

## Agenda – Public Accounts Committee

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Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 9 March 2020

Meeting time: 12.45

For further information contact:

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Committee Clerk

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### (Private Pre-meeting)

(12.45 – 13.00)

#### 1 Introductions, apologies, substitutions and declarations of interest

(13.00)

#### 2 Paper(s) to note

(13.00)

##### 2.1 The Regeneration Investment Fund for Wales (RIFW): Update from the Welsh Government (27 February 2020)

(Page 1)

##### 2.2 Effectiveness of Local Planning Authorities in Wales: Section 106 – Comments from Mark Harris, Planning & Policy Advisor Wales, Home Builders Federation (27 February 2020)

(Pages 2 – 4)

#### 3 Effectiveness of Local Planning Authorities in Wales: Evidence session with the Welsh Government

(13.00 – 14.30)

(Pages 5 – 41)

Research Briefing

PAC(5)–09–20 Paper 1 – Welsh Government

Andrew Slade – Director General Economy, Skills and Natural Resources Group, Welsh Government



John Howells – Director, Climate Change, Energy and Planning, Welsh Government

Neil Hemington – Chief Planner, Welsh Government

**(Break)**

(14.30 – 14.40)

**4 Implementation of the NHS Finance (Wales) Act 2014: Evidence Session with the Welsh Government**

(14.40 – 15.45)

(Pages 42 – 87)

Research Briefing

PAC(5)–09–20 Paper 2 – Welsh Government

PAC(5)–09–20 Paper 3 – Letter from the Auditor General for Wales (27 February 2020)

Dr Andrew Goodall – Director General of Health and NHS Chief Executive

Alan Brace – Director of Finance, Welsh Government

**5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

(15.45)

Items 6 & 7 and the meeting on 16 March 2020

**6 Effectiveness of Local Planning Authorities in Wales: Consideration of evidence received and key issues**

(15.45 – 16.10)

**7 Implementation of the NHS Finance (Wales) Act 2014: Consideration of the evidence received**

(16.10 – 16.30)



Llywodraeth Cymru  
Welsh Government

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

27 February 2020

Dear Mr Ramsay

I am writing following my last letter to you, in which I provided an update on the Regeneration Investment Fund for Wales (RIFW).

At present there is no additional information I can provide by way of update, other than to confirm that we remain in the process of pursuing the litigation with a view to securing the best outcome for the public purse. The process is lengthy and I will of course keep the Committee updated, whilst continuing to ensure the interests of public monies are maintained.

Yours sincerely

A handwritten signature in black ink, reading "Tracey Burke". The signature is written in a cursive style.

**Tracey Burke**  
**Director General, Education and Public Services**

## Public Accounts Committee

### Inquiry into Effectiveness of Local Planning Authorities in Wales

#### Section 106 – Comments from Mark Harris, Planning & Policy Advisor Wales, Home Builders Federation (27 February 2020)

Following the evidence sessions held with the RTPI and WLGA on 10 February, Mr Harris (who attended the roundtable session on 27 January) has provided some points of clarification to a series of questions asked around Section 106 agreements.

- It is not just the Vale of Glamorgan who employ a S106 officer other Local Planning Authorities (LPAs) do including Cardiff and Bridgend to my knowledge.
- A Section 106 is a legal agreement so a developer is at risk of legal action if it does not comply with it. The resource issue here is with Councils legal teams not the planning department.
- The principle of the Section 106 agreements are set out both in National Guidance Welsh Office Circular 13/97: Planning Obligations, a Policy within the Local Development plan and often Supplementary Planning Guidance (SPG). In particular the SPG's often contained detailed information on how the Section 106 will be calculated [[link to Cardiff SPG](#) as an example]
- Section 106 agreements can be amended but this is unusual and normally linked to a revised application which might change for instance the number of houses proposed thus affecting the calculation of the Section 106. Negotiations over Section 106 requirements normally take place during the planning process with the Section 106 having to be agreed prior to determination of the planning application.
- All policy advise on Section 106 agreements includes the flexibility to consider viability, ultimately if the Council ask for too much and the schemes becomes unviable then the development will not take place at all.
- Large House builders make considerable contributions via Section 106 agreements by way of example Barratt Homes in 2019 spent £8 million

on physical works in the community to improve highways, local outdoor spaces and community facilities [A photo of Section 106 contributions on just one site of 263 homes in Cardiff is attached]



S106.pdf

- The issue with Affordable Housing and Section 106 is that it's not a direct requirement. So for example a development of a certain size will always generate a certain number of extra children and if the local school has no capacity for those children then the developer has to pay for the extra school capacity to make the development acceptable (not have a negative effect), another example would be a highway junction close to the site which is at capacity will have to be improved to take account of the extra traffic to make it safe. However, unlike the examples above new homes do not generate a need for affordable housing, the need already exists, asking developers to contribute to the affordable housing supply has just become an acceptable contribution were it is viable to do so. Nearly all affordable homes provided by private house builders are now provided without grant and the price paid for the home by the Register Social Landlord is less than the cost to build it so every affordable home has a negative impact on the viability of the scheme. This is why as part of Section 106 negotiations it is the affordable housing element which is unfortunately often reduced.
- Once the development starts developers cannot change their mind on the Section 106 agreement other than by reapply for a new planning application and amending the Section 106 agreement attached to, in the same way as the agreement was originally agreed. This very rarely happened but will be for a good reason as this process could take a considerable length of time.
- It is unfair to say developers 'bully' planning authorities, all that developers can do is play within the policy requirements of the LPA, if the LPA does not have strong and clear policies in place then there is a risk that they will find it harder to secure Section 106 payments.

- It also wasn't mentioned in any of the responses that many of the LPA's do charge a monitoring fee for the Section 106 so this should be available to fund the monitoring and enforcement of the agreements [taking the Vale of Glamorgan which was mentioned as an LPA who have a full time officer dealing with Section 106 they use the money raised by this monitoring fee to fund the post in financial year 2018-19 the Council secured £69,569.64 in total as a monitoring fee across 26 Section 106 agreements].

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## Welsh Government

### Evidence Paper in advance of the Public Accounts Committee Scrutiny Session – 09.03.2020

#### Inquiry into effectiveness of local planning authorities in Wales

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##### 1. Introduction

1.1 Land use planning manages the use and development of land in the public interest. The framework within which the planning system operates comprises: primary legislation; secondary legislation; circulars and directions. Planning policy applies the legal framework to different land uses in different locations and circumstances. The Welsh Government has developed comprehensive national planning policies, contained in Planning Policy Wales (PPW). PPW was first published in 2002 and is kept under review. Edition 10 of PPW was published in December 2018 and fully reflects the Well-Being of Future Generations, Active Travel and Environment Acts by promoting placemaking as the organising principle for the planning system. In addition, a series of Technical Advice Notes (TANs) outline how the policy should be delivered by local planning authorities and by the Planning Inspectorate (PINS). Whilst not having the force of law, PPW and TANs must be taken into account by all those involved in the planning process; they have been tested and upheld by the Courts.

1.2 The Building Act 1984 includes powers to make building regulations in respect of design and construction of buildings and the services, fittings and equipment provided in connection with buildings. The building control function is delivered by local authorities and Approved Inspectors (AI).

##### Local Planning and Building Control Authorities

1.3 There are 25 local planning authorities (22 Principal Authorities and 3 National Park Authorities). The 3 National Park Authorities are local planning authorities in their own right, they have no building control responsibilities. The majority of local authorities manage the planning and building control function within the same department.

1.4 The main elements of the planning system are as follows:

- development plans are required at national, strategic(regional) and local levels;
- development requires planning permission; and
- breaches of planning control may be subject to enforcement procedures.

1.5 The main elements of the building control system are as follows:

- building regulations set out procedures and performance requirements of completed buildings to ensure the health, safety, welfare and sustainability.



- the building control system is operated by local authorities (Local Authority Building Control (LABC)) or a private sector Approved Inspectors.
- local authorities have non chargeable duties including enforcement, demolitions, dangerous structures, safety at sports grounds, party wall act advice, neighbour disputes.
- Approved Inspectors do not have any enforcement powers.

