

**THE NATIONAL ASSEMBLY FOR WALES: AUDIT COMMITTEE**

**REPORT 04-03 - Presented to the National Assembly for Wales on 14 November 2003  
in accordance with section 102(1) of the Government of Wales Act 1998**

**THE FINANCES OF NHS WALES 2003**

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**ANNEX**

- Annex A: Relevant Proceedings of the Committee – Minutes of Evidence (Thursday 12 June 2003)
- Annex B: Extract from Relevant Proceedings of the Committee – Minutes of Evidence (Thursday 27 March 2003)

## Introduction

1. Annual expenditure on NHS services in Wales now exceeds £4 billion, representing over one third of the total Welsh block budget. Prior to 1 April 2003, NHS Wales delivered healthcare services to the people of Wales through five health authorities and 15 NHS trusts. Since 1 April 2003, following enactment of the National Health Service Reform and Health Care Professions Act 2002, services have been delivered via 22 Local Health Boards (LHBs) and 15 NHS Trusts.
  
2. The Auditor General for Wales produces an annual report on the Finances of NHS Wales. On the basis of his report for 2003 published on 22 May 2003,<sup>1</sup> we took evidence from Mrs Ann Lloyd, the Director of NHS Wales and Dr Christine Daws, NHS Wales' director of finance. In addition, our predecessors took evidence on 27 March 2003 from Mrs Lloyd on the costs of restructuring. Transcripts of the evidence session are at Annex A and B respectively. We would like to thank the witnesses for their constructive and helpful answers to our questions.
  
3. This report covers the following issues included in the Auditor General's report
  - the overall financial performance of NHS Wales
  - restructuring
  - the costs of early retirement
  - fraud
  - the costs of Agency nursing; and
  - clinical negligence

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<sup>1</sup> Report by the Auditor General for Wales: The Finances of NHS Wales 2003, laid before the National Assembly for Wales on 22 May 2003.

## The overall financial performance of NHS Wales

### *Financial Results*

4. During 2001-02, NHS Wales reported a total net deficit of £16 million, comprising a £2.8 million deficit from the NHS Trusts; a £12.4 million deficit from the Health Authorities and a £0.8 million deficit from the Dental Practice Board's services in Wales. The comparative results for 2000-01 were an overall surplus of £23.7 million comprising a £7.6 million surplus from the NHS trusts, a £16.2 million surplus for the Health Authorities and a deficit of £0.1 million for the Dental Practice Board.<sup>2</sup>
5. The deficit for 2001-02 was net of £11.2 million strategic assistance funding received by the NHS trusts in Wales.<sup>3</sup> Mrs Lloyd told the Committee that there would be no further strategic assistance available to NHS trusts. She also told us that the strategic assistance and loans which had been provided by the Assembly to NHS bodies in recent years had had the effect of covering underlying deficits, and that these organisations were in fact having to manage accumulated deficits year on year. This would be confirmed by the overall financial results for 2002-03 where the NHS Wales Department were predicting an overall deficit of around £34 million.<sup>4</sup>
6. Mrs Lloyd added that the NHS Wales Department were examining the downward trend in the financial outturn of NHS Wales and would be reporting to the Assembly and the Minister for Health and Social Services in due course. She also told the Committee that, for 2003-04, the Department would be ensuring that NHS bodies had achievable recovery plans in place which would enable them to manage their finances effectively and to reduce their deficits.

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<sup>2</sup> AGW's report, paragraph 2.2

<sup>3</sup> AGW's report, paragraph 2.3

<sup>4</sup> Questions 1 - 9

7. **We are concerned at the worsening financial position of NHS Wales. However, we recognise the efforts being made by the NHS Wales Department to investigate the reasons for this downward trend and to encourage the NHS bodies in Wales to establish achievable recovery plans. We strongly recommend that the NHS bodies co-operate closely with the NHS Wales Department to ensure that the finances of NHS Wales are brought firmly under control. This is fundamental to the future well being of NHS Wales and to those who depend on its services.**

*Cost of primary care drugs*

8. The Auditor General's report states that a key factor contributing to the financial deficit predicted for NHS Wales in 2002-03 is the increase in the costs of primary care drugs. In the 12 months to December 2002, such costs exceeded the cash uplift provided by the Assembly Government.<sup>5</sup> The Committee asked Mrs Lloyd if she could provide us with more up-to-date figures for the cost of primary care drugs during 2002-03 compared to estimate. We also asked her if she was satisfied that the cash uplift provided by the Assembly during 2003-04 would be adequate.
9. Mrs Lloyd told the Committee that, in addition to increases in the cost of primary care drugs, NHS Wales was facing increased demand. This had been demonstrated by a 6 per cent rise in the number of prescriptions requested during 2002-03. There were also an increasing number of people able to apply for exemption. Mrs Lloyd said that a lot of work had gone into looking at the use of generic drugs and cost-effective prescribing, however NHS Wales was still managing an inexorable demand. One of the key tasks for the new Local Health Boards would be to investigate the way in which demand is being managed within general

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<sup>5</sup> AGW's report, paragraph 2.19

practice to ensure that best practice is followed. It was important for the LHBs to ensure that the cash uplift provided for 2003-04, which was considerable, was managed effectively.<sup>6</sup>

10. **We recognise the challenges facing NHS bodies in Wales in coping with the increased demand and increased cost of primary care drugs. However, it is important to ensure that, in overall terms, costs remains within the cash uplift provided by the Assembly. We stress the importance of the role of the LHBs in ensuring that the cash uplift is managed effectively to provide cost effective, good quality prescribing among general practice, and recommend that the NHS Wales Department monitor the results of this work closely.**

### *Financial Standing*

11. In 2001-02, Auditors appointed by the Audit Commission in Wales expressed concerns about the financial standing of seven out of 15 NHS Trusts in Wales. Although there were agreed recovery plans in place at five of the seven trusts, the Auditors concluded that the plans were unlikely to be achieved in two cases (Cardiff and Vale NHS Trust and Ceredigion and Mid Wales NHS Trust). The auditors also expressed concerns about the absence of an agreed recovery plan at Carmarthenshire NHS Trust, which was one of two trusts not to have a plan in place.<sup>7</sup>
12. In addition, the appointed auditors expressed concerns about the financial standing of three health authorities in Wales (Gwent, Dyfed Powys and Bro Taf).<sup>8</sup> One of these health authorities – Dyfed Powys – had an accumulated deficit of £28.12 million at 31 March 2002, which accounted for over half of the total accumulated deficit for all health authorities in

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<sup>6</sup> Questions 11 - 12

<sup>7</sup> AGW's report, paragraph 2.17

<sup>8</sup> AGW's report, paragraph 2.18

Wales.<sup>9</sup> Although the health authority was predicting a further deficit of between £5.25 million and £5.44 million during 2002-03, it had not had an agreed action recovery plan in place during 2001-02.

13. We asked Mrs Lloyd whether the absence of an agreed action plan at Dyfed Powys had been due to the authority's imminent abolition. We also asked her if the health authority had remained within the financial limits predicted for 2002-03.
14. Mrs Lloyd told us that the future abolition of Dyfed Powys had not been the reason for the absence of an agreed action plan. There had been a need to establish the reasons for such a large deficit and to assess what action was being taken to address it. Mrs Lloyd had asked the Auditor General to undertake an in depth review of Dyfed Powys, and had found the ensuing report extremely helpful. She felt that progress was now being made, particularly with Carmarthenshire NHS trust, to ensure that the deficit was turned around.<sup>10</sup>
15. Turning to the financial standing of the NHS trusts, we asked Mrs Lloyd if she considered that the finances of individual NHS trusts were being adequately controlled, given that the appointed auditors had expressed concerns about the financial standing of seven of them. We also asked Mrs Lloyd about the absence of an agreed recovery plan at Carmarthenshire NHS trust, and whether it would be a good idea to have an agreement in place between the LHBs and the trusts which was similar to the Service and Financial Framework currently in place between the NHS and the LHBs.

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<sup>9</sup> AGW's report, Appendix A2

<sup>10</sup> Questions 13 - 17

16. Mrs Lloyd said that, at the time, the appointed auditors had been right to express concerns about the financial standing of the NHS trusts because insufficient progress had been made in previous years to address the problems effectively, particularly at Carmarthenshire. Although Carmarthenshire NHS trust had not had an agreed recovery plan in place at the beginning of 2001-02, there had been one in place by the end of that year. There was now a five year agreed recovery plan in place and the Trust were making progress against it. The remaining Trusts were also making considerable progress against their recovery plans.<sup>11</sup>
17. Mrs Lloyd also told us that the new Service and Financial Framework discipline was leading to a greater awareness within the Trusts of the need to manage deficits effectively rather than remain in deficit in the belief that they would be bailed out. Service and financial frameworks were dealt with on a community basis, so it was important not only to have a statement of what the LHB wished to purchase and the deficit within the community, but also what was happening with the Trust. There was a need not only to gain a view of the financial performance of individual health bodies, but to form a view of the community care and services provided by that community.
18. **We are pleased to note that Carmarthenshire NHS Trust now has an agreed recovery plan in place and that it is making progress against it. We urge the NHS Wales Department to continue to monitor the performance of individual health bodies against agreed recovery plans on an ongoing basis so that early warning can be given where an organisation is failing to meet expectations, and remedial action taken as appropriate.**

***Dental Practice Board***

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<sup>11</sup> Questions 19 - 21

19. In taking evidence from Mrs Lloyd, we enquired what the NHS Wales Department were doing to address the problems identified at the Dental Practice Board. We noted that the Board's accounts had been qualified in 2001-02 due to "inappropriate expenditure, including administrative error, misunderstanding of regulations, inappropriate or poor quality of work and deliberate theft" totalling around £74.6 million in England and Wales.<sup>12</sup> We also asked Mrs Lloyd whether the NHS Counter Fraud Operational Service had undertaken verification checks on dental patients' exemption entitlements.
20. Mrs Lloyd told us that the underlying deficit relating to Wales was around £0.8million.<sup>13</sup> Given the seriousness of the reasons for the deficit, the NHS Wales Department were working with the Dental Practice Board to ensure that the work it was doing across England and Wales was translated directly for Wales.
21. In terms of verification checks on dental patients' exemption entitlements, the NHS Wales Department had wanted the Dental Practice Board to undertake the work on behalf of the Department. However, the exercise had been delayed as the Board did not have the statutory authority to undertake such checks. Despite this delay, the Board and the Welsh Fraud Agency were undertaking more general work on issues of fraud.<sup>14</sup>
22. **We view it as unacceptable that money that could be spent on providing healthcare in Wales is being wasted by the Dental Practice Board. We look to the NHS Wales Department to ensure that any future funding provided to the Dental Practice Board is managed effectively and that progress has been made to address any loss of income resulting from patients falsely claiming exemption from dental charge.**

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<sup>12</sup> AGW's report, paragraph 1.16

<sup>13</sup> Question 22

<sup>14</sup> Question 23

### *Payment Performance*

23. NHS bodies are required to comply with the CBI 'prompt payment' code and Government accounting requirements that all undisputed invoices should be paid within 30 days, unless other terms are agreed with the supplier.<sup>15</sup> In the Committee's last report covering this topic we expressed concerns that, at an all-Wales level, the NHS paid only 81 per cent of bills within this 30 day period, representing 94.7 per cent by value.<sup>16</sup> For 2001-02 the position had improved slightly with 83.1% of bills being paid within 30 days (95.35%). However there was still wide variation between payment performance at individual NHS Trusts,<sup>17</sup> ranging from just under 62.1% for Cardiff and Vale NHS Trust to 95.2% for Conwy and Denbighshire NHS Trust.
24. The Committee noted that the NHS Wales Department had decided to make payment of 95% of all undisputed invoices within 30 days a formal financial duty<sup>18</sup> and asked Mrs Lloyd if this had made a difference. We also asked what sanctions could be put in place if a trust did not meet the 95% target.
25. Mrs Lloyd said that the problems with payment performance during 2000-01 and 2001-02 had been due to the introduction of a new financial management system throughout NHS Wales. By March 2003, there had been a significant improvement in payment performance at individual health bodies, with the vast majority reaching the 95% level. Mrs Lloyd added that the Minister for Health and Social Services would shortly be considering a paper on how to invest for improvement in the NHS in

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<sup>15</sup> AGW's report, paragraph 2.12

<sup>16</sup> Audit Committee Report 06-02, presented to the National Assembly for Wales on 25 July 2002.

<sup>17</sup> AGW's report, paragraph 2.14

<sup>18</sup> AGW's report, paragraph 2.15

Wales, and what sort of sanctions should be taken if trusts failed to meet their financial duties.<sup>19</sup>

26. **We note the overall improvement in prompt payment performance but are concerned at the wide variations in the performance of individual NHS bodies. We stress the need for all NHS bodies to achieve the target level of performance in future years, particularly following restructuring. We also remind NHS bodies of the fact that the target relates to the number of bills paid rather than the value, in order to ensure that the small suppliers are not overlooked.**

### **Restructuring**

27. Our predecessor's report dated 25 July 2002<sup>20</sup> stated that that the NHS Wales Department would be estimating the cost of the restructuring of NHS Wales due to take place on 1 April 2003. The previous Audit Committee also requested that the NHS Wales Department provide regular updates on the actual costs in future years.
28. On 27 March 2003, our predecessors took evidence from Mrs Lloyd on the costs of restructuring the NHS. The basis for this session was a letter from the Auditor General for Wales to Mrs Lloyd in response to her request that he review the estimated costs of the new structure. In carrying out his review the Auditor General was specifically asked to comment on the assumption that the running costs of the new structure would not exceed the running costs of the existing structure. He was also invited to comment on the estimate by the NHS Wales Department that the costs of the transition would lie between £12.5 million and £15 million.
29. The Auditor General had concluded that, subject to the possibility of some additional public health costs, the costs of the existing structure stood at

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<sup>19</sup> Questions 24 - 29

<sup>20</sup> Audit Committee Report 06-02, presented to the National Assembly for Wales on 25 July 2002

£71.1 million, some £8.5 million less than the planning costs of the new structure. The Auditor General had also concluded that there were major uncertainties surrounding the transitional costs for the new structure, mainly in respect of the redundancy and infrastructure costs associated with accommodation moves. Cost estimates would need to be revisited as staffing structures and accommodation requirements became clearer. It might also be prudent to include a contingency budget to allow for any unforeseen events.<sup>21</sup>

30. In taking evidence from Mrs Lloyd on 27 March, our predecessors asked about progress towards implementing the recommendations the Auditor General had made following his review. Mrs Lloyd said that the revised planning budget for the new structure now stood at £72.5 million, and that the NHS Wales Department, Health Commission Wales and the Local Health Boards had identified savings of £4.7 million. The National Public Health Service had identified further savings of £1.2 million. The Business Service Centre had been given more time to scrutinise its structures.<sup>22</sup>
31. Mrs Lloyd's appearance before the Committee on 12 June 2003 gave us the opportunity to request a further update on the restructuring. We asked her specifically whether there was now greater certainty on matters such as redundancy and infrastructure costs, and whether service delivery had been maintained during the transfer of functions from the outgoing health authorities to the new Local Health Boards.
32. Mrs Lloyd told us that the NHS Department had been tracking risks identified by the Auditor General during the changeover period. The loss of key staff had, in many cases, been minimised by a willingness on the part of staff leaving organisations to maintain an involvement with those organisations for example until the accounts were closed. There was an

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<sup>21</sup> Memorandum by the Auditor General for Wales – Audit Committee AC 03 – 03(P3)

<sup>22</sup> Audit Committee – from minutes of evidence 27 March 2003, Questions 2-4

audit trail in place to track the movement of assets and liabilities from the Health Authorities to the Local Health Boards and to Health Commission Wales. Mrs Lloyd also told us that there had been none of the major crises one might expect from a failure to maintain service delivery during the transfer of functions.<sup>23</sup>

33. In terms of day to day running costs, Mrs Lloyd told the Committee that the Business Service Centre had now proposed a reduction in its running costs of £1.1 million. The position on transitional costs was still unclear due to uncertainty regarding the number of staff still to be placed.<sup>24</sup>
34. **We welcome the NHS Wales Department's positive response to the recommendations arising from the Auditor General's report, in particular the Department's close scrutiny of the projected running and transitional costs of the new structure. We expect the Department to continue to track both the running costs of the new structure and the transitional costs of the restructuring and look forward to further updates as additional information becomes available.**

### **Early Retirement**

35. In his report on the Finances of NHS Wales 2002,<sup>25</sup> the Auditor General highlighted the requirement for more explicit guidance from the NHS Wales Department in terms of redundancy and early retirement. This was considered to be of particular importance given the proposed restructuring of NHS Wales. In April 2002, the Director of NHS Wales issued guidance to the Chief Executives of Health Authorities and trusts on severance

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<sup>23</sup> Questions 32 - 34

<sup>24</sup> Question 32

<sup>25</sup> Report by the Auditor General for Wales: The Finances of NHS Wales 2002 laid before the Assembly on 20 March 2002

- terms for staff. This guidance emphasised that early retirement packages should be cost effective, reasonable and publicly defensible.<sup>26</sup>
36. We asked Mrs Lloyd, her how the guidance had been implemented across NHS bodies in Wales. We noted in particular that the average cost of early retirement across the NHS trusts had increased from £36,000 in 2000-01 to £42,000 in 2001-02, and that there had also been an increase in the number of early retirement at health authorities. We also asked if there been fewer cases in 2002-03 and reduced average costs.
37. Mrs Lloyd said that, prior to the guidance, there had been a lack of consistency in the way in which health bodies had employed or discharged staff. She had now issued guidance about the model type of contract NHS bodies should be issuing to new employees. In addition, health bodies were required to seek Mrs Lloyd's approval before making any contentious, major or disputatious settlement. To date, she had not approved any such settlements. In terms of the number and cost of early retirements during 2002-03, Mrs Lloyd said that she would provide the Committee with a note when the final accounts were available after July.<sup>27</sup>
38. **We welcome the guidance issued by the NHS Wales Department on early severance terms and on the drafting of new employment contracts. Whilst it is important to ensure that those retiring on the grounds of ill health are treated fairly and with dignity, it is also necessary to ensure that settlements reached are publicly defensible. We therefore recommend that the NHS Wales Department continue to monitor the cost of early retirements, particularly following the recent restructuring.**

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<sup>26</sup> AGW's report, paragraph 3.17

<sup>27</sup> Questions 37 - 38

## Fraud

39. Our predecessors welcomed the measures being taken within NHS Wales to increase the awareness of fraud.<sup>28</sup> These measures had included the setting up of a Counter Fraud Service Operational Service within Wales, and the appointment of 19 Local Counter Fraud Specialists based in NHS trusts and health authorities.
40. The Auditor General's report on the Finances of NHS Wales 2003 highlighted the further progress which had been made by the Assembly, working together with the NHS Counter Fraud Service and the Audit Commission, to tackle NHS fraud. It referred in particular to a recent study by the NHS Counter Fraud Service which had estimated the level of pharmaceutical patient fraud at £8 million during 2001-02, a reduction of £7 million from the level of fraud estimated by the Auditor General in November 2000.<sup>29</sup> The Auditor General's report also noted that work by the NHS Counter Fraud Service (Wales) and Local Counter Fraud Specialists had resulted in several successful prosecutions in Wales.
41. In taking evidence from Mrs Lloyd, we asked if the NHS Counter Fraud Service had identified further savings since the Auditor General had reviewed its progress earlier in the year. We also asked if the measurement study on optical patient and contractor fraud, due to be completed in Summer 2003, was progressing to timetable, and whether the £7 million reduction in the loss of prescription income could be attributed in part to the establishment of the Post Payment Verification Unit at Velindre NHS trust.<sup>30</sup>
42. Mrs Lloyd told us that there was a heightened awareness in NHS organisations about the prevalence of fraud and how to manage it. She

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<sup>28</sup> Audit Committee Report 06-02, presented to the National Assembly for Wales on 25 July 2002.

<sup>29</sup> AGW's report, paragraphs 3.19-3.20

<sup>30</sup> AGW's report, paragraph 3.22

said that further savings had been identified by the Counter Fraud Service and that these savings would be reported in the final accounts.<sup>31</sup>

43. In terms of the role of the Post Payment Verification Unit in reducing patient pharmaceutical fraud, Mrs Lloyd told the Committee that the remit of the Unit was to examine whether people were entitled to the exemptions they were claiming. She said that of the 48,000 scripts checked to date, the Unit had issued penalty or surcharge letters to around 4,500 patients resulting in savings of around £17,000.<sup>32</sup>
44. **We welcome the continued progress being made by NHS organisations in Wales to heighten the awareness of fraud. We are particularly pleased to note the reduction in the level of patient pharmaceutical fraud estimated by the NHS Counter Fraud Service, and the steps being taken to identify the level of ophthalmic and dental patient and contractor fraud in Wales. We urge the NHS Wales Department to continue to work with the NHS Counter Fraud Service to ensure that there are adequate systems of control in operation, particularly at the point of delivery of service, to minimise the risk of fraud.**

#### **Agency Nursing**

45. In their report published 25 July 2002,<sup>33</sup> our predecessors expressed concerns about the cost of engaging agency nurses and the effects over reliance on temporary staff might have on patient care.
46. In his report on the Finances of NHS Wales 2003, the Auditor General noted that the NHS Trusts in Wales had spent £15 million on agency nursing staff during 2001-02, an increase of 50 per cent from the previous

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<sup>31</sup> Questions 40 - 45

<sup>32</sup> Question 45

<sup>33</sup> Audit Committee Report 06-02, presented to the National Assembly for Wales on 25 July 2002.

year.<sup>34</sup> This rise was consistent with the findings of a review by the Audit Commission, published in September 2001, which had highlighted the increased use of Bank and Agency staff generally within the health service, and the associated escalating costs.

47. Mrs Lloyd told us that the increased cost of agency nursing staff was a very serious issue facing the NHS. Costs had risen again in 2002-03-to £18 million- although the number of agency nurses as a percentage of total nursing staff had remained at around 2.5 per cent. The NHS Wales Department had identified particular problems in Cardiff and the Vale, and in Gwent, and were currently looking at how best to address this. One possible option was the drawing up of a pan-Wales agency contract for the employment of agency and other staff.<sup>35</sup>
48. In responding to our questions about whether the retention of nursing staff was a problem, Mrs Lloyd said that some nurses preferred to work for agencies because of personal circumstances including a need for greater flexibility. It was important to establish why staff were leaving the NHS and look at ways in which this could be avoided.<sup>36</sup>
49. **We remain concerned at the continued rise in the cost of agency nursing staff, and the effects that over-reliance on temporary staff may have on the quality of patient care. There is a need to retain good quality staff within the NHS, and it is of particular concern that it is often the most experienced staff who leave the NHS to work as bank or Agency nurses. We urge the NHS Wales Department to examine the reasons for these departures and consider ways in which they might encourage staff to remain.**

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<sup>34</sup> AGW's report, paragraphs 3.40 – 3.41

<sup>35</sup> Questions 47 - 48

<sup>36</sup> Question 48

## Clinical Negligence

50. Clinical negligence payments in Wales are funded by the Welsh Risk Pool, which is operated by Conwy and Denbighshire NHS trust. It is a mutual self-assurance arrangement covering all risks associated with NHS activities except for business interruption and motor insurance. Members of the Pool pay annual premiums to cover the anticipated payments to be made each year by the Pool. If these prove insufficient to meet the total claims made, all Members are required to pay additional premiums.
51. In their last report on the Finances of NHS Wales,<sup>37</sup> our predecessors recorded their concerns about the increasing cost of clinical negligence claims. They recommended that the ongoing external review of the management arrangements for the Welsh Risk Pool should consider all aspects of the management of claims from incidence to resolution & settlement, drawing as appropriate on best practice elsewhere.
52. During 2001-02 there had again been a significant rise in the cost of clinical negligence (expenditure of £46.3 million in 2001-02 compared to £35.9 million in 2000-01). This rise had not been fully anticipated by the Welsh Risk Pool when it had set premium levels for 2001-02 and as a result the Pool had had to collect additional contributions totalling £20 million from health authorities and trusts at a late stage in the year.<sup>38</sup> We asked Mrs Lloyd the reasons for such a large increase in clinical negligence costs in 2001-02 and why this rise had not been foreseen.<sup>39</sup> We also asked whether she envisaged further increases in 2002-03.<sup>40</sup>
53. Mrs Lloyd told us that there had been a number of factors affecting the level of annual expenditure by the Welsh Risk Pool. In some cases, health

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<sup>37</sup> Audit Committee Report 06-02, presented to the National Assembly for Wales on 25 July 2002.

