

NATIONAL ASSEMBLY FOR WALES: FINANCE COMMITTEE

NATIONAL HEALTH SERVICE FINANCE (WALES) ACT 2014

Date: 11 November 2015

Venue: Senedd, National Assembly for Wales

1. Purpose

To provide Committee Members with an overview of progress in implementing the National Health Service Finance (Wales) Act 2014, including the integrated medium term planning arrangements, which continue to be strengthened.

2. Background

As Committee members are aware, the National Health Service (Wales) Act 2014 came into effect 1 April 2014. The Act:

- resets the Local Health Boards financial duty period from one year to 3 years;
- requires Ministers to give directions to Local Health Boards to prepare a plan which set out their strategy for securing that it complies with the 3 year financial duty while improving:
 - (i) the health of the people for whom it is responsible, and
 - (ii) the provision of health care to such people; and
- ensures local health board planning duty compliance is subject to the plan being prepared, in accordance with Minister direction, submitted to and approved by the Welsh Ministers

The Ministerial direction to Local Health Boards is achieved through the issue of the NHS Wales Planning Framework, which describes the planning system, sets out national planning requirements, and the stages of the planning cycle. The first planning framework, which is also applicable to NHS Trusts, was issued to the NHS on 4th November 2013, and signalled the start of the first (2014/15 to 2016/17) planning round under the new arrangements. The second planning framework was issued on 31st October 2014, which was refined to take account of experience of running the first year of the planning cycle in time to inform the second (2015/16 to

2017/18) round of plans. The third planning framework was issued 9th October 2015 and aims to consolidate arrangements as we move into the third year (2016/17 to 2018/19) of the new approach to planning.

3. The planning system and cycle

Significant work has taken place along side the introduction of the new legislation to strengthen national and local planning systems and put in place a clear planning cycle. This work has been described within the latest planning framework but a brief summary follows against each stage of the planning cycle.

3.1 Issue of national planning requirements (October)

Through the issue of successive NHS Wales Planning Frameworks, the Welsh Government has consolidated and set out its expectations of health boards and trusts in relation to integrated medium term planning and offered complete transparency around how it intends to approach plan assessment. An annual refresh of the planning framework takes place to ensure the arrangements can be developed and strengthened year on year, responding to feedback. The clarity offered by the frameworks, and their integrated nature spanning clinical service, workforce, and financial planning, has been commended both within and outside NHS Wales.

As always, some priorities will emerge during the course of the ongoing planning cycle. Some priorities will be on an individual organisation basis and will be reflected in chief executive accountability letters at the time of approval and, where necessary, throughout the year. Other priorities emerging on a pan-NHS Wales basis and are issued through the NHS Planning Framework and Welsh Health Circular.

3.2 Development/refresh and submission of integrated medium term plans (October – January)

All health boards and trusts are required to develop or refresh their plans for submission to the Welsh Government by the last working day of January. All

organisations have met this target in the first two planning rounds. As set out within the Welsh Health Circular accompanying this year's planning framework, organisations with approved plans in place from the last round will concentrate on refreshing their plan, providing increased delivery detail around 2016/17 and pushing the plan on a further year into 2018/19. Organisations without approved plans in place will be expected to develop and submit plans with a high level of detail in all areas and across all years.

3.3 Welsh Government assessment of final draft plans, with feedback to NHS organisations (February).

The Welsh Government has put in place a robust assessment process, which includes a detailed multidisciplinary scrutiny by officials from across the Department of Health and Social Services and, where appropriate, other departments. The assessment also draws on wider evidence from audit and inspection bodies, including the Wales Audit Office's structured assessment and involves extensive discussions with senior executives from health boards and trusts. In both planning cycles, feedback has been given to Health Boards and Trusts within three weeks of plan submissions, to ensure it could be taken into account before final Board scrutiny and approval. The Welsh Government's assessment process has been quality assured by external independent assessors and audited by Welsh Government Internal Audit. The Auditor General for Wales, in the "NHS Wales: Overview of Financial and Service Performance 2013-14" report published October 2014, noted:

"Ahead of 2014-15, all NHS bodies submitted integrated three-year plans to the Department. The Welsh Government's Internal Audit Service has reviewed the process for reviewing and approving the plans and concluded that it could give full assurance that the process was operating effectively. We also view the fact that only four of the ten NHS bodies had their plans approved by the Minister as evidence that the Welsh Government has been challenging and is pushing the NHS to improve the quality of its planning."