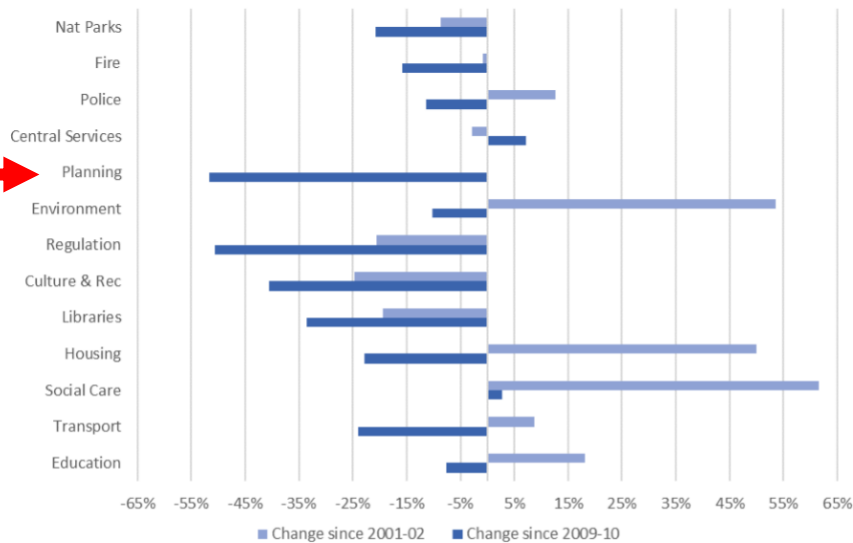
1.6 A more detailed description of the planning and building control systems is provided in Annex A and B

## **2. The challenges of delivering planning services with less resources**

2.1 The planning system has experienced a long-term reduction in resources in terms of capability, capacity and resilience, which extends back to local government reorganisation in 1996. The former County Councils provided capability and capacity in relation to specialist planning skills in critical areas such as strategic planning, minerals and waste, biodiversity, landscape and demography. In many areas, following the creation of unitary authorities, specialist skills have been lost - with local planning authorities focusing on core functions, being mainly local development plan preparation and decision making on applications.

2.2 The declining resources devoted to planning since 2009-10 is clearly demonstrated by evidence submitted by the WLGA to the National Assembly Finance Committee in 2019, and the Audit Commission report. According to the WLGA submission since 2009-10, resources allocated to planning have declined by over 50% - more than any other service area. This comes at a time when local planning authorities have experienced growing public and political expectations to effectively implement the statutory duties placed upon them by the Planning (Wales) Act 2015 (Planning Act) and the Well-being of Future Generations (Wales) Act 2015 (Wellbeing Act).

**Figure 1:** Real Terms Change in Service Spend, from 2001-02 and 2009-10, £m



Source: Base estimates: RO (2001-02 & 2009-10) and RA returns (2017-18)

**Excerpt from page 11 of WLGA submission to National Assembly ELCG Committee – Welsh Government Budget 2019-20, dated 25 October 2018**

2.3 The decline in resources has been accompanied by ageing of the workforce due to the absence of public sector employment opportunities for young planners at the start of their career. Royal Town Planning Institute member records for 2018 indicate the average age of their members employed by local authorities in Wales to be 45 years. This has significant implications for public sector workforce planning, and the future sustainability of the planning profession.

**Age Analysis of RTPI Members in Wales  
Associate, Chartered and Licentiate members**

	Number	% of total	Average age
Local Authority	370	47%	45
Other Public Sector	69	9%	46
<b>Total Public Sector</b>	<b>439</b>	<b>56%</b>	
Private Sector	242	31%	41
Independent Consultants	39	5%	60
<b>Total Private Sector</b>	<b>281</b>	<b>36%</b>	
Other	50	6%	50
England Public	15	2%	37
<b>TOTAL</b>	<b>785</b>	<b>100%</b>	<b>45</b>

## Excerpt from RTPI Membership study, 2018

2.4 Declining resources have inevitably resulted in reduced performance despite the best efforts of many LPAs to mitigate impacts. The evidence base for the Planning Act, in particular the Independent Advisory Group report, considered the availability of resources. The report recommended that local planning authorities prepare an annual performance report to a common standard, and that an All Wales Performance Report be prepared.

[https://gov.wales/sites/default/files/publications/2018-10/towards-a-welsh-planning-act\\_0.pdf](https://gov.wales/sites/default/files/publications/2018-10/towards-a-welsh-planning-act_0.pdf)

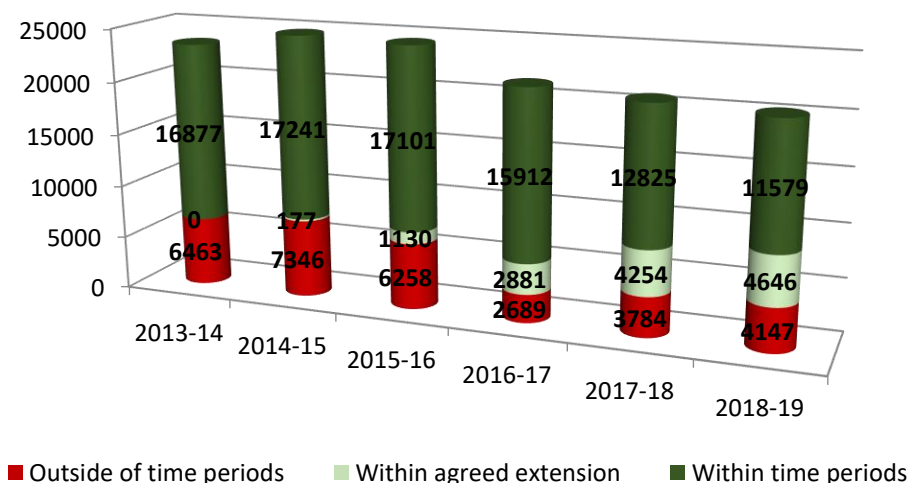
2.5 Since 2014-2015, annual performance reports (APRs) have been produced covering the performance of local planning authorities, the Planning Inspectorate, Welsh Government and Statutory Consultees. The latest summary performance table is attached at Annex C and the latest full report can be viewed by following the link below:

<https://gov.wales/planning-services-annual-performance-report-2018-2019>

2.6 The report for 2018-19 includes significant insights from local planning authorities on how they are managing declining resources, and the impacts this is having on their services. Approaches reported include:

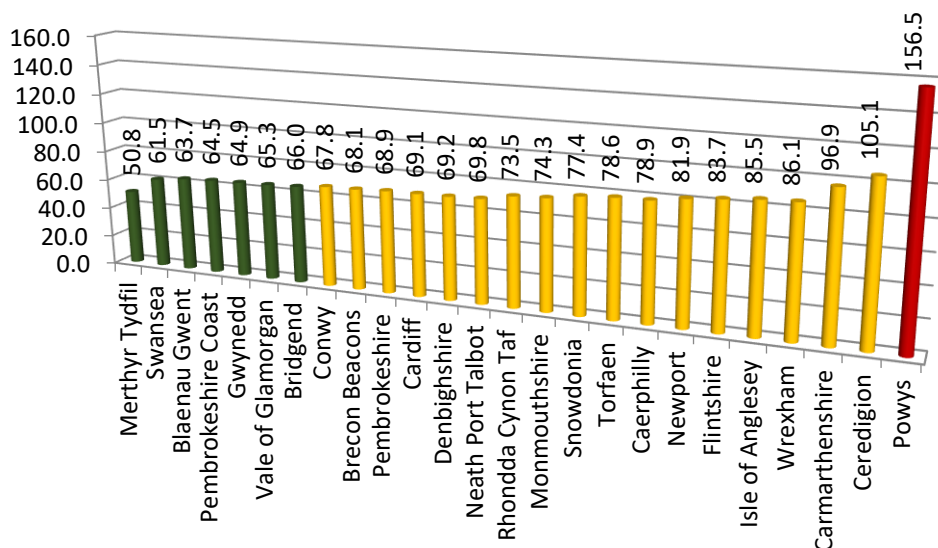
- Staff vacancies are being held open, posts are being deleted following retirement, and in some cases unpaid leave is being used to find in-year savings. This is impacting on the service provided, with severe pressure during periods of staff absences.
- Enforcement and forward planning officers are being redeployed to take on a development management caseload, whilst some authorities are considering using non-planners to handle applications.
- LPAs are reporting gaps in expertise due to retention issues. There are significant gaps in expertise affecting processing of major applications, and gaps in enforcement, conservation and landscape disciplines.
- Internal consultees are taking longer to respond due to their own resource pressures. In particular, some Highways Departments have stopped giving pre-application advice.
- Many LPAs are having to be creative in seeking alternative funding streams and are charging for services in order to bridge the resource gap, including:
  - Fast-tracking applications for an additional fee; and
  - Greater reliance on Planning Performance Agreements, for the additional fee income they provide.
- In North Wales, proactive joint working seeking to standardise practice on built heritage and biodiversity issues while processing applications has been achieved, although this stops short of actually sharing expertise.