<sup>38</sup> AGW's Report, paragraphs 3.45 – 3.46

<sup>39</sup> Question 50

<sup>40</sup> Question 51

authorities and trusts had been using Risk Pool monies to help manage their own budgets by making settlements some time before they claimed reimbursement from the Pool. It was difficult to forecast exactly when a claim would be settled and whether it would be paid out in one lump sum or over a period of time. There had also been a number of very large claims that had come to fruition during the year, some of which had been outstanding for a number of years. The external review of the Welsh Risk Pool had highlighted that NHS bodies were not always very accurate in estimating future liabilities.<sup>41</sup>

54. In response to questions about whether contribution levels for the Welsh Risk Pool were now consistent with the level of settlements expected, Mrs Lloyd said that there had been an underspend of £11 million in 2002/03 which had been carried over to 2003/04. The external review had recommended that the Risk Pool seek actuarial advice regarding the level of future contributions based on claims, and this was now being done.<sup>42</sup>
55. **We are concerned to note the further significant increase in clinical negligence during 2001-02 which contributed to the overall deficit of NHS Wales for that year. We are pleased to note the steps being taken by the NHS Wales Department in response to the external review of the Welsh Risk Pool and recommend that they continue to monitor clinical negligence costs in the light of the findings of the review.**

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<sup>41</sup> Question 51

<sup>42</sup> Questions 51 - 55

## Conclusions and recommendations

56. In the light of our findings, we make the following conclusions and recommendations:

### *On the overall financial performance of NHS Wales*

- (i) We are concerned at the worsening financial position of NHS Wales. However, we recognise the efforts being made by the NHS Wales Department to investigate the reasons for this downward trend and to encourage the NHS bodies in Wales to establish achievable recovery plans. We strongly recommend that the NHS bodies co-operate closely with the NHS Wales Department to ensure that the finances of NHS Wales are brought firmly under control. This is fundamental to the future well being of NHS Wales and to those who depend on its services.
  
- (ii) We recognise the challenges facing NHS bodies in Wales in coping with the increased demand and increased cost of primary care drugs. However, it is important to ensure that, in overall terms, cost remains within the cash uplift provided by the Assembly. We stress the importance of the role played by the LHBs in ensuring that the cash uplift is managed effectively to provide cost effective, good quality prescribing among general practice, and recommend that the NHS Wales Department monitor the results of this work closely.
  
- (iii) We are pleased to note that Carmarthenshire NHS Trust now has an agreed recovery plan in place and that it is making progress against it. We urge the NHS Wales Department to continue to monitor the performance of individual health bodies against agreed recovery plans on an ongoing basis so that early warning can be given where an organisation is failing to meet expectations, and remedial action taken as appropriate.

- (iv) We view it as unacceptable that money that could be spent on providing healthcare in Wales is wasted by the Dental Practice Board. We look to the NHS Wales Department to ensure that any future funding provided to the Dental Practice Board is managed effectively and that progress has been made to address any loss of income resulting from patients falsely claiming exemption from dental charge.
- (v) We note the overall improvement in prompt payment performance but are concerned at the wide variations in the performance of individual NHS bodies. We stress the need for all NHS bodies to achieve the target level of performance in future years, particularly following restructuring. We also remind NHS bodies of the fact that the target relates to the number of bills paid rather than the value, in order to ensure that the small suppliers are not overlooked.

***On restructuring***

- (vi) We welcome the NHS Wales Department's positive response to the recommendations arising from the Auditor General's report, in particular the Department's close scrutiny of the projected running and transitional costs of the new structure. We expect the Department to continue to track both the running costs of the new structure and the transitional costs of the restructuring and look forward to further updates as additional information becomes available.

***On early retirement***

- (vii) We welcome the guidance issued by the NHS Wales Department on early severance terms and on the drafting of new employment contracts. Whilst it is important to ensure that those retiring on the grounds of ill health are

treated fairly and with dignity, it is also necessary to ensure that settlements reached are publicly defensible. We therefore recommend that the NHS Wales Department continue to monitor the cost of early retirements, particularly following the recent restructuring.

***On fraud***

- (viii) We welcome the continued progress being made by NHS organisations in Wales to heighten the awareness of fraud. We are particularly pleased to note the reduction in the level of patient pharmaceutical fraud estimated by the NHS Counter Fraud Service, and the steps being taken to identify the level of ophthalmic and dental patient and contractor fraud in Wales. We urge the NHS Wales Department to continue to work with the NHS Counter Fraud Service to ensure that there are adequate systems of control in operation, particularly at the point of delivery of service, to minimise the risk of fraud.

***On Agency Nursing***

- (ix) We remain concerned at the continued rise in the cost of agency nursing staff and the effects over-reliance on temporary staff may have on the quality of patient care. There is a need to retain good quality staff within the NHS, and it is of particular concern that it is often the most experienced staff who leave the NHS to work as bank or Agency nurses. We urge the NHS Wales Department to examine the reasons for these departures and consider ways in which they might encourage staff to remain.

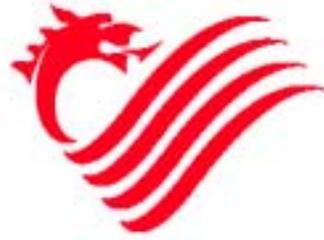
***On clinical negligence***

- (x) We are concerned to note the further significant increase in clinical negligence during 2001-02 which contributed to the overall deficit of NHS

Wales for that year. We are pleased to note the steps being taken by the NHS Wales Department in response to the external review of the Welsh Risk Pool and recommend that they continue to monitor clinical negligence costs in the light of the findings of the review.

### ***Overall Conclusion***

57. The recent restructuring of NHS Wales has provided the Welsh Assembly Government with a unique opportunity to take a firm grip on the finances of NHS Wales. The quality of patient care should never be compromised, but this can only be achieved by maintaining a strict financial discipline at all levels within the organisation.



**Cynulliad Cenedlaethol Cymru  
Pwyllgor Archwilio**

**The National Assembly for Wales  
Audit Committee**

**Cyllid GIG Cymru 2003  
The Finances of NHS Wales 2003**

**Cwestiynau 1-57  
Questions 1-57**

**Dydd Iau 12 Mehefin 2003  
Thursday 12 June 2003**

## Annex A

*Aelodau o'r Cynulliad yn bresennol: Janet Davies (Cadeirydd), Leighton Andrews, Mick Bates, Alun Cairns, Jocelyn Davies, Christine Gwyther, Denise Idris Jones, Val Lloyd, Carl Sargeant.*

*Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; Gillian Body, Swyddfa Archwilio Genedlaethol Cymru; Ian Summers, Swyddfa Archwilio Genedlaethol Cymru; Ceri Thomas, Swyddog Cydymffurfio Cynorthwyol Cynulliad Cenedlaethol Cymru.*

*Tystion: Ann Lloyd, Cyfarwyddwr GIG Cymru; Dr Christine Daws, Pennaeth Is-adran Cyllid y GIG, Cynulliad Cenedlaethol Cymru.*

*Assembly Members present: Janet Davies (Chair), Leighton Andrews, Mick Bates, Alun Cairns, Jocelyn Davies, Christine Gwyther, Denise Idris Jones, Val Lloyd, Carl Sargeant.*

*Officials present: Sir John Bourn, Auditor General for Wales; Gillian Body, National Audit Office Wales; Ian Summers, National Audit Office Wales; Ceri Thomas, Assistant Compliance Officer, National Assembly for Wales.*

*Witnesses: Ann Lloyd, Director of NHS Wales; Dr Christine Daws, Head of NHS Finance Division, National Assembly for Wales.*

*Dechreuodd y sesiwn cymryd tystiolaeth am 3.37 p.m.*

*The evidence-taking session began at 3.37 p.m.*

[1] **Janet Davies:** I welcome you to an evidence session on the finances of NHS Wales. I welcome the two witnesses: Ann Lloyd, the director of NHS Wales—I hope that you will get through this session, Ann, given the state of your voice—and Dr Christine Daws. I think that even the new Committee members know Ann Lloyd, but could you please introduce yourself, Dr Daws?

**Dr Daws:** I am NHS Wales's director of finance.

[2] **Janet Davies:** Thank you. I will start with the first few questions; we will get straight into it. This evidence session will not, perhaps, be as long as some of the evidence sessions that we have had in the past. I refer to paragraph 2.3 of the Auditor General for Wales's report. The Committee was very pleased to receive the second annual report from the Auditor General on the finances of NHS Wales. If we look at the big picture in paragraph 2.3, we see that the overall net

[1] **Janet Davies:** Croesawaf chi i sesiwn ar sail tystiolaeth ar gyllid GIG Cymru. Croesawaf y ddau dyst: Ann Lloyd, cyfarwyddwr GIG Cymru—gobeithio y byddwch yn ymdopi â'r sesiwn hon, Ann, o ystyried cyflwr eich llais—a Dr Christine Daws. Credaf fod hyd yn oed aelodau newydd y Pwyllgor yn gyfarwydd ag Ann Lloyd, ond a wnewch chi gyflwyno'ch hun, Dr Daws?

**Dr Daws:** Fi yw cyfarwyddwr cyllid GIG Cymru.

[2] **Janet Davies:** Diolch. Yr wyf am ddechrau gyda'r ychydig gwestiynau cyntaf; dechrewn yn syth. Ni fydd y sesiwn dystiolaeth hon, o bosibl, mor hir â sesiynau tystiolaeth yr ydym wedi eu cael yn y gorffennol. Cyfeirïaf at baragraff 2.3 adroddiad Archwilydd Cyffredinol Cymru. Yr oedd y Pwyllgor yn falch iawn o dderbyn yr ail adroddiad blynyddol gan yr Archwilydd Cyffredinol ar gyllid GIG Cymru. O edrych ar y sefyllfa yn ei

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deficit was £16 million and that this would have been £27.2 million without strategic assistance funding of £11.2 million. The comparative 2001-02 result was a surplus of £23.7 million. That seems to be quite a swing, although I did work it out in terms of a percentage of the total budget, more or less, and it is not an enormous percentage. However, it is quite an enormous amount of money. Do you think, Ms Lloyd, that the overall finances of NHS Wales are now firmly under control?

**Ms Lloyd:** I think that a start has been made on ensuring that the finances are firmly under control. If you look at the surplus for 2000-01, then I think that I would describe that surplus as largely technical, because the organisations were helped, with considerable strategic assistance, to cover underlying deficits and they were having to manage accumulated deficit year on year. If you look very carefully at the sorts of support that they were given, I think that what we are seeing—and it has been confirmed in the 2002-03 outturn—is that we are dealing with an accumulating deficit year on year. I think that that has been hidden, largely, by the Assembly providing, where it was reasonable so to do, additional strategic assistance or loans to the organisations. So what Dr Daws and I are intent on doing, given the current round of negotiation that is shortly to be concluded now for the financial management of the NHS for this current year, 2003-04, is to ensure that where recovery plans do not exist in which we have confidence, they must exist. We must have good evidence now that the organisations are making every effort, and it is a feasible effort, to reduce their deficits. We must also monitor through the regional offices on a month-by-month basis how the organisations are managing their finances, because we must drive out this deficit. We are not going to make progress unless we are able to drive it out and to manage it effectively, so that we all—the Audit Committee, Ministers—get a proper understanding of what is the actual financial situation of the NHS in Wales.

chyfanrwydd ym mharagraff 2.3, gwelwn mai £16 miliwn oedd cyfanswm y diffyg ariannol clir ac y byddai'r ffigur hwn wedi bod yn £27.2 miliwn heb gyllid cymorth strategol o £11.2 miliwn. Y canlyniad cymharol yn 2001-02 oedd gwarged o £23.7 miliwn. Ymddengys bod hynny'n dipyn o newid, er i mi gyfrifo hyn o ran canran cyfanswm y gyllideb, fwy neu lai, ac nid yw'n ganran enfawr. Fodd bynnag, mae'n swm enfawr o arian. A ydych yn meddwl, Ms Lloyd, bod cyllid cyffredinol GIG Cymru yn cael ei reoli'n gadarn erbyn hyn?

**Ms Lloyd:** Credaf ein bod wedi dechrau sicrhau bod y cyllid yn cael ei reoli'n gadarn. Os edrychwch ar y gwarged ar gyfer 2000-01, yna credaf y byddwn yn disgrifio'r gwarged fel un technegol yn bennaf, oherwydd bod y sefydliadau wedi'u cynorthwyo, gyda chymorth strategol sylweddol, i wneud yn iawn am ddiffygion sylfaenol ac yr oedd yn rhaid iddynt reoli diffyg cronedig flwyddyn ar ôl blwyddyn. Os edrychwch yn ofalus iawn ar y mathau o gymorth yr oeddent yn ei dderbyn, credaf mai'r hyn yr oeddem yn ei weld—ac mae hyn wedi'i gadarnhau gan alldro 2002-03—oedd ein bod yn delio â diffyg cronedig flwyddyn ar ôl blwyddyn. Credaf fod hyn wedi'i guddio, i raddau helaeth, gan y Cynulliad yn darparu, lle'r oedd yn rhesymol gwneud hynny, cymorth strategol ychwanegol neu fenthyciadau i'r sefydliadau. Felly yr hyn y mae Dr Daws a minnau'n bwriadu ei wneud, o ystyried y trafodaethau presennol a fydd yn cael eu cwblhau'n fuan ar gyfer rheolaeth ariannol y GIG ar gyfer y flwyddyn bresennol, 2003-04, yw sicrhau pan nad oes cynlluniau adfer y mae gennym hyder ynddynt yn bodoli, bod yn rhaid iddynt fodoli. Mae'n rhaid i ni gael tystiolaeth dda yn awr bod y sefydliadau'n gwneud pob ymdrech, a bod hon yn ymdrech ymarferol, i ostwng eu diffygion ariannol. Mae'n rhaid i ni hefyd fonitro drwy'r swyddfeydd rhanbarthol bob mis, sut y mae'r sefydliadau yn rheoli eu cyllid, oherwydd mae'n rhaid i ni ddileu'r diffyg hwn. Ni fyddwn yn gwneud cynnydd os na allwn ei ddileu a'i reoli'n effeithiol, er mwyn sicrhau ein bod i gyd—y

Pwyllgor Archwilio, Gweinidogion—yn deall sefyllfa ariannol wirioneddol GIG Cymru.

[3] **Janet Davies:** It is very concerning that it seems to be the strategic assistance funding that is managing to keep things just about okay.

**Ms Lloyd:** Well, the Minister has declared that there will be no further strategic assistance to NHS organisations in Wales.

[4] **Janet Davies:** So do you think that the trusts will be able to manage without that?

**Ms Lloyd:** They will be able to manage with us with good recovery plans. There will have to be some fairly tough decisions taken about how they utilise their resources, so that we get a true and clear understanding of what the underlying deficit really is. Many of the trusts have made enormous progress in this respect. This is not all gloom and doom. Cardiff and Vale NHS Trust has started to make considerable progress against its £6 million deficit. The north Wales organisations have done extremely well. Dyfed Powys Health Authority, about which we had so much concern last year, is pulling itself round, so there is progress being made. However, I think that, when you just look at the figures, like in figure 1, it tends not to show any of us the real trend, the underlying trend, so that is what Dr Daws and I are intent on doing.

[5] **Janet Davies:** I am sure that the rest of the Committee will be concerned about the quality of patient care—that that should not be compromised.

**Ms Lloyd:** No, absolutely. The financial health of the organisation under our new performance management arrangements is a part of the whole picture that we look at, which does give equal weight to the quality of patient outcomes, the availability of

[3] **Janet Davies:** Mae'n achos pryder mawr mai'r cyllid cymorth strategol sy'n llwyddo i gadw'r ddysgl yn wastad yn ôl pob tebyg.

**Ms Lloyd:** Wel, mae'r Gweinidog wedi datgan na fydd rhagor o gymorth strategol i sefydliadau GIG Cymru.

[4] **Janet Davies:** Felly a ydych yn credu y bydd yr ymddiriedolaethau yn gallu ymdopi heb hwnnw?

**Ms Lloyd:** Byddant yn gallu ymdopi gyda ni gyda chynlluniau adfer da. Bydd rhai penderfyniadau eithaf anodd i'w gwneud o ran sut y byddant yn defnyddio'u hadnoddau, er mwyn i ni gael dealltwriaeth wirioneddol a chlir o beth yw'r diffyg sylfaenol mewn gwirionedd. Mae nifer o'r ymddiriedolaethau wedi gwneud cynnydd enfawr yn hyn o beth. Ond nid yw popeth yn edrych yn ddu. Mae Ymddiriedolaeth GIG Caerdydd a'r Fro wedi dechrau gwneud cynnydd sylweddol yn erbyn ei diffyg o £6 miliwn. Mae sefydliadau gogledd Cymru wedi bod yn gwneud yn eithriadol o dda. Mae Awdurdod Iechyd Dyfed Powys, a oedd yn achos cymaint o bryder i ni y llynedd, yn gwella, felly mae digon o gynnydd yn cael ei wneud. Fodd bynnag, credaf, wrth i chi edrych ar y ffigurau yn unig, fel yn ffigur 1, bod tuedd iddo beidio â dangos y duedd wirioneddol i ni o gwbl, y duedd sylfaenol, felly dyna y mae Dr Daws a minnau'n bwriadu ei wneud.

[5] **Janet Davies:** Yr wyf yn siŵr y bydd gweddill y Pwyllgor yn bryderus am ansawdd gofal cleifion—na ddylid cyfaddawdu hynny.

**Ms Lloyd:** Na, ddim ar unrhyw gyfrif. Mae sefyllfa ariannol y sefydliad dan ein trefniadau rheoli perfformiad newydd yn rhan o'r darlun cyfan y byddwn yn edrych arno, sy'n rhoi'r un faint o bwys ar ganlyniadau ansawdd cleifion, y gwasanaeth sydd ar gael,

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service, and access to those services. So it is one factor, not the sole factor.

[6] **Janet Davies:** Right. Alun, you wanted to come in here?

[7] **Alun Cairns:** Yes, very briefly. Thank you, Cadeirydd. Mrs Lloyd, you said that figure 1 does not quite show a trend. However, you also said in your response that, in 2000-01, there was a significant amount of strategic assistance. Therefore, over the period of the four years that are presented, is not the reality that the trend is very worrying because of the significant overspend that needs dramatic remedial action?

**Ms Lloyd:** Yes, there is a downward trend, which is being addressed. Dr Daws is putting together a report for the Assembly and the Minister on what this actual trend looks like, how much strategic assistance has been available, and where it has been deployed, so that we get a proper figure. However, the organisations—without affecting patient care, which is an imperative—are starting to make progress against their recovery plans. So we wish to see in this year, particularly with no strategic assistance being available, a diminution of this negative trend, and a rise in the right direction.

[8] **Janet Davies:** But, if I could go on with that, we have been given a forecast for 2002-03 in this report that suggests that the deficit could be even bigger than that for last year. Do you have a latest forecast of the outturn for last year?

**Ms Lloyd:** For 2002-03? Well, the final accounts are not closed yet. However, as you know, we in the Assembly covered a £35 million deficit for the organisations, arising from their service and financial framework conclusions. We believe—and Chris would be able to confirm or deny this, because she has done some preliminary work—that that is the right level. Is it not, Chris?

**Dr Daws:** Yes. The outturn is within £1

a mynediad i'r gwasanaethau hynny. Felly un ffactor yw hwn, nid yr unig ffactor.

[6] **Janet Davies:** Iawn. Alun, yr oeddech am gyfrannu yma?

[7] **Alun Cairns:** Oeddwn, yn gryno iawn. Diolch, Gadeirydd. Mrs Lloyd, yr oeddech yn dweud nad yw ffigur 1 yn dangos tuedd mewn gwirionedd. Fodd bynnag, dywedasoeh hefyd yn eich ymateb bod, yn 2000-01, llawer iawn o gymorth strategol. Felly, dros y cyfnod pedair blynedd a gyflwynir, onid yw'n wir bod y duedd yn achos pryder mawr oherwydd y gorwario sylweddol sydd angen sylw adferol dramatig?

**Ms Lloyd:** Oes, mae tuedd ar i lawr, yr ydym yn mynd i'r afael â hi. Mae Dr Daws yn llunio adroddiad ar gyfer y Cynulliad a'r Gweinidog ar union natur y duedd hon, faint o gymorth strategol sydd wedi bod ar gael, ac ymhle y mae wedi'i ddefnyddio, er mwyn i ni gael ffigur cywir. Fodd bynnag, mae'r sefydliadau—heb effeithio ar ofal cleifion, sydd o'r pwys mwyaf—yn dechrau gwneud cynnydd yn erbyn eu cynlluniau adfer. Felly yr ydym am weld eleni, yn arbennig heb gymorth strategol ar gael, ostyngiad yn y duedd negyddol hon, a chynnydd yn y cyfeiriad iawn.

[8] **Janet Davies:** Ond, pe bawn yn cael mynd ymlaen â hynny, mae'r adroddiad hwn yn rhagweld y gallai'r diffyg fod yn hyd yn oed fwy yn 2002-03 na'r llynedd. A oes gennych ragolwg diweddaraf o'r alldro ar gyfer y llynedd?

**Ms Lloyd:** Ar gyfer 2002-03? Wel, nid yw'r cyfrifon terfynol wedi'u cwblhau eto. Fodd bynnag, fel y gwyddoch, bu i ni yn y Cynulliad ysgwyddo'r diffyg ariannol o £35 miliwn ar ran y sefydliadau, yn deillio o gasgliadau'r fframwaith gwasanaeth ac ariannol. Credwn—a gallai Chris gadarnhau neu wadu hyn, oherwydd mae wedi cyflawni gwaith rhagarweiniol—mai dyna'r lefel gywir. Onid yw hynny'n wir, Chris?

**Dr Daws:** Ydyw. Mae'r alldro o fewn £1

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million of the forecast that we predicted when we started the year in the service and financial framework. So it is—

[9] **Janet Davies:** £39 million or £44 million.

**Dr Daws:** No. We signed off a service and financial framework deficit of £35 million. We knew at the beginning of the year that there was a £35 million deficit, and we have come within £1 million. I am sorry that I do not have the exact figures, but the operating outturn for the year is within £1 million of the plans that were put in. So things have improved in the year from the forecast. We are now at £34 million at the beginning of the year. [1]

[10] **Janet Davies:** Right. Thank you very much. Val, would you like to come in?

[11] **Val Lloyd:** Yes, thank you, Janet. I would like to stay with paragraph 2.19 and the forecast deficit, but perhaps change the questioning slightly. The deficit that was forecast for 2002-03 was more than the deficit approved. The key factor in that seems to be the increased cost of primary care drugs, which, in the 12 months to December 2002, exceeded the cash uplift. I wondered whether you could provide us with more up-to-date figures for increases in the cost of primary care drugs during 2002-03, compared to estimate?

**Ms Lloyd:** It is not just a question of the cost of primary care drugs. It is a question of increasing demand as well. We know that the number of scripts, the number of prescriptions, requested during that year rose by £2.8 million, which is 6 per cent, which is quite a high level. That is together with a small increase in the real costs of the ingredients making up those drugs, we also believe, an increasing number of people being able to apply for exemption. So we have this big demand that is being placed on the service, which is why one of the key tasks of the new local health boards will be to

filiwn i'r swm a ragwelwyd gennym ar ddechrau'r flwyddyn yn y fframwaith gwasanaeth ac ariannol. Felly mae'n—

[9] **Janet Davies:** £39 miliwn neu £44 miliwn.

**Dr Daws:** Na. Bu i ni lofnodi diffyg fframwaith gwasanaeth ac ariannol o £35 miliwn. Yr oeddem yn gwybod ar ddechrau'r flwyddyn bod diffyg o £35 miliwn, ac yr ydym wedi dod o fewn £1 filiwn. Mae'n ddrwg gennyf nad oes gennyf yr union ffigurau, ond mae'r alldro gweithredol ar gyfer y flwyddyn o fewn £1 filiwn i'r cynlluniau a gyflwynwyd gennym. Felly mae pethau wedi gwella yn ystod y flwyddyn o'r rhagolwg. Yr ydym yn awr ar £34 miliwn ar ddechrau'r flwyddyn. [1]

[10] **Janet Davies:** Iawn. Diolch yn fawr. Val, a ydych am gyfrannu?

[11] **Val Lloyd:** Ydw, diolch, Janet. Hoffwn barhau â pharagraff 2.19 a'r diffyg a ragwelir, ond gan newid y cwestiynau fymryn o bosibl. Yr oedd y diffyg a ragwelwyd ar gyfer 2002-03 yn fwy na'r diffyg a gymeradwywyd. Ymddengys mai'r ffactor allweddol yma yw costau cynyddol cyffuriau gofal sylfaenol, sydd, yn y 12 mis tan Ragfyr 2002, yn fwy na'r codiad ariannol. Tybed a allech ddarparu ffigurau mwy diweddar i ni ar gyfer y cynnydd yng nghostau cyffuriau gofal sylfaenol yn ystod 2002-03, o'i gymharu â'r amcangyfrif?

