

Agenda – Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad: I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 3 – Y Senedd Fay Bowen
Dyddiad: Dydd Llun, 2 Gorffennaf 2018 Clerc y Pwyllgor
Amser: 13.30 0300 200 6565
SeneddArchwilio@cynulliad.cymru

(Rhag-gyfarfod)

(13.30 – 14.00)

1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau

(14.00)

2 Papur(au) i'w nodi

(14.00 – 14.05)

(Tudalennau 1 – 3)

3 Gweithredu Deddf Cyllid y GIG (Cymru) 2014: Gohebiaeth y

Pwyllgor

(14.05 – 14.15)

(Tudalennau 4 – 66)

PAC(5)-19-18 Papur 1 – Bwrdd Iechyd Prifysgol Aneurin Bevan

PAC(5)-19-18 Papur 2 – Bwrdd Iechyd Prifysgol Abertawe Bro Morgannwg

PAC(5)-19-18 Papur 3 – Bwrdd Iechyd Prifysgol Betsi Cadwaladr

PAC(5)-19-18 Papur 4 – Bwrdd Iechyd Prifysgol Caerdydd a'r Fro

PAC(5)-19-18 Papur 5 – Bwrdd Iechyd Prifysgol Cwm Taf

PAC(5)-19-18 Papur 6 – Bwrdd Iechyd Prifysgol Hywel Dda

PAC(5)-19-18 Papur 7 – Bwrdd Iechyd Addysgu Powys

PAC(5)-19-18 Papur 8 – Llythyr gan Archwilydd Cyffredinol Cymru

4 Gweithredu Deddf Cyllid y GIG (Cymru) 2014: Sesiwn dystiolaeth 1

(14.15 – 15.15)

(Tudalennau 67 – 84)

Papur briffio gan y Gwasanaeth Ymchwil

Allison Williams – Prif Weithredwr, Bwrdd Iechyd Prifysgol Cwm Taf

Steve Webster – Cyfarwyddwr Cyllid, Bwrdd Iechyd Prifysgol Cwm Taf



(Egwyl)

(15.15 – 15.25)

5 Gwasanaethau Gwybodeg GIG Cymru: Sesiwn dystiolaeth 4

(15.25 – 16.15)

(Tudalennau 85 – 92)

Papur briffio gan y Gwasanaeth Ymchwil

Dr Jacinta Abraham – Cyfarwyddwr Meddygol, Ymddiriedolaeth GIG Felindre

Mark Osland – Cyfarwyddwr Cyllid a Gwybodeg, Ymddiriedolaeth GIG Felindre

Stuart Morris – Cyfarwyddwr Cyswllt Gwybodeg Ymddiriedolaeth GIG Felindre

6 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y mater a ganlyn:

(16.15)

Eitemau 7, 8 a 9 ac Eitem 1 yng nghyfarfod 9 Gorffennaf 2018.

7 Gweithredu Deddf Cyllid y GIG (Cymru) 2014: Trafod y dystiolaeth a ddaeth i law

(16.15 – 16.30)

8 Gwasanaethau Gwybodeg GIG Cymru: Trafod y dystiolaeth a ddaeth i law

(16.30 – 16.45)

9 Blaenraglen waith: Tymor yr hydref 2018

(16.45 – 17.00)

(Tudalennau 93 – 108)

PAC(5)-18-18 Papur 9 – Blaenraglen waith

Cofnodion cryno – Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad:

Gellir gwyllo'r cyfarfod ar [Senedd TV](#) yn:

Ystafell Bwyllgora 3 – Y Senedd

<http://senedd.tv/cy/4750>

Dyddiad: Dydd Llun, 25 Mehefin 2018

Amser: 13.04 – 16.42

Yn bresennol

Categori	Enwau
Aelodau'r Cynulliad:	Nick Ramsay AC (Cadeirydd) Mohammad Asghar (Oscar) AC Neil Hamilton AC Vikki Howells AC Lee Waters AC Mike Hedges AC (yn lle Rhianon Passmore AC)
Tystion:	Tracey Burke, Llywodraeth Cymru Steve Davies, Llywodraeth Cymru Melanie Godfrey, Llywodraeth Cymru John Howells, Llywodraeth Cymru Emma Williams, Llywodraeth Cymru
Swyddfa Archwilio Cymru:	Huw Vaughan Thomas CBE – Archwilydd Cyffredinol Cymru Mark Jeffs Nick Selwyn
Staff y Pwyllgor:	Fay Bowen (Clerc) Meriel Singleton (Ail Clerc)



1 Plant a phobl ifanc sydd wedi bod mewn gofal: Materion Allweddol ac Argymhellion Drafft

1.1. Trafododd yr Aelodau y materion allweddol a'r argymhellion drafft a nodwyd y trefnir i'r adroddiad drafft gael ei drafod yn y Pwyllgor ar 9 Gorffennaf.

2 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau

2.1 Croesawodd y Cadeirydd yr Aelodau i'r Pwyllgor.

2.2 Cafwyd ymddiheuriadau gan Rhianon Passmore AC ac Adam Price AC. Roedd Mike Hedges AC yn bresennol fel dirprwy.

3 Papur(au) i'w nodi

3.1 Cafodd y papurau eu nodi.

4 Rhaglen Ysgolion ac Addysg yr 21ain Ganrif: Sesiwn Dystiolaeth 3

4.1 Rhoddwyd tystiolaeth i'r Aelodau gan Tracey Burke, Cyfarwyddwr Cyffredinol Addysg a Gwasanaethau Cyhoeddus; Steve Davies, Cyfarwyddwr y Gyfarwyddiaeth Addysg; a Melanie Godfrey, Dirprwy Gyfarwyddwr Busnes Addysg a Llywodraethu, Llywodraeth Cymru fel rhan o'i ymchwiliad i Raglen Ysgolion ac Addysg yr 21ain Ganrif.

4.2 Cytunodd Tracey Burke i ddarparu rhagor o wybodaeth i'r Pwyllgor.

4.3 Bydd y Pwyllgor yn ysgrifennu at Lywodraeth Cymru yn amlinellu ei ganfyddiadau.

5 Addasiadau Tai: Sesiwn Dystiolaeth 4

5.1 Rhoddwyd tystiolaeth i'r Aelodau gan Tracey Burke, Cyfarwyddwr Cyffredinol Addysg a Gwasanaethau Cyhoeddus; John Howells, Cyfarwyddwr Tai ac Adfywio; ac Emma Williams, Dirprwy Gyfarwyddwr Polisi Tai Llywodraeth Cymru fel rhan o'i ymchwiliad i addasiadau tai.

5.2 Cytunodd Tracey Burke i ddarparu rhagor o wybodaeth i'r Pwyllgor.

5.3 Cytunodd y Pwyllgor i roi adroddiad ar ei ganfyddiadau i Lywodraeth Cymru cyn Toriad yr Haf.

6 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y mater a ganlyn:

6.1 Derbyniwyd y cynnig.

7 Rhaglen Ysgolion ac Addysg yr 21ain Ganrif: Trafod y dystiolaeth a ddaeth i law

7.1 Trafododd yr Aelodau y dystiolaeth a ddaeth i law.

8 Addasiadau Tai: Trafod y dystiolaeth a ddaeth i law

8.1 Trafododd yr Aelodau y dystiolaeth a ddaeth i law.

Item 3



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CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Aneurin Bevan
University Health Board

Our Ref: JP/lb

Direct Line: 01633 435958

15 June 2018

Nick Ramsey, AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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SeneddPAC@assembly.wales

Dear Mr Ramsay,

NHS Finances (Wales) Act 2014

Further to your letter dated 18 May 2018, please find responses to the specific questions raised.

Meeting financial duties

The Health Board received and approved its annual accounts for the 2017/18 financial year at its Board meeting on 31 May 2018. These confirmed that the Health Board had achieved its statutory financial duties for the 3-year period ending in 2017/18.

The Health Board considers the following factors to be key in achieving its financial duties:

- Integrated approach to developing and delivering service, workforce and financial plans – real, integrated plans,

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- Involvement of clinicians and other operational staff in the development and delivery of priorities and plans within available resources, with effective support from corporate functions,
- Integration – cross-divisional working (within the Health Board) and close working with social care and other stakeholders in the development and delivery of plans,
- Clear and appropriate delegation of responsibilities and accountability through the organisation, with regard to delivery, underpinned by a strong financial governance and controls framework,
- Appropriate Board oversight – scrutiny and assurance obtained through the relevant board and sub-committee arrangements,
- Early notification of funding allocations from Welsh Government, and
- The Health Board welcomes the Welsh Government’s approach to those Health Board’s with an approved IMTP, in allowing the organisation to focus its attention on delivering agreed plans and developing future plans, whilst providing the appropriate challenge and support where required.

Further details are provided in the section on financial management and savings plans.

Duty to have an approved three-year plan

The Health Board received confirmation that its Integrated Medium Term Plan (IMTP) for 2018-2021 has been approved by the Cabinet Secretary for Health and Social Services on 13 June 2018.

Clear and early guidance on national priorities and funding allocations is key to ensuring that the Health Board can develop and refine its plans for the forthcoming year and three-year period, taking into account the factors identified in the previous section.

Welsh Government support and guidance on three year planning

The Health Board welcomes the early notification of guidance on national priorities and annual funding allocations, in developing its service priorities and workforce plans within available resources.

The consolidation of some of the specific delivery plans and reporting requirements would help reduce some of the planning and reporting burden and enable the Health Board to focus on delivering its key priorities.

To support more robust medium term planning, the Health Board would welcome greater certainty around likely funding allocations across the three-year planning period. However, it is understood that it may be difficult to provide this level of certainty in the current financial climate and the Health Board therefore uses assumptions contained within the Health Foundation’s “Path to Sustainability” report.

Financial management and savings plans

The achievement of financial savings should be an integral part of developing and delivering integrated service, workforce and financial plans. The Health

Board believes that improving quality can reduce costs and that implementing savings should not be considered in isolation. Implementing this approach is more likely to achieve sustainable financial improvement and relies on the following:

- Clear accountability and ownership through the organisation,
- Bottom-up drive for efficiency, linked to effectiveness, as well as top-down,
- Clinical engagement across the Health Board (primary, community, mental health, acute hospital services)
- Increased engagement with the public and other key stakeholders
- Use of benchmarking to target inefficiencies and set appropriate, bespoke savings targets – this includes the use of local benchmarking, business intelligence and products from the national Efficiency, Healthcare Value and Improvement Group ,
- Risk assessed savings plans which inform the Board as part of balancing financial and other delivery risks,
- Savings linked to programmes of work to support long-term efficiencies,
- Long-term plans (3 years or more) to create more financially sustainable services,
- Savings which reduce waste but do not inappropriately impact on safety, quality or access to services, and
- Monitoring and performance managing delivery – a clear process through the organisation involving the Board, sub-committees and assurance meetings with individual services.

The Health Board has had access to some of the key learning from the Welsh Government – commissioned financial governance reviews and welcomes the opportunity to review its existing processes and continuously improve. It also works closely with WAO colleagues in taking forward recommendations from the Structured Assessment.

The Health Board's value based approach to improving health and delivering more appropriate healthcare for its population is fundamental to maximising health outcomes for its population, by making best use of the resources available. This approach is well evidenced and should support the Health Board's longer term service and financial sustainability.

Funding formula

The Health Board welcomes the opportunity to be involved in the review of the revenue funding formula with Welsh Government colleagues. Given the Health Board's primary aim of improving the health of its population within the resources available, it is keen to ensure that the funding formula appropriately recognises the health needs of the population, particularly in relation to poor health linked to social and economic deprivation.

The Health Board recognises that any material change to the funding formula will require careful implementation, to ensure that service and financial sustainability is not adversely affected across Wales.

That said, on the basis that the revised funding formula more appropriately reflects the health needs of the population, it is important that reasonable progress is made in applying funding allocations, according to the revised formula. This should support the aim of allocating resources to maximise outcomes for patients and improve population health. The pace of implementation may, in part, be affected by the overall funding settlement for health across NHS Wales.

Overall impact of the NHS Finances (Wales) Act 2014

The Health Board acknowledges the emphasis placed on ensuring that robust medium term plans are identified at an early stage and that this is reflected in the statutory duties.

The Health Board was able to benefit from the financial flexibilities offered within this legislation, by brokering revenue funding with Welsh Government between last year and this financial year. This will help to support the Health Board in funding some of the transitional costs involved in implementing the next stage of its Clinical Futures Strategy.

Yours sincerely,



Judith Paget
Chief Executive/Prif Weithredwr



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Bwrdd Iechyd Prifysgol
Abertawe Bro Morgannwg
University Health Board

Our Ref: TCM/LH/ks/NRamseyPAC

Date: 18 June 2018

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Chair of the Public Accounts Committee
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Dear Mr Ramsay,

NHS Finances (Wales) Act 2014

Thank you for your letter of 18 May regarding the above. I welcome the opportunity to provide written evidence to the Committee, and have set out the responses to your questions below. I will also be providing further information to the Committee during my attendance on 9 July.

1. *What have been the main factors/barriers to meeting the financial duties?*

The following table shows the Health Board's delivery against the financial duty over the latest three year rolling period:

	Year 1 2015/16 £000	Year 2 2016/17 £000	Year 3 2017/18 £000	Cumulative Total £000
Revenue Resource Funding	1,028,395	1,060,938	1,096,250	3,185,583
Total Operating Expenses	1,028,309	1,100,254	1,128,667	3,257,230

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Under/(Over) spend against Allocation	86	(39,316)	(32,417)	(71,647)
As a % of Revenue Resource Limit	0.01%	3.71%	2.96%	2.25%

While the Health Board achieved financial break-even in 2015/16, and in the years prior to this since its inception in 2009, this was becoming increasingly reliant on the use of non-recurrent funding and non-recurrent savings. For example, in 2015/16 the break-even position was supported by £32m non-recurrent funding which supported winter pressures, performance delivery and other financial pressures.

The main factors underpinning our ability to meet the financial duty, and the factors that will need to be addressed in the future, include:

- The inability of the organisation to deliver the targeted level of cash releasing cost improvements whilst creating sufficient recurrent savings;
- The impact of significant operational and performance pressures, for example unscheduled care problems, and the need to manage and respond to these to deliver safe, effective, high quality and timely care; and
- The inability of the organisation to drive the required pace and scale of service change needed to transform care, and the impact of this on driving value and in supporting a shift of resources within our system.

The Health Board's financial performance has also been influenced in the past by a number of cost drivers and spending decisions, for example:

- Population and demographic changes, with a growing aging population and increasing prevalence of chronic, long-term conditions;
- Inflation and cost growth, particularly in relation to medical and nursing costs;
- Demand growth for services; and
- Performance challenges relating to access, productivity and efficiency; and
- Investments in priority areas to maintain and improve quality, safety and access such as critical care capacity, unscheduled care, cleaning and nutrition.

2. What have you done that has meant you appear to have been able to improve the position compared to the last financial year?

The Board strengthened its finance function with measures, including the appointment of a new Director of Finance in May 2017 and a focussed finance capability plan which includes implementing the recommendations of the Deloitte Governance Review. This has

strengthened the Board's approach to financial management and delivery in a number of key areas:

Improved financial governance and oversight at all levels:

- The Board established a Performance and Finance Committee in early 2017, chaired by its newly appointed Vice Chair. This Committee provides monthly scrutiny and assurance of the financial plan, financial performance and recovery actions;
- A new financial reporting pack has been in place since mid-2017 with greater transparency of financial reporting at Board and Service/Directorate level;
- A Recovery and Sustainability Programme Board chaired by Chief Executive was established with Executive-led work streams covering key areas of the financial plan such as procurement, medicines management, service redesign and workforce as key areas of focus;
- Fortnightly financial recovery meetings take place with operational Service Delivery Units and corporate areas; and
- New Non Officer Member (non-Executive) appointments have been made. These have brought extensive experience and expertise to the organisation and significantly improved scrutiny and assurance.