2.7 One of the most apparent impacts from the reduction in resources is the increase in the average time taken to determine planning applications. Whilst a higher proportion of applications are determined “on time” than ever before, most of these are subject to an agreed extension of time, rather than being determined quicker. Applicants can refuse to agree an extension if they desire, but anecdotal evidence indicates applicants would rather maintain a positive relationship with the relevant planning officer than risk a refusal.



**All planning applications determined “on time” (including within an agreed extension) – 2013-14 to 2018-19**

2.8 There are also significant variations between local planning authorities in the average time taken to determine planning applications



**Average time taken to determine planning applications in days 2013-14 – 2018-19**

2.9 The Welsh Government has sought to assist local planning authorities to address capacity, capability and resilience challenges in a comprehensive way, whilst recognising local accountability about the level and type of service provided. This has included:

- Putting in place the legislative framework to support collaboration;
- Providing grant aid for collaborative projects;
- Setting appropriate levels of planning application fees with a view to moving closer to full cost recovery; and
- Supporting the development of tools which allow local planning authorities to demonstrate the value which planning creates.

2.10 The Planning Act includes enhanced arrangements for collaborative working, to improve resilience and increase efficiency. Legislation relating to joint planning boards allows two or more local planning authorities to merge their planning functions. This complements existing arrangements to prepare joint LDPs. The ability to prepare SDPs allows cross boundary issues to be fully considered and planned for and permits the efficient preparation of LDPs which sit below them. Local planning authorities been reticent to use the available legislative tools with the exception of the Joint Gwynedd Ynys Mon LDP. In 2017, the Cabinet Secretary for Energy, Planning and Rural Affairs invited thirteen local planning authorities about to review their LDPs to submit proposals to prepare Joint LDPs, where there are common housing markets and employment areas. The invitation was declined, with authorities preferring to prepare individual LDPs, confirming this could be achieved within 3 ½ years. Alongside specific planning legislation, local government legislation has also been in development to address similar issues. The Local Government and Elections Bill includes proposals to introduce Corporate Joint Committees, which would allow local authorities to collaborate in a formal way. Strategic Planning has been identified as a specific area for collaboration for Corporate Joint Committees.

2.11 Collaboration has also been promoted through the use of Welsh Government Grant aid. Recent examples of local authority projects in receipt of grant aid include joint working in North Wales to standardise of practice on built heritage and biodiversity issues in processing applications, and the creation of a standardised development viability model for South West Wales authorities, in order to inform LDPs and negotiations on planning applications. Both projects have the potential to be used by authorities across Wales, helping to fill knowledge gaps and increase expertise.

2.12 Funding from local planning services is obtained from two main sources:

- direct funding from local authority corporate income; and
- fee income derived from planning applications.

2.13 Significant areas of local planning authority activity do not attract fee income. These include the determination of Listed Building applications and enforcement work. In recent years, core income has been supplemented by fees charged for discretionary services.

2.14 The Welsh Government has taken a number of steps since 2015 to better understand the cost of delivering a development management service, and to help LPAs recover their costs. In 2015, the Welsh Government implemented a rise in planning application fees of approximately 15%. This change accompanied the legislative changes introduced by the Planning Act, and was intended to help local planning authorities cover relevant additional costs. At the same time, a commitment was given to explore with local planning authorities the feasibility of moving towards a full cost recovery model for planning application fees. In general terms, planning application fees for major applications fund the costs associated with processing the application, whereas fees for local and householder applications do not. This situation is in contrast with Building Regulation fees, which are set locally and are intended to fully cost recover. Local authority building control services are, however, subject to market competition from private sector Approved Inspectors, which means any fee set must be competitive. There is some anecdotal evidence that local planning authority reliance on fee income from major applications is impacting negatively on public confidence in the objectivity of planning decisions. This is most evident where speculative planning applications are approved due to the absence of a 5 year housing land supply.

2.15 In 2016, the Welsh Government provided grant assistance to the WLGA to undertake research to explore the cost of delivering planning services in Wales, within the current legislative framework. WLGA commissioned the Planning Advisory Service to establish specific costs of the various activities associated with processing planning applications, and the majority of LPAs participated in this work. The results demonstrated there were significant differences in costs for similar tasks between authorities and found flaws in the current fee model. It drew a clear conclusion that LPAs which receive a significant portion of major applications are far closer to full cost recovery for their development management service, and the research evidenced previous assumptions of cross-subsidy between major and other applications.

2.16 Arup has been commissioned to undertake a further study which progresses the data-gathering work already undertaken by PAS, and to translate the data gained into an evidenced fee model. This research is ongoing and being developed alongside a working group of LPAs in South-East Wales. The outcome of this research, along with the proposed fee model, is due to be published in Spring 2020. Timescales for implementation of the new model and the research findings will depend on whether primary legislation is necessary. As an interim measure, the Welsh Government is currently consulting on a 20% planning application fee increase from 2015 levels. The consultation on this interim fee-increase finishes on 13 March 2020. Subject to the responses received, it is anticipated the fee-increase will be in force by Summer 2020. We are aware that in some cases, the 2015 planning application fee-increase was matched by corresponding reductions in central local authority funding, resulting in no net gain for planning services. We are exploring options to increase the likelihood of any planning application fee-increase being retained and used to improve the capacity, resilience and capability of local planning services.

2.17 The planning system manages the use and development of land in the public interest. In managing the future development and use of land, it can create

significant value for landowners, and external costs for society. Information on the value which planning creates and the mitigation of external costs arising from it, should be used to inform decisions on the funding of planning services locally. To help further understanding in this area, the Welsh Government has provided grant funding to the RTPI, to produce a toolkit which allows local planning authorities to estimate value created through planning. For Wales as a whole, the estimated value created by planning in financial year 2016/17 was £2.35Bn.

<https://www.rtpi.org.uk/media/2896429/Value-of-Planning-Handout.pdf>

2.18 In England, The Independent review of building safety (Hackitt Review) has identified numerous problems with the building control system. It has proposed a new regulatory regime for high risk buildings that will require a more rigorous and investigatory skill set than is currently required from those responsible for building regulation oversight.

2.19 Indications are that all 22 LA building control authorities suffer from an ageing workforce. On average approximately 50% of technical staff are fully qualified. Recruitment and retention is an issue. A number of authorities recently have struggled to replace staff leaving or retiring with consequent impact on capacity.

### **3. The delivery of responsibilities under the National Development Framework and the Wellbeing of Future Generations Act 2015**

3.1 The planning system is a key policy lever to improve the sustainability of development. Initially, this was achieved through Section 39 of the Planning and Compulsory Purchase Act (2004) which required plan-making authorities, when exercising the functions of preparing the Wales Spatial Plan and LDPs, to have regard to the objective of contributing to the achievement of sustainable development. In practice, the need to take into account national planning policy - which includes policies on sustainable development - and the requirement for Strategic Environmental Appraisal (incorporating sustainability appraisal), effectively demonstrated how those plans contributed to the achievement of sustainable development. In turn, this approach is transmitted to individual planning decisions, through the statutory requirement for planning decisions to be in accordance with the development plan, unless material considerations indicate otherwise.

3.2 As the concept of sustainable development in the Welsh context has matured, so has the approach to implementing sustainable development through planning. The Planning, Wellbeing of Future Generations and Environment Acts were developed in parallel, to allow effective links to be made between the three pieces of complementary legislation. The statutory link between the planning system and sustainable development has been made explicit and strengthened by Section 2 of the Planning Act.

Section 2 “Sustainable development(1) This section applies to the exercise by the Welsh Ministers, a local planning authority in Wales or any other public body—

(a) of a function under Part 6 of PCPA 2004 in relation to the National Development Framework for Wales, a strategic development plan or a local development plan;

(b) of a function under Part 3 of TCPA 1990 in relation to an application for planning permission made (or proposed to be made) to the Welsh Ministers or to a local planning authority in Wales.

**(2) The function must be exercised, as part of carrying out sustainable development in accordance with the Well-being of Future Generations (Wales) Act 2015, for the purpose of ensuring that the development and use of land contribute to improving the economic, social, environmental and cultural well-being of Wales.”**

3.3 To further strengthen the link between planning and the Wellbeing Act, planning policy has been reviewed, and preparation of the NDF commenced. A new version of PPW was published in 2018. PPW is our national land use planning policy statement. It demonstrates to local planning authorities and applicants how sustainable development, as expressed by the Wellbeing Act, should inform the preparation of statutory development plans (the NDF, SDPs and LDPs) and planning applications.

