

## **Audit Committee Report - “Are the devolved financial management arrangements in NHS Wales effective?”**

### **Committee Report AC(3) 01-09**

**February 4 2009**

#### **Recommendations**

(i) Devolved financial management arrangements need to be significantly developed to enable the NHS in Wales to deliver improved performance and to support the modernisation of services.

#### **We recommend that the Welsh Assembly Government:**

**a) provides existing and future Non Executive Directors with access to support to develop and maintain their financial competencies;**

Agreed. In conjunction with the Wales Audit Office, a number of development programmes have been run for existing non-executive Directors. These offered access to both structured and informal financial management training. It is planned to provide a further series of development programmes when new non-executive Directors of the new Health Boards are appointed. The Assembly Government and Wales Audit Office will ensure that an essential part of this training will concentrate on developing the financial competencies of the new non-executive directors.

**b) requires the Chief Executives of local NHS bodies to demonstrate that managers with budgetary responsibilities have the financial competencies to carry out their role effectively including securing value for money;**

Agreed. The provision of financial training is included in the National Leadership Innovation Agency for Healthcare work programme for 2009/10. It is expected that Chief Executives and other Executive Directors will take advantage of the training provided. Continued professional development is in any case a key requirement for Finance Directors. Finance training will be available on-line for all managers through the NLIAH on-line financial training programme when the new Health Boards have been established. NLIAH will as a matter of course send details of training undertaken by managers with budgetary responsibilities to their employers.

**c) should ensure that all NHS financial managers have been subject to the new financial competency framework training programme to demonstrate that the standards required will be consistent across Wales;**

Agreed. All finance staff are subject to the recently developed financial competency behaviour framework for the NHS 'More than a Number'. This sets out the competencies skills and behaviours which the Welsh Assembly Government expects all finance professionals to demonstrate.

(ii) Recent improvements to in year financial forecasting should be built on to introduce universally effective medium term financial planning.

Agreed. NHS organisations are required to prepare 3 year plans which are reviewed by the Welsh Assembly Government as part of the Annual Operating Framework. The planning framework is currently being refined as part of the NHS reorganisation. This will build on the improvements already made and make the planning framework more comprehensive in terms of manpower and capital requirements of the new Health Boards.

**We recommend that the Welsh Assembly Government:**

**a) as part of its scrutiny of medium term financial plans produced by local health bodies, confirms that all service modernisation proposals include realistic estimates of the costs of retaining existing services as well as the emerging costs of new developments**

Agreed. The Welsh Assembly Government will work closely with NHS organisations through the planning system to ensure effective links between recommendations and forward planning.

The Annual Operating Framework is the key planning process for NHS organisations and it requires each to produce fully detailed and costed AOF delivery plans which meet national requirements. This process provides an effective challenge mechanism for the Welsh Assembly Government as it enables rigorous examination of NHS plans, ensuring that effective links exist between forward planning and financial plans. The AOF process also ensures that service and financial plans are integrated with the delivery of the national efficiency and productivity targets, to ensure optimum care and value-for-money is achieved.

The Welsh Assembly Government operates an AOF Project Board which scrutinises all NHS AOF delivery plans to ensure that the planned improvements are deliverable within the available financial resources.

(iii) Whilst guarding against the risk that the forthcoming reorganisation of the NHS might lead to financial instability, the opportunity should be taken to strengthen financial management capacity and capabilities to move beyond effective stewardship to support the modernisation of services.

**We recommend that the Welsh Assembly Government:**

**a) makes senior appointments to the new NHS bodies of individuals who can be relied upon to champion and improve leadership in financial management;**

Agreed. This is being addressed through the HR implementation plans which are being developed for senior appointments to NHS bodies. As part of the recruitment process senior appointments will be required to demonstrate financial management understanding and competence.

**b) makes explicit in the project and transitional plans for the creation of new NHS bodies appropriate arrangements for the development of financial management capacity; and**

Agreed. There is already in place a detailed project plan, which is subject to close monitoring. Finance staff will be subject to the competency behaviour framework in the new NHS bodies and training requirements will be met by the Finance Staff Development workstream.

**c) should systematically review the effectiveness of the number of initiatives it has recently introduced to improve financial management arrangements.**

Agreed. As part of the reorganisation the initiatives recently introduced will be reviewed to assess their appropriateness and to ensure that they improve financial management discipline in NHS Wales.

(iv) Whilst the NHS in Wales ended the 2007-08 in overall balance, in some parts of Wales this resulted from the use of significant year end brokerage. Difficulties continue in some health communities most notably Powys and Swansea. Hywel Dda NHS Trust has come into existence holding a high level of debt as a result of historic deficits.

**We recommend that the Welsh Assembly Government:**

**when finalising financial plans for those local NHS bodies encountering difficulties, recognises that financial recovery may take more than one year to achieve to minimise the impact on patients.**

Agreed. The Financial Recovery plans guidance issued by the Welsh Assembly Government requires organisations to demonstrate how they will achieve an in-year balanced position for the year following that in which the deficit is forecast, and how an organisation will repay any deficit within a period of no longer than 3 years. The plan will cover the period from when the financial problem occurs until the organisation returns to recurrent balance and all debt has been repaid.

FRP guidance requires an organisation to define which if any of the savings schemes it believes require public consultation and may impact on patient care.