Improved grip and stabilisation through improving reporting and data analysis:

- Improved data analysis and use of data visualisation techniques to understand trends, variance and support risk management;
- Improved dashboards in key areas to identify opportunities to deliver improved financial and non-financial performance;
- Establishment of a weekly central panel to review all non-clinical non-pay purchasing requests to curtail non-essential spend; and
- The introduction of unified savings tracker with weekly reporting by each Delivery Unit, which are reviewed fortnightly at the financial recovery meetings.

Structured approach to delivery:

- A Programme Management Office was established with dedicated project support for a number of work streams to drive savings projects forward;
- An Investment and Benefits Group (IBG) was created which scrutinises all investment decisions and tests alignment with strategic plans, ensures that business cases are robust and affordable, and monitors the delivery of benefits; and
- Regular and consistent messaging with the senior leadership team;
- A continued focus and drive on improving engagement and involvement with all staff on our Targeted Intervention status and journey to recovery.

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Duty to have an approved three-year plan

3. What have been the main reasons you have been unable to agree a three-year plan and what are the remaining barriers to you having an agreed plan?

The Health Board had its first two Integrated Medium Term Plans (IMTP) (2014-2017 and 2015-2018) approved by the Minister for Health and Social Services. However, the IMTP submitted in 2016/17 was not approved, as the Health Board was unable to demonstrate the requirement to balance the delivery of services and performance requirements within the available resources.

Our clear ambition is to develop and deliver a robust IMTP for 2019-2022. Key issues for us to address include the need to reduce our underlying deficit, and make demonstrable and sustained improvements in performance. These will be informed and driven by on-going work on reframing our strategic focus and delivery priorities. Our extant clinical services strategy, *Changing for the Better*, was developed in 2012 and was intended to provide a guiding framework and clear objectives for delivery over a five year period. We are currently reviewing and updating this to give us greater clarity as an organisation on taking forward current and future challenges, changes in regional and local delivery arrangements, and our ambitions for excellent patient care.

Welsh Government Support and guidance on three year planning

4. How helpful is the Welsh Government's guidance on three year planning?

The NHS Wales Planning Framework is issued every year in October and we use this actively to guide the development of the Plan.

The guidance reflects the complex system in which we operate and is very comprehensive, providing clarity of expectations and requirements in each area, information on key planning assumptions, and signposting the resources available to support the planning process. It is also underpinned by Welsh Government feedback on the draft plan, which supports the continued development of each of the plan's component parts.

In the future, it would be helpful if the guidance could be issued earlier in the year as, at present, it comes out later than our internal process starts.

5. Are there any areas where it could be clearer – including views on the Auditor General's previous recommendation that the Welsh Government should 'set out more clearly in its guidance how, working in partnership with the Welsh Government, NHS bodies that have incurred a deficit should plan to recover their financial position in order to meet the duty in future years'.

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We welcome the recent publication of *A Healthier Wales: our Plan for Health and Social Care*, and believe that this provides an opportunity to refocus and re-energise planning for medium and long-term delivery. It is critical that the refreshed guidance to support the next planning cycle is aligned with and supports the delivery of the key recommendations, and is clear about delivery expectations.

We believe that there is further opportunity for Welsh Government to support the sharing of best practice, providing tangible and real examples of 'what good looks like' across the planning spectrum including evidence from both NHS Wales and the wider health and social care environment.

The Health Board recognises that its financial plan for the next period needs to focus on both technical and allocative efficiency to support more effective ways of working and the need to change and transform service models. This will require the balancing of short-term financial turnaround and cost reduction measures, with the requirement to make targeted investment and move financial resources within the system to deliver sustainability over the medium term. We are keen to work with Welsh Government on developing this approach.

Financial Management and Savings Plans

6. What are the key challenges and opportunities for your Health Board in planning and delivering financial savings?

Key challenges include the need to plan and deliver drive out savings on a recurrent basis. Traditionally the delivery of savings has been primarily achieved by cost cutting activities, and by looking to improve efficiency and productivity. The organisation recognises that ideas and opportunities are becoming scarcer and more challenging to implement. In previous years the Health Board has relied on flat-rate Cost Improvement Programmes (CIPs), i.e. setting a uniform percentage cost reduction target for each of our Delivery Units via a top-down budget setting and financial planning approach. This can lead to difficulties in maintaining the energy and commitment of staff to engage and deliver, and does not reflect the different pressures and ability to contribute of our service areas.

There are a number of opportunities that the Health Board is actively pursuing. In particular, we are moving to differential targets for savings delivery which are built on evidence-based proposals using benchmarking data designed around key themes and activities. For the current year, these were developed and communicated earlier in the planning cycle to give a greater lead in time for detailed implementation planning. We are also looking to implement a blended and inclusive approach to savings identification – a mixture of top-down and bottom-up planning – to generate ideas and ownership of proposals from all staff. This will be supplemented by our work on staff engagement and incentivisation, where we are developing a process to provide the targeted re-investment of a proportion of savings by our clinical and operational staff.

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The Health Board recognises that financial sustainability will need to be facilitated by service improvement and transformation across patient pathways, rather than in operational silos. We are therefore building on early work around pathway redesign, particularly on developing a value based approach to healthcare delivery, which gives greater prominence to the inter-dependencies between patient outcomes, quality and cost.

7. How much of an impact has the national Efficiency, Healthcare Value and Improvement Group had and are there specific examples of how the work of the Group has helped to deliver savings for your Health Board?

The National Efficiency, Healthcare Value and Improvement Group provides challenge, insight and support for Health Boards. Examples of where this Group has helped is in the introduction of the medical agency cap, which has provided a framework and structure to restrict the escalation of agency costs, and also work on clinical procurement supported by the NHS Wales Shared Services Partnership.

The Group encourages the sharing of savings plans and efficiency work across NHS Wales and is facilitating better communication and learning. The Group is now undertaking benchmarking work, including a review of continuing healthcare expenditure, which we believe will be helpful in identifying further opportunities to develop delivery models across Wales and drive additional savings.

8. How has your Health Board responded to the recommendations in WAO's Structured Assessment in relation to savings plans and overall financial planning/management?

The Health Board is responding to and addressing all of the points made by the WAO:

Financial Savings Planning and Delivery

- The financial plan for 2018/19 was developed both through the use of external reviews and benchmarking to identify savings opportunities;
- We have established work streams that directly align with the financial plan, which provides greater transparency around accountability and delivery responsibility; a focus on realism and deliverability in each area, and ongoing visibility around progress;
- We are moving away from traditional uniform Cost Improvement Programmes to targeted strategic savings delivery. This is drawing on staff engagement across the organisation and is looking to drive service transformation;
- This has been supported by a comprehensive budget rebasing exercise; and

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- We have agreed a transparent reserves policy with assurance through Performance and Finance Committee.

Monitoring and Review

- We have strengthened accountability and delegation to budget holders, setting out clear expectations around service delivery and performance aligned to the allocation of funding; and
- As set out in answer to Q2 above, we have implemented a weekly savings tracker, undertake regular financial recovery meetings and have developed standardised reporting packs across the organisation.

Medium-Term Planning

- We are already bringing forward work on next year's financial plan, with a view to developing a three-year financial plan to drive and deliver financial sustainability and recovery;
- We are supporting this with the development of a dedicated team to provide financial insight and intelligence and to provide dedicated future financial planning support; and
- We are developing and testing our approach to zero based budgeting, and will pilot our approach in the autumn this year.

The structured assessment can be accessed through the following link:

http://www.audit.wales/system/files/publications/463A2018-19_ABMUHB_Annual%20Audit%20Report%202017_Eng_final.pdf

9. Have any lessons learned from the Welsh Government-commissioned financial governance reviews at some health boards been shared and applied more widely? If so, how?

Welsh Government ensured that the key themes from the finance governance reviews were shared, via an NHS Finance Academy Masterclass, conducted by the Deloitte review team.

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www.abm.wales.nhs.uk

10. What are the key actions you have taken, or intend to take, in response to the financial governance review commissioned by the Welsh Government? If you have an up-to-date response which is in the public domain, can you incorporate the link in your reply?

During 2017/18 the Welsh Government commissioned Deloitte to undertake a Financial Governance Review of the Health Board. The Health Board accepted all the recommendations from this Review and developed an action plan which is being monitored by the Health Board's Audit Committee on a quarterly basis. In addition, the Wales Audit Office completed its annual Structured Assessment, and this was agreed by the Health Board in March 2018. As a result a number of the recommendations from the Financial Governance Review have now been superseded.

The Health Board has put in place a Governance Work Programme for 2018/19 which consolidates the outstanding recommendations of the Deloitte Financial Governance Review, the Wales Audit Office Structured Assessment and the actions from its governance stocktake into an integrated work programme.

The review made 22 recommendations, and the current position is that 15 of those have been fully completed. There are 7 recommendations that were superseded by the Structured Assessment and these are now included as part of our integrated governance action plan.

The latest update on our Finance Governance Plan can be found through the following link: <http://www.wales.nhs.uk/sitesplus/documents/863/2b.%20Financial%20Governance%20Review.pdf>

We have also commissioned The Kings Fund to undertake a comprehensive Board, Executive and Leadership development programme to be delivered during 2018/19. The programme comprises three work-streams designed to work in tandem to increase board, executive and senior leader confidence and capability.

Funding Formula

11. How health boards are involved in the work to update the funding formula, and your understanding of the current state of progress?

We recognise that this is an important piece of work for Welsh Government and NHS Wales. We are awaiting details of the work to update the funding formula and would welcome the opportunity to be involved.

12. What you see as the key changes that need to be made to the funding formula in

the future?

As with previous work in this area, we are anticipating that any changes will be supported by a transparent and inclusive process, with a focus on reflecting local population health needs.

The original formula was based on the former Welsh Health Survey, which was discontinued in 2015 and replaced by the National Survey for Wales. A key change would be to reflect up-to-date, reliable and credible data sources, and for these and any key assumptions to be tested and shared before being implemented. Consideration should also be made of how more regular reviews and updates could be undertaken to reflect demographic and social changes.

Current formula allocations are based on local health board boundaries. It would be helpful if any revised formula could reflect funding distributions at primary and community care wards. This could then be used to inform the distribution of funding within the Health Board to target local needs at a more granular level.

A key issue arising from any change would be for health boards to consider existing cross boundary funding flows, based on flows of patients between health boards, and whether a further review would then need to be undertaken to ensure an equitable share and flow of resource across the NHS Wales system.

We would hope to see Value Based Health Care and a focus on patient and population outcomes to be at the heart of the funding formula review.

13. How you think any transition should be managed if there are significant changes to the formula/allocation?

If changes are made to the base-line allocations, there is a real risk of destabilising individual health boards. Any change would therefore need to be phased over time – it is likely that this could be over a significant period of time if the changes in allocations are material.

This gives rise to a number of related issues, including whether changes to the formula should be made to the base-line allocations or for new allocations in year, and how the potential for more regular refreshes and updates to the formula could be managed.

Overall impact of the NHS Finances (Wales) Act 2014

14. Has the Act led to a demonstrable shift in the behaviour of NHS bodies and Welsh Government away from a short-term focus and towards the longer-term?

The Act has provided a reinforced emphasis on the need to balance short-term operational delivery with longer term planning and service development. By combining the requirement to submit an IMTP and to demonstrate break-even over a rolling three-year period, the Act has provided a locus for integrated planning – where service, performance, workforce, quality and financial plans need to work together to demonstrate medium-term financial and service/ performance sustainability.

The Act has been welcomed by this Health Board and we see the real benefits of planning over a longer term horizon and beyond the current year. As mentioned earlier in this response, we are actively working on a new organisational strategy, underpinned by a refreshed clinical services model. We are keen to re-engage and re-enter the three-year planning cycle from 2019/20 to allow us to move into a planned programme of service improvements and transformational change.

Yours sincerely



TRACY MYHILL
CHIEF EXECUTIVE



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Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales

Ein cyf / Our ref: GD/RF/7615/1637

Eich cyf / Your ref:

☎: 01745 448788 ext 6364

Gofynnwch am / Ask for: Dawn Lees

E-bost / Email: Dawn.Lees@wales.nhs.uk

Dyddiad / Date: 15th June 2018

Dear Chair,

Meeting financial duties

Thank you for your letter of 18th May regarding the above.

As with the rest of health organisations across the United Kingdom the Health Board is facing financial pressures arising from increased costs and / or rising demand due to a number of factors. An ageing population with materially more people over the age of 65 than five years ago has increased demand for both emergency and planned health care across the whole system - North Wales has a higher elderly population than the average for Wales. This has been compounded by population increases in the prevalence of long term illnesses / conditions such as diabetes, obesity, mental health etc.

Problems in relation to staff recruitment and retention have seen shortages of GPs and clinical staff, specifically medical and nursing staffing leading to increases in the use of locum and agency staff whilst also putting pressure on our waiting times.

New drugs and other new treatments have increased the number of conditions the NHS is able to treat, it has enabled us to provide treatment in circumstances where previously we could not. Modern clinical practice requires far higher levels of diagnostic tests and has seen the introduction of multi-disciplinary team decision making which results in better decisions but is more costly in terms of resources required.

1. What have been the main factors / barriers to meeting the financial duties?

BCUHB continues to face a number of financial challenges which have over recent years prevented it from meeting its financial duties. Key cost pressures / financial challenges for the Health Board include:-

- Over reliance on high cost medical and nursing agency costs. Following extensive work undertaken internally around recruitment together with the adoption of the All Wales rate cap, medical agency costs have reduced in 2017/18 to £19m, compared to £28m in 2016/17, although they still remain significantly high and cost materially more than a substantive employees. Similarly nurse agency costs

are high at £10m and continue to increase due to the large number of nurse vacancies across the Health Board.

- Individual Packages of Care including Funded Nursing Care and Continuing Health Care costs continue to increase at a rate in excess of inflation and continue to be an area of focus as we move into 2018/19.
- Secondary Care (particularly around unscheduled care) and MHLD (individual packages of care and out of area placements) are both areas that continue to face a number of operational and budgetary cost pressures.
- One of the underlying reasons for the cost pressure is the increase of both GP referrals and emergency activity into acute services which has been seen in both volume increases and the complexity of patients. As part of care closer to home approach the Health Board future focus is on releasing capacity in primary and community care to ensure this continued pressure on the acute sector is reduced. This is part of our Living Healthier, Staying Well strategy.
- Investments in priority areas to maintain and improve quality, safety and access.

2. To BCU and Hywel Dda: what has been the reason for the apparent further deterioration in the position during this financial year?

The Health Board set itself a very demanding savings target in 2017/18 of £35m (3.5%) which the Board recognised would represent a significant organisational challenge for the year. The Board fully recognised that the presence of ongoing deficits, particularly those which are not on a material downward path of reduction, was not an acceptable position and that there were opportunities for efficiency and productivity in excess of the £35m that was targeted. The concern was that to assume a greater level of CIP delivery in year would be unrealistic or would substantially elevate the risk that savings would be delivered at the expense of service quality and safety.

The main reason for the deterioration in the financial position from that planned relates to the failure to deliver the required level of cash releasing savings, particularly on a recurrent basis. Savings have been delivered, but a large proportion of savings have served to avoid additional cost and have been delivered non-recurrently causing additional financial pressure going forward.

The areas of non-delivery were largely in Secondary Care and Mental Health, the latter also experiencing in-year operational pressures around bed capacity and system flow which resulted in increased costs of out of area placements and individual care packages. As with the whole of the NHS we faced a challenging winter, particularly in relation to flu where despite higher vaccination levels the prevalence of flu was around three times higher at its peak than the Welsh average impacting on costs and ED waiting times and leading to the cancellation of elective activity.

As a consequence, the in-year financial performance was a deficit of £38.8m (of which circa £3m was due to the Health Board's failure to achieve our agreed reduction in waiting times, where a reduction of around 45% was achieved against a target reduction of

50%). The Health Boards financial deficit for the three-year period ended 31 March 2018 was a cumulative over spend of £88.1m.