3.4 The new edition of PPW places the concept of ‘placemaking’ at the heart of national planning policy. Placemaking is sustainable development in action. It requires an integrated approach to development, which ensures that communities have all the services they need within easy reach, and that development is of high design quality. This principle moves away from processes such as simply counting houses to thinking about the outcomes and the quality of the places created. Placemaking is the holistic approach to the planning, design and management of spaces. It capitalises on a local community’s assets, inspiration, and potential, with the intention of creating development that promote people’s health, happiness, and wellbeing. It is therefore closely integrated with the wider objectives of the Wellbeing Act. It requires people engaged in the planning system to think about places and wellbeing holistically, rather than thinking of these as silos of discreet policy, developed in isolation.

3.5 PPW sets out the framework within which the Wellbeing Act should be implemented by local planning authorities (who are also under a duty to comply with the Wellbeing Act), in both their approach to the planning policies they develop, and the processes they use to formulate those policies, and ultimately make decisions in the light of the policies once adopted. PPW includes frequent references to the goals of the Wellbeing Act and sign-post markers throughout the text, highlighting where the Ways of Working are demonstrated.



3.6 The formulation of PPW followed the Wellbeing Act ways of working, in terms of taking a collaborative approach with stakeholders in the formulation of the draft version. Officials worked closely with the Future Generations Commissioner's office. Sophie Howe, the Commissioner has commented:

*"...the Act has been fully used to create the policy from day one. The officials clearly used the 5 ways of working themselves and sought to maximise the contribution of the policy to the goals. I would like to stress that this one of the best examples we have seen to date of the use of the Act to design national policy in Wales and of engagement with my office."*

Sophie Howe, Letter to the Climate Change, Environment and Rural Affairs Committee, 31<sup>st</sup> May 2019

3.7 The Wellbeing Act's goals and Ways of Working have also been central to the preparation of the NDF. For example, the five Ways of Working have been fundamental to how work has been progressed to date. Involving people in the development of the Framework is an integral part of the NDF process. Extensive engagement and involvement has taken place with stakeholders across Wales. The involvement undertaken has used a variety of methods with a range of stakeholders, including children and young people and protected characteristic representative groups. The approach to involvement has included:

- Workshops and drop-in sessions across Wales;
- Regular NDF newsletters sent to around 1,000 stakeholders, which include around 80 protected-characteristics representative groups;
- Information disseminated through existing networks such as One Voice Wales, the Royal Town Planning Institute and Public Service Board coordinators' network;
- Extensive use of social media and webinars to increase engagement;
- Working with Children in Wales to involve children and young people, including exploring how to interact with the new Youth Parliament;
- Accessible versions of the documents were produced – Easy Read version & Young Persons' summary version; and
- Education resource packs for schools.

3.8 The NDF's involvement programme is an exemplar which could be replicated in the preparation of SDPs and LDPs. Effective implementation of the new policy approach advocated in PPW and NDF will require a culture change, both within local planning authorities and the development industry. Officials are currently working with stakeholders to develop a charter, under the name *Placemaking Wales*. This charter will allow local planning authorities, other public sector organisations, professional bodies and umbrella organisations to commit to the promotion of placemaking through their work. This group will work collaboratively to promote placemaking, highlight good practice and provide training and guidance.

3.9 The majority of LDPs were prepared and adopted prior to the Wellbeing Act. Where LDP reviews are currently underway, those draft plans must evidence they have been informed by wellbeing goals (including local wellbeing goals) and the ways of working. Those plans should also have regard to the new version of PPW

and be in conformity with the NDF, once it is adopted. Compliance with the Wellbeing Act will be assessed by Welsh Government scrutiny of individual LDPs as well as during independent examination by a Planning Inspector.

#### **4. The Wellbeing Act in relation to community involvement in planning**

4.1 Effective engagement and consultation are central aspects of the planning system, with legislation setting down minimum standards to be followed, both when preparing development plans and when determining planning applications. For development plans, the minimum requirements are set out in Part 6 of the Planning and Compulsory Purchase Act 2004. Further detail is set out in the LDP regulations and the Development Plans Manual. For development management, the requirements are set out in Part 3 of the Town and Country Planning Act 1990, and the Town and Country Planning (Development Management Procedure) (Wales) Order 2012, with further guidance provided by the Development Management Manual. The Welsh Government also provides core funding to Planning Aid Wales, a third-sector organisation with a remit to improve community involvement in the planning system.

4.2 To enhance community engagement in the planning application process, the Planning Act introduced a requirement for Pre-Application Community consultation for major development. Major development is defined as development of 10 or more houses, of more than 1,000 M<sup>2</sup> or on a site of more than 0.5 Ha.

4.3 Legislation provides for minimum requirements. Local planning authorities and applicants for planning permission are encouraged to go further than these statutory minimums. Local planning authorities are also required to produce a Community Involvement Scheme, when preparing or reviewing an LDP. This Scheme must set out the timetable for the preparation of the plan and all opportunities for the community to input into the plan's development. This may include supporting local communities to prepare Place Plans for their areas.

4.4 The Wellbeing Act sets out five Ways of Working which public bodies must adopt. Involvement is one of the 5 ways of working which must be observed when preparing development plans or determining planning applications. A revised version of the Development Plan Manual has been prepared to provide updated advice on involvement when preparing plans. The Commissioner's Office has contributed to the revised guidance, and a new version of the "Planning Your Community: A Guide to Local Development Plans" guidance document will be published later this year.

4.5 There are areas where public involvement in the planning system could be improved. For example, it is clear many communities and individuals do not understand the significance of the LDP in establishing the principle of development. When applications are subsequently submitted for planning permission, only detailed matters such as design of the scheme can be taken into account by the LPA. The principle of development has already been established by the plan. This can lead to significant public dissatisfaction when planning applications are submitted and objections to the development are rejected by the LPA on the grounds that the

principle of development has already been established by the LDP. Many of the traditional methods used to promote involvement could also be enhanced by greater use of digital tools, including social media. These communication methods may also help to improve access to the planning system for excluded and hard-to-reach groups. Work has commenced to scope possible projects to improve involvement in the planning system.

## **5. The role of planning committees and their decisions**

5.1 The Local Government Act 1972 allows local authorities to arrange for the discharge of their functions, including the power to determine an application for planning permission, by a committee, sub-committee or by delegation to an officer of the authority. The criteria setting out the rules governing when a delegated decision may be made are provided within each Council's scheme of delegation. Most schemes of delegation allow for a local member to request that an application falling within their ward be determined by the Planning Committee (known as "calling in" the application for determination at Committee).

5.2 The evidence base for the Planning Act demonstrated wide variation in planning committee arrangements, procedures and delegation practices. The Independent Advisory Group report, which informed the Planning Act, concluded that smaller planning committees are likely to develop a better culture of informed and evidence-based decision making. Evidence from the Royal Town Planning Institute study into the operation of Planning Committees in Wales in 2014, indicated that in general the larger a committee, the lower the average attendance of Members, which can result in a lack of continuity of membership, and inconsistency in decision-making.