3.4 Board approved final plans submitted to Welsh Government for final assessment.

As statutory public sector bodies the primary responsibility for plan approval and delivery rests with the Boards of Health Boards and Trusts or relevant governing structures for NHS support organisations. Before submitting plans to the Welsh Government, organisations are required to have confidence that what is set out within the plan can be delivered, with a robust approach to performance management and the management of risk. As discussed by the Finance Committee during the passage of the Act, the Welsh Government has made it a requirement for evidence of the scrutiny of plans to be made available on Health and Trust Board public websites. All organisations with plans considered and approved by the Minister have been approved by Boards in advance of their submission to Welsh Government.

3.5 Ministerial approval of final plans (April – June 2015)

Throughout the passage of the NHS Finance (Wales) Act 2014, I reassured Assembly Members on several occasions, including those on the Finance Committee, that plans would only be approved by the Welsh Government following board-level robust scrutiny and approval of health board and NHS trust plans, and when they met the requirements of the NHS Wales planning framework. All Welsh Government approved plans have passed this test.

I was also clear that the Welsh Government's approval of plans in no way abdicates health board and NHS trust board accountability for the delivery of services or prejudices the outcome of any due processes required to implement the plan. For example, any service changes should be carried out in line with the Guidance on Engagement and Consultation and would be subject to normal business case approval processes. This is picked up during the assessment process and this has been a firm condition of Ministerial approval.

4. Plan approval status

To ensure complete transparency of plan approvals, in both the 2014/15 and 2015/16 planning rounds, I have issued written statements to Assembly Members setting out the plan approval status for each organisation and the reason for decisions.

In 2014/15, I approved the following integrated medium term plans: Cwm Taf University Health Board; Cardiff and Vale University Health Board; Abertawe Bro Morgannwg University Health Board and Velindre NHS Trust.

In 2015/16, I approved the plans of Cwm Taf University Health Board; Cardiff and Vale University Health Board; Abertawe Bro Morgannwg University Health Board; Powys Teaching Health Board, Aneurin Bevan University Health Board, Public Health Wales NHS Trust and Velindre NHS Trust.

In both the 2014/15 and 2015/16 planning rounds, managed financial flexibility has been afforded to those health boards and NHS trusts able to demonstrate a sufficiently-integrated and prioritised three-year plan, drawing together service, workforce and financial considerations.

In both 2014/15 and 2015/16, for different reasons, Hywel Dda University Health Board, Betsi Cadwaladr University Health Board, and the Welsh Ambulance Service Trust have been unable to achieve Board approval of an integrated medium term plan, which meets the requirements of the NHS Wales Planning Framework. All organisations have agreed annual plans in place.

My approval of integrated medium term plans is not to suggest the plans are perfect in every area. It reflects the level of confidence the Welsh Government has that organisations are responding to the priorities as set out in the NHS Planning Framework and that their Boards are effective at scrutinising and approving the plans; have accepted any risks within them; and have clear mechanisms for ensuring delivery.

Where plans need to be strengthened, the Director General and Chief Executive of NHS Wales has picked up the areas with the Chief Executives of each health board and trust through plan approval accountability letters. The accountability letters contain the conditions and expectations for Health Boards and Trusts around key deliverables for year one of the plans and, if requested and approved, the terms of any adjustments to the resource allocation.

5. Plan delivery

The Welsh Government's interest in plans does not start and stop at the submission and assessment of written documents. To ensure the objectives of the NHS Finances (Wales) Act 2014 are met, the Welsh Government has aligned its monitoring, delivery, and escalation arrangements to track and challenge delivery against plan. How this has been achieved is set out in detail within the latest NHS Wales Planning Framework and includes:

- quality and delivery meetings structured around plans between the Welsh Government, Health Board and Trust Officials;
- Joint Executive Team Meetings, where the meeting's agenda is now entirely shaped around a consideration of performance against plan; and
- Chief Executive accountability arrangements.

The planning system has been designed to recognise the concept of earned or autonomy. If an organisation has an approved plan in place and a track record of delivery, it may benefit from a reduced frequency and intensity of the above performance management/accountability mechanisms.

6. Strengthening the planning system

Whilst significant progress has been made, it is acknowledged through the issue of the latest planning framework that there is still work to do nationally and within local health boards and trusts to build upon the progress of the last two years. It should be recognised that moving from an annual planning cycle to the integrated medium

term planning arrangements has required a substantial shift in organisational planning systems, skills and behaviours. Work is in hand to further strengthen arrangements over the next twelve months, including: training and development for those involved in service planning; strengthening workforce planning; and practical action drive to embed the principles of prudent healthcare.

Taken together, however, the progress identified within this paper demonstrates how the Welsh Government is introducing the ongoing and necessary rigour in operating the arrangements set out in the NHS Wales Planning Framework and the NHS Finance (Wales) Act 2014.