3. What have been the main reasons you have been unable to agree a three-year plan and what are the remaining barriers to you having an agreed plan?

The Health Board was placed in Special Measures in June 2015 and, in agreement with Welsh Government, has not submitted a three-year plan. As a result of this, the Health Board has been operating under Annual Operating Plan arrangements. The development of an agreed three year plan requires the development of transformational plans to achieve a sustainable position on service quality, waiting times, staff experience and costs. This level of change requires investment in both our capacity and capability to drive service improvements and operational efficiency at every level across the Health Board.

4. How helpful is the Welsh Government's guidance on three year planning?

The relevant guidance is 'NHS Wales Planning Framework 2017/20'. The guidance is helpful and provides a rationale planning framework with a clear process, timeline of requirements including priority areas for improvement.

5. Are there any areas where it could be clearer – including views on the Auditor General's previous recommendation that the Welsh Government should 'set out more clearly in its guidance how, working in partnership with the Welsh Government, NHS bodies that have incurred a deficit should plan to recover their financial position in order to meet the duty in future years'.

We believe the guidance to be clear and very helpful, and that it provides a good basis for Health Boards to work in partnership with the Welsh Government.

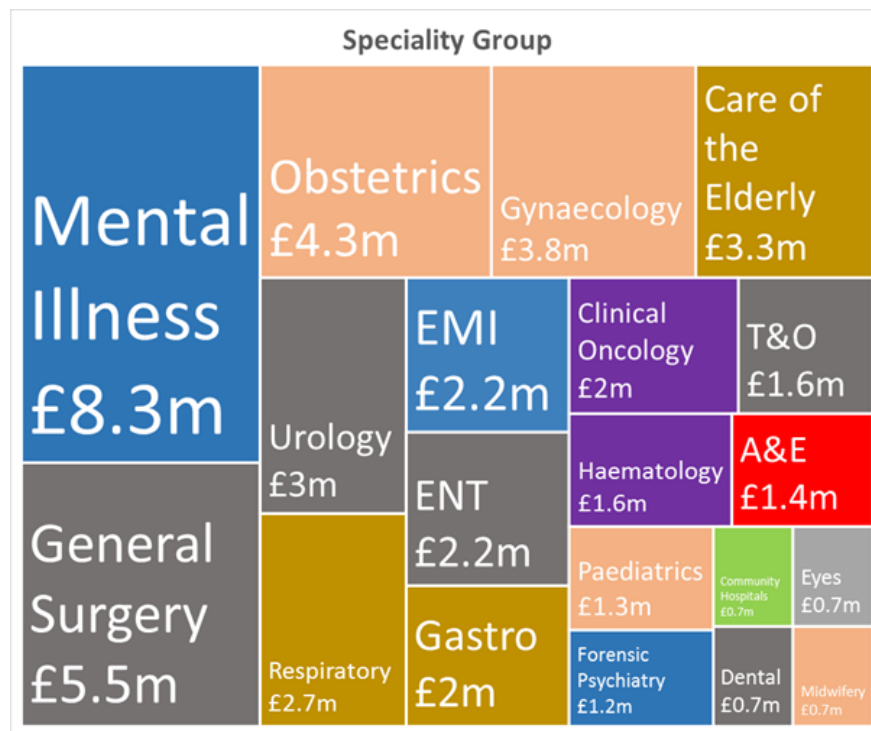
6. What are the key challenges and opportunities for your health board in planning and delivering financial savings?

Our key challenge is that our current methods of delivering change and improvement are not delivering the magnitude of change we require at sufficient pace. We need a step change in delivery if we are to move to a sustainable position and achieve our long term goals to improve the health of the population and deliver excellent healthcare. Our savings target in 2018/19 of £45m is sufficient to deliver a £35m planned deficit, which is a £3m improvement on 2017/18 but is still a deteriorating position compared to 2016/17 when the Health Board was £29m in deficit. As such we know we must aim to improve on the current plan whilst of course ensuring that we do not see a deterioration in service quality and safety.

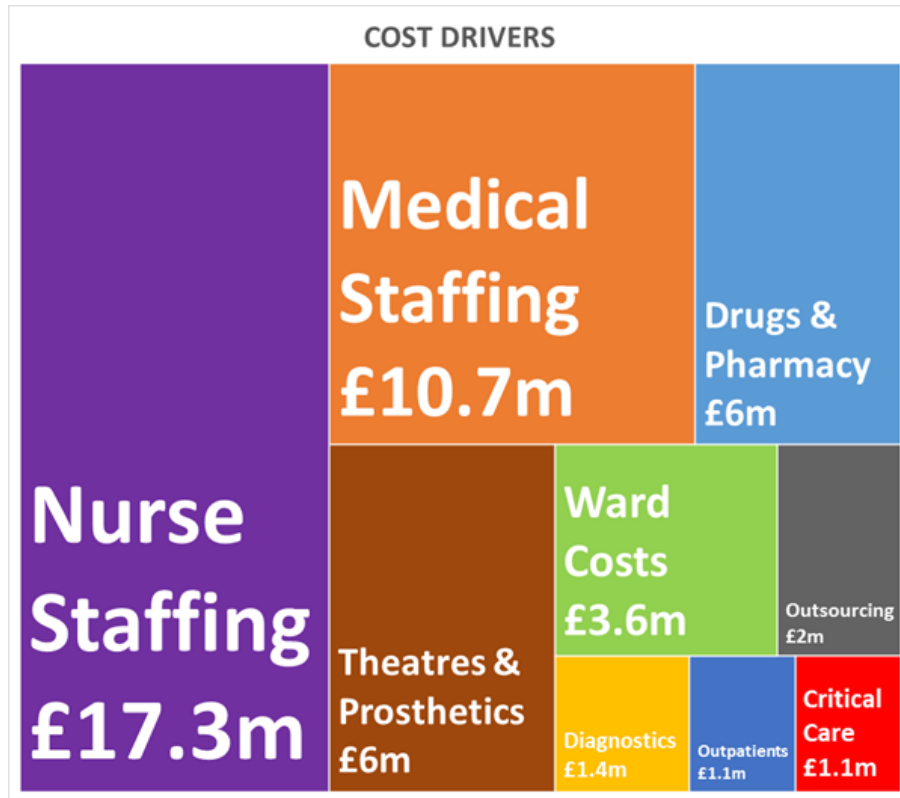
The Health Board's underlying deficit has been calculated as £49.1m, and the position has been assessed based upon known service inefficiencies when compared with peer groups across Wales and based upon the Health Boards strategy of promoting health and well-being and care closer to home, with more health service needs being met outside of hospitals.

The following charts provide an assessment by both specialty group and cost driver:

£49m Underlying Deficit by Specialty Group



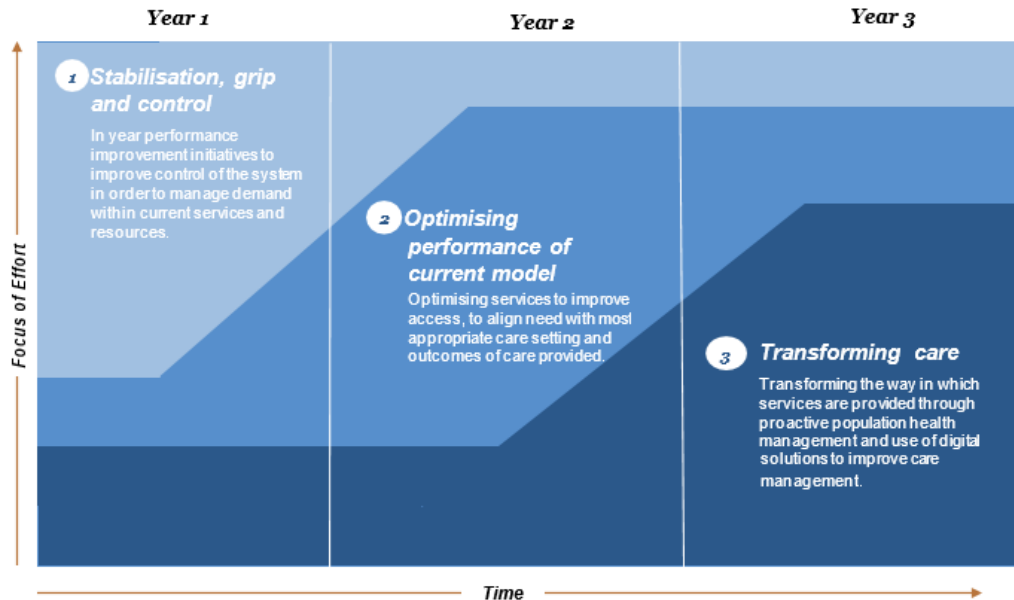
£49m Underlying Deficit by Cost Driver



The Health Board has adopted an ambitious strategy for health improvement and general healthcare; Living Healthier, Staying Well. This strategic direction envisages significant change in the Board's focus towards health improvement and reducing inequalities in health as well as delivering excellent healthcare. The strategy envisages a significant shift in the focus of healthcare delivery, moving more Care Closer to Home and re-designing our hospital services to be sustainable and fit for the future. The Health Board has also developed a number of detailed service strategies and plans as part of taking forward Living Healthier, Staying Well including mental health, orthopaedics, ophthalmology and primary care.

The Health Board will continue to ensure there is clear leadership to deliver the changes necessary to secure efficiencies and savings. This is supported through the PMO Steering Group, chaired by the Chief Executive, which ensures a clear line of sight on programme management and change initiatives. There is a clear approach to quality and cost improvement and service improvement, with a focus on ensuring that our services remain sustainable in the short and longer term. A number of changes are in place or are imminent to enhance our ability to both turnaround our current ways of working/service models but also to transform in order that completely new models of care can drive material improvement as shown below:

How should we prioritise implementation over the period 18/19 – 20/21?



Steps which are in place or underway to enhance our capacity:

- The establishment of a revised approach to service transformation, led by the Chief Executive.
- The appointment of a Turnaround Director and an enhanced Programme Management Office team.
- The appointment of a Director of a Primary Care to provide the dedicated, Board level drive to shift care closer to home in line with our strategy.
- The appointment of a new Secondary Care management team with plans to develop an enhanced level of capacity and capability on our acute sites, building on the work we have done to strengthen, develop and enhance our clinical leaders.
- A new leadership structure with Mental Health Services.
- The development of a new Workforce strategy, building on our successful Work, Train, Live strategy and with a more effective drive to improve staff engagement across the Health Board.

The Health Board does not underestimate the scale of the challenge we face but we believe we are putting in place the foundations to deliver, as we have already successfully done so in areas such as maternity services.

7. How much of an impact has the national Efficiency, healthcare Value and Improvement Group had and are there specific examples of how the work of the Group has helped to deliver savings for the health board?

The main benefits of the National Efficiency, Healthcare Value and Improvement Group to date have been:-

- Enabling high level comparison across all Wales Boards of the approach taken and relative target/ actual values delivered of efficiency savings. This is helpful in seeing what may be possible.
- Providing forums for exchange of ideas, opportunities and specific initiatives and for sharing best practice, for example in estates LED lighting and carbon reduction.
- Providing an opportunity to challenge practice e.g. time to recruit.
- Enabling greater leverage and comparison of prices and clinical practice e.g. in prescribing (e.g. approach on use of avastin, generics, statins) and procurement.
- Providing information about specific schemes that can be introduced into the organisation.

The Health Board uses the information to sense check where it is against each area identified by the Group and when variance to the norm is identified, action is taken to try and improve performance. This has been particularly successful in a range of specific areas such as the use of biosimilars to reduce medication costs, opportunities for non-pay savings in orthopaedics, new approaches to reduce waste costs etc.

8. What are the key actions you have taken, or intend to take, in response to the financial governance reviews commissioned by the Welsh Government? If you have an up-to-date response which is in the public domain, can you incorporate the link in your reply?

The Health Board has benefitted from the WG commissioned financial governance review. From the review, an action plan has been established and agreed by the Board with regular monitoring of progress reported to the Board. The initial action plan was presented to the Board in February 2018, a link is provided below.

<http://www.wales.nhs.uk/sitesplus/861/page/94107>

Funding formula

9. Involvement and view of funding formula process

The use of population funding formulas to determine the “appropriate” level of health care expenditure is fraught with complexity and is a substantial challenge, particularly given that there are limits on any national system of data collection. Having said that there is always scope to improve the sophistication and effectiveness of such formulas and BCU would welcome a review.

Any review needs to reflect the very latest up to-date information about population sizes and demographics and consideration should be made about how this is reviewed regularly. Specifically for the Health Board latest projections suggest a 6.7% increase in the total population by 2030. Importantly in the use of healthcare resources it is expected



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there will be a decrease in younger population groups (under 16 and 16 to 64), but a very large increase in the older age groups (35% 65-84 and 155% 85+). The Health Board is the largest in Wales and covers almost a third of the country's landmass so rurality as well as temporary residence and tourism are also key issues for us.

It's important that any revision to the formula reflect these known key drivers of the use of healthcare resources. If changes are made to the funding formula that leads to significant changes to allocations, these may need be managed over a number of years until organisations reach their revised target allocation. To maintain stability, the annual movement may have to be capped at a given percentage each year whilst keeping the overall allocation in balance.

Overall impact of the NHS Finances (Wales) Act 2014

The requirement for NHS organisations to develop financially balanced three-year integrated plans provides the NHS with a clear framework to encourage longer term planning.

This approach is welcomed as the right thing to do to ensure that there is a focus on developing longer term solutions and actions in order to address the long-term challenges facing the NHS.

Aligned to the Act, the Health Board welcome the research based approach which WG is increasingly adopting in financial policy development, such as the Institute of Fiscal Studies report into Welsh budgetary trade-offs; the Health Foundation's report on the financial sustainability of the NHS in Wales or the Nuffield Trust's 'Decade of austerity in Wales' report. Such evidence is focusing on the longer term resource requirements of the NHS and will serve to ensure that Wales is well placed to adopt best practice in resource allocation. It is important to recognise that healthy lives are determined, not just by spending directly on health, but through communities which are prosperous, secure, active, well-educated and well-connected.

The broader policy framework from Welsh Government has become increasingly consistent. Linking the NHS Finances (Wales) Act with the Wellbeing of Future Generations Act, for instance, has increased the focus on long term planning and collaboration with public sector partners. Likewise, prudent healthcare and the development of the value agenda helps to provide a longer term solution to address the issues facing the NHS.

I trust the responses provided in this letter provide you with the evidence requested.



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University Health Board

Yours sincerely

A handwritten signature in black ink, appearing to read "Gary Doherty".

Gary Doherty
Prif Weithredwr
Chief Executive



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Len Richards
Chief Executive

15 June 2018

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

Dear Mr Ramsay

NHS Finances (Wales) Act 2014

I reply to your letter of 18 May regarding the above. Thank you for giving me the opportunity to input into the Public Accounts Committee's consideration and as requested, set out below are the responses to the questions asked from Cardiff and Vale University Health Board.

Meeting financial duties

What have been the main factors/barriers to meeting the financial duties?

The UHB had a surplus of £0.1m in 2015/16, a deficit of £29.2m in 2016/17 and a deficit of £26.9m in 2017/18. This has meant that it breached its break even duty by £56m over the period 2015/16 to 2017/18.

The Health Board therefore, did not manage to deliver an annual break even position either over the last two years. This has resulted in an accumulated underlying financial deficit. This underlying financial deficit in effect means that the UHB is recurrently spending more than its recurrent allocation. Some of the key reasons for this have been:

- Non delivery of recurrent CIPs as set out in plans;
- Reliance on non-recurring opportunities and non-recurrent funding;
- Spending on cost pressures and investments to sustain and enhance services and performance that have added to the underlying deficit.