<https://gov.wales/sites/default/files/publications/2018-10/planning-committee-operation-study.pdf>

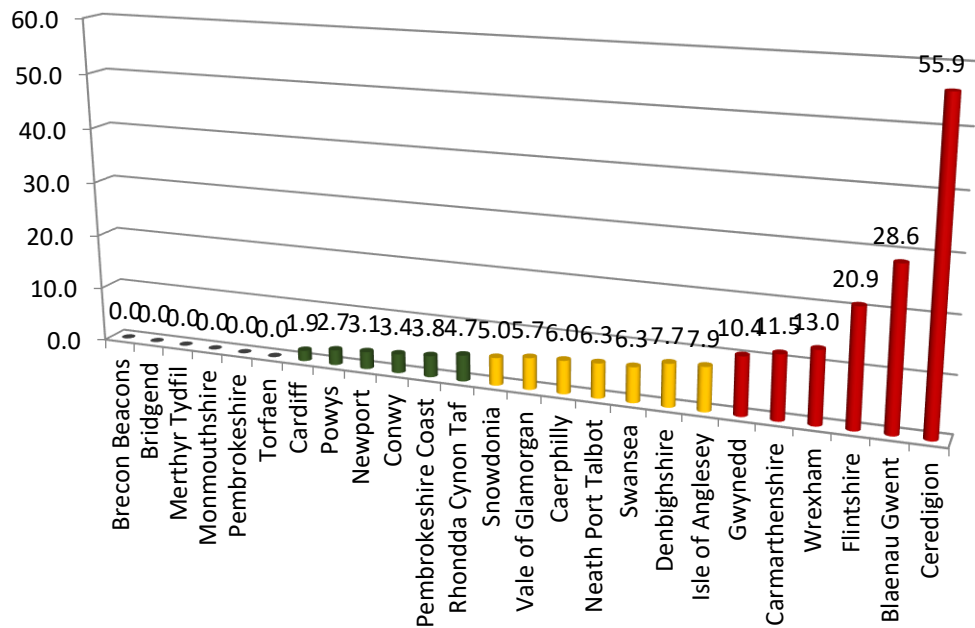
5.3 Following on from the recommendations made by the RTPI study, regulations have been made in relation to the structure and operation of planning committees:

- The size of the planning committee will be a minimum of 11 members and a maximum of 21 members but no more than 50% of the authority members (excluding National Park Authorities due to their lower number of members);
- Where wards have more than one elected member, only one should sit on the planning committee, in order to allow some members to perform the representative role for local community interests;
- A quorum for decision-making (50% of the committee); and
- Prohibit the use of substitute members.

5.4 Alongside the legislative provisions the Welsh Local Government Association and Planning Officers Society Wales produced a National Planning Committee Protocol.

5.5 The overall effect of the changes has been to introduce greater consistency and efficiency in the procedures used to determine planning applications whilst retaining local democratic accountability. This ensures that similar planning applications are

dealt with in the same way. Consistency has improved, however, inconsistent decision making remains evident in some authorities, particularly with regard to overturning officer recommendations. The officer recommendation on applications is based on policy set out in the relevant adopted development plan. This means member decisions contrary to officer advice are also contrary to the adopted plan. This approach undermines public confidence in a plan-led system. In many cases these are approvals, so are not challenged at appeals, as appeals can only be made against refusal of consent, or conditions attached to the grant of consent.



**Percentage of Planning Committee decisions made contrary to officer advice 2014-15 – 2018-19**

**6. Conclusion**

6.1 We welcome the Wales Audit Office Report into the Effectiveness of Local Planning Authorities in Wales. The Report confirms our understanding that local planning authorities are under significant pressure in terms of capacity and capability, at a time when the expectations of the public and politicians are high, particularly with regard to implementation of the Wellbeing and Planning Acts. The ability to maintain a good standard of service, at a time of considerably diminished resources is a significant achievement. Corporately, local planning authorities must do more to invest in and strengthen planning services, by ensuring fee income is retained within the planning service, and exploring with renewed vigour the opportunities for formal collaboration provided by the Corporate Joint Committee provisions contained in the Local Government and Elections Bill and through provisions contained within existing planning legislation.

## **Annex A The main elements of the planning system**

### ***Development plans***

A.1 Since the Planning and Compensation Act 1991, planning applications and appeals must be determined in accordance with the development plan, unless material considerations indicate otherwise - the plan-led system. The plan-led system provides certainty about what development will, and will not, be acceptable in any given location

A.2 The Planning (Wales) Act 2015 (the Planning Act) broadened the definition of the development plan to include the National Development Framework (NDF), Strategic Development Plans (SDPs) and Local Development Plans (LDPs).

#### National Development Framework

A.3 The NDF is the spatial representation of Welsh Government policy. It is prepared by Welsh Ministers, drawing together Government policy with spatial implications into one document. When approved, it will supersede the Wales Spatial Plan (WSP). Consultation on the draft NDF took place in 2019. The NDF will be scrutinised by the Senedd and approved by Welsh Ministers later in 2020. The NDF is closely linked to PPW, reflecting the approach to sustainable development through placemaking, and the seven goals and ways of working set out in the Wellbeing of Future Generations Act 2015 (the Wellbeing Act).

#### Strategic Development Plans

A.4 The Planning Act introduced SDPs to effectively deal with wider than local issues, transcending administrative boundaries. SDPs will set the scene and policy context for LDPs. They will follow a similar process to LDPs, including being scrutinised by an independent Inspector through a public examination. The Local Government and Elections Bill includes provisions to mandate Corporate Joint Committees to prepare SDPs.

#### Local Development Plans

A.5 Local planning authorities have a statutory duty to prepare LDPs, which establish the main framework for development in their areas, and set out the policies against which applications for planning permission are judged. By statute they must contribute to the achievement of sustainable development, and have regard to both the Wales Spatial Plan (until superseded by the NDF), and the local well-being plan. LPAs are required to adopt a Community Involvement Scheme at the beginning of the LDP preparation process, covering both the range and timing of stakeholder engagement, alongside a timetable for preparing the plan. Twenty-two of 24 LDPs have been adopted, with Ynys Mon and Gwynedd Councils sharing an adopted Joint LDP, and a further plan is at the examination stage, leaving only Flintshire Council yet to reach this stage. Two authorities - Snowdonia and Merthyr Tydfil - have recently completed LDP reviews. Eleven authorities are currently undertaking the first review of their plan.

## ***Development management***

A.6 Development management delivers the land use strategy set out in the development plan, using a principle that is pivotal within the planning system – that “development” requires planning permission.

A.7 “Development” is defined in the Town and Country Planning Act 1990 as:

“the carrying out of building, engineering, mining or other operations in, on, over or under land, or the making of any material change of use of any building or other land”.

A.8 The broad nature of the definition of development means that everything from the largest airport, down to the smallest garden fence or patio, requires planning permission. Development requiring permission falls into one of four categories depending on its size, complexity and potential impact:

- Developments of National Significance
- Major Development
- Local Development
- Permitted Development

### Developments of National Significance

A.9 Legislation under the Planning Act 2015 provides for large infrastructure projects to be determined by the Welsh Ministers. The provisions in the Planning Act, and associated subordinate legislation, establish the process for the consenting of Developments of National Significance (DNS). DNS projects include energy projects with a generating capacity of between 10MW and 350MW, all onshore wind generation above 10MW, airports, railway infrastructure, dams and reservoirs,

### Major and Local Development

A.10 Local planning authorities are responsible for determining planning applications for major and local development. Applications for major development account for around 3% of all applications. Given their importance both economically and to the public in general, the Planning Act introduced mandatory pre-application consultation for major developments as part of a strategy to ensure a good standard of design is incorporated into such planning applications as early as possible. This is intended to avoid later delays to their determination. Applications for local development are generally dealt with in the same manner as those for major development. Applications by householders to improve their homes account for at least a third of all applications.

### Permitted Development

A.11 Some types of development such as a modest extension to a house, or a temporary change in the use of land do not require specific planning consent. Requiring the submission of a planning application would be a waste of resources given the limited planning impacts of such development, so the Welsh Ministers grant a general planning permission, currently set out in the Town and Country Planning (General Permitted Development) Order 1995 (GPDO). Such permission is often referred to as “permitted development rights”. For some permitted development rights such as telecommunication equipment or farm buildings, the developer has to give notice to the local planning authority of their intention to build. The authority can then insist on considering certain details such as siting or appearance – a process referred to as “prior approval”. Authorities also have the power to take away permitted development rights by using an Article 4 Direction.

### ***Enforcement***

A.12 Where development requiring planning permission has taken place without the necessary consent, local planning authorities may take enforcement action. Local planning authorities have discretion whether to enforce, but should do so where it is expedient to do so in the wider public interest. Local planning authorities have a range of enforcement powers at their disposal. Non-compliance with enforcement action is an offence. The Planning Act introduced measures to remove opportunities to delay enforcement action.

## **Annex B The main elements of the building control system**

B.1 The building regulations cover procedural requirements before starting building work and functional performance requirements of completed buildings to ensure the health, safety, welfare and convenience of people in and about buildings and the conservation of water, fuel and power.

B.2 The building regulations are administered by Building Control Bodies. Building Control Bodies can be operated by either the public sector (i.e. a local council) or a private company. Council run building control services operate under the generic term of Local Authority Building Control (LABC). Private companies operate under the generic term of Approved Inspector (AI). The enforcement of the building regulations (i.e. where things go wrong) rests solely with local authorities. Approved Inspectors do not have any enforcement powers.

B.3 Local authorities are required to recover their costs in administering the building regulations through charging fees in accordance with the Building (Local Authority Charges) Regulations. The charges are required to be published and should not create a surplus over a three year period. Approved Inspectors can choose their own charging mechanisms and are not required to make them public.