**Ms Lloyd:** Mae mwy i hyn na chostau cyffuriau gofal sylfaenol. Mae'n fater o alw cynyddol hefyd. Gwyddom fod nifer y sgriptiau, nifer y presgripsiynau, y gofynnwyd amdanynt yn ystod y flwyddyn honno wedi codi o £2.8 miliwn, sy'n 6 y cant, sy'n lefel gymharol uchel. Mae hynny ynghyd â chynnydd bach yng nghost gwirioneddol y cynhwysion sy'n rhan o'r cyffuriau hynny, chredwn hefyd, cynnydd yn nifer y bobl sy'n gallu gwneud cais i gael eu heithrio. Felly yr hyn sydd gennym yw'r galw mawr hwn ar y gwasanaeth, sef y rheswm mai un o dasgau allweddol y

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investigate more thoroughly the way in which demand is being managed within general practice to try to ensure that best practice is followed. As you know, each of them have primary care advisers, particularly on prescribing. However, this again is something that has to be managed—it really must be managed well. A lot of work has gone on in terms of looking at the use of generic drugs and cost-effective prescribing, but we still have to manage an inexorable demand.

[12] **Val Lloyd:** If I could just ask another question on that, would you be satisfied then that the cash uplift provided by the Assembly for the increase in costs of primary care drugs, or the increased demand—whichever way you phrase it—during 2003-04, will be adequate for the purpose?

**Ms Lloyd:** That is the amount of money that was available for primary care drugs. It is for the LHBs to know, and try to ensure that that uplift, which is considerable, is managed effectively to provide cost-effective, good quality prescribing among general practice.

[13] **Mick Bates:** I would like to refer to appendix A2. In it, I see that Dyfed Powys Health Authority accounted for over half of the total health authority net deficit on 31 March 2002: £28 million, in fact, out of a total deficit of £51.7 million. Yet, there was no agreed action plan in place at this health authority in 2001-02. Was the absence of such a plan due to the authority's imminent abolition?

**Ms Lloyd** No, it was not, because whether there is abolition or not makes no difference: one organisation's legacy is passed to another. So, we would expect that good quality action plans should be available. What we did during that year was to look very carefully indeed at what had caused such a very major swing. I think it was about

byrddau iechyd lleol newydd fydd ymchwilio'n fwy trylwyr i'r ffordd y rheolir y galw o fewn ymarfer cyffredinol i geisio sicrhau y dilynir arferion gorau. Fel y gwyddoch, mae gan bob un ohonynt ymgynghorwyr gofal sylfaenol, yn arbennig ar roi presgripsiwn. Fodd bynnag, mae hyn eto'n rhywbeth y mae'n rhaid ei reoli—mae'n rhaid ei reoli'n dda. Mae llawer o waith wedi'i wneud o ran edrych ar ddefnyddio cyffuriau generig a sicrhau presgripsiynau cost effeithiol, ond mae'n rhaid i ni reoli'r galw didrugaredd o hyd.

[12] **Val Lloyd:** Os caf fi ofyn cwestiwn arall ar hynny, a fyddech yn fodlon felly bod y codiad ariannol parod a ddarparwyd gan y Cynulliad ar gyfer y cynnydd yng nghostau cyffuriau gofal sylfaenol, neu'r cynnydd mewn galw—sut bynnag y mynegwch hynny—yn ystod 2003-04, yn ddigonol i'r diben?

**Ms Lloyd:** Dyna'r swm o arian a oedd ar gael ar gyfer cyffuriau gofal sylfaenol. Cyfrifoldeb y byrddau iechyd lleol yw gwybod, a cheisio sicrhau bod y codiad, sy'n un sylweddol, yn cael ei reoli'n effeithiol i ddarparu presgripsiynau cost effeithiol, o ansawdd uchel, mewn ymarfer cyffredinol.

[13] **Mick Bates:** Hoffwn gyfeirio at atodiad A2. Yn hwn, gwelaf fod Awdurdod Iechyd Dyfed Powys i gyfrif am dros hanner cyfanswm diffyg ariannol clir awdurdodau iechyd ar 31 Mawrth 2002: £28 miliwn, mewn gwirionedd, allan o gyfanswm diffyg o £51.7 miliwn. Ond eto, ni chytunwyd ar gynllun gweithredu yn yr awdurdod iechyd hwn yn 2001-02. A oedd diffyg cynllun o'r fath yn deillio o ddiddymiad yr awdurdod a oedd ar ddigwydd?

**Ms Lloyd** Na, nid yw hynny'n wir, oherwydd nid yw a fyddai diddymiad ai peidio yn gwneud gwahaniaeth: bydd etifeddiaeth un sefydliad yn cael ei drosglwyddo i un arall. Felly, byddem yn disgwyl i gynlluniau gweithredu o ansawdd da fod ar gael. Yr hyn a wnaethom yn ystod y flwyddyn honno oedd edrych yn ofalus iawn

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£23 million, and a £10 million loan was given to it. Organisations were also varying in the way in which they were redressing the underlying deficits. We knew why some of them had recurred, in Carmarthen for example, which had had to employ additional medical staff and deal with some really unfortunate circumstances. What we did ensure was that, during that year, there was a real scrutiny of the reasons for the deficit, whether or not they were likely to increase and what action was being taken to address them. Progress has been made.

I asked the Auditor General to undertake an in-depth scrutiny of Dyfed Powys because it was such a large deficit that one had to be sure it was true, and that there were agreed action plans in order to address a rectifying of the situation. He has done that. In fact, I had his report on Dyfed Powys yesterday, and it is extremely helpful. Progress is now being made, particularly with Carmarthenshire NHS Trust, to ensure that its £6 million deficit is being turned around. Progress is now being made by the new management team in that trust to rectify the deficits. Nevertheless, we are looking very carefully at Dyfed Powys. We have just finished a service and financial framework round with it, and with other organisations in Wales. It does look to us as if they have addressed this problem seriously and are making progress.

[14] **Mick Bates:** Well, in that case, did the health authority remain within its financial limits, which were between £5.25 million at the low end to an upper limit of £5.44 million?

**Dr Daws:** Across the health economy area, yes, certainly, the underlying deficit has gone down at the start of this year. So the plans for this year indicate that.

ar beth oedd wedi achosi'r newid mawr. Credaf ei fod tua £23 miliwn, a rhoddwyd benthyciad o £10 miliwn iddo. Yr oedd sefydliadau hefyd yn amrywio'r ffyrdd o fynd i'r afael â'r diffygion sylfaenol. Yr oeddem yn gwybod y rheswm dros rai ohonynt, yng Nghaerfyrddin er enghraifft, a oedd wedi gorfod cyflogi staff meddygol ychwanegol a delio ag amgylchiadau anffodus iawn. Yr hyn y gwnaethom ei sicrhau, yn ystod y flwyddyn honno, oedd bod archwiliad manwl o'r rhesymau dros y diffyg, a oeddent yn debygol o gynyddu ai peidio a pha gamau a oedd yn cael eu cymryd i fynd i'r afael â hwy. Mae cynnydd wedi'i wneud.

Gofynnais i'r Archwilydd Cyffredinol gynnal archwiliad manwl o Ddyfed Powys oherwydd ei fod yn ddiffyg mor fawr fel bod yn rhaid sicrhau ei fod yn wir, a bod cynlluniau gweithredu y cytunwyd arnynt er mwyn mynd i'r afael â'r sefyllfa a'i datrys. Mae wedi gwneud hynny. Derbyniais ei adroddiad ar Ddyfed Powys ddoe, ac mae'n ddefnyddiol iawn. Mae cynnydd yn awr yn cael ei wneud, yn arbennig gydag Ymddiriedolaeth GIG Sir Gaerfyrddin, i sicrhau bod ei diffyg ariannol o £6 miliwn yn cael ei wyrdroi. Mae cynnydd yn cael ei wneud yn awr gan y tîm rheoli newydd yn yr ymddiriedolaeth honno o ran unioni'r diffygion. Fodd bynnag, yr ydym yn edrych yn ofalus iawn ar Ddyfed Powys. Yr ydym newydd orffen cylch fframwaith gwasanaeth ac ariannol gyda'r ymddiriedolaeth, a chyda sefydliadau eraill yng Nghymru. Ymddengys i ni eu bod wedi mynd i'r afael â'r broblem hon o ddifrif a'u bod yn gwneud cynnydd.

[14] **Mick Bates:** Wel, os yw hynny'n wir, a wnaeth yr awdurdod iechyd aros o fewn ei derfynau ariannol, a oedd rhwng £5.25 miliwn ar yr isaf i derfyn uchaf o £5.44 miliwn?

**Dr Daws:** Yn y maes economi iechyd, do, heb os, bu i'r diffyg ariannol sylfaenol leihau ar ddechrau'r flwyddyn. Felly mae'r cynlluniau ar gyfer eleni'n nodi hynny.

## Annex A

[15] **Mick Bates:** It does indicate that they are within those limits?

**Dr Daws:** Yes.

[16] **Mick Bates:** Thank you. Finally, then, what has happened to the accumulated debt?

**Ms Lloyd:** The cumulative debt was written off at the end of—

[17] **Mick Bates:** That is all of it?

**Ms Lloyd:** Yes.

**Dr Daws:** It was given a loan that it has to repay. However, the cumulative debt of £23 million was actually written off. So it will have to repay the loan, and we will probably have to give it a loan in the financial year 2003-04. However, it now has a plan that will actually identify how it would repay those loans and get itself into financial balance.

[18] **Mick Bates:** Right. Thank you, Chair.

[19] **Alun Cairns:** Paragraph 2.17 of the Auditor General's report relates to the fact that the appointed auditors expressed concerns about the financial standing of seven NHS trusts in 2001-02. Agreed recovery plans were in place in five out of the seven trusts, although the auditors conclude that they were unlikely to be achieved in two of the cases. They also expressed concerns about the absence of an agreed recovery plan at Carmarthenshire NHS Trust, which was one of the two trusts not to have a plan in place. Do you think that the finances of individual NHS trusts are being adequately controlled, given that the appointed auditors expressed concerns about the financial standing of seven trusts?

**Ms Lloyd:** I think that the auditors at that time were quite right to express concern because we had not seen, in the previous

[15] **Mick Bates:** Mae'n dangos eu bod o fewn y terfynau hynny?

**Dr Daws:** Ydyw.

[16] **Mick Bates:** Diolch. Yn olaf, felly, beth sydd wedi digwydd i'r ddyled gronedig?

**Ms Lloyd:** Cafodd y ddyled gronedig ei dileu ar ddiwedd—

[17] **Mick Bates:** Dyna'r holl ddyled?

**Ms Lloyd:** Ie.

**Dr Daws:** Cafodd fenthyciad y mae'n rhaid iddi ei ad-dalu. Fodd bynnag, dilëwyd y ddyled gronedig o £23 miliwn. Felly bydd yn rhaid iddi ad-dalu'r benthyciad, ac mae'n debyg y byddwn yn gorfod rhoi benthyciad iddi yn y flwyddyn ariannol 2003-04. Fodd bynnag, mae ganddi gynllun yn awr a fydd yn nodi sut y byddai'n ad-dalu'r benthyciadau hynny a sicrhau cydbwysedd ariannol.

[18] **Mick Bates:** Iawn. Diolch, Gadeirydd.

[19] **Alun Cairns:** Mae paragraff 2.17 yn adroddiad yr Archwilydd Cyffredinol yn trafod y ffaith bod yr archwilywyr a benodwyd wedi mynegi pryderon am sefyllfa ariannol saith ymddiriedolaeth GIG yn 2001-02. Gweithredwyd cynlluniau adfer y cytunwyd arnynt mewn pum ymddiriedolaeth o'r saith, er i'r archwilywyr ddod i'r casgliad nad oedd yn debygol y byddid yn eu cyflawni mewn dau achos. Bu iddynt fynegi pryder hefyd am nad oedd gan Ymddiriedolaeth GIG Sir Gaerfyrddin gynllun adfer y cytunwyd arno, sef un o'r ddwy ymddiriedolaeth heb gynllun ar waith. A ydych yn credu bod cyllid ymddiriedolaethau GIG unigol yn cael eu rheoli'n ddigonol, o ystyried bod yr archwilywyr a benodwyd wedi mynegi pryderon am sefyllfa ariannol saith ymddiriedolaeth?

**Ms Lloyd:** Credaf fod yr archwilywyr ar y pryd yn iawn i fynegi pryder oherwydd nid oeddem, yn y blynyddoedd blaenorol, wedi

## Annex A

years, progress made to address the problems effectively, particularly with Carmarthenshire. We did agree a recovery plan with it, and because of the scale of the deficit that it was facing and the problems that it had to overcome, we agreed that that should be recovered over a five-year period. That is now in train. In terms of the remaining trusts, considerable progress was made by them, because it also says of Ceredigion and Mid Wales NHS Trust that the Auditor General had concerns that its plans would not be achieved. Fortunately, its plans were achieved. The matter was taken very seriously by that trust and it has turned the place around, as have all the other organisations. We also had, in 2001-02, Gwent NHS Trust going into deficit for the first time. It took us, I am afraid, about 10 months to agree a recovery plan with that trust, working closely with its district auditors to ensure that there was a legitimacy about the way in which that trust was going to recover, because it had never been in recovery before. A lot of work was done on that. It, too, is starting to draw back. I think that it was timely for a warning shot to be fired by the Auditor General, because these organisations have taken this seriously and, certainly, with the new service and financial framework discipline being rolled out throughout Wales, there is, I think, a much greater awareness of the necessity to not perpetually remain in deficit and believe that you will be bailed out, but that the deficits must be managed effectively and reduced.

[20] **Alun Cairns:** Can I try to reconcile what you said in terms of your response in relation to Carmarthenshire NHS Trust and what is in the report? You said that there was a recovery plan over five years, but, yet again, the Auditor General's report states that there was an absence of a recovery plan. Was it not a recovery plan? Was it something else?

**Ms Lloyd:** At the beginning of 2001-02,

gweld cynnydd i fynd i'r afael â'r problemau'n effeithiol, yn arbennig yn sir Gaerfyrddin. Bu i ni gytuno ar gynllun adfer â hi, ac oherwydd maint y diffyg ariannol yr oedd yn ei wynebu a'r problemau yr oedd yn rhaid iddi eu datrys, cytunwyd y dylid adfer hyn dros gyfnod o bum mlynedd. Mae hynny ar waith yn awr. O ran yr ymddiriedolaethau eraill, gwnaethant gynnydd sylweddol, oherwydd mae hefyd yn nodi bod gan yr Archwilydd Cyffredinol bryderon na fyddai cynlluniau Ymddiriedolaeth GIG Ceredigion a Chanolbarth Cymru yn cael eu cyflawni. Yn ffodus, cyflawnwyd ei chynlluniau. Ystyriwyd y mater fel un difrifol iawn gan yr ymddiriedolaeth honno ac mae wedi adfer y sefyllfa, fel yr holl sefydliadau eraill. Hefyd, yn 2001-02, cafodd Ymddiriedolaeth GIG Gwent ddiffyg ariannol am y tro cyntaf. Yn anffodus, cymerodd oddeutu 10 mis i ni gytuno ar gynllun adfer gyda'r ymddiriedolaeth honno, gan weithio'n agos gyda'r archwilydd dosbarth i sicrhau y byddai'r ymddiriedolaeth yn adfer mewn ffordd ddilys, oherwydd nad oedd wedi gorfod adfer o'r blaen. Gwnaethpwyd llawer o waith ar hynny. Mae'r ymddiriedolaeth honno, hefyd, yn dechrau dringo'n ôl. Credaf fod yr Archwilydd Cyffredinol wedi rhoi rhybudd amserol, oherwydd bod y sefydliadau hyn wedi cymryd hyn o ddiffrif ac, yn sicr, gyda disgyblaeth y fframwaith gwasanaeth ac ariannol newydd yn cael ei gyflwyno fesul cam ledled Cymru, mae mwy o ymwybyddiaeth, yn fy marn i, o'r angen i beidio â bod byth a hefyd mewn diffyg ariannol a chredu y byddwch yn cael eich cynorthwyo, ond bod yn rhaid rheoli'r diffygion yn effeithiol a'u gostwng.

[20] **Alun Cairns:** A gaf fi geisio cysoni'r hyn a ddywedsoch o ran eich ymateb i Ymddiriedolaeth GIG Sir Gaerfyrddin a'r hyn sydd yn yr adroddiad? Dywedsoch fod cynllun adfer dros bum mlynedd ar waith, ond, eto, mae adroddiad yr Archwilydd Cyffredinol yn nodi nad oedd cynllun adfer. Onid oedd hwn yn gynllun adfer? A oedd yn rhywbeth arall?

**Ms Lloyd:** Ar ddechrau 2001-02, nid oedd

## Annex A

there was no recovery plan for Carmarthenshire. I negotiated it, because I came into post at the beginning of that financial year. We negotiated a recovery plan with that trust organisation during that year, so, by the end of it, it had one and it started to make progress on it. However, it was later than I would have wished.

[21] **Alun Cairns:** Can I tie that issue into what is included in paragraph 2.20, which talks about a service and financial framework between NHS Wales and the health authorities—now the local health boards? Would it be a good idea to have a similar framework or principle between the local health boards and the trusts themselves?

**Ms Lloyd:** Well, that, in effect, is what happens because we now deal with the service and financial frameworks on a community basis. Therefore, region by region, the service and financial frameworks are being signed off now—because it has taken quite a lot of difficulty to negotiate them this year—and we will have not just a statement of what the local health board wishes to purchase and what deficit is within that community, but also what is happening with the trust. We are trying to manage it against a regional dimension, rather than picking off individuals. There will be individual performance reviews of the organisation but, basically, we need to be able to consolidate this on a regional basis to ensure that we manage the performance effectively, because the service and financial framework does not just include the money, but the outturn of the care and services that are available for a community. Often there is more than one local health board negotiating with an NHS Trust and, therefore, you need a slightly wider picture. You also have Health Commission Wales buying across trusts, so you need a slightly wider picture to be able to get a true view of the health of those communities financially, and in service terms.

cynllun adfer ar gyfer sir Gaerfyrddin. Yr oeddwn yn gyfrifol am ei negodi, oherwydd fy mod wedi cychwyn yn fy swydd ar ddechrau'r flwyddyn ariannol honno. Bu i ni negodi cynllun adfer gyda'r sefydliad ymddiriedolaeth hwnnw yn ystod y flwyddyn, felly, erbyn ei diwedd, yr oedd ganddo gynllun a dechreuodd wneud cynnydd. Fodd bynnag, yr oedd yn ddiweddarach nag y buaswn wedi dymuno.

[21] **Alun Cairns:** A gaf fi gysylltu'r mater hwn gyda'r hyn sydd wedi'i gynnwys ym mharagraff 2.20, sy'n siarad am fframwaith gwasanaeth ac ariannol rhwng GIG Cymru a'r awdurdodau iechyd—y byrddau iechyd lleol bellach? A fyddai'n syniad da cael fframwaith neu egwyddor debyg rhwng y byrddau iechyd lleol a'r ymddiriedolaethau eu hunain?

**Ms Lloyd:** Wel, dyna sy'n digwydd, mewn gwirionedd, oherwydd ein bod yn awr yn delio gyda'r fframweithiau gwasanaeth ac ariannol yn y gymuned. Felly, fesul rhanbarth, mae'r fframweithiau gwasanaeth ac ariannol yn cael eu llofnodi yn awr—oherwydd eu bod wedi bod yn anodd eu negodi eleni—a bydd gennym fwy na dim ond datganiad o'r hyn y mae'r bwrdd iechyd lleol am ei brynu a pha ddiffyg ariannol sydd yn y gymuned honno, ond hefyd yr hyn sy'n digwydd gyda'r ymddiriedolaeth. Yr ydym yn ceisio rheoli hyn yn erbyn dimensiwn rhanbarthol, yn hytrach na phwyntio bys at unigolion. Bydd adolygiadau perfformiad unigol o'r sefydliad ond, yn y bôn, mae angen i ni allu atgyfnerthu hyn yn rhanbarthol er mwyn sicrhau ein bod yn rheoli'r perfformiad yn effeithiol, oherwydd bod y fframwaith gwasanaeth ac ariannol yn cynnwys mwy na'r arian yn unig, mae hefyd yn cynnwys alldro'r gofal a'r gwasanaethau sydd ar gael i gymuned. Yn aml mae mwy nag un bwrdd iechyd lleol yn trafod ag un o Ymddiriedolaethau'r GIG ac, felly, mae angen i chi gael darlun ychydig yn ehangach. Hefyd, mae Comisiwn Iechyd Cymru yn prynu gan sawl ymddiriedolaeth, felly mae angen darlun ehangach er mwyn gallu cael golwg wirioneddol ar sefyllfa ariannol y

[22] **Alun Cairns:** Thank you. The second issue that I wanted to cover is in paragraph 1.16, in which the Auditor General refers to the Dental Practice Board. Of course, that is on an England and Wales basis, I think, rather than a UK basis—yes, an England and Wales basis—and the accounts were qualified because of

‘inappropriate expenditure, including administrative error, misunderstanding of regulations, inappropriate or poor quality of work and deliberate theft’,

even, amounting to £74.6 million in 2001-02. Now, obviously, not all of this relates to Wales, but no doubt part of it will relate to Wales. What are you doing to ensure that money that could be spent on providing healthcare in Wales is not wasted by the Dental Practice Board, and do you have any indication of the scale of the problem in Wales?

**Ms Lloyd:** The underlying deficits for the Welsh bit of it is about £0.8 million but, nevertheless, that is still money that is not being effectively used. Given the seriousness of these reasons for the deficit, we are working with the Dental Practice Board to ensure that the work that it is doing across England and Wales is translated directly for Wales, to address issues that might be particular to us. When we go on through this report, you will see the reports on fraud and mismanagement mentioned there, and how we are working with the Dental Practice Board to try to ensure that that is also reduced here in Wales. However, there is a very serious set of statements about the Dental Practice Board, and that has caused us very great concern. We are looking for assistance from the Auditor General to make sure, from his point of view, that he is satisfied that that board is now effectively regulated. However, on our part of the problem, we inherited a £0.8 million deficit.

cymunedau hynny, ac o ran gwasanaeth.

[22] **Alun Cairns:** Diolch. Mae'r ail fater yr oeddwn am ei drafod i'w gael ym mharagraff 1.16, lle mae'r Archwilydd Cyffredinol yn cyfeirio at y Bwrdd Ymarfer Deintyddol. Wrth gwrs, mae hwn yn fwrdd i Gymru a Lloegr, credaf, yn hytrach nag i'r DU—ie, Cymru a Lloegr—ac yr oedd y cyfrifon yn gymwys oherwydd

‘[g]wariant amhriodol, yn cynnwys gwallau gweinyddol, camddealltwriaeth o reoliadau, gwaith amhriodol neu o ansawdd gwael ac achosion bwriadol o ladrata’,

hyd yn oed, gyda chyfanswm o £74.6 miliwn yn 2001-02. Felly, yn amlwg, nid yw hyn i gyd yn berthnasol i Gymru, ond mae'n amlwg y bydd rhan ohono'n berthnasol i Gymru. Beth ydych chi'n ei wneud i sicrhau nad yw arian y gellid ei wario ar ddarparu gofal iechyd yng Nghymru yn cael ei wastraffu gan y Bwrdd Ymarfer Deintyddol, ac a oes gennych unrhyw syniad o hyd a lled y broblem yng Nghymru?

**Ms Lloyd:** Mae diffygion sylfaenol rhan Cymru o'r ddyled oddeutu £0.8 miliwn ond, er hynny, mae'n arian nad yw'n cael ei ddefnyddio'n effeithiol. O ystyried difrifoldeb y rhesymau hyn dros y diffyg, yr ydym yn gweithio gyda'r Bwrdd Ymarfer Deintyddol i sicrhau bod y gwaith y mae'n ei wneud ledled Cymru a Lloegr yn cael ei drosi'n uniongyrchol i Gymru, er mwyn gallu mynd i'r afael â materion a allai fod yn benodol i ni. Wrth bori drwy'r adroddiad hwn, byddwch yn gweld yr adroddiadau ar dwyll a chamreoli a grybwyllir, a sut yr ydym yn gweithio gyda'r Bwrdd Ymarfer Deintyddol i geisio sicrhau bod hyn hefyd yn cael ei ostwng yma yng Nghymru. Fodd bynnag, mae cyfres ddifrifol iawn o ddatganiadau am y Bwrdd Ymarfer Deintyddol, ac mae hynny wedi peri pryderon mawr iawn i ni. Yr ydym yn chwilio am gymorth gan yr Archwilydd Cyffredinol i sicrhau, o'i safbwynt ef, ei fod yn fodlon bod y bwrdd hwnnw'n cael ei reoleiddio'n effeithiol yn awr. Fodd bynnag,

mewn perthynas â'n rhan ni o'r broblem, etifeddwyd diffyg ariannol o £0.8 miliwn.

[23] **Alun Cairns:** A final question, Mrs Lloyd. Significant savings were made in relation to fraudulent prescription charges through work conducted jointly by the Committee as well as, obviously, being delivered by your department and your colleagues. Has the NHS Counter Fraud Operational Service undertaken verification checks on dental patients' exemption entitlements yet, possibly learning the lessons from the experience of both?