The key cost drivers have been:

- Inflationary cost growth due to wage awards and price rises;
- Demand growth in both services provided and services commissioned;
- Population growth where Cardiff is expanding at a quicker rate than the rest of Wales;
- The cost of better performance in emergency care and in reducing waiting times;
- Local cost pressures and investments.

The financial position deteriorated in 2016/17 as the additional cost pressures and investments were greater than allocation increases and the level of efficiencies being achieved.

In 2017/18 the Health Board did however manage to arrest this trend and the year-end out-turn deficit position improved over the previous year. The Health Board also plans to reduce this further in 2018/19.

The UHB aims to get back to recurrent financial balance as soon as possible and aims to maintain an improving position on an annual basis. Restoration of financial sustainability and delivering a break even position however, cannot be achieved in the short term and will take a number of years to achieve. This is because there is a limit to the financial savings and financial improvements that can be made whilst maintaining performance and the delivery of high quality safe services.

What have you done that has meant you appear to have been able to improve the position compared to the last financial year?

Recognising the key reasons for the deteriorating financial position, in 2017/18 the Health Board:

- Had a strong emphasis on the achievement of the recurrent CIP target and provided a supporting structure to support delivery of this;
- Held budget holders to account for achievement of targets;
- Undertook a detailed review of planned expenditure to avoid costs where ever possible even if within budget;
- Ensured cost pressures were managed and if possible avoided;
- Limited investment to those areas that were unavoidable and essential;
- Maximised all financial opportunities to achieve the best possible out-turn position;
- Focussed on transformation and continual improvement;
- Increased clinical engagement through the introduction of new focussed clinical leadership roles.

Duty to have an approved three-year plan

What have been the main reasons you have been unable to agree a three-year plan and what are the remaining barriers to you having an agreed plan?

The three year plan needs to balance performance and finance whilst maintain safe high quality services, modernising and transforming services and moving services closer to home. The key reason why the Health Board has not been able to have an agreeable three year plan is that it has been unable to produce a plan which delivers all of these whilst also delivering a break even position over a three year period. Therefore a financial plan that does not demonstrate forward delivery of the breakeven duty has resulted in non-approval and this remains the main barrier to overcome.

The Health Board has started a process of financial recovery with an improved financial position delivered in 2017/18 and further improvement planned in 2018/19. The aim of the Health Board is to continue on this improvement cycle until it achieves financial sustainability. The Health Board is working closely with Welsh Government during its period of 'Targeted Intervention' to achieve this joint aim and have an approvable three year plan as soon as practically possible.

Welsh Government support and guidance on three year planning

How helpful is the Welsh Government's guidance on three year planning?

The Welsh Government planning guidance is very comprehensive and reflects the complex and wide ranging agenda of the Health care system in Wales. It clearly sets out the areas that need to be covered in the three year plan. This is supported by Welsh Government feedback on the draft plan, both positive and negative, to help shape the contents of the final plan. One criticism might be that because the planning guidance is so comprehensive the final plans tends to be hundreds of pages long and are therefore not very user friendly.

The planning guidance is however less clear on the expectations of a one year operational plan, should the three year plan not be accepted.

Are there any areas where it could be clearer – including views on the Auditor General's previous recommendation that the Welsh Government should set out more clearly in its guidance how, working in partnership with the Welsh Government, NHS bodies that have incurred a deficit should plan to recover their financial position in order to meet the duty in future years.

The requirement to break even and the rules around this are well understood. The ability however to generate surpluses from a deficit position is extremely difficult. The experience of this Health Board is that maintaining the financial position is difficult and that making financial improvements takes time. The Health Board has not been able to deliver an annual break even position since 2015/16 and is therefore not in a place to recover prior year deficits. It does however have the ambition to make annual improvements on reducing its financial deficit and to get back into annual

financial balance as soon as practically possible. Given the size of the recurrent deficit this may take some time to achieve. The overall aim being to get a forward looking three year plan that is approved.

Financial management and savings plans

What are the key challenges and opportunities for your health board in planning and delivering financial savings?

The Health Board successfully delivered its savings plan in 2017/18. Building on the success of last year, the Health Board recognised the need for an ambitious plan that pushes the organisation to deliver improved levels of efficiency alongside improved and sustained delivery against standards increasing the value that is derived from the resources available for the Cardiff and Vale population.

The Health Board has set a challenging in year target for which planning and delivery are well underway. Strong governance processes and a weekly drumbeat across the organisation will continue to support both the identification and delivery of savings.

Tactical and traditional savings will be insufficient to address the UHB's financial challenge. If the UHB is to continue to deliver the required levels of savings over the next 3 year period, Strategic CIPs will need to form a significant part of the financial plan. This will involve implementing new models of care and the redesign of existing care pathways to reduce the cost base whilst improving quality of service and patient value.

To support savings planning and delivery the Health Board is driving cross cutting opportunities together with improvement and transformational schemes. This is a significant opportunity for the health to lower its cost base at the same time as maintaining and improving health pathways.

The key challenges for the health board is in both the pace of delivery and in ensuring that saving schemes recurrently deliver in year and also support the reduction in the health boards underlying deficit.

How much of an impact has the national Efficiency, Healthcare Value and Improvement Group had and are there specific examples of how the work of the Group has helped to deliver savings for your health board?

The health board has embraced the approach of the national Efficiency, Healthcare Value and Improvement Group and is confident of uncovering further opportunities through the work of the Finance Delivery Unit (FDU).

The Group has been supportive in driving medicines management and clinical procurement opportunities along with the introduction of the medical agency and locum pay cap, all contributing to cash releasing savings. It is hoped that the work of the FDU will encourage and enable greater sharing and understanding of opportunities across Wales.

How has your health board responded to the recommendations of the WAO's Structured Assessment in relation to your savings plans and overall financial planning/management?

The key financial recommendations in the structured assessment for 2017 and the latest Health Board position on this is set out below:

R1: For 2018-19, the Health Board needs to use intelligence such as benchmarking data to identify stretch targets on a case-by-case basis in areas where greater levels of savings could be made.

The Health Board has completed an internal benchmarking exercise using CHKS and Albatross data that is being continually refined and assessed. This work was supplemented by external benchmarking data commissioned from EY and from Welsh Government.

In identifying savings plans the Health Board is striving to “make current systems better” and “make better systems” ensuring maximum value is obtained from all work streams including learning from best practice opportunities identified through the national efficiencies group. The Health Board is playing a key role in both shaping the national efficiency framework but also driving opportunities through shared best practice alongside the Finance Delivery Unit.

Informatics supports the identification of opportunities and efficiencies through triangulating benchmarking and internal data. Key target areas for 2018-19 include:

- Clinical variation – GMS sustainability, reduction in follow up rates
- Outpatients – DNA reduction, clinic booking efficiency, demand management
- Length of Stay – LOS reduction, admission avoidance, day of surgery admission
- Theatre Efficiency – session utilisation, productivity

Have any lessons learned from the Welsh Government-commissioned financial governance reviews at some health boards been shared and applied more widely? If so, how?

The findings of the Financial Governance Review of Cardiff and Vale Health Board have been shared widely within the organisation from Board level down and the action plan to address their recommendations is nearly completed.

To support wider learning, Deloitte LLP ran a half day masterclass open to all NHS organisations where they picked up the key themes that arose from their review of the Health Boards. Key learning focussed upon financial planning, strategy, CIPs, culture, support structures, monitoring and delivery.

What are the key actions you have taken, or intend to take, in response to the financial governance reviews commissioned by the Welsh Government? If you have an up-to-date response which is in the public domain, can you incorporate the link in your reply?

Deloitte LLP undertook an independent financial governance review of the Health Board which was carried out against a scope set out in a contract with Welsh Government and took place between March and May 2017. The outcome was presented to Welsh Government and the Health Board in early July 2017. A UHB action plan was agreed by the Board at its September 2017 meeting.

There were 22 key findings and recommendations of this independent financial governance review. Against each recommendation, the Health Board has produced a management response which includes actions to be taken. The Health Board Finance Committee has been asked to review the progress being made against this action plan and provide the Board with appropriate assurances.

The progress against each recommendation was last reviewed by the Finance Committee at its 30 May 2018 meeting. A link to the Finance Committee papers is included below and is included as agenda item 9b.

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/PDF%20Finance%20Committee%20May%202018.pdf>

Latest progress against the 22 recommendations shows that 20 have been completed and 2 are in progress. Reasonable progress is therefore being made. Internal Audit have also recently reviewed the robustness and accuracy of progress reporting against this action plan to the Finance Committee and have issued a report that gives substantial assurance.

Funding formula

How health boards are involved in the work to update the funding formula, and your understanding of the current state of progress?

To support the NHS Wales Directors of Finance in delivering their work plan, a number of sub groups have been set up, one of which is the 'Enhanced Rules' Group. Part of the role of this group is to support Welsh Government in reviewing and reshaping the funding formula, as and when requested to assist. So far however Health Boards have not been requested to support this work. Our understanding is that this work is due to be completed to inform the 2019/20 allocation round.

What you see as the key changes that need to be made to the funding formula in the future?

The formula needs to be based on a transparent, rational and readily available datasets and supporting assumptions which have preferably been successfully tested in other health systems in order to give the formula credibility.

The formula needs regular updating to maintain confidence and credibility in it, taking into account population changes as well as movements in relevant health and health needs indices.

The formula should build in medium term projections based on data backed demographic intelligence to indicate the direction of travel for future allocation and better support longer term resource planning.

The opportunity should be taken at the same time to review how the funds flow between Health Boards for cross border patient flows so that the whole funding system is updated at the same time to avoid any inconsistencies and unintended consequences.

How you think any transition should be managed if there are significant changes to the formula/allocation?

There needs to be convergence towards a new formula that is responsive enough to make incremental changes to allocation on a timely basis but builds in mitigation to avoid unhelpful instability in structural funding. Material medium and long term allocation changes can be planned for including any service and structural changes required with associated timescales.

Allocations could be updated within a convergence model that is updated every three years to promote stability and support planning certainty. An allocation model that incorporates projections will help planners understand future allocation trends and support the need for improvements in appropriate service delivery models.

Overall impact of the NHS Finances (Wales) Act 2014

Has the Act led to a demonstrable shift in the behaviour of NHS bodies and Welsh Government away from a short-term focus and towards the longer-term?

If so in what ways?

If not, then what have been the key barriers to change?

The ambition of this Health Board is to have an agreeable three year plan in order to deliver the Health Boards statutory financial duty. This should also result in a lower level of escalation for the Health Board and a lighter touch performance management relationship with Welsh Government.

The production of a three year plan has been embraced by the Health Board and allows it to set out how it intends to deliver its medium term objectives in the direction of its overall strategy 'Shaping our Future Wellbeing'. A three year horizon allows the Health Board to set out what its service, workforce and finance plans are to move towards financial sustainability.

It allows a focus of longer term challenges such as population growth and the resulting pressures within Primary Care in order to plan ahead services to meet changes in demand. It also supports planning for moving services closer to home and transformation, as these may only be deliverable in the medium term and often requires some resource up front to support delivery.

Welsh Government are also more focussed on the long term in assessing the robustness of three year plans. They provide a mechanism to allow the Welsh Government assurances on service and financial sustainability and to enable them to support Health Boards in delivery of their service improvement and performance plans.

I very much look forward to giving oral evidence to the Public Accounts Committee to build upon the responses given in this letter

Yours sincerely



Len Richards
Chief Executive



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Cwm Taf
University Health Board

Your ref/eich cyf:

Our ref/ein cyf:

Date/Dyddiad:

Tel/ffôn:

Fax/ffacs:

Email/ebost:

Dept/adran:

AJW/TLT

15 June 2018

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Allison.williams4@wales.nhs.uk

Chair and Chief Executive

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
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Dear Nick

NHS Finances(Wales) Act 2014 – Cwm Taf UHB Response to the Public Accounts Committee

Meeting Financial Duties

What have been the main factors that have enabled you to meet your financial duties, and what are the key lessons others could learn from you?

Main factors as follows:-

- Strong Board and Executive ownership of the importance of remaining in financial balance (after getting to a balanced position in 2013) is an important under-pinning factor
- Critical review and challenge of cost pressures and investment proposals has been as important as savings plans in maintaining break even
- Maintaining a holistic approach to the development and oversight of the delivery of the Integrated Medium Term Plan (IMTP) and associated financial plan, rather than treating elements of it independently - so for instance if savings have slipped we will limit or slow down investment plans.
- Good join-up between associated functions, particularly planning, performance, finance and workforce in the development and delivery of the IMTP and financial plan.
- Maintaining a view of the recurrent financial position as well as a view of the in-year position, so that if our in-year position is being bolstered by one-off gains such as slippage or non-recurring

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savings, then we will be aware of the need to improve to the recurrent position to avoid moving into a level of underlying deficit in the following financial year which is potentially not recoverable in that following year.

Duty to have an approved three year plan

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

While we had our plans approved, we would be reluctant to over-promote the Cwm Taf way of doing things, but some of the possible learning points are as follows, recognising some of these repeat some of the points from the response above:-

- We have as a point of principle that the plan has to be balanced and then work back to the combination of funding, management of cost pressures and achievement of savings plans which can potentially achieve that. This is expressed in a "top down plan" which is refined until final submission taking account of directorate "bottom-up plans". The bottom up plans from directorates inevitably sum to a large deficit, and a major part of the planning and budgeting process is around development of savings plans and challenge and prioritisation of cost pressures and developments to get as close as possible to the point of bringing the two together. This process is never fully achieved by 1 April and so becomes part of the financial management agenda through the year. It would be easy to set a deficit plan based on summing the bottom up proposals but we obviously do not do that.
- We are far from perfect, but as an Executive team we are absolutely clear that we are developing an integrated plan, and so the potential for important wider IMTP priorities not to be in the financial plan, or be included in the financial plan but not at the right level, is more limited than it otherwise could be.
- The range and depth of our demand and capacity planning, while not being close to our ultimate destination, is such that we are getting clearer year by year on what our performance priorities mean in capacity and cost terms, after taking account of productivity and pathway opportunities.
- The points in the first response are all relevant to this response, especially the last one around being clear on the separation of recurrent and non-recurrent financial plan elements, which can be seen clearly in the way we present our financial plan.

Welsh Government support and guidance on three year planning

How helpful is the Welsh Government's guidance on three year planning?

- The three year planning guidance is helpful in setting the perspective, priorities and expectations of Welsh Government upfront as part of the planning cycle.
- The guidance has improved year on year and is helped with the support of a WG and NHS Wales Stakeholder Group which is able to consider and influence the development of the draft guidance each year.
- A further improvement has been realised with the release of the NHS Outcomes Framework at the same time as the planning guidance, which helps to set to anticipated performance framework and targets to be met.
- The release of the Welsh Government planning framework usefully facilitates the development of the annual UHB local planning framework which helps set the context for our Directorate plans and corporate IMTP.

Are there any areas where it could be clearer – including views on the Auditor General's previous recommendation that the Welsh Government should 'set out more clearly in its guidance how, working in partnership with the Welsh Government, NHS bodies that have incurred a deficit should plan to recover their financial position in order to meet the duty in future years'.

- As partnerships develop at both RPB and PSB level across Wales, increased clarity about the alignment of plans and planning cycles would be helpful, particularly in response to the Parliamentary Review and recently announced Long Term Plan.
- Although potentially not feasible due to Governmental budget setting timescales, it would be helpful if the Welsh Government financial allocation letter could be released at the same time, or closer to the publication of the national planning guidance in order that all relevant parameters (finance, performance, national service priorities etc) are set to inform local planning frameworks ready for local and IMTP development.
- It would also be helpful if a greater proportion of the total available allocation could be allocated at the start of the financial year, at least for Health Boards which are not in intervention, and also if there was greater clarity of future years' allocations, even if this was on an indicative as opposed to firm basis. Both of these would help increase Health Boards' ownership of their finances and help to limit any "bidding culture" and support genuine 3 year planning.

Financial management and savings plans

What are the key challenges and opportunities for your health board in planning and delivering financial savings?