B.4 The building control system, for a local authority, is a much wider concept than compliance with the building regulations, and covers many other functions provided by local authorities regarding buildings, building safety and public safety more generally e.g. enforcement of unauthorised building work, demolitions, dangerous structures, party wall act advice and neighbour disputes. In addition local authorities are required to undertake administrative functions in relation to Approved Inspector roles e.g. registering initial notices and dealing with enquiries relating to them and keeping public register of information. These functions are non-chargeable.



Annex C

PLANNING PERFORMANCE FRAMEWORK TABLE - APRIL 2018 TO MARCH 2019

Version: 3

Date: 15/07/2019

MEASURE	GOOD	FAIR	IMPROVE	WALES AVERAGE/ TOTAL	Blaenau Gwent	Brecon Beacons National Park	Brigand	Caerphilly	Cardiff	Camrthenshire	Ceredigion	Conwy	Derbyshire	Flintshire	Gwynedd	Isle of Anglesey	Mermyr Tydfil	Monmouthshire	Neath Port Talbot	Newport	Pembrokeshire	Pembrokeshire Coast National Park	Powys	Rhondda Cynon Taf	Snowdonia National Park	Swentee	Torfaen	Vale of Glamorgan	Wrexham	
<b>Plan making</b>																														
Is there a current Development Plan in place that is within the plan period?	Yes		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
LDP preparation deviation from the dates specified in the original Delivery Agreement, in months	<12	13-17	18+	73										34																111
Time taken to commence formal revision of an LDP following the triggering of Regulation 41, in months	<12	13-17	18+	16	23	10	10	64	1	-5	15	7	12			16	2	1	13	16	23			58	13		7			
Has an LDP Revision Delivery Agreement been submitted to and agreed with the Welsh Government?	Yes		No	Yes	Yes	Yes	Yes	No		Yes	Yes	Yes	Yes			Yes	Yes			Yes	Yes			No	Yes		Yes			
LDP review deviation from the dates specified in the original Delivery Agreement, in months	<3		4+	1		1				0	1	1	3			0				1	0									
Annual Monitoring Reports produced following LDP adoption	Yes		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			Yes	Yes	Yes	Yes	Yes	Yes			Yes	Yes		Yes			
The local planning authority's current housing land supply in years	5+		<5	6	1.3	3.9	3.4	2.3	3.5	3.8	2.2	3.1	1.6	0.0	6.3	6.3	1.1	3.9	5.0	5.6	4.5	1.4	7.0	1.4	3.0	0.0	3.9	5.6	0.0	
<b>Efficiency</b>																														
Percentage of "major" applications determined within time periods required	60+	50.1-59.9	<50	67.8	100.0	100.0	38.1	16.7	86.7	39.1	65.2	60.0	93.8	35.3	33.3	55.0	100.0	88.9	75.0	77.3	36.4	100.0	84.1	46.2	0.0	88.4	76.9	81.0	87.0	
Average time taken to determine "major" applications in days				326 of 481	10 of 10	5 of 5	8 of 21	3 of 18	39 of 45	9 of 23	15 of 23	9 of 15	15 of 16	12 of 34	3 of 9	11 of 20	9 of 9	8 of 9	6 of 8	17 of 22	4 of 11	9 of 9	37 of 44	12 of 26	0 of 4	38 of 43	10 of 13	17 of 21	20 of 23	
Percentage of all applications determined within time periods required	80+	70.1-79.9	<70	88.1	97.3	98.8	80.0	86.4	90.9	72.6	72.9	90.2	91.6	79.3	85.4	80.9	99.7	88.4	96.7	87.5	87.0	90.0	90.7	91.2	75.7	98.5	86.6	91.2	92.3	
Average time taken to determine all applications in days	<67	67-111	112+	20871 of 23687	286 of 294	575 of 582	702 of 878	748 of 866	2309 of 2541	886 of 1221	652 of 894	798 of 885	844 of 921	809 of 1020	809 of 947	651 of 805	329 of 330	973 of 1101	734 of 759	819 of 936	777 of 893	450 of 500	1091 of 1203	1052 of 1154	331 of 437	1873 of 1901	472 of 545	1114 of 1221	787 of 853	
Percentage of Listed Building Consent applications determined within time periods required	80+	70.1-79.9	<70	74.7	100.0	100.0	62.5	73.7	87.7	66.0	61.1	92.5	69.4	35.0	66.7	71.4	100.0	88.6	100.0	75.0	24.1	100.0	81.0	27.3	56.0	83.3	71.4	71.4	96.4	
Applications for costs at Section 78 appeal upheld in the reporting period	0	1	2+	582 of 779	1 of 1	43 of 43	10 of 16	14 of 19	50 of 57	31 of 47	33 of 54	37 of 40	25 of 36	7 of 20	40 of 60	25 of 35	6 of 6	70 of 79	4 of 4	21 of 28	7 of 29	18 of 18	51 of 63	3 of 11	14 of 25	15 of 18	5 of 7	25 of 35	27 of 28	
<b>Quality</b>																														
Percentage of applications determined under delegated powers				94.5	90.5	98.1	96.4	92.3	98.0	93.6	93.4	96.7	94.4	95.8	92.9	90.6	95.5	95.5	97.9	93.2	95.9	94.8	93.9	88.9	95.4	95.8	95.0	97.1	82.9	
Percentage of Member made decisions against officer advice	<5	5-9	9+	9.2	28.6	0.0	0.0	6.0	1.9	11.5	55.9	3.4	7.7	20.9	10.4	7.9	0.0	0.0	6.3	3.1	0.0	3.8	2.7	4.7	5.0	6.3	0.0	5.7	13.0	
Percentage of appeals dismissed	66+	55.1-65.9	<55	121 of 1310	8 of 28	0 of 11	0 of 32	4 of 67	1 of 52	9 of 78	33 of 59	1 of 29	4 of 52	9 of 43	7 of 67	6 of 76	0 of 15	0 of 50	1 of 16	2 of 64	0 of 37	1 of 26	2 of 73	6 of 128	1 of 20	5 of 79	0 of 27	2 of 35	19 of 146	
Applications for costs at Section 78 appeal upheld in the reporting period	0	1	2+	67.7	63.6	33.3	75.0	75.0	68.4	71.4	50.0	58.8	60.0	55.0	68.2	73.7	71.4	46.2	61.5	72.7	61.5	100.0	72.2	66.7	60.0	71.6	90.9	71.4	50.0	
Engagement				360 of 532	7 of 11	1 of 3	18 of 24	12 of 16	39 of 57	15 of 21	4 of 8	10 of 17	6 of 10	11 of 20	15 of 22	14 of 19	5 of 7	6 of 13	8 of 13	24 of 33	8 of 13	6 of 6	13 of 18	24 of 36	3 of 5	68 of 95	10 of 11	20 of 28	13 of 26	
Does the local planning authority allow members of the public to address the Planning Committee?	Yes		No	0	1	0	0	1	4	1	0	1	0	0	1	1	0	0	0	1	0	0	1	0	0	0	0	0	2	
Does the local planning authority have an officer on duty to provide advice to members of the public?	Yes		No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Does the local planning authority's web site have an online register of planning applications, which members of the public can access, track their progress (and view their content)?	Yes	Partial	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
<b>Enforcement</b>																														
Percentage of enforcement cases investigated (determined whether a breach of planning control has occurred and, if so, resolved whether or not enforcement action is expedient) within 84 days	80+	70.1-79.9	<70	76.9	97.4	76.4	86.9	92.5	99.5	51.8	99.5	88.1	75.0	62.7	76.5	22.6	78.9	64.5	99.0	82.7	53.6	80.5	85.2	71.1	88.7	72.0	89.3	81.7	77.0	
Average time taken to take positive enforcement action	<100	101-200	200+	166.7	282.3	294.3	21.3	227.5	7.3	No Data	531.5	170.3	147.8	120.3	131.5	197.8	48.5	232.1	136.0	180.8	249.0	331.8	122.0	58.0	198.0	73.0	46.5	76.0	82.0	

# Agenda Item 4

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

**Public Accounts Committee  
NHS Finances  
Welsh Government Scrutiny Session – 9<sup>th</sup> March 2020**

**Evidence paper from the Director General, Health and Social Services**

**INTRODUCTION**

The 2019-20 Draft Budget provided for increased investment of over £500 million in health and social services in the current financial year, with nearly £200 million being allocated to support action to implement the vision set out in A Healthier Wales. The First and Second Supplementary budgets provided additional funding for specific pressures and priorities, the most significant of which was an additional £170 million in the First Supplementary Budget to cover the increased costs of employer's contributions to the NHS Pension Scheme.