**Ms Lloyd:** We actually wanted the Dental Practice Board to undertake that work on our behalf, but that has been rather delayed because it is not a public body and, therefore, you have to have legislation to allow it to undertake those checks for us. However, it is undertaking work on issues of fraud and we are ensuring that the Welsh fraud agency is following up the trends that have arisen here and from other types of contractor services, to ensure that those lessons are also applied in the dental field. However, there has been a bit of a hiatus about our being able to ask it to assist us in quite the way we would have wished, but that is things in the round—it is not just Wales.

[24] **Janet Davies:** Jocelyn, do you want to pursue the payment of invoices at this point?

[25] **Jocelyn Davies:** The report says, in paragraph 2.12, that NHS bodies are required to pay undisputed invoices within 30 days and, of course, you view that as very important. Now, only 83 per cent of invoices were paid within 30 days in 2001-02. Why was that? I also note that you decided to make payment within 30 days a formal financial duty. Of course, setting targets for others does not always mean that they will be met, even if they are formal duties. So, could you explain how making it a duty will make a difference?

[23] **Alun Cairns:** Un cwestiwn terfynol, Mrs Lloyd. Gwnaethpwyd cynilion sylweddol o ran y taliadau presgripsiwn twyllodrus drwy'r gwaith a gyflawnwyd ar y cyd gan y Pwyllgor ynghyd â'r gwaith a wneir gan eich adran a'ch cydweithwyr chi, yn amlwg. A yw Gwasanaeth Gweithredol Gwrth-dwyll y GIG wedi cynnal archwiliadau gwirio ar hawliadau eithrio cleifion deintyddol eto, a dysgu'r gwersi o brofiadau'r ddau o bosibl?

**Ms Lloyd:** A dweud y gwir yr oeddem am i'r Bwrdd Ymarfer Deintyddol gyflawni'r gwaith hwnnw ar ein rhan, ond mae hyn wedi'i ddal yn ôl i raddau oherwydd nad yw'n gorff cyhoeddus ac, felly, mae'n rhaid i chi gael deddfwriaeth i ganiatáu iddo gyflawni'r archwiliadau hynny ar ein rhan. Fodd bynnag, mae'n cyflawni gwaith ar faterion twyll ac yr ydym yn sicrhau bod asiantaeth dwyll Cymru yn adolygu'r tueddiadau sydd wedi deillio yma ac o fathau eraill o wasanaethau contractwr, i sicrhau bod y gwersi hynny hefyd yn cael eu defnyddio mewn maes deintyddol. Fodd bynnag, cafwyd bwlch o ran ein gallu i ofyn i'r asiantaeth ein cynorthwyo yn y ffordd yr oeddem am iddi wneud, ond mae hynny'n wir yn gyffredinol—nid yng Nghymru'n unig.

[24] **Janet Davies:** Jocelyn, a ydych am drafod talu anfonebau yma?

[25] **Jocelyn Davies:** Mae'r adroddiad yn nodi, ym mharagraff 2.12, ei bod yn ofynnol i gyrff GIG dalu anfonebau diamheuol o fewn 30 diwrnod ac, wrth gwrs, yr ydych yn ystyried bod hyn yn bwysig iawn. Yn awr, 83 y cant yn unig o anfonebau a dalwyd o fewn 30 diwrnod yn 2001-02. Beth oedd y rheswm am hynny? Sylwaf hefyd eich bod wedi penderfynu gwneud talu o fewn 30 diwrnod yn ddyletswydd ariannol ffurfiol. Wrth gwrs, nid yw gosod targedau ar gyfer eraill yn golygu y byddant yn cael eu bodloni bob tro, hyd yn oed os ydynt yn ddyletswyddau

ffurfiol. Felly, a allwch egluro sut y bydd gwneud hyn yn ddyletswydd yn gwneud gwahaniaeth?

**Ms Lloyd:** I am glad to say that it seems to have made a difference. At the end of March 2003, the vast majority had already reached the 95 per cent target, with a few stragglers. Many had exceeded the 95 per cent target. So, on this occasion, making it a duty seems to have worked a treat.

**Ms Lloyd:** Yr wyf yn falch o ddweud ei bod yn ymddangos ei fod wedi gwneud gwahaniaeth. Ar ddiwedd Mawrth 2003, yr oedd y mwyafrif llethol eisoes wedi cyrraedd y targed o 95 y cant, gydag ambell un ar ei hôl hi. Yr oedd nifer yn perfformio'n well na'r targed o 95 y cant. Felly, ar yr achlysur hwn, mae'n ymddangos bod gwneud hyn yn ddyletswydd wedi gweithio i'r dim.

The reason why there was a problem in 2000 and 2001-02 was that, as it also states at the end of this report, there was a new financial management system being introduced throughout Wales, which was important. However, it did lead to a big glitch in terms of some of the organisations being able to meet this duty. They have now had time for that system to settle down, and lots of recommendations on improving it and improving how it might be managed, which do seem to be having effect. We are now in a much better position in terms of ensuring that the bills are paid, because cash flow and everything goes out if the bills are not paid: you cannot get a proper view of the finances of an organisation.

Y rheswm bod problem yn 2000 a 2001-02, fel a nodir eto ar ddiwedd yr adroddiad hwn, oedd bod system reoli ariannol newydd yn cael ei chyflwyno ledled Cymru, a oedd yn bwysig. Fodd bynnag, arweiniodd hyn at drafferthion mawr am nad oedd rhai o'r sefydliadau'n gallu bodloni'r ddyletswydd hon. Maent wedi cael amser bellach i sefydlu'r system a derbyn llawer o argymhellion ar ei gwella a gwella'r ffordd o'i rheoli, sy'n ymddangos yn effeithiol. Yr ydym mewn llawer gwell sefyllfa yn awr i sicrhau bod y biliau'n cael eu talu, gan fod llif arian a phopeth arall yn mynd ar chwâl os na thelir y biliau: ni ellir cael darlun cyflawn o gyllid sefydliad.

[26] **Jocelyn Davies:** Are there any sanctions if a trust does not meet that 95 per cent level?

[26] **Jocelyn Davies:** A oes unrhyw sancsiynau os nad yw ymddiriedolaeth yn bodloni'r lefel 95 y cant hon?

**Ms Lloyd:** The Minister is due to consider a paper that we have put together, as a consequence of the service and financial framework and the whole management of finances and services in Wales, to look at how we invest for improvement, and also what sort of sanctions are taken if trusts fail to meet their duties. They are supposed to meet their financial duties over a three-year period. Traditionally—I have never known it to be applied, but there is always a first time—if a trust fails to meet its financial duty over three years, then its authority to operate is withdrawn.

**Ms Lloyd:** Bydd y Gweinidog yn ystyried papur a luniwyd gennym maes o law, o ganlyniad i'r fframwaith gwasanaeth ac ariannol a rheolaeth gyffredinol cyllid a gwasanaethau yng Nghymru, i edrych ar y ffordd yr ydym yn buddsoddi mewn gwelliannau, a hefyd pa fath o sancsiynau a ddefnyddir os nad yw ymddiriedolaethau'n bodloni eu dyletswyddau. Dylent fodloni eu dyletswyddau ariannol dros gyfnod o dair blynedd. Yn draddodiadol—nid wyf wedi clywed am hyn yn digwydd, ond mae tro cyntaf i bopeth—os nad yw ymddiriedolaeth yn bodloni ei dyletswydd ariannol dros dair blynedd, yna bydd ei awdurdod i weithredu'n

cael ei ddileu.

[27] **Jocelyn Davies:** Are there any rewards for meeting the targets?

[27] **Jocelyn Davies:** A oes unrhyw wobrau am fodloni'r targedau?

**Ms Lloyd:** That is part of this investment for improvement scheme that the Minister is considering at the present time.

**Ms Lloyd:** Mae hynny'n rhan o'r cynllun buddsoddi mewn gwelliannau hwn y mae'r Gweinidog yn ei ystyried ar hyn o bryd.

[28] **Jocelyn Davies:** I see from the report that Cardiff and Vale NHS Trust only managed to pay 62 per cent of invoices within 30 days. Were there any specific factors in that trust that led it to perform particularly poorly in this respect?

[28] **Jocelyn Davies:** Gwelaf o'r adroddiad mai 62 y cant yn unig o'r anfonebau y llwyddodd Ymddiriedolaeth GIG Caerdydd a'r Fro eu talu o fewn 30 diwrnod. A oedd unrhyw ffactorau penodol yn yr ymddiriedolaeth honno a arweiniodd ati'n perfformio'n arbennig o wael yn y cyswllt hwn?

**Ms Lloyd:** It was the pilot site for implementing the new financial management system. It experienced significant teething problems that meant that it was unable—although it was not a duty then—to meet that best practice guideline. It has now gone up to 94.2 per cent, so it is just 0.8 per cent behind the target.

**Ms Lloyd:** Yr ymddiriedolaeth oedd y safle arbrofol ar gyfer gweithredu'r system reoli ariannol newydd. Profodd broblemau cychwynnol sylweddol a oedd yn golygu nad oedd yn gallu—er nad oedd yn ddyletswydd ar y pryd—bodloni'r canllaw hwnnw ar arferion gorau. Mae wedi codi i 94.2 y cant erbyn hyn, sef 0.8 y cant yn is na'r targed.

[29] **Jocelyn Davies:** Perhaps it will get a reward, then?

[29] **Jocelyn Davies:** Efallai y caiff ei gwobrwyo, felly?

**Ms Lloyd:** Possibly. It depends if it comes in with its recovery plan properly.

**Ms Lloyd:** Efallai. Mae'n dibynnu a yw'n cyflawni ei chynllun adfer yn iawn.

[30] **Jocelyn Davies:** I will leave it there, Chair.

[30] **Jocelyn Davies:** Fe adawaf y mater yma, Gadeirydd.

[31] **Janet Davies:** We will now move on to the restructuring part of the report. Val, you have some questions?

[31] **Janet Davies:** Symudwn yn awr at adran yr adroddiad ar ailsdrwythuro. Val, mae gennych gwestiynau?

[32] **Val Lloyd:** Thank you, Chair. Mrs Lloyd, the previous Audit Committee questioned you on the matter of restructuring costs on the basis of a note submitted by the Auditor General. Could you please update the Committee on the progress that has been made? For example, is there now greater certainty on matters such as redundancy costs and infrastructure?

[32] **Val Lloyd:** Diolch, Gadeirydd. Mrs Lloyd, cawsoch eich cwestiynu gan y Pwyllgor Archwilio diwethaf am gostau ailsdrwythuro ar sail nodyn a gyflwynwyd gan yr Archwilydd Cyffredinol. A allwch chi roi'r newyddion diweddaraf i'r Pwyllgor ar y cynnydd sydd wedi'i wneud? Er enghraifft, a oes mwy o sicrwydd yn awr ar faterion megis costau diswyddo a seilwaith?

**Ms Lloyd:** You will recall that the Auditor

**Ms Lloyd:** Byddwch yn cofio i'r Archwilydd

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General made six recommendations that he will follow through with us over the next few years to ensure that restructuring has been managed effectively and well. One of the things that obviously caused everyone most concern, and rightly so, was the issue of the risks surrounding reorganisation, because we have all been through enough to know what the possible risks will be. Therefore, we have been tracking carefully the three main risks that the Auditor General pointed out to us: first, that we would lose key staff; secondly, that we would not be able to track assets and liabilities and legacy documents; and, thirdly, whether or not we could maintain the service.

I have to say that, in looking at what has happened on a month-by-month basis, I think that a great deal of the maintenance of the service on the issues relating to loss of staff have largely been sorted by the application of the staff involved. They did work extremely hard—knowing that these were key issues that would be of concern to them, and to us—to ensure that services were maintained, and that the legacy statements were accurate, were understandable, were properly broken down to LHBs. Many staff, although appointed to new positions—particularly those in finance—did keep a foot in the door in terms of trying to close the accounts. Those chief executives and finance directors of the former organisations have been asked, and are willing, to maintain vigilance over the accounts until they are finally closed, so that we get some continuity of people who understand. So, that has been alright. We also have an audit trail going through the system to track the assets and the liabilities to make sure that they are perfectly understood by the LHBs and by Health Commission Wales.

In terms of the costs, the cost envelope remains as stated last time and we have made significant progress in looking at how we meet the gap of £8.5 million—we had already made £4.7 million in cost savings, or as a

Cyffredinol wneud chwe argymhelliad y bydd yn eu trafod gyda ni yn ystod y blynyddoedd nesaf i sicrhau bod ailsdrwythuro wedi'i reoli'n effeithiol ac yn dda. Un o'r pethau yn amlwg a achosodd y mwyaf o bryder i bawb, a hynny'n iawn, a oedd y risgiau a oedd yn gysylltiedig ag addrefnu, oherwydd ein bod ni oll wedi bod drwy ddigon i wybod beth fydd y risgiau posibl. Felly, yr ydym wedi bod yn dilyn yn ofalus y tair prif risg a nodwyd gan yr Archwilydd Cyffredinol: yn gyntaf, y byddem yn colli staff allweddol; yn ail, na fyddem yn gallu olrhain asedion a chyfrifoldebau a dogfennau etifeddiaeth; ac, yn drydydd, a fyddem yn gallu cynnal y gwasanaeth ai peidio.

Mae'n rhaid i mi ddweud, wrth edrych ar yr hyn sydd wedi digwydd fis ar ôl mis, credaf fod llawer o'r gwaith o gynnal a chadw'r gwasanaeth o ran y materion sy'n ymwneud â cholli staff wedi'u trefnu'n bennaf gan ymroddiad y staff a gyfrannodd. Gwnaethant weithio'n galed iawn—gan wybod bod y rhain yn faterion allweddol a fyddai'n berthnasol iddynt, ac i ni—er mwyn sicrhau bod gwasanaethau'n cael eu cynnal, a bod datganiadau etifeddiaeth yn gywir, yn ddealladwy, yn cael eu rhannu'n briodol i Fyrddau Iechyd Lleol. Cadwodd nifer o aelodau staff, er eu bod wedi'u penodi i swyddi newydd—yn arbennig y rhai cyllid—droed yn y drws o ran ceisio cau'r cyfrifon. Gofynnwyd i brif weithredwyr a chyfarwyddwyr cyllid y cyn sefydliadau gadw golwg ar y cyfrifon tan iddynt gael eu cau'n derfynol, ac maent wedi cytuno i hynny, er mwyn sicrhau peth parhad ymhlith y bobl sy'n eu deall. Felly, mae hynny wedi bod yn iawn. Mae gennym hefyd lwybr archwilio drwy'r system i olrhain yr asedion a'r cyfrifoldebau i sicrhau bod y Byrddau Iechyd Lleol a Chomisiwn Iechyd Cymru yn eu deall yn iawn.

O ran y costau, mae'r amlen gost yn parhau fel y nodwyd hi y tro diwethaf ac yr ydym wedi gwneud cynnydd sylweddol o ran edrych ar sut i gau'r bwlch o £8.5 miliwn—yr ydym wedi gwneud arbedion cost o £4.7

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reduction in costs, for my department and the LHBs by the last time that we discussed this issue—and the National Public Health Service had reduced its initial bid by £1.2 million. The business services centre was the big outstanding part when we last met. It has now come in with a proposal this year to contain its costs by a reduction of £1.1 million. It, together with the National Public Health Service, will be returning to me in September with a two-year plan on how they intend to live within their specified limits and what the specifications of the services that they will provide will be.

In terms of transitional costs, I have a month-by-month update of the people who remain to be placed. The last time I reported it was 44. Unfortunately, some people's plans failed to materialise, so it is now 47. However, I have appointed from transitional costs a small team to help individuals to be sorted out effectively. Some people will be coming up to retirement anyway this year, and I should be able to provide both yourselves and the Health and Social Services Committee with a better review of how many staff we think that we are actually going to be left with after this initial year in the next month, because, day by day, the picture is changing as people get effectively placed. We also have additional work that needs to be done to look at the evaluation of the effectiveness of the new structure, and that will absorb some of the staff who have not been absorbed so far and who are without a permanent position, because we need them to do that.

[33] **Val Lloyd:** I have a confirmatory question. All in all, you would confirm, then, that service delivery was maintained during the transfer of functions?

**Ms Lloyd:** The health authorities have assured me that they did not take their eyes off the ball and we were not faced with any

miliwn yn barod, neu fel gostyngiad mewn costau, yn fy adran i a'r Byrddau Iechyd Lleol ers y tro diwethaf i ni drafod y mater hwn—ac yr oedd y Gwasanaeth Iechyd Cyhoeddus Cenedlaethol wedi gostwng ei gynnig cychwynnol o £1.2 miliwn. Y ganolfan gwasanaethau busnes oedd yr elfen amlwg fawr y tro diwethaf i ni gyfarfod. Y mae'n awr wedi gwneud cynnig eleni i ostwng ei gostau o £1.1 filiwn. Gyda'r Gwasanaeth Iechyd Cyhoeddus Cenedlaethol, bydd yn dod yn ôl ataf i ym mis Medi gyda chynllun dwy flynedd ar sut maent yn bwriadu byw o fewn eu terfynau penodol a beth fydd manylion y gwasanaethau y byddant yn eu darparu.

O ran y costau pontio, yr wyf yn cael y newyddion diweddaraf bob mis am y bobl sy'n dal i aros i gael eu lleoli. Y tro diwethaf i mi adrodd, 44 oedd y nifer. Yn anffodus, methodd cynlluniau rhai i ddatblygu, felly mae 47 erbyn hyn. Fodd bynnag, yr wyf wedi penodi tîm bach o'r costau pontio i gynorthwyo unigolion i gael eu lleoli'n effeithiol. Bydd rhai pobl yn cyrraedd oed ymdeol beth bynnag eleni, a dylwn allu darparu gwell adolygiad i chi a'r Pwyllgor Iechyd a Gwasanaethau Cymdeithasol ar faint o staff y credwn y bydd gennym mewn gwirionedd ar ôl y flwyddyn gyntaf hon yn ystod y mis nesaf, oherwydd, wrth i bob diwrnod fynd rhagddo, mae'r sefyllfa'n newid wrth i bobl gael eu lleoli'n effeithiol. Mae gennym hefyd waith ychwanegol sydd angen ei wneud i edrych ar y gwerthusiad o effeithlonrwydd y sdrwythur newydd, a bydd hynny'n defnyddio rhywfaint o'r staff nad ydynt wedi'u defnyddio eto ac sydd heb swydd barhaol, oherwydd yr ydym angen iddynt wneud hynny.

[33] **Val Lloyd:** Mae gennyf gwestiwn ategol. Ar y cyfan felly, byddech yn cadarnhau bod darpariaeth y gwasanaeth wedi parhau wrth drosglwyddo swyddogaethau?

**Ms Lloyd:** Mae'r awdurdodau iechyd wedi fy sicrhau nad oeddent wedi bod yn esgeulus ac nad oeddent wedi wynebu unrhyw

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major crises due to people losing control over the organisation. Indeed, if that had occurred, I would have expected to see massive swings in expenditure going the wrong way and an increase in the sorts of complaints of critical incidents that one finds. That does not seem to have occurred. Nevertheless, we are auditing it extremely carefully, because we all have to be assured.

[34] **Jocelyn Davies:** Have all those bodies been able to manage the risks that you mentioned?

**Ms Lloyd:** They assure me that they have.

[35] **Jocelyn Davies:** Okay. That covers the question that I was going to raise.

[36] **Janet Davies:** Carl, you have some questions to ask about the issue of early retirement?

[37] **Carl Sargeant:** Ms Lloyd, obviously there are other challenges facing the NHS, such as the restructuring and so on. I would like to touch upon early retirement costs. I note that the average cost of early retirement across the NHS trusts has increased from £36,000 to £42,000 in 2001-02 and that the number of cases at health authorities has also increased. What has emerged from the monitoring as regards the practical impact of the guidance that you issued in April to the chief executive?

**Ms Lloyd:** A number of things have occurred because, as with everything, things creep out of the woodwork once you issue guidance. We were finding that, in some organisations, they had people on two-year termination and there was a very mixed approach to the way in which one employed or discharged staff. That has come out, so we have issued guidance about the model type of contract that one should employ for staff. Also, if there is any contentious, major or disputatious settlement that any organisation is likely to make, it, at a very early stage, has

argyfyngau o bwys yn sgîl pobl yn colli rheolaeth dros y sefydliad. Yn wir, pe bai hynny wedi digwydd, byddwn wedi disgwyl gweld newidiadau enfawr mewn gwariant i'r cyfeiriad anghywir a chynnydd yn y mathau o gwynion y mae rhywun yn ei gael am ddigwyddiadau tyngedfennol. Ymddengys nad yw hyn wedi digwydd. Fodd bynnag, yr ydym yn ei archwilio'n ofalus iawn, oherwydd mae'n rhaid ein sicrhau ni oll.

[34] **Jocelyn Davies:** A yw'r holl gyrff hynny wedi gallu rheoli'r risgiau y gwnaethoch eu crybwyll?

**Ms Lloyd:** Maent wedi rhoi sicrwydd i mi eu bod wedi gwneud hynny.

[35] **Jocelyn Davies:** Iawn. Mae hynny'n ateb y cwestiwn yr oeddwn am ei godi.

[36] **Janet Davies:** Carl, mae gennych gwestiynau i'w gofyn am fater ymdeol yn gynnar?

[37] **Carl Sargeant:** Ms Lloyd, yn amlwg mae heriau eraill yn wynebu'r GIG, megis yr ailsdrwythuro ac ati. Hoffwn drafod costau ymdeol yn gynnar. Sylwaf fod cost ymdeol yn gynnar ar gyfartaledd drwy ymddiriedolaethau'r GIG wedi cynyddu o £36,000 i £42,000 yn 2001-02 a bod nifer yr achosion mewn awdurdodau iechyd hefyd wedi cynyddu. Beth sydd wedi dod i'r amlwg o'r monitro o ran effaith ymarferol y canllaw a gyhoeddwyd gennych ym mis Ebrill i'r prif weithredwr?

**Ms Lloyd:** Mae nifer o bethau wedi digwydd oherwydd, fel gyda phopeth, mae pethau'n digwydd yn annisgwyl ar ôl i chi gyhoeddi canllaw. Yr oeddem yn canfod, mewn rhai sefydliadau, bod ganddynt bobl ar contract dwy flynedd yn unig ac yr oedd agwedd gymysg iawn at y ffordd yr oeddent yn cyflogi neu'n cael gwared ar staff. Mae hynny wedi dod i'r amlwg, felly yr ydym wedi cyhoeddi canllaw am fodel o contract y dylai sefydliad ei ddefnyddio ar gyfer ei staff. Hefyd, os oes unrhyw setliadau cynhennus, sylweddol neu ddadleuol y mae unrhyw

to report that to me. A number have so been reported and I have, to date, not agreed to any of them, because I felt that the evidence was not available to me to make that sort of judgment; therefore, they have been referred back. I think that they have taken the concerns expressed by the Committee and the Auditor General on this very seriously. We would not wish to prevent anybody from retiring on the grounds of ill health, where that is justifiable, and we must make it as painless as possible for people. However, we still have to have a scrutiny over the way in which organisations manage their employment policies and practices.

[38] **Carl Sargeant:** Given the guidance to the chief executives—moving on slightly time-wise—have there been fewer cases for 2002-03, and has the average cost been reduced?

**Ms Lloyd:** I have not yet received that information. That will come out of the final accounts, so I will be able to answer that question after July. Would you like me to send you a note on that, when it comes out?

[39] **Janet Davies:** That would be very helpful. We now move on to progress in tackling fraud. I know that both Denise and Leighton want to ask questions about that.

[40] **Denise Idris Jones:** The previous Audit Committee welcomed the progress that you are making in tackling NHS fraud. Has the NHS Counter Fraud Operational Service investigated further cases since the Auditor General reviewed progress earlier this year?

**Ms Lloyd:** Well, it is a continuous cycle. Given that the cost of tackling fraud is not peanuts, we have to make sure that we are receiving value for money from it. There is a heightened awareness in NHS organisations about the prevalence of fraud and how it

sefydliad yn debygol o'u gwneud, mae'n rhaid iddo, yn gynnwys iawn, roi gwybod am hynny i mi. Mae nifer wedi rhoi gwybod i mi ac nid wyf, hyd yma, wedi cytuno i unrhyw un ohonynt, oherwydd nad oeddwn yn teimlo bod y dystiolaeth ar gael i mi wneud y cyfryw benderfyniad; felly, maent wedi'u cyfeirio'n ôl. Credaf eu bod wedi ystyried y pryderon a fynegwyd gan y Pwyllgor a'r Archwilydd Cyffredinol yn ddifrifol iawn. Ni fyddem am atal unrhyw un rhag ymddeol ar sail salwch, os gellir cyfiawnhau hynny, ac mae'n rhaid i ni wneud hyn mor ddi-boen â phosibl i bobl. Fodd bynnag, mae'n rhaid i ni archwilio'r ffordd y mae sefydliadau'n rheoli eu polisiau a'u harferion cyflogaeth.