We work by setting savings targets as far as possible related to specific opportunities, as opposed to standard across the board % savings targets. This is done both on a cross cutting theme basis and for directorate specific opportunities. A spread is needed across more transactional areas such as procurement improvements, through to clinical productivity and re-design schemes. There is a challenge to understand enough about the opportunities available in the different cross cutting themes and service areas to set targets on this basis. We do this from a combination of relevant Execs/managers/lead clinicians own ideas, use of a variety of benchmarking sources, and ideas from elsewhere.

While identifying good quality credible opportunities is a challenge, the bigger challenge is in mobilising management and clinical teams, with various arms of corporate support, including finance, workforce, information and the PMO, to support the cross cutting themes and the directorates in detailed planning and delivery. As we move into more re-design and productivity based savings, the management time and supporting resource to do this becomes more significant. We do not currently have sufficient capacity and capability to deliver at the pace required, and one of our priorities (for which we have some provision in our plan) is to develop the existing current capacity and capability further.

How much of an impact has the national Efficiency, Healthcare Value and Improvement Group had and are there specific examples of how the work of the Group has helped to deliver savings for your health board?

There have been some areas where outputs from this Group have pointed at new opportunities, which we have then factored into our plans. Cwm Taf was an important contributor to the early work of the Group, including its approach to savings as outlined in this response.

How has your health board responded to the recommendations of the WAO's Structured Assessment in relation to your savings plans and overall financial planning/management?

The key conclusions from the 2017 Structured Assessment are as follows:

- The Health Board has an effective system for identifying savings, informed by good analysis of available opportunities. Each directorate has its own savings target identified through benchmarking exercises and other relevant analyses. In addition, across the Health Board, savings planning is explicitly linked to the IMTP planning cycle. However, the majority of savings are short term, whilst the Health Board has some service transformation projects more will need to be developed to achieve the levels of recurrent savings needed and ensure services remain sustainable.
- The Health Board has enablers and support mechanisms in place to support the planning and delivery of savings schemes, but there is scope to strengthen these arrangements further, particularly in relation to programme and project management support, and data analytics capacity and skills.
- We found that savings are monitored and reported at all levels of the organisation from the Board to individual directorate teams. There is good Board and clinical level scrutiny of savings

performance, and executive and directorate level monitoring and scrutiny arrangements have been strengthened by introducing new escalation measures and an executive level Efficiency, Productivity and value Board.

The 2017 Structured assessment also made four recommendations in relation to financial savings planning and delivery. The Health Board has accepted these recommendations and implementation is currently in progress:

- The Health Board's Quality Impact assessment Tool, which must be completed for schemes over £100,000, currently asks directorates to consider the impact of their savings schemes on patient safety, clinical effectiveness, patient experience and staff experience. The Health Board should extend the template to also cover the impact of large savings schemes on other directorates and services, other health bodies and external partners and organisations.
- We found that the Health Board's IMTP peer review process does not fully identify potential cross –directorate working opportunities and duplication. The Health Board should review and strengthen the process to better facilitate joint savings schemes and identify similar or duplicate schemes.
- We found that there can be complexities to cross –directorate working, especially if directorates do not directly benefit from savings schemes. The Health Board should develop a set of principles for directorates which encourages Health Board wide working.
- We found the Health Board has limited project management and data analytics capacity and skills to support savings planning and delivery, especially for Health Board wide schemes. The Health Board should review and consider enhancing current project management and data analytics capacity and skills.

Have any lessons learned from the Welsh Government-commissioned financial governance reviews at some health boards been shared and applied more widely? If so, how?

A number of Executives considered the outputs/challenges from the Deloitte reviews into other health boards and the extent to which there is learning from them for Cwm Taf. This took the form of a RAG rating against the individual areas flagged by Deloitte, which was then considered at the Integrated Governance Committee of the Health Board. The assessments of the individual 8 challenges were green(2), amber to green(3) and amber(3). Our view is that the Deloitte assessment is spot-on with identifying the challenges to financial governance in Wales, and more generally to improving efficiency and effectiveness. We had recognised the issues flagged some years ago in Cwm Taf and have been on an improvement journey to address them over the last few years, but that journey still has some way to go, as evidenced by the RAG rating.

Tudalen y pecyn 39

Funding formula

How health boards are involved in the work to update the funding formula, and your understanding of the current state of progress?

We are aware that the Welsh Government is doing work to update the funding formula, and that this is currently work-in-progress.

What you see as the key changes that need to be made to the funding formula in the future?

The funding formula should be clear, transparent and predictable in its impact for Health Boards to be able to predict resources in future years at some level and so continue to develop three year planning. It needs to take account of changes in population size, together with appropriate "needs" weightings such as age and deprivation. The absence of an overall measure of weighted population taking account of all the relevant factors is a major impediment which needs to be overcome. Weightings for age alone which do not capture deprivation are clearly inaccurate as measures of health needs.

How you think any transition should be managed if there are significant changes to the formula/ allocation?

The formula and the allocation process will need to have some clear arrangements around pace of change. The greater the proportion of the available growth in resource which is held back from initial allocations (as has happened in recent years for understandable reasons), the greater the need for stability in core funding and so the lesser the possible pace of change from current resource shares to ideal "formula" resource shares.

Overall impact of the NHS Finances (Wales) Act 2014

Has the Act led to a demonstrable shift in the behaviour of NHS bodies and Welsh Government away from a short-term focus and towards the longer-term?

The Act has come at a time of great funding limitations in NHS funding in Wales, as has been the case across the UK and further afield. This has inevitably increased the focus on short term financial management, both in Health Boards and Welsh Government, and limited the shift in behaviour away from primarily short term considerations.

If so in what ways?

But this obviously does not mean that this was not the right thing, and in Cwm Taf we believe we are taking a longer term perspective alongside the short term imperatives. For instance, we are making and proposing investments with longer term returns, such as records centralisation and digitisation, and service model changes such as the acute medicine model and Stay Well @ Home.

If not, then what have been the key barriers to change?

As highlighted above, the financial pressures in the NHS across the UK as a whole have not helped. Other barriers for change include a lack of clarity on future years' resource availability and an element of resource growth being held back for particular national priorities, which are also not necessarily predictable.

Yours sincerely

A handwritten signature in black ink that reads "Allison Williams". The signature is written in a cursive style with a large initial 'A'.

Mrs Allison Williams
Chief Executive/Prif Weithredydd



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Bwrdd Iechyd Prifysgol
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Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales

Dear Chair

Many thanks for the opportunity to submit evidence, once more this year, in support of your review into the NHS Finances (Wales) Act 2014.

You will be aware that the Health Board has faced a number of challenges during this year which have had a significant impact on our in-year financial performance and three-year breakeven duty. Following the completion of the Wales Audit Office's statutory audit of our accounts, I can confirm that our financial results for the three-year period ended 31 March 2018 was a cumulative overspend of £150.2m. Our in-year financial performance was a deficit of £69.4m.

As Committee Members may be aware, following the end of the financial year on 23 May 2018, the Cabinet Secretary announced additional recurrent funding to the Health Board of £27m for 2018/19. We are grateful to Welsh Government for commissioning the 'Zero Based Review' by Deloitte, which identified unique challenges in relation to demography and scale of facilities when compared to our peer Health Boards. Whilst there is further work we must now do deliver financial breakeven, the additional funding in recognition of our unavoidable local factors is welcome.

This additional funding will make a significant impact on our underlying deficit in the short term. Addressing the remaining deficit we are incurring will require action over a longer term, and a longer term recovery plan is being developed.

Swyddfeydd Corfforaethol, Adeilad Ystwyth,
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Cadeirydd / Chair
Mrs Bernardine Rees OBE

Prif Weithredwr/Chief Executive
Mr Steve Moore

Tudalen y pecyn 42
Bwrdd Iechyd Prifysgol Hywel Dda ydy'r enw gweithredol Bwrdd Iechyd Lleol Prifysgol Hywel Dda
Hywel Dda University Health Board is the operational name of Hywel Dda University Local Health Board

Mae Bwrdd Iechyd Prifysgol Hywel Dda yn amgylchedd di-fwg Hywel Dda University Health Board operates a smoke free environment

Your letter of 18 May outlined a series of questions for us, which I have responded to in order, below:

- **What have been the main factors/barriers to meeting the financial duties?**

The review undertaken by Welsh Government into the Health Board's finances, the 'Zero Based Review', has highlighted that there are a number of unique cost pressures which the Health Board faces. These pressures have undoubtedly had a significant impact on the Health Board's ability to meet its historic financial duties.

However, there are also a number of operational issues which have also affected the Health Board, such as the overreliance on agency staffing to cover key services within secondary care; and increasingly a reliance on locum staff within primary care. This has a direct financial impact on our deficit, but also represents a challenge to our ability to work with clinical colleagues on standardising practices and implementing best practice across the organisation.

Engaging with our clinical colleagues to ensure that all our staff are focused on delivering value to our patients, the population we serve and the taxpayer will be critical in improving both the quality of our services and our financial position. The recent launch of the 'Transforming Clinical Services' consultation has been clinically led, and we are confident that the dialogue between the public, clinicians, other staff and stakeholder organisations will enable the Board to develop a sustainable and financially affordable service model.

- **To BCU and Hywel Dda: what has been the reason for the apparent further deterioration in the position during this financial year?**

The Health Board's budget for this year represented a deficit of £58.9m, but our outturn was a deficit of £69.4m. The main challenges for the Health Board have been related to the difficulties in recruiting key staff to a number of critical services across our sites. These difficulties have resulted in the need to use agency staff and overtime to supplement our substantive workforce.

A number of examples are shown below, which demonstrate the effect of medical agency on a selection of specialties. These cost pressures were not all expected at the time that budgets were set.

	Budget (£'m)	Cost in excess of budget (£'m)	Percentage variance
A&E and MIU	16.8	2.5	15%
Medical specialties	18.7	0.9	5%
Obstetrics and Gynaecology	5.4	0.9	16%
General Surgery	8.2	0.8	10%
Orthopaedics	7.0	0.7	10%
Anaesthetics	11.8	0.4	3%
Urology	2.1	0.3	13%
Contribution to deterioration in financial position		6.5	

As well as medical staff we have also, despite considerable efforts and innovative approaches, struggled to recruit fully to our nursing establishment and this has impaired our ability to deliver savings in agency costs at the level we had planned.

The reasons for the use of agency staff are numerous, although what has been notable is the particular challenges in our more remote sites, Withybush General Hospital and Bronglais General Hospital, and addressing the sustainability of our workforce is one of the critical factors behind our decision to embark on our change programme, 'Transforming Clinical Services'.

- **What have been the main reasons you have been unable to agree a three-year plan and what are the remaining barriers to you having an agreed plan?**

The Health Board's key challenge in agreeing a three-year plan was our inability to deliver a balanced financial position over three years, requiring as it did a net reduction in expenditure of circa £20m per annum to achieve breakeven at the end of the period.

With the allocation of the £27m recently announced; and the emerging consensus regarding the need to fundamentally redesign our service model to reduce the reliance on acute hospitals and increase our ability to support people in the community, we feel that we have the opportunity to develop a plan to achieve breakeven in the medium term. We will continue a dialogue with Welsh Government colleagues regarding our aim of developing an approvable IMTP as soon as possible.

'Transforming Clinical Services' will be a key part of that recovery plan, but addressing issues such as clinical variation will also be critical as part of the medium term recovery.

- **How helpful is the Welsh Government's guidance on three year planning?**

The process used by Welsh Government to support the planning process has become increasingly embedded across the NHS in Wales, and this is to be welcomed. Welsh Government have encouraged peer-learning and support; and this has supported the dissemination of good practice across Health Boards and Trusts.

Specifically for Hywel Dda, we have received additional support from Welsh Government over the past two years. The reviews into our financial governance arrangements, and the 'Zero Based Review' have both supported us in addition to the planning guidance. These have provided welcomed insights into our circumstances which has been fed back into our planning approach.

In addition, our monthly Targeted Intervention meetings with Welsh Government officials has provided a focus to discuss issues of concern as and when they arise. Also under Targeted Intervention, Welsh Government have provided practical support to our ongoing organisational development efforts.

- **Are there any areas where it could be clearer – including views on the Auditor General’s previous recommendation that the Welsh Government should ‘set out more clearly in its guidance how, working in partnership with the Welsh Government, NHS bodies that have incurred a deficit should plan to recover their financial position in order to meet the duty in future years’.**

While there will be some consistencies between the causes and solutions to financial challenges across Health Boards; there are also unique circumstances. Consequently, responses need to be organisation-specific.

In our case, Welsh Government commissioned both a financial governance and ‘Zero Based Review’, both of which have provided insights to support improvements in our approach to address our financial challenge.

There are also opportunities to share learning across organisations. I have previously mentioned the planning peer-review. In addition to this, for example, we will be hosting a Summer Planning event where those involved in planning across Wales will share their learning from last year in order to inform this year’s planning cycle. The recent establishment of the Finance Delivery Unit in Welsh Government is a welcome move to provide more bespoke support to each Health Board.

- **What are the key challenges and opportunities for your health board in planning and delivering financial savings?**

As has been touched on elsewhere, the key challenges facing the Health Board are a distributed, elderly population, an over-reliance on suboptimal acute facilities and particular shortfalls in our primary care and community services. All of these are a factor in our particular issues with being able to recruit and retain a skilled and experienced workforce, many of whom are no longer prepared to work in small teams with onerous on-call arrangements and limited access to the professional and social opportunities available in more urban areas.

The ‘Zero Based Review’ has now recognised the financial impact of our elderly population and the suboptimal scale of our facilities. However, the remaining workforce challenges require more medium to long term solutions to develop Hywel Dda as an attractive place to work. The root-causes and suggested solutions to these challenges have been outlined in some detail in our ‘Transforming Clinical Services’ consultation. We of course await the outcome of the consultation but it is clear from our clinicians that ‘no change’ is not a viable option for Hywel Dda or the population we serve.

Having progressed a considerable way in our strategic thinking it is clear that the identification of our savings plans in the coming years will be a combination of technical efficiencies as in previous years and, increasingly, allocative efficiency, where clinical pathways and service models will be streamlined and developed to ensure we deliver the best outcomes for patients at the most efficient cost.

We recognise the opportunity this presents both for our patients, but also for our workforce and for our longer term finance sustainability. The challenge will be to transition from one model to another at a time when funding for any change will be limited.

- **How much of an impact has the national Efficiency, Healthcare Value and Improvement Group had and are there specific examples of how the work of the Group has helped to deliver savings for your health board?**

This Group has provided important leadership in this area, and has encouraged the adoption of good practice across NHS organisations. Over the past year, the Group has identified efficiencies in the procurement of clinical supplies and in medicines in particular. These opportunities supported the Health Board's savings plan for the last year.

We recognise that as a Health Board we have further to go in our emerging Value Based Healthcare initiatives. To this end we have recently agreed with Welsh Government, Abertawe and Bro Morgannwg UHB and Swansea University, a joint regional programme looking at a selection of agreed clinical pathways across the region. With support from the Finance Delivery Unit and local dedicated resources this programme aims to accelerate the identification of opportunities to improve patient care and improve the allocation of resources within the region.

- **How has your health board responded to the recommendations of the WAO's Structured Assessment in relation to your savings plans and overall financial planning/management?**

The Health Board implemented a turnaround approach during the past year, which is being embedded over this year. The approach to identifying savings opportunities has been better co-ordinated through the planning process for 2018/19. Our change management arrangements and accountability arrangements have also been strengthened through this process for 2018/19.

In 2017/18 this turnaround approach yielded a significantly stronger savings performance with £29m of gross savings and accountancy gains being delivered. In 2018/19 we have targeted £38m of gross savings. We recognise this is challenging and we are doing further work to ensure that our planning of our services, finances and savings over the medium to long term is strengthened to ensure we move away from over reliance on short term and non-recurring measures.