This paper provides Committee Members with an update on the financial outlook for NHS Wales organisations in 2019-20, and the planning and performance factors impacting on the financial position. It also includes an update on how the additional investment is being used during the current year, as well as an update on the NHS Resource Allocation Review.

**INTEGRATED MEDIUM TERM PLANS**

**2019-20 Integrated Medium Term Plans**

At the evidence session in July 2019, I confirmed that the Minister for Health and Social Services had approved Integrated Medium Term Plans (IMTPs) for seven organisations covering the financial years from 2019-20 to 2021-22. This included approval of Cardiff and Vale University Health Board (UHB) for the first time in several years, contributing to the organisation's de-escalation to the lowest level of government oversight and intervention.

Three health boards were unable to submit approvable IMTPs for this period. Hywel Dda UHB developed an Annual Plan for 2019-20. Swansea Bay and Betsi Cadwaladr UHBs developed draft plans which were considered by their Boards, but these could not be finalised due to significant ongoing challenges relating to performance and finance. Welsh Government officials have continued to provide support to all three organisations, and have monitored their positions via the regular Quality & Delivery, Targeted Intervention/ Special Measures, and Joint Executive Team meetings.

## **NHS Planning Framework for 2020 to 2023**

The NHS Planning Framework covering the financial years from 2020-21 to 2022-23 was published in September 2019, in conjunction with a National IMTP. The Framework reflects the Ministerial priorities and also the key learning taken from the previous planning cycle. NHS organisations submitted their board-approved plans to Welsh Government at the end of January 2020 and these plans are currently being reviewed as part of the normal annual assurance process.

The three health boards that were unable to develop approvable IMTPs in 2019-20 are again developing Annual Plans for 2020-21, which will be considered by their Board in March. Bespoke planning guidance has been issued to each of the organisations this year to support the development of their plans noting their particular circumstances. The bespoke guidance complements the NHS Planning Framework and is intended to clarify the requirements and expectations of each of the health boards.

## **NHS FINANCES**

### **2019-20 Financial Forecast**

Our ambition for 2019-20 was to be able to demonstrate a material improvement in the underlying financial health of NHS Wales organisations, and to limit any remaining deficits to the two NHS organisations with the most significant financial challenges - Betsi Cadwaladr and Hywel Dda University Health Boards. This ambition was reflected through the progress being made in the development of NHS plans, with the Minister for Health and Social Services being able to confirm the approval of seven financially-balanced Integrated Medium Term Plans (IMTPs), covering the period 2019 to 2022. This included approval of Cardiff and Vale UHB for the first time in several years, contributing to the organisation's de-escalation to the lowest level of government oversight and intervention.

As at the end of January 2020, all seven organisations with approved IMTPs are forecasting that they will achieve a balanced outturn at the end of 2019-20. In addition, Health Education and Improvement Wales (HEIW) which prepared a one year plan for 2019-20 in line with its establishment arrangements, is also forecasting a balanced outturn. We therefore expect eight organisations to break-even. However, the remaining three health boards – Betsi Cadwaladr, Hywel Dda and Swansea Bay – are forecasting a combined outturn deficit of £92.3 million for 2019-20. Details of the 2019-20 forecasts compared to the 2018-19 outturn are detailed in the table below:

Organisation	2018-19 outturn  £m	2019-20 forecast surplus / (deficit)  £m	Improvement / (Deterioration) in 2019-20 £m
<b>Health Boards:</b>			
Aneurin Bevan	0.0	0.0	0.0
Betsi Cadwaladr	(41.3)	(41.0)	0.3
Cardiff and Vale	(9.9)	0.0	9.9
Cwm Taf Morgannwg	0.0	0.0	0.0
Hywel Dda	(35.4)	(35.0)	0.4
Powys	0.0	0.0	0.0
Swansea Bay	(9.9)	(16.3)	(6.4)
<b>NHS Trusts</b>			
Public Health Wales	0.0	0.0	0.0
Velindre	0.0	0.0	0.0
Welsh Ambulance Services	0.0	0.0	0.0
<b>HEIW</b>	0.0	0.0	0.0
<b>Total</b>	<b>(96.5)</b>	<b>(92.3)</b>	<b>4.2</b>

The current overall net forecast outturn for the NHS for 2019-20 is a modest improvement on the 2018-19 outturn. With the exception of Swansea Bay University Health Board (in comparison with its predecessor organisation, Abertawe Bro Morgannwg University Health Board) all organisations are forecasting to have maintained or improved on their outturn for 2018-19. We expect the Health and Social Services MEG budget to break even overall.

### **Financial Intervention and Support**

Despite the overall improvement, we have continued to provide direct challenge and support to the three organisations still in a deficit position. Under the oversight of the Finance Delivery Unit, financial planning and delivery support interventions by external consultants were commissioned for these three organisations. The intention of all three interventions was to ensure action was being taken to deliver against their plans for 2019-20, and to ensure a pipeline of opportunities for future efficiencies was being progressed.

A key theme that emerged from all three interventions, which potentially also applies in other health boards and the trusts, is the need to tighten financial control within organisations. This should include:

- Ensuring a formal process of Board approval of the budget plan, followed by a robust process of delegation to budget holders and holding them to account for delivery;
- An appropriate policy for holding and managing reserves;
- A tight financial performance framework so that variances are identified and escalated to be managed efficiently;
- Ensuing best practice in board reporting.

The Finance Delivery Unit has presented these findings to NHS Finance Directors who have acknowledged the need to review the systems within their own organisations to ensure a robust financial control system is in place and is being complied with. In addition, Finance Directors are also undertaking a refresh of the Standing Financial Instructions which are a core component of the financial governance regime for each organisation.

### **NHS Finance Academy**

The NHS Wales Finance Academy is the voluntary collaboration of every Director of Finance and their teams across NHS Wales, approximately 760 staff in total, with the collective ambition to improve the skills and support of the finance function to organisations across NHS Wales. The ethos of the Academy is that every member of staff working in the NHS Wales Finance is a “member” of the Academy and plays a vital contribution to improvement of both themselves and the finance function, and hence improving services for patients. It has a stated ambition which is to be “Best suited to Wales but comparable to the best anywhere”

Examples of the Academy’s work programme include:

- The development of a Talent Pipeline programme, proactively targeting development support to current and future financial leadership talent across the breadth of a career in NHS Finance – from graduate trainee to Director of Finance. To date over 90 staff have been recruited to our programmes leading to many acquiring new leadership positions across NHS Wales including Directors of Finance
- Collaborating with other public sector organisations in Wales to offer cross public sector development opportunities for finance including the establishment of an annual national public sector finance student event and the launch of public sector finance apprenticeship programme from Sept 2020 targeted at 16-18 year olds.
- Development of a national Finance Digital Strategy focussing on robotics, predictive analysis, Artificial Intelligence and realising the benefits of MS 365
- Collaborating with the Bevan Commission’s Bevan Exemplar programme, providing finance partners to support 132 exemplar projects over the past 4

years. giving finance staff the opportunity to work with an innovative clinician and benefit from the Exemplar development programme

- Playing a leading role in establishing the “Round Table of Finance Academies” with organisations such as Rolls-Royce, BAE, GSK & Ministry of Defence to collectively learn how to approach finance staff development across sectors, NHS Wales hosting the round table in July 2019.
- Collaborating with Medical Directors to establish a joint clinical and financial development programme, accredited by the Faculty of Medical Leadership and Management focusing on the practical application of value based healthcare. To date 11 pairs of clinician and finance staff have completed our programme and applied a VBHC approach in their service areas
- Collaborating with Universities and other Education providers to deliver educational aspects of our programmes including the Executive Education programme for Aspiring Senior Finance Leaders and Directors of Finance.

The Academy has received recognition for its work through winning the following awards

- 2018 Leading Wales Award for “Inspiring Great Leadership”
- 2019 Public Finance Award for “Finance Training and Development Initiative” (cross UK / cross public sector)
- 2019 Public Finance Wales Award – Team of the Year (for the Finance Academy Programme team)

## **NHS Resource Allocation**

The Committee has previously recommended that Welsh Government complete its review of the funding formula for health boards to ensure that variations in funding levels properly reflect differences in population health needs and other determinants of healthcare costs. Previous updates have described the work being undertaken to deliver this recommendation. The work has been overseen by a Technical Advisory Group, consisting of senior Welsh Government officials and NHS representatives, with the addition of independent specialist economic advice.

