



EW/CS/AE

13 June 2018

Mr Nick Ramsey AM  
Chair  
Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

Dear Mr Ramsey

**RE: NHS FINANCES (WALES) ACT 2014**

Thank you for your letter of 18 May 2018 requesting information regarding the NHS Finances (Wales) Act 2014. Please see below Powys Teaching Health Board response to the questions posed. I hope our answers are sufficient for the committee.

**Meeting Financial Duties – What have been the main factors that have enabled you (Powys) to meet your financial duties, and what are the key lessons others could learn from you?**

It is considered that the main factors are:

- Underlying Financial Position on entering the three year period was not significantly out of balance.
- Collective responsibility exercised by the Board to ensure sound financial discipline whereby the commitments agreed were contained to within the resources available.
- Delegated budgets reviewed annually to ensure that likely expenditure commitments in the new year could be funded.
- Savings targets established in each new year were assessed as to whether they could reasonably and realistically be delivered, given the challenges and pressures present upon NHS services.

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- New investment commitments were contained to what was affordable, given the funding and savings capacity in the year.
- Pay costs, including locum and agency expenditure contained to budget in each year.
- Early intervention to identify corrective action when costs strayed from those planned for the year.
- Recognition by Executives and Managers that meeting financial targets enabled services to be delivered and developed within a stable environment, with focus and attention able to be on patient quality and experience rather than on chasing recovery plans.

### **What have been the main lessons in successfully developing an agreed plan that others could learn from you?**

Powys THB and Powys CC have developed and agreed a joint 10 year Health and Care strategy with contributions from the community and third sector partners. Its multi layered approach enables plans and actions to be developed that will facilitate progress being made to achieve its vision and goals. The IMTP developed by Powys THB for the 2018-2021 years integrates the objectives and targets for the 3 year period towards achieving the vision of the Health and Care Strategy and thereby there is a coherence between short, medium and long term planning towards achieving well - articulated common goals.

The in year performance management framework utilised by the Board is aligned to the same objectives and targets articulated in the IMTP, which in turn are the first steps towards achieving the 10 year Health and Care Strategy. This performance management framework is used by the Executives for their routine review of progress, by the Finance, Planning and Performance sub-committee of the Board and also by the Board itself to gain assurance of in-year performance.

### **Welsh Government Support and guidance on Three Year Planning**

The guidance issued by Welsh Government provides an outline framework that the Health Board takes account of in formulating each new IMTP. The financial component of the guidance is adhered to and ensures that there is a consistency of understanding of the plans submitted by all NHS organisations. The guidance also ensures a consistency of treatment when assumptions of future funding, costs and potential commitments have to be incorporated into the financial plans.

### **Financial Management and Savings Plans**

Developing savings plans requires initiatives to be identified that are cost reductions along with initiatives that are cost avoidance. In addition, since commissioning services from organisations outside of Powys THB is a major expenditure component for the Health Board, identifying and taking advantage of opportunities to change patient pathways also feature in

savings plans. These opportunities are usually schemes that entail services being established within Powys and thereby avoid patients having to travel to hospitals outside of Powys. These schemes therefore can provide both savings to the Health Board and are much more convenient to patients. They do often rely on senior clinical staff being prepared to travel from their base hospital to provide their service within facilities in Powys and thereby are often a challenge to establish. There are however significant opportunities to improve patient services and experience from this approach.

Given the large geographical expanse of Powys THB, the services provided are usually located within defined communities that are some distance apart from each other. It is difficult therefore for Powys services to be amalgamated or for services in one area to be closed and for patients to conveniently access a nearby service. Furthermore, these services are usually operated at the minimum level that provides the necessary expertise and thereby savings by reducing staffing levels are usually not possible.

Powys THB and Powys CC have amalgamated their IT services to form a department that serves both organisations. It is envisaged that embracing opportunities afforded by Digital Enabled Care could make a significant contribution to transforming patient care and services within Powys. Initiatives are already being implemented that include virtual therapy clinics, results and communication texting, E-CBT courses and E-Consultations. The digital enabled transformation of care services provides significant opportunities to maintain and improve service provision and contribute to containing the growth of costs of the NHS in the future.

### **Funding Formula**

The finance profession within the NHS in Wales agrees that there is a need for a new funding formulae and will contribute in any way that is necessary to support its development.

The challenge will be in identifying data that is robustly and routinely collected in Wales, that distinguishes the range and disparity of health needs between communities, so that when incorporated within a formulae a fair target allocation to the widely different Health Boards is produced. A starting point could be reviewing funding formulae that are utilised by nations that have a similar geographical, social, economic and health needs range to Wales e.g. Scotland, New Zealand etc. and assessing whether the data variables required are available on a robust basis in Wales.

The implementation of the output of the formulae should be undertaken over time, the period of which should be informed by the magnitude of the change in funding that needs to be achieved.

## **Overall Impact of the NHS Finances (Wales) Act 2014**

There has been a positive impact arising from the Act, whereby plans are produced within a three year timescale, which in the case of Powys THB are the first years of achieving its 10 year Health and Care strategy. Health Boards have responded by considering and identifying their objectives, targets and action plans over the three year period, which in turn facilitates discussion between the Health Board and the WG to be undertaken on a longer timescale than was the case in prior years.

Should you have any queries please do not hesitate to contact me.

Yours sincerely

A handwritten signature in cursive script that reads "Carol Shillabeer".

**Carol Shillabeer**  
**Chief Executive**