- **Have any lessons learned from the Welsh Government-commissioned financial governance reviews at some health boards been shared and applied more widely? If so, how?**

Welsh Government arranged a seminar which has shared the common themes emanating from the governance reviews amongst the NHS Wales finance community.

- **What are the key actions you have taken, or intend to take, in response to the financial governance reviews commissioned by the Welsh Government? If you have an up-to-date response which is in the public domain, can you incorporate the link in your reply?**

As Hywel Dda was one of the Health Boards which were reviewed, we have undertaken considerable work to support the review; respond to its conclusions; and embed within the operations of the Board the lessons learnt. In general it was pleasing to see that whilst there were areas for improvement, the review was generally supportive of the direction of travel we had already embarked on. We had previously commissioned a review into our Board governance arrangements, which was particularly useful in preparing the Health Board for the subsequent financial governance review. Key recommendations were;

- To continue with Board Development given the recent appointments to the Team
- To focus on holding Executives to Account for actions assigned to them
- Review and make changes if required to some aspects of the committee and governance structure
- Make further improvements to Financial Reporting
- Reinforce the Planning cycle process with senior staff.
- Significantly improve savings reporting (the review was undertaken before the Turnaround structure was established)
- Fully understand the capacity and capability of operational teams and support through enhance organisational development.

Whilst not a specific recommendation, the review also supported the plans in place to enhance the Finance Directorate's support to the Operational Teams.

A redacted version of the Financial Governance Report is available on the WG website at the following link;

<https://gov.wales/docs/decisions/2018/health/180426atn11984doc4.pdf>

Progress on the delivery of these recommendations has been regularly reported to the Board and its last review papers are available on the following link.

[Item 09ii External Financial Governance Review](#)

<http://www.wales.nhs.uk/sitesplus/documents/862/ExFinGovReviewRecsSBARJun18withActionPlanv3.pdf>

- **What are the key actions you have taken, or intend to take, in response to the zero-based review?**

We have of course contributed to the 'Zero Based Review' and were impressed by the diligence and professionalism of the reviewers from Deloitte and the commitment of Welsh Government colleagues to the process. As part of the review, as well as undertaking an analysis of the available data, the reviewers interviewed a range of key managers, leaders and clinicians. This in itself was a learning process as it reinforced with all concerned that whilst there were issues causing unavoidable local financial pressures, there were also opportunities open to us in the short to long term. These efficiency opportunities have been built into our savings planning for 2018/19 where possible.

A key initial action for the Health Board is to ensure we are clear about our revised funding baseline and ensure that our reported underlying position as detailed in our monitoring returns and featuring in any future plans is agreed with Welsh Government. This is now underway. This is critical so that as we respond to the current consultation and design in detail our service model, we can be very clear regarding the underpinning financial model.

- **How health boards are involved in the work to update the funding formula, and your understanding of the current state of progress?**

Our responsibility as a Health Board is to ensure that we operate within the funding allocated to us by Welsh Government. We will of course support, if requested, the work to update the funding formula. However, we will respect Welsh Government's approach to the funding allocation across NHS Wales.

In the case of Hywel Dda it is important to note that the 'Zero Based Review' commissioned by Welsh Government identified the need for additional funding to be provided to the Health Board as a result of our elderly demographic and the scale of our facilities arising from the widely distributed nature of the population. We are grateful this has been addressed by the Government.

- **What you see as the key changes that need to be made to the funding formula in the future?**

Please refer to my response to the question above.

- **How you think any transition should be managed if there are significant changes to the formula/ allocation?**

In order for any changes to be manageable we would anticipate that any transitional arrangements would balance the need to reflect the drivers inherent in the formula with the time necessary to react to change.

- **Has the Act led to a demonstrable shift in the behaviour of NHS bodies and Welsh Government away from a short-term focus and towards the longer-term?**
 - **If so in what ways?**
 - **If not, then what have been the key barriers to change?**

The issues facing the Health Board have developed over the long term, and addressing these issues will take time.

The Act has made significant progress in encouraging NHS bodies to focus on the longer term. An example of this is our approach in Hywel Dda in the 'Transforming Clinical Services' programme. This demonstrates our approach in planning over the longer term, which will also result in a significant change management programme over the longer term.

I hope that the responses I have provided provide you with the evidence you require. However, should the Committee require any further information or clarification, I would be delighted to provide it in due course.

Yours sincerely



Steve Moore
Chief Executive

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Chief Executive

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Bwrdd Iechyd
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Powys Teaching
Health Board

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.

Pencadlys

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Rydym yn croesawu gohebiaeth Gymraeg

Bwrdd Iechyd Addysgu Powys yw enw gweithred Bwrdd Iechyd Lleol
Addysgu Powys



We welcome correspondence in Welsh

Powys Teaching Health Board is the operational name of
Powys Teaching Local Health Board

- 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



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Dyddiad cyhoeddi: 26 Mehefin 2018

Annwyl Nick

Mae'r Pwyllgor wedi penderfynu cymryd tystiolaeth gan fyrddau iechyd a Llywodraeth Cymru ar sefyllfa ariannol cyrff y GIG, a mynd ar drywydd y materion a godwyd yn fy adroddiad ym mis Gorffennaf 2017, [Gweithredu Deddf Cyllid y GIG \(Cymru\) 2014](#) (y Ddeddf).

Er mwyn ategu gwaith craffu'r Pwyllgor, rwyf wedi diweddarau ffigurau adroddiad 2017 a hefyd wedi casglu rhagor o wybodaeth. Nodir y rhain yn yr Atodiadau i'r llythyr hwn.


Yn Atodiad 1, rwyf wedi diweddarau ffigurau'r gyllideb gyffredinol ar gyfer iechyd. Rwyf hefyd wedi nodi sefyllfa alldro ariannol 2017-18 i bob corff GIG, ac wedi nodi a ydynt wedi cyflawni eu dyletswyddau o dan y Ddeddf.

Yn Atodiad 2, ceir y wybodaeth ddiweddaraf am y gwaith i gyflawni arbedion ariannol. Rwyf wedi diweddarau'r ffigurau ar gyfer arbedion yn fy adroddiad yn 2017. Rwyf hefyd wedi cynnwys crynodeb o negeseuon allweddol cylch diweddaraf fy ngwaith Asesu Strwythuredig yng nghyrrff y GIG, a oedd yn cynnwys gwaith i gyflawni'r cynlluniau arbedion. Yn sgil gohebiaeth â Llywodraeth Cymru ar ôl i'r Pwyllgor glywed tystiolaeth ym mis Gorffennaf 2017, mae Aelodau wedi mynegi diddordeb mewn materion ynghylch effeithlonrwydd, yr adolygiadau o lywodraethu ariannol a gynhaliwyd yn y pedwar bwrdd iechyd sy'n destun lefelau ymyrraeth uwch, a'r adolygiad cwbl gynhwysfawr yn BIP Hywel Dda. Mae fy niweddiariad yn nodi i ba raddau y mae'r materion a godwyd gan yr adolygiadau o lywodraethu ariannol yn cyd-fynd â chanfyddiadau fy ngwaith archwilio innau.

Yn olaf, nodir yn Atodiad 3 gynnydd Llywodraeth Cymru o ran argymhellion fy adroddiad yn 2017, ochr yn ochr â'm sylwadau innau.

Hyderaf y bydd y wybodaeth hon yn ddefnyddiol i'r Pwyllgor wrth iddo graffu ar y byrddau iechyd a Llywodraeth Cymru.

1. 9. 2011



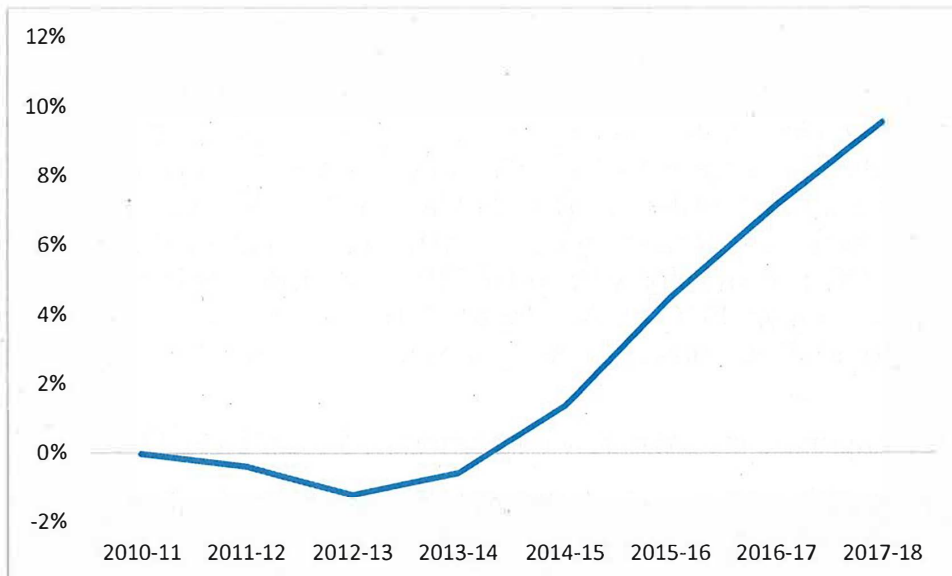
HUW VAUGHAN THOMAS
ARCHWILYDD CYFFREDINOL CYMRU

Atodiad 1: Y sefyllfa ariannol

Y gyllideb refeniw iechyd dros amser

Ceir yn **Ffigur 1** y wybodaeth ddiweddaraf am y gyllideb refeniw iechyd dros amser. Mae'n dangos bod y duedd ddiweddar o gynnydd mewn gwariant mewn termau real yn parhau. Roedd fy adroddiad yn 2017 yn tynnu sylw at batrwm lle'r oedd Llywodraeth Cymru'n darparu cyllid ychwanegol yn ystod y flwyddyn i'r GIG. Gwelwyd y patrwm hwn yn parhau unwaith eto yn 2017-18, gydag £85 miliwn yn rhagor yn cael ei ddyrannu i iechyd o gronfeydd yn yr ail gyllideb atodol. Bwriad y cyllid ychwanegol oedd helpu i wella perfformiad¹ ynghyd â rheoli pwysau'r gaeaf a diffygion annisgwyl yn BIP Hywel Dda a BIP Betsi Cadwaladr².

Ffigur 1: newidiadau mewn gwariant refeniw iechyd mewn termau real o 2010-11



Sylwer: Mae'r siart hwn yn dangos newid mewn gwariant refeniw iechyd o linell sylfaen 2010-11 mewn termau real. Felly, er enghraifft, yn 2017-18 roedd y gwariant 10% yn uwch nag yn 2010-11.

Ffynhonnell: Dadansoddiad Swyddfa Archwilio Cymru o gyllidebau Llywodraeth Cymru

¹ Roedd y cyllid ychwanegol ar gyfer perfformiad yn amodol ar gyrraedd targedau perfformiad penodol. Mae Llywodraeth Cymru wedi adennill cyllid oddi wrth dri bwrdd iechyd – BIP Abertawe Bro Morgannwg, BIP Betsi Cadwaladr a BIP Aneurin Bevan – am fethu â chyrraedd y targedau hynny.

² Ni chafodd y cyllid a ychwanegwyd at y gyllideb refeniw iechyd ar gyfer diffygion annisgwyl yn BIP Hywel Dda a BIP Betsi Cadwaladr ei drosglwyddo i'r byrddau iechyd hynny. Er hynny, roedd yn angenrheidiol er mwyn mantoli'r gyllideb iechyd a Gwasanaethau Cymdeithasol.

Cydymffurfiaeth cyrff y GIG â'u dyletswyddau o dan Ddeddf Cyllid y GIG (Cymru) 2014

Cyflwynodd y Ddeddf ddwy ddyletswydd newydd i'r saith bwrdd iechyd yng Nghymru:

- mantoli'r gyllideb dros gyfnod treigl o dair blynedd – yn disodli'r gofyniad blaenorol i fantoli'r gyllideb bob blwyddyn;
- paratoi cynllun integredig tair blynedd i'w gyflwyno i Weinidogion Cymru a'i gymeradwyo ganddynt.

Cyflwynodd Llywodraeth Cymru wedi hynny ganllawiau polisi yn ei gwneud yn ofynnol i'r tair ymddiriedolaeth GIG yng Nghymru hefyd gydymffurfio â'r ddwy ddyletswydd a amlinellwyd yn y Ddeddf.

Mae **Ffigur 2** yn dangos bod pedwar bwrdd iechyd wedi methu â chyflawni eu dyletswydd ariannol gyntaf yn 2017-18. Roedd yr un pedwar bwrdd iechyd wedi methu â chyflawni'r ddyletswydd yn 2016-17 hefyd. Mae'r byrddau iechyd hyn yn wynebu cryn her i adfer y sefyllfa a chyflawni eu dyletswydd yn y blynyddoedd sydd i ddod. Nodais yn fy adroddiad yn 2017 y byddai angen i'r byrddau iechyd hynny, er mwyn cyflawni'r ddyletswydd ar 31 Mawrth 2018, fod wedi tanwario yn 2017-18 swm cyfwerth â'u gorwariant net yn 2015-16 ac yn 2016-17. Ar ddiwedd y flwyddyn roedd diffygion yn ystod y flwyddyn BIP Hywel Dda a BIP Betsi Cadwaladr yn fwy nag yn 2016-17. Ar ddiwedd 2017-18 roedd diffygion BIP Caerdydd a'r Fro a BIP Abertawe Bro Morgannwg yn llai nag yn 2016-17.

Ffigur 2: cyllid y byrddau iechyd dros y tair blynedd o 2015-16 i 2017-18

Sefydliad GIG	Gwarged a gadwyd yn ôl (Diffyg)	Gwarged / (Diffyg)	Gwarged / (Diffyg)	Gwarged Cronedig / (Diffyg)	A gyflawnodd y corff ei ddyletswydd o dan y Ddeddf?
	2015-16	2016-17	2017-18	2016-17 i 2017-18	
Byrddau Iechyd	£000	£000	£000	£000	
PABM	86	(39,316)	(32,417)	(71,647)	Naddo
Aneurin Bevan	214	49	246	509	Do
PBC	(19,525)	(29,784)	(38,838)	(88,147)	Naddo
Caerdydd a'r Fro	68	(29,243)	(26,853)	(56,028)	Naddo
Cwm Taf	22	18	23	63	Do
Hywel Dda	(31,199)	(49,613)	(69,430)	(150,242)	Naddo

Powys	40	85	96	221	Do
Ymddiriedolaethau'r GIG					
ICC	17	16	28	61	Do
Felindre	40	35	49	124	Do
YGAC	49	44	70	163	Do
Cyfanswm	(50,188)	(147,709)	(167,026)	(364,923)	

Ffynhonnell: Cyfrifon archwiledig cyrff y GIG

Mae'r diffyg yn ystod y flwyddyn ar draws y GIG, fel y nodir yn y cyfrifon, wedi tyfu eto eleni i £167 miliwn. Dylid nodi bod BIP Aneurin Bevan a BIP Cwm Taf wedi cyflawni gwargedion sydd £2.4 miliwn a £3 miliwn yn y drefn honno yn uwch na'r rhai a ddangosir yn y cyfrifon. Er hynny, fe wnaeth y ddau fwrdd iechyd 'frocera' y gwargedion hynny yn ôl i Lywodraeth Cymru a thrwy hynny leihau eu terfynau gwario (ac felly eu gwargedion cofnodedig) ar gyfer 2017-18 ac ychwanegu'r symiau cyfatebol at eu terfynau gwario ar gyfer 2018-19. Pe na bai'r terfynau gwario wedi eu haddasu, byddai'r diffyg cyffredinol ar draws y GIG ar gyfer 2017-18 wedi bod yn £162 miliwn.