[38] **Carl Sargeant:** O ystyried y canllaw i'r prif weithredwyr—gan symud ymlaen ychydig o ran amser—a fu llai o achosion yn 2002-03, ac a yw'r cost cyfartalog wedi gostwng?

**Ms Lloyd:** Nid wyf wedi derbyn y wybodaeth honno eto. Bydd hynny'n cael ei ddatgelu yn y cyfrifon terfynol, felly byddaf yn gallu ateb y cwestiwn ar ôl mis Gorffennaf. A fyddech yn hoffi i mi anfon nodyn i chi ar hynny, pan fydd yn dod allan?

[39] **Janet Davies:** Byddai hynny'n ddefnyddiol iawn. Yr ydym yn awr am symud ymlaen i drafod cynnydd o ran mynd i'r afael â thwyll. Gwn fod Denise a Leighton am ofyn cwestiynau am y mater hwnnw.

[40] **Denise Idris Jones:** Yr oedd y cyn Bwyllgor Archwilio yn croesawu'r cynnydd yr ydych yn ei wneud o ran mynd i'r afael â thwyll yn y GIG. A yw Gwasanaeth Gweithredol Gwrth-dwyll y GIG wedi ymchwilio i achosion pellach ers i'r Archwilydd Cyffredinol adolygu'r cynnydd yn gynharach eleni?

**Ms Lloyd:** Wel, mae'n gylch parhaus. O ystyried nad yw mynd i'r afael â thwyll yn fusnes rhad, mae'n rhaid i ni sicrhau ein bod yn derbyn gwerth am arian ohono. Mae ymwybyddiaeth gynyddol yn sefydliadau'r GIG o ba mor gyffredin yw twyll a sut y

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might be managed. We have also set up our own unit within Wales that works with Jim Gee's unit for England and Wales and a lot of work has gone into the organisations in terms of training, heightened awareness and so on, therefore we are constantly getting a reflection of that increased awareness coming through. So, yes, it has continued to investigate this trend and we have also asked for additional work to go on, to look at ophthalmic fraud—which should report back later this year—additional pharmaceutical fraud, and other contractor fraud in Wales, so that we get a full spread.

[41] **Denise Idris Jones:** Further savings have been identified?

**Ms Lloyd:** Yes, they will be, and they, again, will be in the final accounts.

[42] **Denise Idris Jones:** Good. Is the study of optical patient and contractor fraud still on track?

**Ms Lloyd:** Yes, I have not been advised otherwise.

[43] **Denise Idris Jones:** Will it be completed by the summer?

**Ms Lloyd:** Well, it depends upon what you call the summer, but yes.

[44] **Denise Idris Jones:** Let us say September. Okay?

**Ms Lloyd:** Yes.

[45] **Leighton Andrews:** I am sure that we are all pleased to see that the NHS Counter Fraud Operational Service has estimated that there has been a £7 million reduction in the loss of prescription income as a result of the steps that you have taken. To what extent do you think that the post payment verification unit at Velindre NHS Trust has contributed to that, and do you feel that it is sufficiently well staffed to carry out its tasks?

gellid ei reoli. Yr ydym hefyd wedi sefydlu ein huned ein hunain yng Nghymru sy'n gweithio gydag uned Jim Gee yng Nghymru a Lloegr ac mae llawer o waith wedi'i wneud yn y sefydliadau o ran hyfforddiant, cynyddu ymwybyddiaeth ac ati, felly yr ydym yn cael adlewyrchiad parhaus o'r ymwybyddiaeth gynyddol hon ar waith. Felly, do, y mae wedi parhau i ymchwilio i'r duedd hon ac yr ydym hefyd wedi gofyn am i ragor o waith gael ei wneud, i edrych ar dwyll offthalmig—a dylai adrodd yn ôl yn ddiweddarach eleni—twyll fferyllol ychwanegol, a thwyll ymhlith contractwyr eraill yng Nghymru, er mwyn i ni gael darlun llawn.

[41] **Denise Idris Jones:** Mae arbedion pellach wedi'u nodi?

**Ms Lloyd:** Oes, mae rhai, a byddant, eto, yn y cyfrifon terfynol.

[42] **Denise Idris Jones:** Da iawn. A yw'r astudiaeth ar dwyll cleifion optegol a chontractwyr ar y trywydd iawn o hyd?

**Ms Lloyd:** Ydyw, nid wyf wedi clywed yn wahanol.

[43] **Denise Idris Jones:** A fydd wedi'i orffen erbyn yr haf?

**Ms Lloyd:** Wel, mae'n dibynnu beth yr ydych yn ei alw'n haf, ond bydd.

[44] **Denise Idris Jones:** Gadewch i ni ddweud Medi. Iawn?

**Ms Lloyd:** Iawn.

[45] **Leighton Andrews:** Yr wyf yn siŵr ein bod i gyd yn falch iawn o weld bod Gwasanaeth Gweithredol Gwrth-dwyll y GIG wedi amcangyfrif y bu gostyngiad o £7 miliwn yn yr incwm o bresgripsiynau a gollwyd o ganlyniad i'r camau yr ydych wedi'u cymryd. I ba raddau y credwch bod yr uned ddilysu ar ôl talu yn Ymddiriedolaeth GIG Felindre wedi cyfrannu at hynny, ac a ydych chi'n credu bod digon o staff yno i gyflawni ei thasgau?

**Ms Lloyd:** Well, it has only been going for just under a year, and what it is doing is actually looking at a slightly different issue. It is very much looking at whether people are claiming correctly for this, or whether they are claiming exemptions to which they are not entitled. It has checked an enormous number of scripts so far, and it looks, from the Auditor General's report, like we have not saved much from this mammoth exercise of 48,000 scripts. However, if I can just update you and refer to my text, what has happened subsequently is that the unit has issued about 4,500 letters to patients, which are either penalty charge letters or surcharge letters, and a very small number have been referred to county court judgment. So, it has now saved a total of about £17,000 on top of this from the work that it has been doing as it has geared itself up. As to whether or not it is staffed effectively, until we audit its first year and look at the kind of workload that it is having to deal with—and Velindre is very accustomed to looking at workload in terms of checking, which is why it is managing this on our behalf—I cannot be prescriptive in my answer. However, we will be looking at this with Velindre as part of the end of year accounts.

[46] **Leighton Andrews:** The figure of 4,000 that you just mentioned, I think, is that the total number of false exemptions that you have identified since the unit was established?

**Ms Lloyd:** That is that 4,500. Those are the patient first contact letters.

[47] **Janet Davies:** I would like to ask about the agency nursing situation, Ms Lloyd. The Audit Committee has expressed concern about the costs of agency nursing before. In 2001-02, there was a 50 per cent increase in expenditure on agency nursing, so that it was costing the NHS in Wales around £15 million a year. What are you doing to get hold of that issue?

**Ms Lloyd:** Wel, nid yw wedi bod ar waith am flwyddyn eto, a'r hyn y mae'n ei wneud mewn gwirionedd yw edrych ar fater sydd ychydig yn wahanol. Mae'n edrych ar a yw pobl yn hawlio'n gywir am hyn, neu a ydynt yn hawlio eithriadau nad oes ganddynt hawl iddynt. Mae wedi archwilio llawer iawn o sgriptiau hyd yma, ac nid yw'n ymddangos, o adroddiad yr Archwilydd Cyffredinol, ein bod wedi cynilo llawer o'r ymarferiad anferth hwn o 48,000 o sgriptiau. Fodd bynnag, os caf fi roi'r newyddion diweddaraf i chi a chyfeirio at fy nhestun, yr hyn sydd wedi digwydd ers hynny yw bod yr uned wedi dosbarthu oddeutu 4,500 o llythyrau i gleifion, sydd naill ai'n llythyrau cosb ariannol neu'n llythyrau gordal, ac mae nifer fach iawn wedi'u cyfeirio i lys sirol am ddyfarniad. Felly, y mae bellach wedi arbed cyfanswm o oddeutu £17,000 yn ychwanegol at hyn o'r gwaith y mae wedi bod yn ei wneud wrth iddo fynd o nerth i nerth. O ran a oes ganddo nifer digonol o staff, ni allaf roi ateb pendant tan i ni archwilio ei flwyddyn gyntaf ac edrych ar y math o lwyth gwaith y mae'n gorfod ymdopi ag ef—ac mae Felindre wedi hen arfer ag edrych ar lwyth gwaith o ran archwilio, sef y rheswm ei fod yn rheoli hyn ar ein rhan. Fodd bynnag, byddwn yn edrych ar hyn gyda Felindre fel rhan o'r cyfrifon diwedd blwyddyn.

[46] **Leighton Andrews:** Credaf mai'r ffigur o 4,000 yr ydych newydd ei grybwyll yw cyfanswm yr eithriadau ffug a nodwyd gennych ers sefydlu'r uned?

**Ms Lloyd:** Dyna yw'r ffigur o 4,500. Y rhai hynny yw'r llythyrau cyswllt cyntaf â'r claf.

[47] **Janet Davies:** Hoffwn ofyn am y sefyllfa o ran nyrsio asiantaeth, Ms Lloyd. Mae'r Pwyllgor Archwilio wedi mynegi pryder am gostau nyrsio asiantaeth yn y gorffennol. Yn 2001-02, yr oedd cynnydd o 50 y cant mewn gwariant ar nyrsio asiantaeth, felly yr oedd yn costio oddeutu £15 miliwn y flwyddyn i'r GIG yng Nghymru. Beth yr ydych yn ei wneud i fynd i'r afael â'r mater

**Ms Lloyd:** I think that this is a very serious issue because the agency nursing costs this last year have risen to approximately £18 million. It still represents about 2.5 per cent of the staff, because we have, of course, had increases in the number of staff throughout Wales during that year. There are two particular problems in Cardiff and the Vale and Gwent, and we asked the chief nurse to establish a review into whether or not we could undertake the same kind of action that had been undertaken in England, and look at much more of a pan-Wales agency contract for the employment of agency and other staff, such as bank staff. We were hampered, I think, by the fact that that service in England collapsed, because we were hoping to learn some good practice from it, particularly the one that was going on in Bristol. Therefore, she is certainly looking at a scheme whereby we could ensure that there was a proper contractual basis for the acquisition of agency nurses, to look at a different use of agency nurses and the whole nursing complement that an organisation has.

That work has not progressed as quickly as possible because of the recent Iraq war—the project manager was seconded there. However, what I have done as well is to ask the two chief executives of these NHS organisations to lead a serious and in-depth piece of work themselves on how, together, they will reduce the number of agency nurses used to the absolute minimum, and to ensure that either they have an effective bank system, which will be their own staff, or start to put into train additional recruitment practices. They have done quite a lot, but I have asked them to really make sure that nothing further can be done. We are, of course, increasing the number of people who are going into training for nursing over the next three years, including this one. Nevertheless, this is a serious problem that we are trying to tackle. It is not unique to us, but, nevertheless, we certainly have to stop this tap now.

hwnnw?

**Ms Lloyd:** Credaf fod hyn yn fater difrifol iawn, gan fod costau nyrsio asiantaeth yn ystod y flwyddyn ddiwethaf wedi codi i oddeutu £18 miliwn. Mae'n parhau i gynrychioli oddeutu 2.5 y cant o'r staff, oherwydd ein bod, wrth gwrs, wedi gweld cynnydd yn nifer y staff drwy Gymru yn ystod y flwyddyn honno. Mae dwy broblem benodol yng Nghaerdydd a'r Fro a Gwent, a bu i ni ofyn i'r brif nyrs lunio adolygiad i weld a fyddai modd i ni weithredu yn yr un modd â Lloegr, ac edrych ar gontract asiantaeth Cymru-gyfan cryfach ar gyfer cyflogi staff asiantaeth a staff eraill, fel staff banc. Fe'n rhwysdrwyd, yn fy marn i, gan y ffaith bod y gwasanaeth yn Lloegr wedi methu, gan ein bod yn gobeithio dysgu rhai arferion da ganddo, yn arbennig yr arfer da ym Mryste. Felly, mae'n bendant yn edrych ar gynllun a fyddai'n fodd i ni sicrhau bod sail cytundebol iawn ar gyfer caffael nyrsys asiantaeth, i edrych ar ffyrdd gwahanol o ddefnyddio nyrsys asiantaeth a'r holl gyflenwad o nyrsys sydd gan sefydliad.

Nid yw'r gwaith hwn wedi'i gyflawni mor gyflym â phosibl oherwydd y rhyfel diweddar yn Irac—secondiwyd y rheolwr prosiect yno. Fodd bynnag, yr hyn yr wyf hefyd wedi'i wneud yw gofyn i ddau brif weithredwr o'r sefydliadau GIG hyn i arwain gwaith difrifol a dwys ar sut, gyda'i gilydd, y gallant ostwng nifer y nyrsys asiantaeth a ddefnyddir i'r lefel isaf bosibl, a sicrhau bod ganddynt naill ai system fanc effeithiol, sef eu staff eu hunain, neu ddechrau defnyddio ymarferion recriwtio ychwanegol. Maent wedi cyflawni cryn dipyn, ond yr wyf wedi gofyn iddynt wneud yn hollol siŵr na ellir gwneud mwy. Yr ydym, wrth gwrs, yn cynyddu nifer y bobl sy'n hyfforddi i fod yn nyrsys yn ystod y tair blynedd nesaf, gan gynnwys y flwyddyn hon. Fodd bynnag, mae hon yn broblem ddifrifol yr ydym yn ceisio'i goresgyn. Nid yw'n unigryw i ni, ond, er hynny, mae'n rhaid i ni roi'r gorau i'r arfer hwn yn awr.

[48] **Janet Davies:** Do you find that there is a problem with the retention of nursing staff and that, perhaps, some attempt to go over to agency nursing, instead of staying within the health service?

**Ms Lloyd:** Yes. That does happen. If you look at the type of responses that you get from the forms completed by staff as to why they are leaving the health service or why they are leaving their jobs, you will see that some people prefer to work for agencies—because of their responsibilities, or greater flexibility or their individual requirements at that time. What, I think, we have to do is to listen more carefully to why our staff leave us and to really institute a very flexible approach to their employment. They are a scarce commodity and we must make better use of their talents as best we can. I think that, in looking at the practices in some organisations, not only in Wales, but in England also, we have not been as flexible as we need to be these days in order to retain our good quality staff. You need very experienced people to provide excellent quality of care, and I think that it is a disappointment to every member of staff when such people leave. That is why so much emphasis has been placed on return-to-practice courses and so on, which have been very successful, but we have to put an effort behind not losing the staff in the first place.

[49] **Janet Davies:** Thank you. Christine, you have some questions?

[50] **Christine Gwyther:** Thank you, Chair. Ms Lloyd, I would like to test you on clinical negligence and the forward planning of the Welsh risk pool, particularly in the context of the four-fold increase in clinical negligence payments in 2001-02, from a base level of £10.4 million in 2001 to £46.3 million in 2001-02. As there was a failure to anticipate this in setting premium levels for the Welsh risk pool, there was a £20 million supplementary levy late in the year. Why do you think that there was such a significant increase in clinical negligence costs, and why

[48] **Janet Davies:** A ydych o'r farn bod cadw staff nyrsio yn broblem ac, efallai, bod rhywfaint yn ymdrechu i fynd yn nyrsys asiantaeth, yn hytrach nag aros o fewn y gwasanaeth iechyd?

**Ms Lloyd:** Ydyw, mae hynny'n digwydd. Os ydych yn edrych ar y math o ymatebion yr ydych yn eu cael o'r ffurflenni a lenwir gan staff ynglŷn â pham eu bod yn gadael y gwasanaeth iechyd neu pam eu bod yn gadael eu swyddi, byddwch yn gweld bod yn well gan rai weithio i asiantaethau—oherwydd eu cyfrifoldebau, neu ragor o hyblygrwydd neu eu gofynion unigol ar y pryd. Credaf mai'r hyn sy'n rhaid i ni ei wneud yw gwrando'n fwy gofalus ar resymau ein staff dros ein gadael a sefydlu agwedd wirioneddol hyblyg at eu cyflogaeth. Maent yn adnoddau prin ac mae'n rhaid i ni wneud ein gorau i wneud gwell defnydd o'u doniau. Credaf, o edrych ar yr ymarferion mewn rhai sefydliadau, nid yn unig yng Nghymru, ond yn Lloegr hefyd, nad ydym wedi bod mor hyblyg ag sy'n rhaid i ni fod yn yr oes sydd ohoni er mwyn cadw staff o ansawdd da. Mae angen pobl brofiadol iawn arnom i ddarparu gofal o ansawdd rhagorol, a chredaf ei bod yn siom i bob aelod o staff pan fo pobl fel hyn yn gadael. Dyna pam fod cymaint o bwys wedi'i roi ar gyrsiau dychwelyd-i-ymarfer ac ati, sydd wedi bod yn llwyddiannus iawn, ond mae'n rhaid i ni wneud ein gorau glas i beidio â cholli'r staff yn y lle cyntaf.

[49] **Janet Davies:** Diolch. Christine, mae gennych rai cwestiynau?

[50] **Christine Gwyther:** Diolch, Gadeirydd. Ms Lloyd, hoffwn eich profi ar esgeulustod clinigol a'r cynllunio ymlaen llaw a wneir gan gronfa risg Cymru, yn arbennig yng nghyd-destun cynnydd bedair gwaith drosodd mewn taliadau esgeulustod clinigol yn 2001-02, o lefel sylfaenol o £10.4 miliwn yn 2001 i £46.3 miliwn yn 2001-02. Oherwydd na ragwelwyd hyn wrth sefydlu lefelau premiwm ar gyfer cronfa risg Cymru, yr oedd ardoll atodol o £20 miliwn yn hwyr yn y flwyddyn. Pam yr ydych yn credu bod cynnydd mor sylweddol mewn costau

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was this not foreseen?

**Ms Lloyd:** It is a multi-factorial answer. There was some issue around the actual way in which the Welsh risk pool operated with its clients, namely health authorities and trusts. There was no absolute obligation on those health authorities and trusts to submit their claims in the first place. There was not an absolute obligation on them to claim when a claim had been settled, so the Welsh risk pool was faced with an anomalous position, whereby claims might have been settled but the health authorities were not recovering the costs of those claims. I think that, certainly, the work that my external review team did showed that they were almost using some of the Welsh risk pool money to manage their cash balances. Well, that was not appropriate, particularly as the Welsh risk pool was then very vulnerable to swings. That was one of the reasons.

Secondly, it is actually extremely difficult to forecast when a claim is going to be settled and it is almost impossible to assess whether or not a client is going to accept a structured settlement: in other words, you do not just pay a great big lump sum, but the client gets paid over a number of years. That has been difficult to assess, because it makes a huge difference if a claim is settled in April rather than March, particularly when it is a big claim.

The other trend we noticed at this particular period of time was the number of extremely large claims that were coming to fruition. Much of that was actually good, because the Woolf reforms had required that claims be settled much more quickly. Many of the claims that were settled in that particular year were claims that had been outstanding for many years. Many of them were to do with children born 10 to 15 years before, for whom the assessment of final disability would not be made until they were much

esgeulustod clinigol, a pham na ragwelwyd hyn?

**Ms Lloyd:** Mae sawl ffactor i'r ateb. Yr oedd rhywfaint o ddadlau ynglŷn â'r union ffordd yr oedd cronfa risg Cymru'n gweithredu gyda'i chleientiaid, yn bennaf awdurdodau ac ymddiriedolaethau iechyd. Nid oedd rhwymedigaeth lwyr ar yr awdurdodau ac ymddiriedolaethau iechyd hynny i gyflwyno'u hawliadau yn y lle cyntaf. Nid oedd rhwymedigaeth lwyr arnynt i hawlio ar ôl setlo ar hawliad, felly yr oedd cronfa risg Cymru mewn sefyllfa afreolaidd, a hynny'n golygu y gallai hawliadau fod wedi'u setlo ond nad oedd yr awdurdodau iechyd yn adfer costau'r hawliadau hynny. Credaf, heb amheuaeth, fod gwaith a wnaed gan fy nhîm adolygu allanol yn dangos eu bod bron yn defnyddio rhywfaint o arian cronfa risg Cymru i reoli eu cyllid mantoledig. Wel, nid oedd hynny'n briodol, yn arbennig o ystyried bod cronfa risg Cymru yn agored iawn i newidiadau bryd hynny. Dyna un o'r rhesymau.

Yn ail, mae'n anodd iawn mewn gwirionedd i ragweld pryd y bydd hawliad yn cael ei setlo ac mae bron yn amhosibl asesu a yw cleient am dderbyn setliad wedi'i sdrwythuro ai peidio: mewn geiriau eraill, nid ydych yn talu un cyfandaliad mawr yn unig, ond bydd y cleient yn cael ei dalu dros nifer o flynyddoedd. Mae hynny wedi bod yn anodd i'w asesu, oherwydd mae'n gwneud gwahaniaeth sylweddol os yw hawliad yn cael ei setlo ym mis Ebrill yn hytrach na mis Mawrth, yn arbennig os yw'n hawliad mawr.

Y duedd arall a nodwyd yn y cyfnod penodol hwn oedd nifer yr hawliadau mawr iawn a oedd yn dwyn ffrwyth. Yr oedd llawer o'r rhain yn dda, oherwydd bod diwygiadau Woolf wedi golygu ei bod yn ofynnol setlo hawliadau yn llawer cyflymach. Yr oedd nifer o'r hawliadau a setlwyd yn ystod y flwyddyn benodol honno yn hawliadau a oedd heb eu clirio ers blynyddoedd lawer. Yr oedd llawer ohonynt yn ymwneud â phlant a oedd wedi'u geni 10 i 15 mlynedd yn gynharach, plant na fyddai eu hasesiad

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older. Therefore, we found that, in that year, 14 cases came forward that were over £1 million each. That was completely outside the trend.

My external review group also found that the estimation made by the organisations of their liabilities was not slick enough. They had estimations, but they needed to revise them in the light of current rulings and they needed to be a bit clearer about where the risk would lie in which years. That is why, when faced with this grave difficulty of trying to find £20 million more, we set up the external review to have a very thorough scrutiny.

Now, I am not placing blame on the Welsh risk pool at that time; I think that it had been doing a very good job on behalf of the organisations in Wales for many years, but the situation was starting to change, arising from Woolf and the increased and heightened awareness of clients in terms of litigation.

[51] **Christine Gwyther:** If we can say, then, that 2001-02 was a peak that you would not expect to be reached, certainly in the next few years, and it sounds as if you are saying that further increases are not envisaged for 2002-03, could you tell me then, please, if contribution levels for the Welsh risk pool are now consistent with the level of settlements expected? Are you confident that that system is in place?

**Ms Lloyd:** What we have done is that we have found that it has levelled off as we expected, and actually slightly reduced. There was an underspend of £11 million at the end of this last year, which we have transferred over to this year to ensure that the actual amount of money that organisations had to pay in was therefore reduced, because it was almost a bonus. What we did do as part of the recommendations of the external review, which was accepted by the Ministers, is that we used actuarial advice—and very

anabledd terfynol wedi ei wneud tan y byddent yn llawer hŷn. Felly, yn y flwyddyn honno, gwelsom bod 14 achos wedi'u cyflwyno a oedd dros £1 filiwn yr un. Yr oedd hynny'n hollol groes i'r duedd.

Gwelodd fy ngrŵp adolygu allanol hefyd nad oedd yr amcangyfrif a wnaed gan y sefydliadau o'u cyfrifoldebau'n ddigon effeithlon. Yr oedd ganddynt amcangyfrifon, ond yr oedd angen iddynt eu diwygio yng ngoleuni'r rheolau cyfredol ac yr oedd angen iddynt fod ychydig yn fwy eglur ynglŷn ag ymhle y byddai'r risg ym mha flynyddoedd. Dyna pam, wrth wynebu'r anhawster difrifol hwn o geisio dod o hyd i £20 miliwn yn fwy, y sefydlwyd yr adolygiad allanol i gael archwiliad manwl iawn.

Yn awr, nid wyf yn rhoi'r bai ar gronfa risg Cymru bryd hynny; credaf iddi wneud gwaith da iawn ar ran y sefydliadau yng Nghymru am flynyddoedd lawer, ond yr oedd y sefyllfa'n dechrau newid, yn deillio o Woolf ac ymwybyddiaeth gynyddol a mwy effro cleientiaid o ran ymgyfreithiad.

[51] **Christine Gwyther:** Pe gallwn ddweud, felly, bod 2001-02 yn uchafbwynt na fydddech wedi disgwyl y byddai'n cael ei gyrraedd, yn sicr yn yr ychydig flynyddoedd nesaf, ac mae'n ymddangos eich bod yn dweud na ragwelir cynydd pellach ar gyfer 2002-03, a allech ddweud wrthyf felly, os gwelwch yn dda, a yw lefelau cyfraniadau ar gyfer cronfa risg Cymru nawr yn gyson â'r lefel o setliadau a ddisgwylir? A ydych yn hyderus bod y system hon ar waith?

