Update as at 5 November 2014

Discussions on the Organisational Change Policy (OCP) which seeks to address pay protection have been stalled whilst staff representatives have been in dispute over the pay. These discussions are due to be resurrected following the Minister's announcement on the 2014-15 and 2015-16 pay award.

Whilst the pay deal and OCP are separate, staff representatives have confirmed that providing the pay deal announcement addresses the ongoing pay dispute they are willing to take forward the OCP.