Mae'r diffyg tair blynedd cronedig, fel y nodir yn y cyfrifon wedi'u harchwilio, wedi codi o £253 miliwn i £365 miliwn. Fodd bynnag, nid yw'r ffigur hwn yn cynnwys diffyg 2014-15. Gan gynnwys y flwyddyn honno, cyfanswm y diffyg cronedig ar draws y GIG yw £420 miliwn ers dechrau'r Ddeddf.

Ar gyfer 2017-18, roedd chwech o'r deg corff GIG wedi cytuno ar Gynllun Tymor Canolig Integredig. Roedd y pedwar oedd heb gynllun tair blynedd y cytunwyd arno hefyd wedi methu â chyflawni'r ddyletswydd i fantoli'r gyllideb dros dair blynedd. Roedd BIP Hywel Dda; BIP Betsi Cadwaladr; BIP Caerdydd a'r Fro; a BIP Abertawe Bro Morgannwg i gyd yn gweithio'n unol â chynllun blwyddyn yn 2017-18.

Rwyf wedi cyhoeddi adroddiad sylweddol ar gyfrifon y pedwar bwrdd iechyd a fethodd â chyflawni eu dyletswyddau o dan y Ddeddf, ac mae gan y pedwar farn amodol ar reoleidd-dra ar eu cyfrifon. Yn fy adroddiad sylweddol ar BIP Hywel Dda nodais gyhoeddiad Ysgrifennydd y Cabinet ym mis Mai fod ffactorau'n ymwneud â demograffeg a graddfa a oedd yn cyfrannu at sefyllfa ariannol y bwrdd iechyd y tu hwnt i'w reolaeth. Dangoswyd hynny mewn adolygiad cwbl gynhwysfawr y comisiynodd Llywodraeth Cymru Deloitte i'w gynnal. Cyhoeddodd Ysgrifennydd y Cabinet gyllid rheolaidd blynyddol ychwanegol o £27 miliwn i adlewyrchu'r ffactorau hyn o 2018-19. Mae angen deall sefyllfa ariannol y bwrdd iechyd yng nghyd-destun y cyhoeddiad hwn.

Atodiad 2: Cynllunio a chyflawni arbedion

Roedd fy ngwaith Asesu Strwythuredig yn ystod 2017-18 yn cynnwys ystyried sut y mae cyrff y GIG yn cynllunio ac yn cyflawni arbedion. Er i mi nodi rhai materion penodol mewn cyrff unigol, mae rhai themâu allweddol y credaf y byddai'n fuddiol eu rhannu â'r Pwyllgor. Mae staff Swyddfa Archwilio Cymru eisoes wedi rhannu'r sylwadau hyn â Grŵp Effeithlonrwydd, Gwerth Gofal Iechyd a Gwella GIG Cymru ac â Chadeiryddion Pwyllgorau Archwilio holl gyrff GIG Cymru. Dyma'r themâu allweddol:

- Mae'r hanes blaenorol o ran cyflawni arbedion yn dda ond nid yw'r dulliau o wneud arbedion yn mynd i'r afael erbyn hyn â'r bwlch rhwng adnoddau ariannol a chyfanswm y gwariant.
- At ei gilydd, mae cyrff y GIG yn gwneud arbedion drwy gynlluniau byrdymor, yn hytrach na sicrhau arbedion effeithlonrwydd drwy foderneiddio a thrawsnewid gwasanaethau yn y tymor hwy.
- Pan geir pwysau ar gostau yn ystod y flwyddyn, mae tuedd i droi at fesurau byrdymor i reoli costau ac arbedion afreolaidd.
- Roedd yn gyffredin gweld cyrff y GIG yn defnyddio targed arbedion unffurf ar gyfer yr holl gyfarwyddiaethau, yn hytrach nag arfer dull graddedig yn seiliedig ar ddadansoddi ble y mae'r posibiladau mwyaf o ran sicrhau arbedion effeithlonrwydd.
- Mae'r graddau y mae cynlluniau arbedion yn cael eu hintegreiddio â Chynlluniau Tymor Canolig Integredig neu gynlluniau gweithredu blynyddol yn amrywiol iawn. Mae byrddau iechyd sy'n destun ymyriadau wedi'u targedu'n llai tebygol o fod â chynlluniau arbedion integredig.
- Er bod cymorth da'n cael ei roi at ei gilydd gan adrannau cyllid i helpu'r sefydliad yn ehangach i gynllunio a chyflawni arbedion, roedd y cymorth gan adrannau 'galluogi corfforaethol' eraill megis TG, Adnoddau Dynol a swyddfeydd rheoli rhaglenni yn fwy amrywiol.
- Ar y cyfan, mae'r trefniadau ar gyfer monitro gwaith i gyflawni arbedion ariannol yng nghyrrff y GIG yn dda, ond mae lefel y manylder mewn adroddiadau a gyflwynir i fyrddau a phwyllgorau'n fwy amrywiol.

Wrth gyflwyno'r canfyddiadau hyn i Grŵp Effeithlonrwydd, Gwerth Gofal Iechyd a Gwella GIG Cymru, codasom gwestiynau hefyd i'w hystyried ar lefel genedlaethol, ac efallai y bydd y Pwyllgor am ystyried y rhain yn ystod ei ymchwiliad:

- Beth y gellir ei wneud yn genedlaethol i annog dadfuddsoddi mewn meysydd lle nad oes fawr o werth amlwg?
- Os oes angen i fyrddau wneud penderfyniadau anodd ynghylch fforddiadwyedd modelau gwasanaethau sydd eisoes ar waith, beth fyddai'n eu hannog i ddefnyddio dull sy'n rheoli'r risg?

- Pa ddulliau gweithredu cenedlaethol fyddai'n helpu i annog pwyslais mwy cyson ar werth a chynhyrchiant wrth gynllunio a chomisiynu gwasanaethau?
- A ellid gosod targedau arbedion 24 neu 36 mis ar gyfer cynlluniau trawsnewidiol i annog pwyslais mwy hirdymor?
- A yw hyblygrwydd ariannol tair blynedd yn gwneud yn fawr o'r cyfle ar gyfer cynaliadwyedd ariannol tymor hwy?

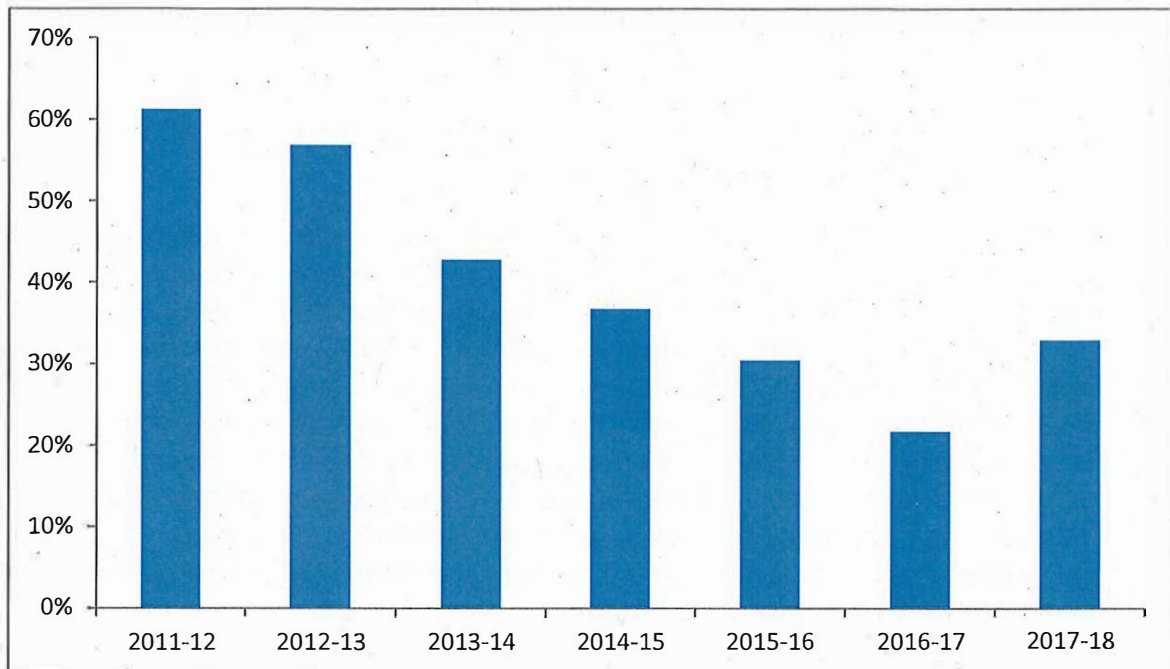
Mae'r Pwyllgor yn ymwybodol fod Llywodraeth Cymru wedi comisiynu Deloitte i gynnal adolygiadau ar lywodraethu ariannol yn y pedwar bwrdd iechyd nad ydynt wedi cyflawni eu dyletswyddau o dan y Ddeddf. Rhoddodd Llywodraeth Cymru grynodedb o'r negeseuon allweddol yn ei llythyr diweddar ar 26 Chwefror 2018. Dylid nodi mai'r un yw'r negeseuon yn yr adroddiadau ar lywodraethu ariannol â'm negeseuon innau i'r byrddau iechyd yn ddiweddar drwy fy ngwaith Asesu Strwythuredig. Mae'r Pwyllgor wedi gofyn am ddiweddariadau gan y byrddau iechyd perthnasol ynghylch y camau a gymerwyd ganddynt yn sgil adolygiadau Deloitte. Yn yr un modd, mae wedi gofyn am fanylion am y camau a gymerwyd yn sgil fy ngwaith Asesu Strwythuredig, yn benodol o ran cynllunio arbedion a chynllunio/rheoli ariannol yn gyffredinol.

Roedd fy adroddiad yn 2017 yn cynnwys dadansoddiadau manwl o batrymau arbedion yng nghyrrff y GIG. Rwyf wedi diweddarau'r siartiau (isod). At ei gilydd, roedd swm yr arbedion wedi codi o £137 miliwn yn 2016-17 i £169 miliwn yn 2017-18. Roedd llai o ddibyniaeth ar arbedion afreolaidd. Er hynny, mae patrwm yr arbedion yn hwyr yn y flwyddyn yn awgrymu bod problem o hyd o ran pwyslais byrdymor y cynlluniau arbedion:

- Cynyddodd cyfran y bwlch ariannu a bontiwyd drwy arbedion o 22% i 33% er bod angen pwyll wrth ymdrin â'r ffigurau gwaelodol (Ffigur 3)
- Cwmpodd cyfran yr arbedion afreolaidd³ o 34% i 29% (Ffigur 4)
- Cynyddodd cyfran yr arbedion a gyflawnwyd yn hwyr yn y flwyddyn, gyda 36.5% o gyfanswm yr arbedion yn cael eu cyflawni yn chwarter olaf y flwyddyn ariannol (i fyny o 32% yn y chwarter cyfatebol yn 2016-17). (Ffigur 5)
- Er bod cyfran gyffredinol y gwariant cyfalaf yn y mis olaf (36%) yn is nag yn 2016-17 (46%), fe allai'r patrwm hwn o wariant uchel ym mis olaf y flwyddyn, yn fy marn i, beryglu gwerth am arian o hyd (Ffigur 6)

³ Arbedion rheolaidd yw'r arbedion hirdymor sy'n dileu costau'n barhaol, ac mae arbedion afreolaidd yn rhai nad ydynt yn cynnig budd mewn blynyddoedd i ddod. Un enghraifft o arbedion afreolaidd yw gohirio prosesau caffael neu recriwtio angenrheidiol tan y flwyddyn ariannol nesaf.

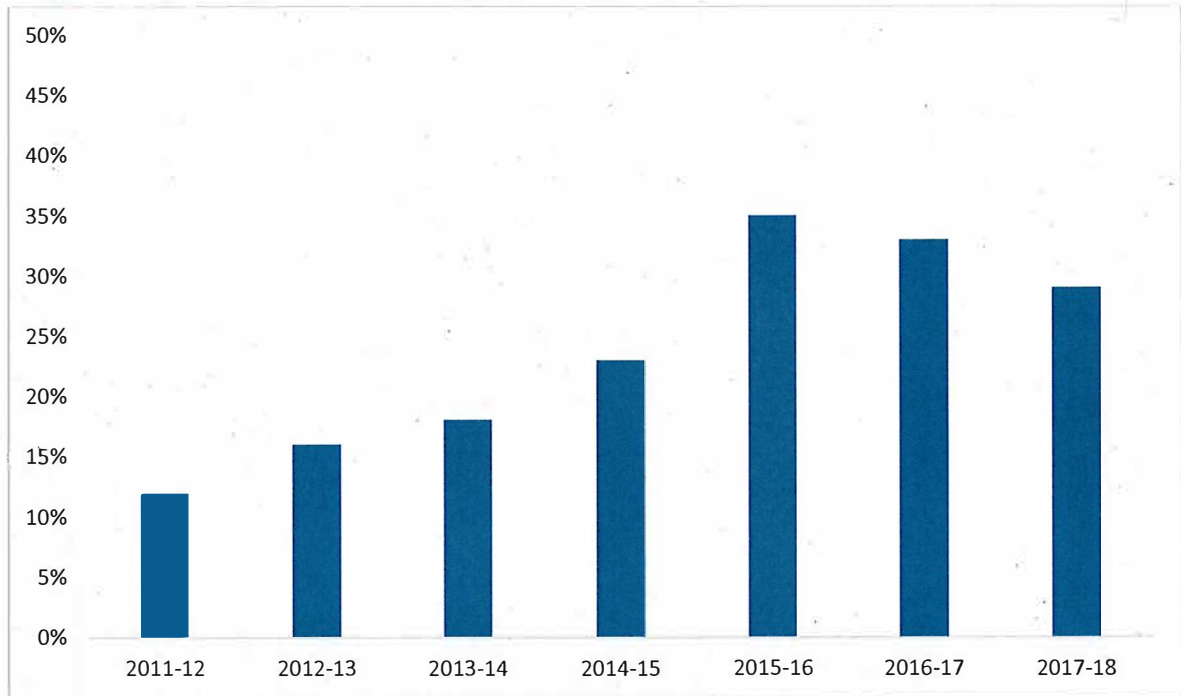
Ffigur 3: cyfran y bwllch ariannu a bontiwyd drwy arbedion, 2011-12 i 2017-18



Sylwer: Daw'r ffigurau hyn o'r ffurflenni a gyflwynwyd gan gyrff y GIG i Lywodraeth Cymru ac maent yn cyd-fynd â'r ffigurau a gyflwynwyd yn ein hadroddiad yn 2017. Er hynny, mae Llywodraeth Cymru wedi dweud yn ddiweddar ei bod o'r farn nad yw cyfrifiadau cyrff y GIG o'u bwllch ariannu wedi bod yn gyson a bod angen pwyll felly wrth ymdrin â'r ffigurau.