**Ms Lloyd:** Yr hyn yr ydym wedi'i wneud yw canfod ei fod wedi lefelu fel yr oeddem yn ei ddisgwyl, a'i fod wedi gostwng fymryn mewn gwirionedd. Yr oedd tanwariant o £11 miliwn ar ddiwedd y flwyddyn a aeth heibio, ac yr ydym wedi'i drosglwyddo i eleni i sicrhau bod yr union swm o arian yr oedd yn rhaid i sefydliadau ei dalu felly wedi'i ostwng, oherwydd ei fod bron yn fonws. Yr hyn a wnaethom fel rhan o argymhellion yr adolygiad allanol, a dderbyniwyd gan y Gweinidogion, oedd defnyddio cyngor

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specific actuarial advice, too—on what the levels of contributions should be for the future, based on the claims. We have tested our actuary to the nth degree and he is content that, given the sort of buffer that actuaries usually put on an estimate—it is a much larger buffer than has usually been applied in the health service, but we have accepted his advice—the contributions should be sufficient to meet it. I think that taking very specific actuarial advice has been a very good step forward, because you have that automatic test.

The NAO and the Audit Commission were both represented on my external group and, I think, found comfort and benefit—but they can speak for themselves—from the sort of work that was done by the actuary who was employed, because there are very few actuaries that understand the NHS risk business. We have also been working with the risk pool in England, and Sir Liam Donaldson, the Chief Medical Officer for England, has had a group working with him to look at clinical risk and its management, because the same sort of problems were occurring in England, with a very great rise, which meant a very great rise in contributions, and so we have all been working collectively together. However, I have confidence in our actuary and that, if he says that we are getting it right, there has been a thorough external scrutiny of whether it is right or not.

[52] **Christine Gwyther:** Thank you. It does sound as if you are very confident that the recommendations are correct and that it is correct to implement them as soon as possible. Are you confident that that implementation is on track?

**Ms Lloyd:** Yes.

[53] **Christine Gwyther:** Thank you.

[54] **Janet Davies:** Alun, do you want to come in?

actiwari—a chynghor actiwari manwl iawn hefyd—ar beth ddylai lefelau'r cyfraniadau fod yn y dyfodol, ar sail yr hawliadau. Yr ydym wedi profi ein hactiwari i'r eithaf ac mae ef yn fodlon, o ystyried y math o glustog y mae actiwariaid yn ei roi ar amcangyfrif fel arfer—y mae'n glustog llawer mwy nag sydd wedi'i ddefnyddio fel arfer yn y gwasanaeth iechyd, ond yr ydym wedi derbyn ei gynghor—dylai'r cyfraniadau fod yn ddigonol i'w fodloni. Credaf fod derbyn cynghor actiwari penodol iawn wedi bod yn gam da iawn ymlaen, oherwydd eich bod yn cael y prawf awtomatig hwnnw.

Yr oedd y SAG a'r Comisiwn Archwilio yn cael eu cynrychioli ar fy ngrŵp allanol a, chredaf, yn cael cysur a budd—ond gallant siarad ar eu rhan eu hunain—o'r math o waith a gyflawnwyd gan yr actiwari a gyflogwyd, gan mai ychydig o actiwariaid sy'n deall busnes risg y GIG. Yr ydym hefyd wedi bod yn gweithio â'r gronfa risg yn Lloegr, ac mae Syr Liam Donaldson, Prif Swyddog Meddygol Lloegr, wedi bod yn gweithio gyda grŵp i edrych ar risg clinigol a'i reolaeth, oherwydd bod yr un math o broblemau'n digwydd yn Lloegr, gyda chynnydd sylweddol, a oedd yn golygu cynnydd sylweddol mewn cyfraniadau, ac felly yr ydym i gyd wedi bod yn cydweithio â'n gilydd. Fodd bynnag, mae gennyf hyder yn ein hactiwari ac, os yw ef yn dweud ein bod yn gwneud pethau'n iawn, bod archwiliad allanol manwl wedi'i gynnal i weld a ydym yn gwneud pethau'n iawn ai peidio.

[52] **Christine Gwyther:** Diolch. Ymddengys eich bod yn hyderus iawn bod yr argymhellion yn gywir a'i bod yn iawn eu gweithredu cyn gynted â phosibl. A ydych yn hyderus eu bod yn cael eu gweithredu'n effeithlon?

**Ms Lloyd:** Ydw.

[53] **Christine Gwyther:** Diolch.

[54] **Janet Davies:** Alun, a ydych am gyfrannu yma?

[55] **Alun Cairns:** Yes. Thank you, Cadeirydd. Further to that answer, Mrs Lloyd, you mentioned the actuarial advice that you have received in terms of the Welsh risk pool. Can you now tell us what the forecast costs are over the next couple of years or so, bearing in mind that advice, because you talked about an increased buffer? What I am concerned about is that, with the deficits that need to be brought down, as well as potential increased claims, as well as a larger buffer, there is the potential for large-scale funding to be drawn away from patient care.

**Ms Lloyd:** He has given us the same level for this year. He has not given me an estimate for next year. He has not given me an estimate for 2004-05 yet, but it is the same for this year.

[56] **Alun Cairns:** Okay. Thank you.

[57] **Janet Davies:** Thank you very much. You will be pleased to know, given the state in which your voice is in, Ms Lloyd, that those are all the questions that we want to ask you. I would like to thank both of you for your very full answers this afternoon. As you are aware, a draft transcript will be sent to you for you to check its factual accuracy before it is published as part of the minutes and that, when the Committee publishes its report, the transcript will be published as an annex. Thank you.

[55] **Alun Cairns:** Ydw. Diolch, Gadeirydd. Ynghylch yr ateb hwnnw, Mrs Lloyd, bu i chi sôn am y cyngor actiwari yr ydych wedi'i dderbyn o ran cronfa risg Cymru. A allwch ddweud wrthym beth yw'r costau a ragwelir yn ystod y flwyddyn neu ddwy nesaf, gan gofio'r cyngor hwnnw, gan ichi siarad am glustog cynyddol? Yr hyn yr wyf yn bryderus amdano yw, gyda'r diffygion sydd angen eu gostwng, ynghyd â'r posibilrwydd o gynnydd mewn hawliadau, ynghyd â chlustog mwy, mae potensial i gyllid ar raddfa fawr gael ei dynnu oddi wrth ofal cleifion.

**Ms Lloyd:** Mae wedi rhoi i ni'r un lefel ar gyfer eleni. Nid yw wedi rhoi amcangyfrif i mi ar gyfer y flwyddyn nesaf. Nid yw wedi rhoi amcangyfrif i mi ar gyfer 2004-05 eto, ond mae'r un peth ar gyfer eleni.

[56] **Alun Cairns:** Iawn. Diolch.

[57] **Janet Davies:** Diolch yn fawr. Byddwch yn falch o wybod, o ystyried cyflwr eich llais, Ms Lloyd, mai dyna'r cwbl o gwestiynau yr ydym am eu gofyn i chi. Hoffwn ddiolch i chi'ch dwy am eich atebion llawn yn ystod y prynhawn. Fel y gwyddoch, bydd trawsgrifiad drafft yn cael ei anfon atoch i chi archwilio ei gywirdeb ffeithiol cyn ei gyhoeddi fel rhan o'r cofnodion a, phan fydd y Pwyllgor yn cyhoeddi ei adroddiad, bydd y trawsgrifiad yn cael ei gyhoeddi fel atodiad. Diolch.

*Daeth y sesiwn cymryd tystiolaeth i ben am 4.33 p.m.  
The evidence-taking session ended at 4.33 p.m.*

[1] Yr oedd y ffigurau hyn yn gywir ar 12 Mehefin. Dengys sylwadau pellach bod y diffyg gweithredu dros dro, yn amodol ar archwilio, bellach yn £31.4 miliwn.

[1] These figures were correct on 12 June. Further submissions indicate that the provisional operating deficit, subject to audit, is now £31.4 million.



**Cynulliad Cenedlaethol Cymru  
Pwyllgor Archwilio**

**The National Assembly for Wales  
Audit Committee**

**Rhaglen Newid Strwythur GIG Cymru  
NHS Structural Change Programme**

**Cwestiynau 1-44  
Questions 1-44**

**Dydd Iau 27 Mawrth 2003  
Thursday 27 March 2003**

## Annex B

*Aelodau o'r Cynulliad yn bresennol: Dafydd Wigley (Cadeirydd), Eleanor Burnham, Alun Cairns, Janet Davies, Jocelyn Davies, Janice Gregory, Alison Halford, Ann Jones.*

*Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; Frank Grogan, Swyddfa Archwilio Genedlaethol Cymru; David Powell, Swyddog Cydymffurfio Cynulliad Cenedlaethol Cymru.*

*Tystion: Ann Lloyd, Cyfarwyddwr GIG Cymru, Chris Brown, Is-adran Cyllid y Gwasanaeth Iechyd Gwladol, Cynulliad Cenedlaethol Cymru.*

*Assembly Members present: Dafydd Wigley (Chair), Eleanor Burnham, Alun Cairns, Janet Davies, Jocelyn Davies, Janice Gregory, Alison Halford, Ann Jones.*

*Officials present: Sir John Bourn, Auditor General for Wales; Frank Grogan, National Audit Office Wales; David Powell, National Assembly for Wales Compliance Officer.*

*Witnesses: Ann Lloyd, Director, NHS Wales; Chris Brown, National Health Service Finance Division, National Assembly for Wales.*

*Dechreuodd y sesiwn cymryd tystiolaeth am 10.59 a.m.  
The evidence-taking session began at 10.59 a.m.*

[1] **Dafydd Wigley:** Symudwn ymlaen i eitem 4 ar yr agenda, sef y sesiwn cymryd tystiolaeth ar y rhaglen i ddiwygio strwythur GIG Cymru.

The Committee will take evidence in relation to the report by the Auditor General on that matter. I welcome Ann Lloyd back again. I invite her and her colleague to introduce themselves for our formal record.

**Ms Lloyd:** Thank you. I am Ann Lloyd, the director of NHS Wales.

**Mr Brown:** I am Chris Brown. I work in the NHS Finance Division on structural change issues.

[2] **Dafydd Wigley:** I am grateful to you. We turn to a very contemporaneous issue, which is the cost of restructuring the NHS in Wales. These changes come into effect next week, so we are very much up with it. The Minister for Health and Social Services yesterday updated her Subject Committee on the latest costings of the NHS Wales structural change

[1] **Dafydd Wigley:** We move on to item 4 on the agenda, which is the evidence-taking session on the NHS Wales structural change programme.

Bydd y Pwyllgor yn cymryd tystiolaeth mewn cysylltiad â'r adroddiad gan yr Archwilydd Cyffredinol ar y mater hwnnw. Croesawaf Ann Lloyd yn ôl eto. Yr wyf yn ei gwahodd hi a'i chydweithiwr i gyflwyno eu hunain ar gyfer ein cofnod ffurfiol.

**Ms Lloyd:** Diolch. Fi yw Ann Lloyd, cyfarwyddwr GIG Cymru.

**Mr Brown:** Fi yw Chris Brown. Yr wyf yn gweithio yn Is-Adran Cyllid y GIG ar faterion newid strwythur.

[2] **Dafydd Wigley:** Yr wyf yn ddiolchgar i chi. Yr ydym am droi at fater cyfoes iawn, sef y gost o ailstrwythuro'r GIG yng Nghymru. Bydd y newidiadau hyn yn dod i rym yr wythnos nesaf, felly yr ydym yng nghanol y bwrlwm. Rhoddodd y Gweinidog dros Iechyd a Gwasanaethau Cymdeithasol y newyddion diweddaraf i'w Phwyllgor Pwnc

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programme. In his letter to Ann Lloyd dated 6 December 2002, the Auditor General noted that the estimated running cost envelope of the existing structure was £71.1 million. The ongoing running costs of the new structures would have to be contained within this figure in order to achieve cost neutrality. At the time of the review, officials thought that this figure could rise, as they had not identified all relevant public health costs. The Minister yesterday, as I understand it, reported that validation work subsequent to the Auditor General's review has increased the running cost envelope slightly to £71.256 million.

May I, therefore, ask you, Ann Lloyd, whether you are satisfied that the existing running cost envelope is now materially accurate, and not expected to rise further?

**Ms Lloyd:** Thank you, Chair. Yes, there has been robust validation going on over the past few months into the actual cost envelope. It is disappointing that we were not able to be absolutely secure in our assessment right at the beginning. However, we decided that we must exclude moneys that are provided on a non-recurrent basis at the moment, which encompass primary care development and some drugs budgets, and we had to make sure that we had identified all the public health costs, many of which were contained in service level agreements between health authorities and trusts. It was therefore slightly more difficult to get a grip on those, but that has been tested and retested in the past couple of months. I now feel very secure and can give reassurance to both the Committee and the Auditor General that these costs have now been formalised—there have been a couple of other adjustments that are terribly minor. The cost envelope is now at the £72.5 million level. [i]

[3] **Dafydd Wigley:** I am grateful to you. Janice, do you have a question?

[4] **Janice Gregory:** Thank you, Chair. Ann,

ddoe am gostau diweddaraf rhaglen newid strwythur GIG Cymru. Yn ei lythyr at Ann Lloyd dyddiedig 6 Rhagfyr 2002, nododd yr Archwilydd Cyffredinol bod amlen gost cynnal tybiedig y strwythur cyfredol yn £71.1 miliwn. Byddai'n rhaid cynnwys costau cynnal cyfredol y strwythurau newydd o fewn y ffigur hwn er mwyn sicrhau bod y costau'n ddi-duedd. Pan gynhaliwyd yr adolygiad, credai swyddogion y gallai'r ffigur hwn godi, gan nad oeddent wedi nodi'r holl gostau iechyd cyhoeddus perthnasol. Adroddodd y Gweinidog ddoe, fel y deallaf, fod gwaith dilysu dilynol i adolygiad yr Archwilydd Cyffredinol wedi cynyddu'r amlen gost cynnal ychydig i £71.256 miliwn.

A gaf fi, felly, ofyn i chi, Ann Lloyd, a ydych yn fodlon bod yr amlen gost cynnal cyfredol yn gywir yn ei hanfod, ac nad oes disgwyl iddo godi ymhellach?

**Ms Lloyd:** Diolch, Gadeirydd. Oes, mae dilysu brwd wedi digwydd yn ystod y misoedd diwethaf i'r amlen gost gwirioneddol. Mae'n siomedig nad oeddem yn gallu bod yn hollol sicr yn ein hasesiad yn y dechrau'n deg. Fodd bynnag, penderfynasom fod yn rhaid i ni eithrio arian a ddarperir yn achlysurol ar hyn o bryd, sy'n cwmpasu datblygiad gofal sylfaenol a rhai cyllidebau cyffuriau, ac yr oedd yn rhaid i ni sicrhau ein bod wedi nodi yr holl gostau iechyd cyhoeddus, gyda llawer o'r costau hyn wedi'u cynnwys yn y cytundebau lefel gwasanaeth rhwng awdurdodau ac ymddiriedolaethau iechyd. Yr oedd ychydig yn anoddach felly i fynd i'r afael â'r rheini, ond mae hynny wedi'i brofi a'i ailbrofi yn yr ychydig fisoedd diwethaf. Yr wyf yn awr yn teimlo'n hyderus iawn ac yn gallu rhoi sicrwydd i'r Pwyllgor a'r Archwilydd Cyffredinol bod y costau hyn wedi'u ffurfioli bellach—bu ychydig o addasiadau eraill sy'n fân iawn. Mae'r amlen gost ar lefel £72.5 miliwn ar hyn o bryd. [i]

[3] **Dafydd Wigley:** Yr wyf yn ddiolchgar i chi. Janice, a oes gennyh gwestiwn?

[4] **Janice Gregory:** Diolch, Gadeirydd.

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you will know that the figure of £8.5 million is being talked about an awful lot in different places. Would you like to start by explaining this £8.5 million figure? Where has it come from? Some people think that it is quite a fictitious figure, and perhaps you would like to expand a bit more on that.

**Ms Lloyd:** Thank you. You will remember that I asked the Auditor General to undertake this review on our behalf so that we could be secure that we had properly identified all the costs and could evaluate the cost and effectiveness of the new structure in an open way. When the first structures came in from the fledgling organisations, the Auditor General reviewed the costs of those structures as they stood at the time. There was a clarity about the functions that the individual organisations had to undertake, which were also being refined at the time, and the net outcome was that the overall running costs were estimated to be in the area of £79 million, which would have left this gap of £8.5 million. However, the structures had not at that time been thoroughly scrutinised and, as a consequence of the scrutiny that we would anyway have given them in terms of the functionality as outlined, particularly, in local health boards, and in the other organisations that were changing as well, and in the final agreements on the structures, a movement has taken place. So my own department, Health Commission Wales, and the local health boards have now produced structures that can deliver the functions that are outlined for them within the cost envelope. So that means that the £8.5 million is down by £4.7 million. Additionally, since Dr Cerilan Rogers took up the mantle of the head of the National Public Health Service, we have been looking very thoroughly at the role and responsibilities that that public health service has to enact. It is, again, slightly different from the way in which they used to deliver services in the past. We have identified another £1.2 million that its original or initial structure has been reduced by.

Ann, byddwch yn gwybod bod y ffigur £8.5 miliwn yn cael ei grybwyll yn aml iawn mewn gwahanol leoedd. A hoffech gychwyn drwy egluro'r ffigur £8.5 miliwn hwn? O ble y mae wedi dod? Mae rhai yn meddwl ei fod yn ffigur gweddol ffug, ac efallai y byddech yn hoffi ymhelaethu ychydig rhagor ar hynny.

**Ms Lloyd:** Diolch. Byddwch yn cofio fy mod wedi gofyn i'r Archwilydd Cyffredinol gynnal yr adolygiad hwn ar ein rhan er mwyn i ni allu bod yn sicr ein bod wedi nodi'r holl gostau'n iawn ac y gallem werthuso cost ac effeithlonrwydd y strwythur newydd mewn ffordd agored. Pan ddaeth y strwythurau cyntaf gan y sefydliadau newydd, adolygodd yr Archwilydd Cyffredinol brisiau'r strwythurau hynny fel yr oeddent ar y pryd. Yr oedd eglurder ynglŷn â'r swyddogaethau yr oedd yn rhaid i'r sefydliadau unigol eu cyflawni, a oedd hefyd yn cael eu cywreinio ar y pryd, a'r canlyniad clir oedd amcangyfrif bod y costau cynnal cyffredinol oddeutu £79 miliwn, a fyddai wedi gadael y bwlch hwn o £8.5 miliwn. Fodd bynnag, nid oedd y strwythurau wedi'u harchwilio'n drwyadl ar y pryd ac, o ganlyniad i'r archwiliad y byddem wedi'i gynnal beth bynnag o ran eu hymarferoldeb fel a amlinellir, yn benodol, mewn byrddau iechyd lleol, ac yn y sefydliadau eraill a oedd yn newid hefyd, ac yn y cytundebau terfynol ar y strwythurau, bu symudiad. Felly mae fy adran i, Comisiwn Iechyd Cymru, a'r byrddau iechyd lleol yn awr wedi cynhyrchu strwythurau sy'n gallu cyflawni'r swyddogaethau hyn o fewn yr amlen gost. Felly golyga hyn bod yr £8.5 miliwn i lawr o £4.7 miliwn. Yn ogystal â hyn, ers i Dr Cerilan Rogers ymgymryd â'i dyletswyddau fel pennaeth y Gwasanaeth Iechyd Cyhoeddus Cenedlaethol, yr ydym wedi bod yn edrych yn fanwl iawn ar y rôl a'r cyfrifoldebau y mae'n rhaid i'r gwasanaeth iechyd cyhoeddus eu cyflawni. Y mae, eto, ychydig yn wahanol i'r ffordd yr arferent ddarparu gwasanaethau yn y gorffennol. Yr ydym wedi clustnodi £1.2 miliwn arall y mae ei strwythur gwreiddiol neu gychwynnol wedi'i ostwng ganddo.

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The business services centre is the remaining area. We decided that, in the interests of stability—because this service largely pays contractors and manages the information technology and services and things like that, and they are scattered in six centres throughout Wales—and bearing in mind the fact that we are currently on the verge of a new contract for practitioners in the primary care field, and we knew that if contractors were not paid on day one we would be in difficulties, more time has been given for the business services centre to scrutinise its structures to make it fit for purpose. The new director of that centre has just taken up his post. He is a most experienced person, and I expect to have a discussion with him in the next month about what his long-term structure will look like. Therefore, the costs of part of the public health service and the business services centre will need to be supported by transitional funding in the shorter term, and that has been included in some of the transitional costs budgets.

[5] **Janice Gregory:** Thank you. So am I right in thinking—and please say if I am not, because this is a really important issue—that this figure of £8.5 million was actually a figure that was not properly costed? Is it not that the figures overall were not properly costed, rather than that you have made savings?

**Ms Lloyd:** They were properly costed based on structures that had not received scrutiny at the time. Much more work has gone on, obviously, because we have to ensure that the functions are covered properly, and they have brought their costs down. We still have work to do on the public health service and the business services centre.

[6] **Janice Gregory:** The Auditor General made three recommendations in relation to the achievement of cost neutrality. You have touched on one—point two, which is the £8.5 million. You have also touched on the IT

Y ganolfan gwasanaethau busnes yw'r maes sydd ar ôl. Penderfynasom, er mwyn cynaliadwyedd—oherwydd mai'r gwasanaeth hwn sy'n talu contractwyr ac yn rheoli'r dechnoleg gwybodaeth a gwasanaethau a phethau cyffelyb yn bennaf, ac maent ar wasgar dros chwe chanolfan ledled Cymru—ac o gofio ein bod ar hyn o bryd ar fin cytuno ar gontract newydd i ymarferyddion ym maes gofal sylfaenol, ac yr oeddem yn gwybod pe na bai contractwyr yn cael eu talu ar y diwrnod cyntaf y byddem mewn trafferthion, mae rhagor o amser wedi'i roi i'r ganolfan gwasanaethau busnes archwilio ei strwythurau er mwyn eu gwneud yn addas i'w diben. Mae cyfarwyddwr newydd y ganolfan honno newydd ymgymryd â'i ddyletswyddau. Mae'n rhywun profiadol iawn, a disgwyliaf gael trafodaeth ag ef yn y mis nesaf ynglŷn â'i strwythur hirdymor. Felly, bydd angen ategu cost rhan o'r gwasanaeth iechyd cyhoeddus a'r ganolfan gwasanaethau busnes gyda chyllid pontio yn y tymor byrrach, ac mae hynny wedi'i gynnwys yn rhai o'r cyllidebau costau pontio.

[5] **Janice Gregory:** Diolch. Felly a wyf yn gywir yn meddwl—a dywedwch os nad wyf, oherwydd mae hwn yn fater pwysig iawn—bod y ffigur o £8.5 miliwn yn ffigur nad oedd wedi'i gyfrif yn gywir mewn gwirionedd? Onid yw'n wir na chyfrifwyd y ffigurau cyflawn, yn hytrach na'ch bod wedi gwneud arbedion?

**Ms Lloyd:** Yr oeddent wedi'u cyfrifo'n iawn ar sail strwythurau nad oedd wedi'u harchwilio ar y pryd. Mae llawer mwy o waith wedi'i gyflawni, yn amlwg, oherwydd bod yn rhaid i ni sicrhau bod y swyddogaethau'n cael sylw digonol, ac mae hyn wedi dod â'r costau i lawr. Mae gennym waith i'w wneud o hyd ar y gwasanaeth iechyd cyhoeddus a'r ganolfan gwasanaethau busnes.

[6] **Janice Gregory:** Gwnaeth yr Archwilydd Cyffredinol dri argymhelliad o ran sicrhau bod y costau'n ddi-duedd. Yr ydych wedi crybwyll un—pwynt dau, sef yr £8.5 miliwn. Yr ydych hefyd wedi crybwyll y costau TG.

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costs. Would you like to expand further on what else you have done to implement the Auditor General's recommendations?

**Ms Lloyd:** Yes. If we could take accommodation and IT costs first, when the local health boards were producing their business plans, it was clear that some were very fortunate and were able to secure accommodation for, say, £10,000 a year, which is an extraordinarily good deal, whereas others, because of where they were situated and other local circumstances, could not do that. So what we did was this. There was money already in the budget for IT and accommodation costs, but it seemed to me at the time that it would be unfair to put a burden of, say, £150,000, as compared with £10,000, on individual local health boards when they had no ability to control and reduce that £150,000. So we amalgamated the whole of the IT and accommodation costs and spread them equitably throughout the local health boards so that they each bore the same costs for their IT. Now, if they want to move beyond that, then that is a matter for discussion with us. However, that is what we did. It was just unreasonable, I thought, to expect somebody to have to make a hole in other parts of their organisation in order to bear a commercial rate that was not having to be borne by other people.

