



**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

01443 744803

01443 744888

Allison.williams4@wales.nhs.uk

Chair and Chief Executive

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

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

---

**Return Address: Ynysmeurig House, Unit 3, Navigation Park, Abercynon, CF45 4SN**

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 committee 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.

## 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**