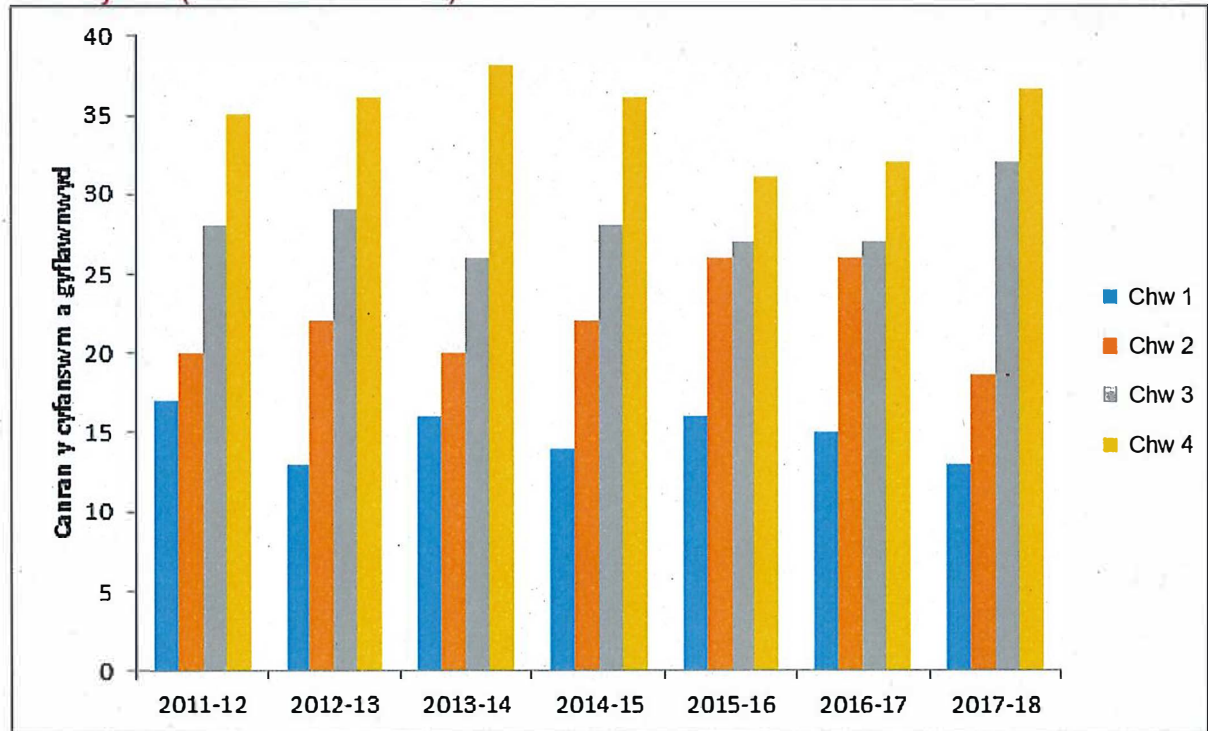
Ffynhonnell: Dadansoddiad Swyddfa Archwilio Cymru o ffurflenni monitro cyrff y GIG

Ffigur 4: cyfran yr arbedion a gyflawnwyd sy'n afreolaidd, 2011-12 i 2017-18



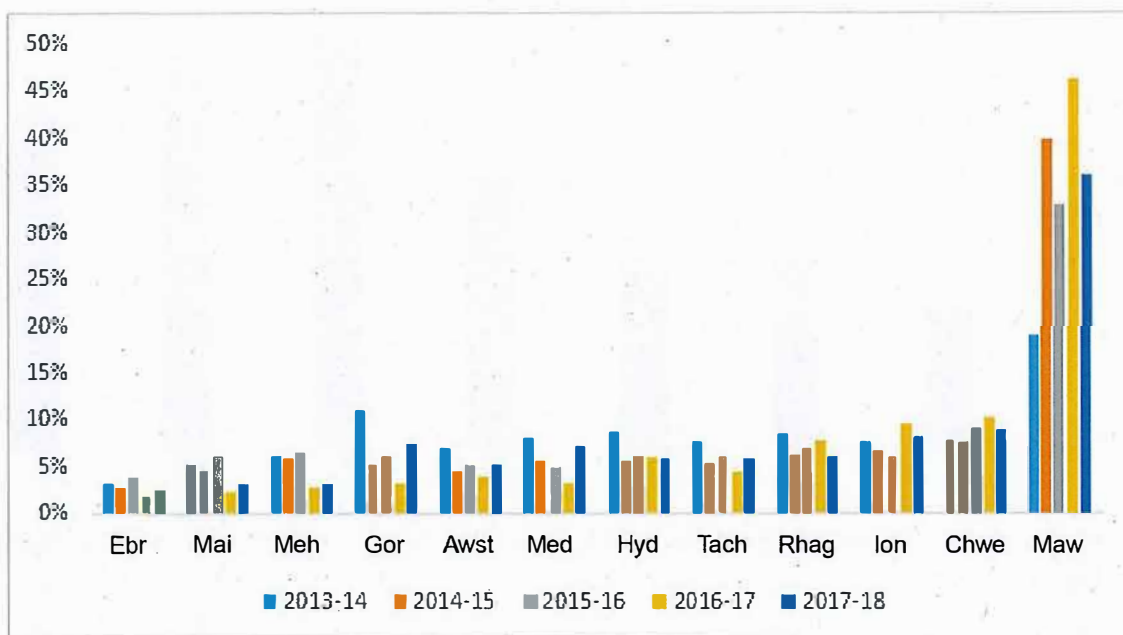
Ffynhonnell: Dadansoddiad Swyddfa Archwilio Cymru o ffurflenni monitro cyrff y GIG

Ffigur 5: canran yr arbedion blyneddol a gyflawnwyd ym mhob chwarter ar draws GIG Cymru (2011-12 i 2017-18)



Ffynhonnell: Dadansoddiad Swyddfa Archwilio Cymru o ffurflenni monitro cyrff y GIG

Figur 6: Gwariant cyfalaf misol



Ffynhonnell: Dadansoddiad Swyddfa Archwilio Cymru o ffurflenni monitro cyrff y GIG

Atodiad 3: Ymateb Llywodraeth Cymru i'm hargymhellion

Gwneuthum ddau argymhelliad yn fy adroddiad yn 2017, a nodais hefyd ddau faes cyffredinol i Lywodraeth Cymru ganolbwyntio arnynt. Derbyniodd Llywodraeth Cymru fy argymhelliad cyntaf yn rhannol a derbyniodd yr ail. Nodir safbwynt diweddaraf Llywodraeth Cymru o ran fy argymhellion a'r ddau faes cyffredinol isod. Bydd cyfle i'r Pwyllgor holi Llywodraeth Cymru am y diweddariad yn y sesiwn dystiolaeth ar 16 Gorffennaf.

Argymhelliad 1

Argymhellwn fod Llywodraeth Cymru'n:

- a) **nodi'n gliriach yn ei chanllawiau sut y dylai cyrff y GIG sydd â diffyg, gan weithio mewn partneriaeth â Llywodraeth Cymru, adfer eu sefyllfa ariannol er mwyn cyflawni'r ddyletswydd mewn blynyddoedd i ddod; ac yn**
- b) **gwella ei ffurflenni monitro drwy gynnwys y sefyllfa yn erbyn y cyfnodau treigl o dair blynedd, nid dim ond y darlun blynyddol.**

Ymateb Llywodraeth Cymru (a ddarparwyd ym mis Gorffennaf 2017):

Derbyn yn Rhannol

Nid ydym yn derbyn bod angen i Lywodraeth Cymru roi mwy o arweiniad i gyrff y GIG ynghylch y camau y mae angen iddynt eu cymryd i adfer unrhyw ddiffyg er mwyn cyflawni'r ddyletswydd mewn blynyddoedd i ddod. Rhoddwyd manylion ynghylch gweithredu'r ddyletswydd yn y Memorandwm Esboniadol i'r Ddeddf, ac mae hefyd wedi'i nodi yng Nghylchlythyr Iechyd Cymru (2016) 054 – Dyletswyddau Ariannol Statudol Byrddau Iechyd Lleol ac Ymddiriedolaethau'r GIG. Er hynny, rydym yn cydnabod bod angen sicrhau bod holl aelodau newydd byrddau'n deall yn iawn beth yw dyletswyddau'r sefydliad, ac ymdrinnir â'r gofyniad hwn yn y Rhaglen Ymsefydlu i Aelodau Annibynnol.

Derbyniwn yr argymhelliad fod angen i'n proses fonitro reolaidd gynnwys darlun tair blynedd yn ogystal â'r sefyllfa flynyddol i'r sefydliadau hynny sy'n gweithio'n unol â chynlluniau tair blynedd cymeradwy. Byddwn yn ystyried yr ychwanegiadau y mae angen i ni eu gwneud i'r broses fonitro i gynnwys yr agwedd hon. Gwneir hyn erbyn 31 Hydref 2018.

Diweddariad Llywodraeth Cymru ym mis Mehefin 2018:

Rhaglen Ymsefydlu i Aelodau Annibynnol

Ar sail sesiwn ddatblygu lwyddiannus ar Gyllid a Llywodraethu a drefnwyd i Aelodau Annibynnol gan yr Academi Gyllid ym mis Mehefin 2016, mae swyddogion Iechyd a Gwasanaethau Cymdeithasol Llywodraeth Cymru wedi bod yn gweithio gydag Academi Wales i ddatblygu:

- Canllaw Ymsefydlu i Aelodau Annibynnol o'r Byrddau
- Rhaglen Ymsefydlu i Aelodau Annibynnol o'r Byrddau

Roedd Modiwl 2 y Rhaglen Ymsefydlu, "Cynllunio, Adnoddau a Chyflawni", yn cynnwys sesiwn benodol ar Ddyletswyddau Ariannol GIG Cymru, gan gynnwys y ddyletswydd gynllunio a'r ddyletswydd i fantoli'r gyllideb. Roedd Modiwl 2 hefyd yn cynnwys cyflwyniadau gan Gyfarwyddwr Cyllid a Chyfarwyddwr Cynllunio'r GIG, yn ogystal â chyflwyniadau gan Swyddfa Archwilio Cymru. I gynorthwyo Aelodau Annibynnol yn eu gwaith craffu ac adolygu ar y Cynlluniau Tymor Canolig Integredig drafft a oedd i'w cyflwyno yng nghyfarfodydd y Byrddau ym mis Ionawr, cynhaliwyd Modiwl 2 yn fwriadol ar 16 Ionawr 2018.

Mae Rhaglen Ymsefydlu Aelodau Annibynnol Academi Wales yn ategu rhaglenni ymsefydlu a datblygu lleol y Byrddau Iechyd Lleol ac Ymddiriedolaethau'r GIG.

Ffurflenni Monitro

Cynhaliwyd trafodaethau â staff cyllid y GIG ym mis Hydref 2017 ynghylch y posibilid o gyflwyno tablau monitro tair blynedd. Ar hyn o bryd, nid oes gofynion penodol o ran tablau monitro tair blynedd yn yr arfaeth ar gyfer y sefydliadau hynny a chanddynt gynlluniau tymor canolig cymeradwy. Mae Fframwaith Cynllunio'r GIG yn ei gwneud yn ofynnol i fyrddau ac ymddiriedolaethau iechyd gynnal Adolygiad Canol Blwyddyn o weithrediad y cynllun, gan gyfeirio'n benodol at ragolwg ar oblygiadau, canlyniadau a newidiadau posib i flynyddoedd 2 a 3 y cynllun. Mae Llywodraeth Cymru'n adolygu cynnydd yn ffurfiol yng nghyfarfodydd y Tîm Gweithredol ar y Cyd ddwywaith y flwyddyn gyda phob sefydliad.

Argymhelliad 2

Argymhellwn y dylai Llywodraeth Cymru gwblhau'r adolygiad o'i fformiwla gyllido ar gyfer byrddau iechyd yn fuan er mwyn sicrhau bod amrywiadau mewn lefelau

cyllido yn adlewyrchu gwahaniaethau yn anghenion iechyd poblogaethau a phenderfynyddion eraill costau gofal iechyd yn briodol.

Ymateb Llywodraeth Cymru (a ddarparwyd ym mis Gorffennaf 2017):

Derbyn

Cwblhawyd Cam 1 yr adolygiad o ddyrannu adnoddau o fewn yr elfen Trefn Ariannol yn Law yn Llaw at lechyd. Bwriadwn fwrw ymlaen â Cham 2 maes o law. Mae cynigion ac amserlen y prosiect wrthi'n cael eu datblygu a chânt eu rhannu ag Ysgrifennydd y Cabinet dros lechyd, Llesiant a Chwaraeon.

Diweddariad Llywodraeth Cymru ym mis Mehefin 2018:

Mae cynigion wrthi'n cael eu datblygu ar gyfer Cam 2 yr Adolygiad o Ddyrannu Adnoddau. Bydd y gwaith yn adeiladu ar sail arbenigedd a gwersi o Gam 1, canfyddiadau'r Adolygiad Cwbl Gynhwysfawr yn ddiweddar ym Mwrdd Iechyd Lleol Hywel Dda, dulliau o weithredu fformiwlâu cyllido mewn gwledydd cymharol, megis Seland Newydd, yr Alban a Lloegr, a blaenoriaethau polisi Llywodraeth Cymru hefyd.

Er enghraifft, cyd-destun yr Adolygiad Cwbl Gynhwysfawr oedd bod cyfluniad y gwasanaethau yn Hywel Dda yn creu costau ychwanegol i'r Bwrdd, ond nodwyd yn y canfyddiadau allweddol mai nodweddion y boblogaeth, hynny yw y ddemograffeg, yn hytrach na chyfluniad y gwasanaethau oedd prif ysgogiad y costau ychwanegol. Roedd hynny'n awgrymu, i'w brofi yn y gwaith adolygu, efallai nad yw'r fformiwlâ ar hyn o bryd yn cydnabod ac yn rhoi pwys digonol ar anghenion oedran/rhyw a'r gromlin gostau. Ac ystyried y ddemograffeg sy'n newid, a'r newidiadau a ragwelir yn y boblogaeth, o ran maint a chymysgedd oedran/rhyw, bydd hyn yn elfen hollbwysig o'r adolygiad a datblygiad y fformiwlâ.

Meysydd cyffredinol Archwilydd Cyffredinol Cymru

- a) mynd i'r afael â'r cylch cyllido lle mae symiau sylweddol o arian yn cael eu rhoi i gyrff y GIG tua diwedd y flwyddyn ariannol; yn ein barn ni, nid yw parhau â'r patrwm hwn yn gynaliadwy; ac
- b) achub ar y cyfle a gynigir gan yr Adolygiad Seneddol o Iechyd a Gofal, y strategaeth newydd sy'n cael ei datblygu ar gyfer y GIG a chynlluniau hirdymor lleol sy'n cael eu datblygu gan gyrff y GIG i roi cyfeiriad wedi'i ddiweddarau a chliriach i wasanaethau'r GIG, yn arbennig y newid i wasanaethau mwy rhanbarthol a chenedlaethol.

Ymateb Llywodraeth Cymru:

- a. Mae Llywodraeth Cymru wedi symud oddi wrth yr arfer o roi symiau sylweddol o arian yn hwyr yn y flwyddyn. O ran 2017-18, derbyniodd pob sefydliad GIG godiad o 2% yn eu cyllid i ymdrin â phwysau chwyddiant a phwysau eraill ar gostau a chadarnhawyd hynny cyn dechrau'r flwyddyn ariannol. Rhoddwyd rhagor o gyllid i BIP Aneurin Bevan a BIP Cwm Taf ym mis Mehefin 2017 er mwyn cefnogi eu cynlluniau tymor canolig cymeradwy. Wedi hynny, yr unig gyllid ychwanegol a ddarparwyd i gyrff y GIG oedd cyllid at ddibenion blaenoriaethau penodol. Roedd hyn yn cynnwys £50 miliwn a gyhoeddwyd ym mis Awst 2017 i wella amseroedd aros, a £10 miliwn a gyhoeddwyd ym mis Ionawr 2018 i gydnabod pwysau eithafol y gaeaf ar y gwasanaethau cymdeithasol ac iechyd.
- b. Cyhoeddwyd *Cymru Iachach: ein cynllun ar gyfer iechyd a gofal cymdeithasol* ar 11 Mehefin. Mae'n amlinellu ein hymateb i'r Adolygiad Seneddol a gyhoeddwyd ym mis Ionawr, ac yn nodi camau penodol y

byddwn yn eu cymryd dros y tair blynedd nesaf. Mae hyn yn cynnwys ymrwymiad i ddatblygu cynllun clinigol cenedlaethol ar gyfer gwasanaethau iechyd arbenigol gan amlinellu ein dull strategol o ddarparu gwasanaethau iechyd diogel, o safon uchel, sy'n bodloni anghenion pobl ledled Cymru erbyn diwedd 2019.

Mae cyfyngiadau ar y ddogfen hon

Mae cyfyngiadau ar y ddogfen hon

Mae cyfyngiadau ar y ddogfen hon