[7] **Dafydd Wigley:** Can I just be clear on that point? If they wanted to go beyond that, as you say, it would be a matter for them to find the money within their own budgets, and they may or may not need to do that?

**Ms Lloyd:** Yes, indeed, and they would have to contain it within the overall costs.

[8] **Dafydd Wigley:** Within the cost envelope?

**Ms Lloyd:** Yes.

[9] **Dafydd Wigley:** Right, thank you. Janice, please continue.

A hoffech ymhelaethu ar beth arall yr ydych wedi'i wneud i roi argymhellion yr Archwilydd Cyffredinol ar waith?

**Ms Lloyd:** Hoffwn. Os cawn drafod costau llety a TG yn gyntaf, pan oedd y byrddau iechyd lleol yn cynhyrchu eu cynlluniau busnes, yr oedd yn amlwg bod rhai yn ffodus iawn ac yn gallu sicrhau llety am, dyweder, £10,000 y flwyddyn, sy'n fargen anhygoel o dda, tra bod eraill, oherwydd eu lleoliad ac amgylchiadau lleol eraill, yn methu â gwneud hynny. Felly dyma'r hyn a wnaethom. Yr oedd arian yn y gyllideb yn barod ar gyfer costau TG a llety, ond yr oedd yn ymddangos i mi ar y pryd y byddai'n annheg rhoi baich o, dyweder, £150,000, o'i gymharu â £10,000, ar fyrddau iechyd lleol unigol pan nad oedd ganddynt y gallu i reoli a gostwng y £150,000 hwnnw. Felly bu i ni gyfuno yr holl gostau TG a llety a'u rhannu'n deg drwy'r holl fyrddau iechyd lleol fel eu bod i gyd yn talu'r un faint am eu TG. Nawr, os ydynt am symud y tu hwnt i'r ffigur hwnnw, mae'n fater i'w drafod â ni. Fodd bynnag, dyna'r hyn a wnaethom. Yr oedd yn afresymol, yn fy marn i, disgwyl i rywun orfod gwneud twll mewn rhannau eraill o'u sefydliad er mwyn cynnal cyfradd fasnachol nad oedd yn gorfod cael ei gario gan eraill.

[7] **Dafydd Wigley:** A gaf fi fod yn glir ar y pwynt hwnnw? Os oeddent am fynd y tu hwnt i hynny, fel y dywedwch, mater iddynt hwy fyddai dod o hyd i'r arian o fewn eu cyllidebau eu hunain, ac efallai y byddai neu ni fyddai angen iddynt wneud hynny?

**Ms Lloyd:** Ie, yn wir, a byddai'n rhaid iddynt ei gynnwys o fewn eu costau cyffredinol.

[8] **Dafydd Wigley:** O fewn yr amlen gost?

**Ms Lloyd:** Ie.

[9] **Dafydd Wigley:** Iawn, diolch. Janice, ewch ymlaen.

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[10] **Janice Gregory:** The third recommendation was on the business services centre and the National Public Health Service.

**Ms Lloyd:** On the business services centre, what we have to do is to be able to equip it to cope with the changes from the red book contractor payments to any new contract. Work has been done on that, but until the contract is agreed, we are not able to make those changes. Also, I am urging the new director to ensure that we have a very slick and efficient organisation, and that we place a heavier reliance on information technology in order to ensure that the human resources and the finance support that has to be given to local health boards is provided really efficiently and represents value for money. So he is currently having discussions with all the local health boards about their needs and wishes. I expect to have an initial cut from him within the next couple of months about how he is going to manage this organisation within its first year and the changes that are then going to be effected from year two onwards. It has been delayed because of this uncertainty about the GP contracts. A lot of work has been done, but until you have a final settlement it is quite difficult to make that transition and to come to any solution. Staff have been successfully transferred to the business services centre, and I am also having discussions with the trusts throughout Wales about what sort of support the business services centre can provide to them in the next two to three years, because they again are providing routine accountancy and payment systems, and I want to ensure that those services are slickly provided throughout the NHS in Wales, and not just to LHBs.

In terms of the National Public Health Service, Dr Cerilan Rogers is very clear about the sorts of service that she would wish this organisation to deliver for and

[10] **Janice Gregory:** Yr oedd y trydydd argymhelliad yn ymwneud â'r ganolfan gwasanaethau busnes a'r Gwasanaeth Iechyd Cyhoeddus Cenedlaethol.

**Ms Lloyd:** O ran y ganolfan gwasanaethau busnes, yr hyn y mae'n rhaid i ni ei wneud yw gallu sicrhau ei bod yn gallu ymdopi â'r newidiadau o'r taliadau contractwr llyfr coch i unrhyw gontract newydd. Mae gwaith wedi'i gyflawni ar hynny, ond hyd nes y cytunir ar y contract, ni allwn wneud y newidiadau hynny. Hefyd, yr wyf yn annog y cyfarwyddwr newydd i sicrhau bod gennym sefydliad proffesiynol ac effeithlon, a'n bod yn dibynnu fwyfwy ar dechnoleg gwybodaeth er mwyn sicrhau bod yr adnoddau dynol a'r cymorth ariannol sy'n gorfod cael eu rhoi i fyrddau iechyd lleol yn cael ei ddarparu'n hynod effeithlon ac yn cynrychioli gwerth am arian. Felly ar hyn o bryd mae'n cynnal trafodaethau â'r holl fyrddau iechyd lleol ynglŷn â'u hanghenion a'u dymuniadau. Yr wyf yn disgwyl derbyn ymateb cychwynnol ganddo yn yr ychydig fisoedd nesaf ynglŷn â sut y mae'n mynd i reoli'r sefydliad hwn yn y flwyddyn gyntaf a'r newidiadau a fydd yn cael eu gweithredu wedyn o'r ail flwyddyn ymlaen. Mae wedi'i oedi oherwydd yr ansicrwydd hwn am gontractau meddygon teulu. Mae llawer o waith wedi'i gyflawni, ond mae'n eithaf anodd pontio a dod i unrhyw ddatrysiad hyd nes sicrhau trefniant terfynol. Mae staff wedi'u trosglwyddo'n llwyddiannus i'r ganolfan gwasanaethau busnes, ac yr wyf hefyd yn cynnal trafodaethau â'r ymddiriedolaethau ledled Cymru ynglŷn â sut fath o gefnogaeth y gall y ganolfan gwasanaethau busnes ei darparu iddynt yn y ddwy neu dair blynedd nesaf, oherwydd eu bod eto'n darparu systemau cyfrifydda a thalu rheolaidd, ac yr wyf am sicrhau bod y gwasanaethau hynny'n cael eu darparu'n effeithlon ledled y GIG yng Nghymru, ac nid i'r byrddau iechyd lleol yn unig.

O ran y Gwasanaeth Iechyd Cyhoeddus Cenedlaethol, mae Dr Cerilan Rogers yn glir iawn am y math o wasanaethau y byddai am i'r sefydliad hwn eu darparu i a ledled

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throughout Wales, and she has started to make those changes now as people come into post. She is currently looking at the balance of advice and guidance available right throughout the various localities in Wales to support local government and the LHBs and the trusts. The Chief Medical Officer for Wales and I are very keen indeed that more support goes to the trust services from the public health service than has been available in the past.

[11] **Janice Gregory:** And, of course, ensuring these sweeping, huge changes without jeopardising the service delivery would be at the forefront of your mind, I would assume.

**Ms Lloyd:** Yes. In terms of public health, as you know, the Health Protection Agency has been established for England and Wales, and the way in which communicable disease specialists are available both to local government and to the service itself at this particular time is absolutely vital. It has been our priority to secure those services and to make sure that they operate really effectively and seamlessly throughout any transition.

[12] **Dafydd Wigley:** I think that you want to come in on the red book, Janet, and then I will bring Alun in.

[13] **Janet Davies:** I do not know what sort of level of costs is involved in the red book and the contractors, or what savings you were hoping to make there. However, if the contractors refuse to play ball on making changes, what are the implications and what are the likely costs that could be involved?

**Ms Lloyd:** Well, there will not be an impact on the cost, because, in terms of the red book, I was not looking for the changes from the red book to result in something cheaper. It was that a very different job would have to be delivered then for the primary care practitioners, and that would be a matter of

Cymru, ac mae wedi cychwyn ar y newidiadau hynny yn awr wrth i bobl ddechrau yn eu swyddi. Ar hyn o bryd mae'n edrych ar gydbwysedd y cyngor a'r canllawiau sydd ar gael ledled yr ardaloedd amrywiol yng Nghymru i gefnogi llywodraeth leol a'r byrddau iechyd lleol a'r ymddiriedolaethau. Mae Prif Swyddog Meddygol Cymru a minnau yn awyddus iawn yn wir bod rhagor o gefnogaeth yn cael ei rhoi gan y gwasanaeth iechyd cyhoeddus i wasanaethau'r ymddiriedolaethau na'r hyn sydd wedi bod ar gael yn y gorffennol.

[11] **Janice Gregory:** Ac, wrth gwrs, byddai sicrhau'r newidiadau enfawr, ysgubol hyn heb beryglu darpariaeth y gwasanaeth yn flaenllaw yn eich meddwl, byddwn yn rhagdybio.

**Ms Lloyd:** Byddai. O ran iechyd cyhoeddus, fel y gwyddoch, mae'r Asiantaeth Diogelu Iechyd wedi'i sefydlu ar gyfer Cymru a Lloegr, ac mae'r ffordd y mae arbenigwyr ar glefydau heintus ar gael i lywodraeth leol ac i'r gwasanaeth ei hun ar yr amser penodol hwn yn hollol hanfodol. Ein blaenoriaeth yw diogelu'r gwasanaethau hynny a sicrhau eu bod yn gweithredu'n wirioneddol effeithiol ac yn ddi-dor gydol unrhyw bontio.

[12] **Dafydd Wigley:** Credaf eich bod am gyfrannu at y drafodaeth ar y llyfr coch, Janet, ac yna caiff Alun gyfrannu.

[13] **Janet Davies:** Nid wyf yn gwybod pa fath o lefel o gostau sydd ynghlwm wrth y llyfr coch a'r contractwyr, neu pa arbedion yr oeddech yn gobeithio'u gwneud. Fodd bynnag, os yw'r contractwyr yn gwrthod cydweithredu o ran gwneud newidiadau, beth yw'r goblygiadau a beth yw'r costau tebygol a allai fod ynghlwm?

**Ms Lloyd:** Wel, ni fydd effaith ar y gost, oherwydd, o ran y llyfr coch, nid oeddwn yn edrych am i'r newidiadau o'r llyfr coch arwain at rywbeth rhatach. Byddai'n rhaid darparu gwaith gwahanol iawn i'r ymarferyddion gofal sylfaenol, a byddai hynny'n fater o'r gymysgedd sgiliau. Os nad

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the skill mix. If the general practitioners do not accept the contract, then the red book stands, and we already have the resource in the business services centre to maintain that.

[14] **Dafydd Wigley:** Alun, do you want to come in on this?

[15] **Alun Cairns:** Thank you, Cadeirydd. Ms Lloyd, I want to try to get this right in terms of a simple context. At the outset, the planning budget was £79.6 million. Now you come in with a revised budget of £71.256 million, which is in line with the cost neutrality that the Auditor General came up with. It seems very coincidental that, having had some exposure and scrutiny on this, the figures come in together. Was it that you got them wrong in the first place and they were wholly inaccurate estimates, or is it that you have cut things out? I am looking for substantiation of the changes in figures. I do not feel that we have heard that yet.

**Ms Lloyd:** May I correct you? The £79 million figure was not a planning budget. This was a sum arrived at based on the sorts of structures that had come in initially from LHBs, my own department and others. Given scrutiny against the functions that had to be applied, the actual planning budget is now at £72.5 something million—

[16] **Alun Cairns:** £71.256 million.

**Ms Lloyd:** Sorry, £71.256 million, and the Minister had, as you know, said that she wished any transition to be cost neutral. Nevertheless, when you looked at the functions that had to be delivered for the new structures, then, after scrutiny of the structures that had come in, it was obvious that we could live within the £71.256 planning budget—subject to transitional costs.

[17] **Alun Cairns:** With the greatest respect, Mrs Lloyd, I still do not see that the figures

yw'r meddygon teulu yn derbyn y contract, yna bydd y llyfr coch yn sefyll, ac mae gennym yr adnoddau'n barod yn y ganolfan gwasanaethau busnes i gynnal hynny.

[14] **Dafydd Wigley:** Alun, a ydych am gyfrannu yma?

[15] **Alun Cairns:** Diolch, Gadeirydd. Ms Lloyd, yr wyf am geisio deall hyn yn iawn mewn cyd-destun syml. Ar y cychwyn, yr oedd y gyllideb gynllunio yn £79.6 miliwn. Yn awr yr ydych yn dod i mewn gyda chyllideb ddiwygiedig o £71.256 miliwn, sy'n unol â'r gost ddi-duedd a nododd yr Archwilydd Cyffredinol. Mae'n ymddangos yn gyd-ddigwyddiad cyfleus iawn, ar ôl datgelu ac archwilio hyn, bod y ffigurau'n cyd-fynd. Ai chi gafodd y ffigurau yn anghywir i ddechrau a'u bod yn amcangyfrifon hollol anghywir, neu a ydych wedi dileu rhai elfennau? Yr wyf yn chwilio am brawf o'r newidiadau i'r ffigurau. Ni theimlaf ein bod wedi clywed hynny eto.

**Ms Lloyd:** A gaf fi eich cywiro? Nid cyllideb gynllunio oedd y ffigur o £79 miliwn. Yr oedd hwn yn swm a gyfrifwyd ar sail y mathau o strwythurau a gyflwynwyd i ddechrau gan y byrddau iechyd lleol, fy adran i ac eraill. O ystyried yr archwiliad yn erbyn swyddogaethau yr oedd yn rhaid ei gynnal, mae'r union gyllideb gynllunio yn £72.5 rhywbeth miliwn bellach—

[16] **Alun Cairns:** £71.256 miliwn.

**Ms Lloyd:** Mae'n ddrwg gennyf, £71.256 miliwn, ac yr oedd y Gweinidog, fel y gwyddoch, wedi dweud ei bod yn dymuno i unrhyw bontio fod yn niwtral o ran cost. Er hynny, pan fu i chi edrych ar y swyddogaethau yr oedd yn rhaid eu cyflawni ar gyfer y strwythurau newydd, yna, ar ôl archwilio'r strwythurau a gyflwynwyd, yr oedd yn amlwg y gallem aros o fewn y gyllideb gynllunio o £71.256—yn amodol ar gostau pontio.

[17] **Alun Cairns:** Gyda phob parch, Mrs Lloyd, ni allaf weld o hyd bod y ffigurau'n

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add up. It is coming in bang on what the Auditor General highlighted. There must be some things that you are cutting out now from what the Auditor General saw when he first came up with the figure of £79.6 million. Can you tell us what exactly has been cut out, or why the Auditor General was incorrect in the first place, if that is what you are suggesting?

**Ms Lloyd:** No, I am not suggesting that the Auditor General was incorrect, and I did not suggest that at all. What I said was that the structures that he saw back in October/November were the first cut of structures, and if I can speak—

[18] **Alun Cairns:** Forgive me for interrupting—

[19] **Dafydd Wigley:** Allow Ms Lloyd to answer, Alun, and then you can come back.

**Ms Lloyd:** If I may give you an example—I will give you the example of my own department. My heads of division came forward with proposals for the restructuring of their individual sections—I have 10 divisions. I looked at these, as any manager would, with an eye to cost-effectiveness, value for money, and being able to get the job done. I could see many instances where, if we undertook our work in a very different way from that which was traditional, we would be able to provide what I believed to be a more effective service to the divisions, to the Ministers and for the Assembly than was suggested originally.

Therefore, I took the decision, as the person responsible for that department, who would be accountable for delivery to the Assembly, to reconfigure that structure and to produce something that I believed would be much more effective than the traditional way in which the divisions had produced their original structures. Now, that is something that I would expect any self-respecting manager to do. You know, I am sure, as well

gywir. Y mae'n union yr un ffigur â'r un a amlygwyd gan yr Archwilydd Cyffredinol. Mae'n rhaid eich bod yn dileu rhai pethau'n awr o'r hyn a welodd yr Archwilydd Cyffredinol pan nododd y ffigur o £79.6 miliwn yn wreiddiol. A allwch ddweud wrthym yn union beth sydd wedi'i ddileu, neu pam fod yr Archwilydd Cyffredinol yn anghywir yn y lle cyntaf, os mai dyna yr ydych yn ei awgrymu?

**Ms Lloyd:** Na, nid wyf yn awgrymu bod yr Archwilydd Cyffredinol yn anghywir, ac ni awgrymais hynny o gwbl. Yr hyn a ddywedais oedd mai'r strwythurau a welodd yn ôl yn Hydref/Tachwedd oedd y gyfres gyntaf o strwythurau, ac os caf siarad—

[18] **Alun Cairns:** Maddeuwch i mi am dorri ar eich traws—

[19] **Dafydd Wigley:** Gadewch i Ms Lloyd ateb, Alun, ac yna cewch ddod yn ôl.

**Ms Lloyd:** Os caf fi roi enghraifft i chi—defnyddiaf enghraifft o'm hadran fy hun. Cyflwynodd fy mhenaethiaid is-adran gynigion ar gyfer ailstrwythuro eu hadrannau unigol—mae gennyf 10 is-adran. Edrychais ar y rhain, fel y byddai unrhyw reolwr yn ei wneud, gan gadw llygad ar gost-ffeithiolrwydd, gwerth am arian, a'r gallu i gyflawni'r gwaith. Yr oeddwn yn gallu gweld sawl achlysur lle, pe baem wedi ymgymryd â'r gwaith mewn ffordd wahanol i'r ffordd draddodiadol, y byddem yn gallu darparu yr hyn yr oeddwn yn ei ystyried yn wasanaeth mwy effeithiol i'r is-adrannau, i'r Gweinidogion ac i'r Cynulliad na'r hyn a awgrymwyd yn wreiddiol.

Felly, penderfynais, fel y sawl sy'n gyfrifol am yr adran honno, ac a fyddai'n atebol dros ddarpariaeth yr adran i'r Cynulliad, i ailwampio'r strwythur hwnnw a chynhyrchu rhywbeth a fyddai, yn fy marn i, yn llawer mwy effeithiol na'r ffordd draddodiadol yr oedd yr is-adrannau wedi cynhyrchu eu strwythurau gwreiddiol. Nawr, mae hynny'n rhywbeth y byddwn yn disgwyl i unrhyw reolwr â hunan-barch ei wneud. Gwyddoch,

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as I do, that if you ask anybody for a staffing structure, they will load it, because that is what has always happened. When you look at some of the LHB structures, they were putting in corporate support units that could very easily be shared between LHBs, because there was just not the volume of work required to go for full-time staff.

There has been a great deal of discussion, since those original structures, among LHBs about securing high-quality staff and sharing staff between them. A lot of work has gone on, for example, between Cardiff and the Vale, in order to secure the best value for money. I have been convinced by the local health board chairs and chief executives that they are happy with the structures that they have—everybody would always wish for more, because that is the nature of us all. Nevertheless, they are content that their functionality will not be prejudiced by their staffing structures. However, I can reassure you that I have also put into place an evaluation, over the next year, to ensure that the functionality can be maintained in view of the agenda that faces us all, and to ensure that we will still be able to deliver what is required by the Assembly in terms of quality of outcomes for patients and content, so that they are well supported and my department is still able to provide the service that is required by this Assembly.

[20] **Alun Cairns:** Thank you.

[21] **Dafydd Wigley:** One more question, Alun, then Alison wants to come in.

[22] **Alun Cairns:** In that answer, you did, at last, highlight some of the issues. You mentioned a number of divisions—there were 10 in your department—and that they have been streamlined or cut back, or whatever phrase you want to use. You also talked about corporate support units, and how they had been amended. Therefore, I assume that this information is readily available, with regard to structural changes and so on.

mae'n siŵr, cystal â mi, os ydych yn gofyn i unrhyw un am strwythur staffio, y byddant yn ei lwytho, oherwydd dyna sydd wedi digwydd erioed. Pan edrychwech ar rai o strwythurau'r byrddau iechyd lleol, yr oeddent yn cyflwyno unedau cymorth corfforaethol y gellid eu rhannu'n hawdd rhwng y byrddau, oherwydd nid oedd digon o waith i gyfiawnhau staff llawn amser.

Bu cryn drafod, ers y strwythurau gwreiddiol hynny, ymhlith byrddau iechyd lleol am sicrhau staff o'r radd flaenaf a rhannu staff rhyngddynt. Mae llawer o waith wedi'i gyflawni, er enghraifft, rhwng Caerdydd a'r Fro, er mwyn sicrhau'r gwerth gorau am arian. Yr wyf wedi fy argyhoeddi gan gadeiryddion a phrif weithredwyr y byrddau iechyd lleol eu bod yn hapus â'r strwythurau sydd ganddynt—byddai pawb wastad yn dyheu am fwy, oherwydd mai dyna natur pawb. Er hynny, maent yn fodlon na fydd eu hymarferoldeb yn cael ei lesteirio gan eu strwythurau staffio. Fodd bynnag, gallaf eich sicrhau fy mod hefyd wedi rhoi gwerthusiad ar waith, yn ystod y flwyddyn nesaf, i sicrhau y gellir cynnal yr ymarferoldeb yng ngoleuni'r agenda sy'n ein hwynebu i gyd, ac i sicrhau y byddwn yn parhau i allu darparu'r hyn sy'n ofynnol gan y Cynulliad o ran ansawdd canlyniadau i gleifion a chynnwys, fel eu bod yn derbyn cefnogaeth dda a bod fy adran yn parhau i allu darparu'r gwasanaeth sy'n ofynnol gan y Cynulliad hwn.

[20] **Alun Cairns:** Diolch.

[21] **Dafydd Wigley:** Un cwestiwn arall, Alun, yna mae Alison am gyfrannu.

[22] **Alun Cairns:** Yn yr ateb hwnnw, fe wnaethoch, o'r diwedd, amlygu rhai o'r materion. Bu i chi grybwyll nifer o is-adrannau—yr oedd 10 yn eich adran chi—a'u bod wedi'u rhesymoli neu eu cwtagi, neu pa bynnag ymadrodd yr ydych am ei ddefnyddio. Crybwyllasoch hefyd unedau cymorth corfforaethol, a sut maent wedi'u diwygio. Felly, tybiaf fod y wybodaeth hon ar gael yn barod, o ran newidiadau strwythur ac ati.

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**Ms Lloyd:** Yes, it certainly is.

**Ms Lloyd:** Ydyw, heb amheuaeth.

[23] **Alun Cairns:** Cadeirydd, is it possible perhaps for the Committee to have a paper on this information, which would substantiate the changes?

[23] **Alun Cairns:** Gadeirydd, a fyddai'n bosibl i'r Pwyllgor efallai gael papur ar y wybodaeth hon, a fyddai'n cadarnhau'r newidiadau?

**Ms Lloyd:** I would be very happy to provide that.

**Ms Lloyd:** Byddwn yn fwy na pharod i wneud hynny.

[24] **Dafydd Wigley:** I am sure that that would be helpful, and that Sir John would appreciate having a copy of any paper that analyses the changes. Obviously, it is a detailed exercise that we cannot go into here in that much detail. That would be very helpful.

[24] **Dafydd Wigley:** Yr wyf yn siŵr y byddai hynny'n ddefnyddiol, ac y byddai Syr John yn gwerthfawrogi cael copi o unrhyw bapur sy'n dadansoddi'r newidiadau. Yn amlwg, y mae'n ymarfer manwl na allwn ei drafod yn y fath fanylder yma. Byddai hynny'n ddefnyddiol iawn.

[25] **Alun Cairns:** One final brief question, if I may, Cadeirydd.

[25] **Alun Cairns:** Un cwestiwn byr i orffen, os caf fi, Gadeirydd.

[26] **Dafydd Wigley:** Very brief, please, Alun, because you will be coming back in later.

[26] **Dafydd Wigley:** Yn gryno iawn, os gwelwch yn dda, Alun, oherwydd byddwch yn cyfrannu eto yn ddiweddarach.

[27] **Alun Cairns:** Paragraph 4 on page 2 of the Auditor General's note mentioned that it would be good practice to include a contingency budget to allow for unforeseen events. Have you met that?

[27] **Alun Cairns:** Mae paragraff 4 ar dudalen 2 nodyn yr Archwilydd Cyffredinol yn crybwyll y byddai'n arfer da cynnwys cyllideb wrth gefn ar gyfer digwyddiadau annisgwyl. A ydych wedi cyflawni hynny?

[28] **Dafydd Wigley:** I think that we are coming on to that now, are we not?

[28] **Dafydd Wigley:** Credaf ein bod ar fin trafod hynny'n awr, onid ydym?

[29] **Alun Cairns:** I did not realise; I thought that I would raise it separately.

[29] **Alun Cairns:** Nid oeddwn yn sylweddoli hynny; credais y byddwn yn ei godi ar wahân.

[30] **Dafydd Wigley:** I understand that the question has only recently been added to the brief. Alison, did you want to come in?

[30] **Dafydd Wigley:** Deallaf mai dim ond yn ddiweddar yr ychwanegwyd y cwestiwn at y briff. Alison, a ydych am gyfrannu?

[31] **Alison Halford:** Yes, very quickly, Chair; thank you very much. I think it must be remembered that Mrs Lloyd actually asked Sir John to put his slide rule over these figures, which shows openness and a willingness to get the figures right.

[31] **Alison Halford:** Ydwyf, yn gyflym iawn, Gadeirydd; diolch yn fawr iawn. Credaf fod yn rhaid cofio bod Mrs Lloyd mewn gwirionedd wedi gofyn i Syr John fwrw golwg ar y ffigurau hyn, sy'n dangos gonestrwydd a pharodrwydd i gael y ffigurau'n gywir.

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I am a bit concerned about the very low level of accommodation and IT costs. I say this against the backcloth of the fact that the Assembly is due to have another system called MERLIN, which will cost—would you believe—a staggering 220 million smackers? Sir John is going to have fun and games with that one eventually. That will keep you going for years, Sir John. I do not want a paper, because I am not standing again, and I am not going to read anything that happens on this after I leave, although naturally I am interested in what goes on in Wales. I am just curious—why are your IT costs so low when we are going to pay so much for a new system? If it is not within your gift to answer that, then I shall shut up and slide away.

**Ms Lloyd:** I think, Chair, that it would be almost impossible for me to analyse the difference between the NHS's information technology systems and the Assembly's. However, what I can say is that, in terms of accommodation and IT costs, those are costs that are already there. Any improvement or enhancement would have to be the subject of a business case, which would be scrutinised absolutely rigorously, if they were considering making any changes.

[32] **Dafydd Wigley:** On that point and before I move on to Eleanor to continue the questioning, the third recommendation that was made by Sir John and his team with regard to new capital investment stated that

‘if significant new capital investment is required, this should involve a full investment appraisal of options in accordance with the guidance issued by the Treasury.’

You are sticking by that, are you not?

**Ms Lloyd:** Yes.

[33] **Dafydd Wigley:** If there were a significant cost relating to IT, it would be subject to that sort of appraisal?

Yr wyf ychydig yn bryderus ynglŷn â'r lefel isel iawn o gostau llety a TG. Dywedaf hyn o ystyried y ffaith bod y Cynulliad am weithredu system arall o'r enw MERLIN, a fydd yn costio—goeliech chi fyth—y swm anferthol o 220 miliwn o bunnoedd? Bydd Syr John yn cael cryn hwyl gyda hynny ymhen amser. Bydd hynny'n eich cadw'n brysur am flynyddoedd, Syr John. Nid wyf am dderbyn papur, oherwydd nid wyf am sefyll eto, ac nid wyf am ddarllen unrhyw beth sy'n digwydd ar hyn ar ôl i mi adael, er yn naturiol mae gennyf ddiddordeb yn yr hyn sy'n digwydd yng Nghymru. Yr wyf yn chwilfrydig, dyna'i gyd—pam fod eich costau TG mor isel pan fyddwn yn talu cymaint am system newydd? Os nad yw'r ateb o fewn eich cylch gorchwyl, yna fe gaef fy ngheg a llithro ymaith.

**Ms Lloyd:** Credaf, Gadeirydd, y byddai bron yn amhosibl i mi ddadansoddi'r gwahaniaeth rhwng systemau technoleg gwytodaeth y GIG a'r Cynulliad. Fodd bynnag, yr hyn y gallaf ei ddweud yw, o ran costau llety a TG, y mae'r rheini yn gostau sy'n bodoli eisoes. Byddai unrhyw le i wella neu gynydd yn amodol ar achos busnes, a fyddai'n cael ei archwilio yn hollol drylwyr, pe baent yn ystyried gwneud unrhyw newidiadau.

[32] **Dafydd Wigley:** Ar y pwynt hwnnw a chyn i mi symud ymlaen at Eleanor i barhau â'r cwestiynau, yr oedd y trydydd argymhelliad a wnaed gan Syr John a'i dîm o ran buddsoddiad cyfalaf newydd yn nodi

‘os oes angen buddsoddiad cyfalaf newydd sylweddol, dylai hyn gynnwys gwerthusiad buddsoddiad llawn o'r opsiynau yn unol â'r canllawiau a gyhoeddir gan y Trysorlys.’

Yr ydych yn cadw at hynny, onid ydych?

**Ms Lloyd:** Ydwyf.

[33] **Dafydd Wigley:** Pe bai costau sylweddol yn gysylltiedig â TG, byddai'n amodol ar y math hwnnw o werthusiad?

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**Ms Lloyd:** Yes.

[34] **Dafydd Wigley:** I am grateful. Eleanor, you have a question?

[35] **Eleanor Burnham:** Yes, thank you. Are you confident, Ms Lloyd, that the local health boards will be cost-effective, particularly given accusations that senior positions are going to be—in many people’s opinions—very expensive? For instance, charges have been levelled that it is not possible to get quality finance chiefs, even though they are going to be paid vast amounts of money. That is my first question.

[36] **Dafydd Wigley:** You do have some other questions to ask that are actually down on the brief.

**Ms Lloyd:** Shall I deal with that question?

[37] **Dafydd Wigley:** Yes, please deal with that and we will come to the set questions afterwards.

**Ms Lloyd:** If I can deal with the cost-effectiveness and the amounts of money we have to pay for leadership and the deficiencies in terms of skills, it is an issue that concerns everybody. It is not just Wales that has this problem relating to the financial input into organisations and the skills that you need. That is why we have run finance training schemes for years in order to grow good quality finance directors. We have been successful in attracting people to Wales and from within Wales to fill these posts, but I think that more needs to be done to ensure that we have better succession planning in Wales. That is why I have put a considerable emphasis on succession planning and the development of leadership from now on, which will be prepared and produced by the centre for health leadership that we have established. We must ensure that we retain good-quality leaders in Wales and that we are able to replace those who decide to retire or move. That is not just something that is unique to Wales. If you look at the *Health Service Journal* every week, you will see that there are huge numbers of vacancies right

**Ms Lloyd:** Byddai.

[34] **Dafydd Wigley:** Yr wyf yn ddiolchgar. Eleanor, mae gennych gwestiwn?

[35] **Eleanor Burnham:** Oes, diolch. A ydych yn hyderus, Ms Lloyd, y bydd y byrddau iechyd lleol yn gost-effeithiol, yn arbennig o ystyried cyhuddiadau y byddai uwch swyddi—ym marn llawer—yn ddrud iawn? Er enghraifft, gwnaed honiadau na fydd yn bosibl cael penaethiaid cyllid o ansawdd, er y byddant yn derbyn symiau enfawr o arian. Dyna fy nghwestiwn cyntaf.

[36] **Dafydd Wigley:** Mae gennych gwestiynau eraill i’w gofyn sydd i lawr yn y briff mewn gwirionedd.

**Ms Lloyd:** A gaf fi ateb y cwestiwn hwnnw?

[37] **Dafydd Wigley:** Cewch, atebwch y cwestiwn hwnnw ac fe ddychwelwn at y cwestiynau a osodwyd wedi hynny.

**Ms Lloyd:** Os caf fi ddelio â’r gost effeithiolrwydd a’r symiau arian sydd yn rhaid i ni eu talu am arweinyddiaeth a diffygion o ran sgiliau, mae’n fater sy’n bryder i bawb. Nid Cymru yn unig sydd â’r broblem hon o ran y mewnbwn ariannol i sefydliadau a’r sgiliau sydd eu hangen arnoch. Dyna pam ein bod wedi cynnal cynlluniau hyfforddiant cyllid am flynyddoedd er mwyn meithrin cyfarwyddwyr cyllid o’r radd flaenaf. Yr ydym wedi bod yn llwyddiannus wrth ddenu pobl i Gymru ac o fewn Cymru i lenwi’r swyddi hyn, ond credaf fod angen gwneud mwy i sicrhau ein bod yn cynllunio olyniaeth yn well yng Nghymru. Dyna pam fy mod wedi rhoi pwyslais sylweddol ar gynllunio olyniaeth a datblygu arweinyddiaeth o hyn allan, a fydd yn cael ei baratoi a’i gynhyrchu gan ganolfan Cymru er arweiniad mewn iechyd yr ydym wedi’i sefydlu. Mae’n rhaid i ni sicrhau ein bod yn dal gafael ar arweinwyr o’r radd flaenaf yng Nghymru a’n bod yn gallu llenwi swyddi’r rheini sy’n penderfynu ymddol neu symud. Nid yw hon yn sefyllfa unigryw i Gymru. Os edrychwch ar yr *Health*

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throughout the UK, and that is because I think that, in the past 10 years, not enough emphasis was placed on securing the leadership base.

The amount of money that we are spending on the heads of these organisations has all been carefully evaluated and compared with other positions outside of Wales. We are satisfied that it accurately reflects the range of skills that we need to deliver the job, which, as you said, is not an easy job.

In terms of cost-effectiveness and the evaluation of cost-effectiveness, I am putting into place an evaluation of the cost-effectiveness of these new structures compared with the functionality that they will have to effect. That will be undertaken over the next year and 18 months to ensure that the new organisations can deliver the outcomes that were established for them when we sent out the structural reform paper some 14 months ago.

[38] **Eleanor Burnham:** Thank you, Chair, for your indulgence.

The Auditor General made two recommendations concerning transitional costs. The first was about undertaking a more detailed review of transitional staff costs, which, as you know, include redundancy, early retirement, protected salaries, excess fares and so on. When the main determinants of these costs became clearer, can you tell me what action you took in response to the Auditor General's recommendation and the recommendation about considering the need for tightly controlled contingency provision to deal with the unforeseen events as summarised by the Auditor General in the 2001-02 summarised accounts of the NHS?

**Ms Lloyd:** If I can first talk about what has happened with the transitional costs, day by

*Service Journal* bob wythnos, byddwch yn gweld bod nifer sylweddol o swyddi gweigion ledled y DU, a chredaf fod hyn oherwydd, yn y 10 mlynedd diwethaf, nad oes digon o bwyslais wedi'i roi ar sicrhau sylfaen arweinyddiaeth.

Mae'r arian yr ydym yn ei wario ar bennaethiaid y sefydliadau hyn i gyd wedi'i werthuso'n ofalus a'i gymharu gyda swyddi eraill y tu allan i Gymru. Yr ydym yn fodlon ei fod yn adlewyrchiad cywir o'r amrywiaeth sgiliau yr ydym ei angen i gyflawni'r gwaith, nad yw, fel y dywedaso, yn waith hawdd.

O ran cost-effeithiolrwydd a gwerthuso cost-effeithiolrwydd, yr wyf yn rhoi gwerthusiad o gost-effeithiolrwydd y strwythurau newydd hyn ar waith i'w cymharu â'u hymarferoldeb. Bydd hwnnw yn cael ei gynnal yn ystod y flwyddyn a'r 18 mis nesaf er mwyn sicrhau bod y sefydliadau newydd yn gallu cyflawni'r canlyniadau a osodwyd ar eu cyfer pan anfonwyd y papur diwygio strwythur tua 14 mis yn ôl.

[38] **Eleanor Burnham:** Diolch, Gadeirydd, am eich goddefgarwch.

Gwnaeth yr Archwilydd Cyffredinol ddau argymhelliad yn ymwneud â chostau pontio. Yr oedd y cyntaf yn ymwneud â chynnal adolygiad mwy trylwyr o gostau staff pontio, sydd, fel y gwyddoch, yn cynnwys diswyddiadau, ymddeoliadau cynnar, cyflogau a ddiogelir, gorbrisiau ac ati. Pan ddaw prif benderfyniadau y costau hyn yn gliriach, a allwch ddweud wrthyf pa gamau a gymerasoch fel ymateb i argymhelliad yr Archwilydd Cyffredinol a'r argymhelliad ynglŷn ag ystyried yr angen am ddarpariaeth wrth gefn wedi'i rheoli'n dynn i ddelio â'r digwyddiadau annisgwyl fel a grynhowyd gan yr Archwilydd Cyffredinol yng nghyfrifon crynodedig y GIG ar gyfer 2001-02?

**Ms Lloyd:** Os caf fi siarad gyntaf ynglŷn â'r hyn sydd wedi digwydd gyda'r costau pontio,

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day, the number of people that we anticipate transferring to the extended employment scheme, which really covers a large amount of the transitional costs, is reducing as people are finding posts in the new structure. Today—although the figure has probably come down—but certainly yesterday, only about 44 people were going to be transferring to the extended employment scheme, which in itself I think is really good. First, we are continuing to secure people's skills, and, secondly, not as many people are uncertain about their futures. The vast majority of those people have jobs that need to be done anyway over the next year. The extended employment scheme, which I circulated some two months ago, outlines exactly what will happen to those people and the sorts of support that they will be given. What we want to ensure is that as few people as possible are made redundant, because if that happens we lose those skills from Wales and we can ill-afford to do that. We also want to ensure that they will be helped to find the right job for them.

I have set up a small team, funded from the transitional costs, to look at the management of the careers of these individuals who have not yet been successfully placed so that we can use the skills that they have in the best possible way. There are also ongoing projects that need to be managed and need people to help manage them. Many of the people on the scheme are also being diverted towards those projects so that they have a purposeful job while they are seeking an alternative with us. So, that is what has happened regarding the transitional costs.

In terms of the contingencies, we took good notice of the Auditor General's warning about contingencies and they are going to be managed by the transitional costs, because you will also remember that he said that he believed that the transitional cost period should be lengthened, and we have also taken that on board. So, the extension of a transitional period and the contingency has been built in as a sliding scale on the

dydd ar ôl dydd, mae nifer y bobl yr ydym yn disgwyl iddynt drosglwyddo i'r cynllun cyflogaeth estynedig, sydd mewn gwirionedd yn cynnwys swm sylweddol o'r costau pontio, yn gostwng wrth i bobl ddod o hyd i swyddi yn y strwythur newydd. Heddiw—er mae'n debyg bod y ffigur wedi gostwng—ond yn sicr ddoe, dim ond tua 44 o bobl oedd am drosglwyddo i'r cynllun cyflogaeth estynedig, sydd yn ei hun yn dda iawn. Yn gyntaf, yr ydym yn parhau i ddiogelu sgiliau pobl, ac, yn ail, nid oes cymaint o bobl yn ansicr am eu dyfodol. Mae gan y mwyafrif llethol o'r bobl hynny swyddi sydd angen eu gwneud beth bynnag yn ystod y flwyddyn nesaf. Mae'r cynllun cyflogaeth estynedig, a ddosbarthwyd tua deufis yn ôl, yn amlinellu'n union beth fydd yn digwydd i'r bobl hynny a'r math o gymorth y byddant yn ei dderbyn. Yr hyn yr ydym am ei sicrhau yw bod cyn lleied o bobl â phosibl yn cael eu diswyddo, oherwydd os yw hynny'n digwydd yr ydym yn colli'r sgiliau hynny o Gymru ac ni allwn fforddio hynny. Yr ydym hefyd am sicrhau y byddant yn cael eu cynorthwyo i ddod o hyd i'r swydd iawn ar eu cyfer.

Yr wyf wedi sefydlu tîm bach, a gyllidir o'r costau pontio, i edrych ar reolaeth gyrfaedd yr unigolion hynny nad ydym wedi'u lleoli'n llwyddiannus eto er mwyn i ni allu defnyddio'r sgiliau sydd ganddynt yn y ffordd orau bosibl. Mae prosiectau sydd ar y gweill hefyd sydd angen eu rheoli ac sydd angen pobl i'w helpu i reoli. Mae nifer o bobl ar y cynllun hefyd yn cael eu cyfeirio at y prosiectau hynny er mwyn iddynt gael swydd bwrsasol wrth iddynt chwilio am swydd arall gyda ni. Felly, dyna beth sydd wedi digwydd o ran y costau pontio.

O ran y cynlluniau wrth gefn, bu i ni gymryd sylw da o rybudd yr Archwilydd Cyffredinol am gynlluniau wrth gefn a byddant yn cael eu rheoli gan y costau pontio, oherwydd byddwch hefyd yn cofio ei fod wedi dweud ei fod yn credu y dylid ymestyn y cyfnod costau pontio, ac yr ydym hefyd wedi gwneud hynny. Felly, mae ymestyn y cyfnod pontio a'r cynlluniau wrth gefn wedi'u hychwanegu fel graddfa symudol at y datganiadau costau

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transitional cost statements.

[39] **Eleanor Burnham:** In respect of the transitional costs, they are obviously close to budget, particularly with regard to project management and recruitment. How do you propose to remain within budget on these elements?

**Ms Lloyd:** They are being rigorously scrutinised. It is the same as managing any project. Part of the transitional cost-management is part of rigorous and ongoing project management—

[40] **Dafydd Wigley:** I think that we have covered that to some extent already. Alun, you have a question.

[41] **Alun Cairns:** Thank you, Cadeirydd. Our successors will, no doubt, want to return to this issue to find out whether the cost estimates were indeed accurate or not. We would expect the relevant data to be captured and recorded and on a basis consistent with the budgeting exercise, so that accurate and complete comparisons can be made. Can you assure the Committee that that will be the case, and what steps have you taken to ensure that it is the case?

**Ms Lloyd:** It will be the case, because it is in all our interests that it is the case. I will have to justify the costs of the project to your successors. I am lucky to have with me Chris Brown, who has been seconded from the NAO—so he is on both sides of the fence, basically—and he is managing the cost parcel on my behalf. He remains with me. Well, you did not know that, Chris, but never mind. It is news; I was sure you would not mind. He will remain with me until this project is completed and we can put out a final set of accounts for it. We will have an ongoing project covering all the transitional costs, because we have to account for all this cash.

[42] **Alun Cairns:** Thank you for that. You have certainly reassured me about this

pontio.

[39] **Eleanor Burnham:** O ran y costau pontio, maent yn amlwg yn agos i'r gyllideb, yn arbennig o ran rheoli prosiect a recriwtio. Sut yr ydych yn bwriadu cadw o fewn y gyllideb gyda'r elfennau hyn?

**Ms Lloyd:** Maent yn cael eu harchwilio'n fanwl. Mae'r un fath â rheoli unrhyw brosiect. Mae rhan o reoli'r costau pontio yn rhan o reoli prosiect manwl a chyfredol—

[40] **Dafydd Wigley:** Credaf ein bod wedi rhoi sylw i hynny i ryw raddau yn barod. Alun, mae gennych gwestiwn.

[41] **Alun Cairns:** Diolch, Gadeirydd. Bydd ein hollynwyr, heb os, am ddychwelyd at y mater hwn i weld a oedd yr amcangyfrifon costau yn gywir ai peidio. Byddem yn disgwyl i'r data perthnasol gael ei gadw a'i gofnodi ar sail sy'n gyson â'r ymarfer cyllidebu, er mwyn gallu gwneud cymariaethau cywir a chyflawn. A allwch roi sicrwydd i'r Pwyllgor y bydd hyn yn digwydd, a pha gamau yr ydych wedi'u cymryd i sicrhau bod hyn yn digwydd?

**Ms Lloyd:** Bydd hyn yn digwydd, oherwydd y bydd pawb ar eu hennill pe bai hynny'n digwydd. Bydd yn rhaid i mi gyfiawnhau costau'r prosiect i'ch olynwyr. Yr wyf yn lwcus o gael Chris Brown gyda mi, sydd wedi'i secondio o'r SAG—felly mae'n gallu cadw'r ddysgl yn wastad—ac mae'n rheoli'r parcel costau ar fy rhan. Mae'n parhau gyda mi. Wel, nid oeddech yn gwybod hynny, Chris, ond na phoener. Mae'n newyddion; yr oeddwn yn sicr na fydddech yn gwrthwynebu. Bydd yn parhau gyda mi tan y cwblheir y prosiect ac y gallwn gyflwyno cyfres derfynol o gyfrifon ar ei gyfer. Bydd gennym brosiect ar y gweill yn rhoi sylw i'r holl gostau pontio, oherwydd mae'n rhaid i ni fod yn atebol am yr arian hwn i gyd.

[42] **Alun Cairns:** Diolch am hynny. Yr ydych yn sicr wedi rhoi sicrwydd i mi am

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centrally. What guidance have you issued to the NHS bodies throughout Wales that are involved in these changes?

**Ms Lloyd:** The same guidance goes to them. They will be scrutinised anyway, on a month-by-month basis, by the regional offices about their expenditure against all their headings. They will have to keep proper accounts of the costs of their organisation and the other costs that they are incurring.

[43] **Dafydd Wigley:** This is on the basis of having a like-for-like comparison, is it not? So that figures will stand scrutiny in comparison.

**Ms Lloyd:** Yes.

[44] **Dafydd Wigley:** Good. I am grateful. I think it very perspicacious of you to get someone from the national audit team to help you. I hope that this does not become a general practice, because there would be no-one left. Everybody would be signing up the team.

I am very grateful for the responses that you have given, Ms Lloyd. You have been very positive, very confident, and I assume that you do put your reputation on achieving what is down here. However, we are very grateful to you for coming here and answering our questions fully. As I have indicated before, there will be a draft transcript in order for you to verify the factual aspects of your replies before publication as part of the minutes. The transcript will be included as an attachment to our eventual report on this matter. No doubt, the future Committee will want to come back to this at some appropriate time, within six months or 12 months or whatever, to see what progress has been made. We are very grateful to both of you, to Chris Brown and to yourself. You have had a long morning. You deserve to escape now.

**Ms Lloyd:** Thank you, Chair, and the Committee, for the way in which you have

hyn yn ganolog. Pa ganllawiau yr ydych chi wedi'u rhoi i gyrff y GIG ledled Cymru sy'n rhan o'r newidiadau hyn?

**Ms Lloyd:** Mae'r un canllawiau'n cael eu rhoi iddynt hwy. Byddant yn cael eu harchwilio beth bynnag, fis ar ôl mis, gan y swyddfeydd rhanbarthol ar eu gwariant yn erbyn eu holl benawdau. Bydd yn rhaid iddynt gadw cyfrif trylwyr o gostau eu sefydliadau a'r costau y maent yn mynd iddynt.

[43] **Dafydd Wigley:** Onid yw hyn ar sail llunio cymhariaeth tebyg-i-debyg? Er mwyn i ffigurau allu cael eu harchwilio wrth gymharu.

**Ms Lloyd:** Ie.

[44] **Dafydd Wigley:** Da iawn. Yr wyf yn ddiolchgar. Credaf eich bod wedi bod yn graff iawn i gael rhywun o'r tîm archwilio cenedlaethol i'ch cynorthwyo. Gobeithio na fydd hyn yn dod yn ymarfer cyffredin, oherwydd ni fyddai unrhyw un ar ôl. Byddai pawb yn ceisio defnyddio'r tîm.

Yr wyf yn ddiolchgar iawn am yr ymatebion yr ydych chi wedi'u rhoi, Ms Lloyd. Yr ydych chi wedi bod yn bositif iawn, yn hyderus iawn, a thybiaf eich bod yn seilio'ch enw da ar gyflawni'r hyn sydd i lawr yma. Fodd bynnag, yr ydym yn ddiolchgar iawn i chi am ddod yma ac am ateb ein cwestiynau'n llawn. Fel y soniais eisoes, bydd trawsgrifiad drafft er mwyn i chi allu gwirio agweddau ffeithiol eich ymatebion cyn eu cyhoeddi fel rhan o'r cofnodion. Bydd y trawsgrifiad yn cael ei gynnwys fel atodiad i'ch adroddiad terfynol ar y mater hwn. Heb os, bydd y darpar Bwyllgor am ddod yn ôl at hyn pan fydd hynny'n briodol, o fewn chwe mis neu 12 mis neu beth bynnag, i weld pa gynnydd sydd wedi'i wneud. Yr ydym yn ddiolchgar iawn i chi'ch dau, i Chris Brown ac i chithau. Yr ydych chi wedi cael bore hir. Yr ydych chi yn haeddu cael dianc yn awr.

**Ms Lloyd:** Diolch, Gadeirydd, a'r Pwyllgor, am y ffordd yr ydych chi wedi gofyn cwestiynau

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asked me difficult questions, for the way in which you have responded, and for the work between yourself and the Auditor General, which I find extremely helpful.

anodd i mi, am y ffordd yr ydych wedi ymateb, ac am y gwaith rhyngoch chi a'r Archwilydd Cyffredinol, sy'n ddefnyddiol iawn i mi.

*Daeth y sesiwn cymryd tystiolaeth i ben am 11.33 a.m.*

*The evidence taking-session ended at 11.33 a.m.*

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[i] Yr union ffigur yw £71.256 miliwn.

The exact figure is £71.256 million.