The work to develop the formula to be applied to the £4.9 billion discretionary hospital and community health board allocation was completed last Autumn, and has now been used to distribute £110 million of additional growth funding for 2020-21. The following table sets out the new allocation shares for each health board and compares to their population proportions to provide an index of relative need;

	Population Share	Formula Share	Index
<b>Aneurin Bevan</b>	18.80%	18.95%	1.008
<b>Betsi Cadwaladr</b>	22.23%	22.38%	1.007
<b>Cardiff and Vale</b>	15.95%	13.50%	0.846
<b>Cwm Taf Morgannwg</b>	14.16%	15.13%	1.068
<b>Hywel Dda</b>	12.26%	12.90%	1.052
<b>Powys</b>	4.18%	4.17%	0.996
<b>Swansea Bay</b>	12.41%	12.97%	1.045
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	

The work on formula development and refinement is continuing into 2020-21 with oversight from the Technical Advisory Group. Consideration is now being given to extending the formula to cover other elements of the revenue allocation, including mental health and primary care.

## **AGENCY STAFFING**

There will always be a need for temporary staffing capacity within organisations to cover unpredictable circumstances such as sickness absence or staff turnover and the impact of these events will fluctuate over time. In addition, organisations may decide to draw on some temporary staffing capacity to provide flexibility during periods of organisational change or during preparation of local service redesign. The critical issue is ensuring that any change in expenditure has been clearly scrutinised, the reasons for deployment is clearly understood and action is in place to minimise deployment of temporary staffing capacity where this is practical.

We introduced a standardised control framework across Wales in 2017 to address some of the generic issues affecting deployment of agency staff and overall this has resulted in a reduction on medical agency expenditure. These controls included establishing cap rates, financial controls and consistent data collection and reporting arrangements to enable all Wales benchmarking and reporting. However, we have also recently seen an increased expenditure on the number of temporary nursing staff being deployed. The reasons for increased deployment are likely to be multifactorial and some of the increase is likely to be a result of the significant increase in demand on NHS Wales services due to Winter pressures and introduction of the first full year of the requirements of the Nurse Staffing Levels (Wales) Act.

It's important to highlight that a range of local factors that affect demand for services within different organisations and different parts of the workforce are reflected in their expenditure profiles. Therefore, we would not necessarily expect the spend figures on Agency and Locum to follow a smooth downward trend.



Alongside the implementation of the new Control Framework, and in response to the WAO study and recommendations a NHS Wales Strategic Workforce Deployment Steering Group has been established to provide leadership across the NHS. The purpose of this group is to support the development and delivery of a work programme for finding more effective ways of delivering priorities, building capacity and ensuring that resources are in place to improve the effective deployment of the workforce. These include a work stream to improve rota management by standardising and improving flexible staff deployment through e-rostering by identifying and sharing best practice. Improved flexibility and deployment of the temporary workforce will be delivered through the development of a collaborative Workforce Bank. The first stage of this work stream is due to go online with the Collaborative Bank Partnership (pilot phase) for Registered Nurses from 6 April 2020.

## **PERFORMANCE CONTEXT**

Welsh Government has provided significant support to NHS organisations during 2019-20 to support improvements in planned care performance, and to meet the additional demands on unscheduled care service provision over the winter period. However, a number of factors have led to this being a challenging year for delivery.

### **Planned care**

An additional £50 million has been provided for planned care improvements, of which £46.5 million was allocated to health boards and £3.5 million has been used to support outpatient redesign. This funding was intended to be used to build on progress made over the previous three years and deliver improved waiting times at year end across a range of planned care areas. However, due to increased unscheduled care pressures during the year, with the highest number of A&E attendances recorded in 10 of the 12 months, and changes to HMRC pension tax rules, health boards have been unable to secure the additional capacity locally to deliver the necessary improvements. As a consequence, improvements in planned care have been limited during the year. Analysis of patient impact between April to December across Health Boards assessed that 3,200 sessions were lost and 27,000 patients were impacted by limited flexibility to operate core and additional sessions.

### **Unscheduled care**

Welsh Government has provided £40 million to the health and care sector during 2019-20 to manage demand for unscheduled care, especially during the winter period. £27 million of this funding has been allocated by choice through Regional Partnership Boards (RPBs) to develop integrated solutions to managing hospital avoidance, early discharge and support community infrastructure; £10 million has

been allocated directly to health boards and £3 million has been used for national programmes.

The application of the funding has been aligned to seven key themes co-designed with clinical and system leads at the beginning of 2019-20:

- Optimising cross sector working
- Out of Hours primary care resilience
- Preventing unnecessary conveyance to Emergency Departments and admissions to hospital
- Discharge to assess and recover pathways
- Community step down capacity
- Focus on respiratory pathway
- Focus on frailty

Whilst 2019-20 has been one of the most challenging years on record in terms of demands facing unscheduled care services, and has been the busiest year on record for A&E attendances, the additional investment has generated a range of outcomes which have helped to mitigate this impact, including:

- 24,000 patients supported by British Red Cross in December 2019 through the Emergency Department wellbeing and home safe service. 365 vulnerable patients transported and resettled at home. 197 patients referred to other community services leading to a 96% patient satisfaction rate.
- 1985 patients supported to leave hospital more quickly and safely through home improvements, 3205 home improvements made, 1400 healthy home checks (April – December), patients supported to access £0.7m of unclaimed benefits (additional benefits per annum), 98% of patients to return survey said the service helped them to return home safely and live independently.

## **INVESTING IN A HEALTHIER WALES**

2019-20 has been a year of significant investment to support delivery of the vision we set out in our long term plan for health and social care, A Healthier Wales. This section updates the Committee on progress during the year from this investment.

### **Transformation Fund**

The Transformation Fund was launched in the summer of 2018 with a budget of £100million. So far £89million has been committed across all RPBs, with the support of local stakeholders, with the aim to improve healthcare and social services by

scaling up successful service models with the ultimate aim of replacing less successful or outdated ones.

Proposals were required to provide convincing information to show that they comply with the **ten design principles** set out in *A Healthier Wales* and in particular that they were:

**Scalable** – ensuring that good practice scales up from local to regional and national level, and out to other teams and organisations.

**Transformative** – ensuring that new ways of working are affordable and sustainable, that they change and replace existing approaches, rather than add an extra permanent service layer to what we do now.

The following proposals have been **approved to date** (a summary has been published on the Welsh Government webpages:

<https://gov.wales/sites/default/files/publications/2019-03/transformation-fund.pdf>):

RPB	Total	Transformation Fund - proposal title
<b>Cardiff and Vale RPB</b>	£6,947,984	Me, My Home, My Community
<b>Cwm Taf Morgannwg RPB</b>	£22,734,000	1. Stay Well in Your Community / Accelerating the Pace of Change for Our Integrated Services
<b>Cwm Taf Morgannwg RPB</b>	£1,385,124	2. Home Dialysis
<b>Gwent RPB</b>	£13,458,000	Implementing a seamless system of health, care and wellbeing
<b>North Wales RPB</b>	£2,320,000	1. Together for Mental Health in North Wales
<b>North Wales RPB</b>	£1,690,000	2. NW Together: Seamless services for people with learning disabilities
<b>North Wales RPB</b>	£3,000,000	3. Integrated Early Intervention and Intensive Support for Children and Young People
<b>North Wales RPB</b>	£6,004,000	4. Community Services Transformation
<b>Powys RPB</b>	£2,554,360	Delivering a Healthy, Caring Powys
<b>West Glamorgan RPB</b>	£1,731,000	1. Cwmtawe Cluster Whole System Approach

<b>West Glamorgan RPB</b>	£8,883,000	2. Seven cluster roll-out of the Whole System Approach
<b>West Glamorgan RPB</b>	£5,920,840	3. Our Neighbourhood Approach
<b>West Glamorgan RPB</b>	£261,393	Nocturnal Dialysis
<b>West Wales RPB</b>	£11,963,306	A Healthier West Wales
	<b>£88,853,007</b>	

Aspects of key themes – such as cluster-based working and shifting healthcare from secondary to primary and community-based care, and the linking of healthcare and social care – are apparent in all proposals. Work is ongoing as part of evaluation activity to compare and consolidate outputs and indicators to enable meaningful evaluation at regional and national level, and we are developing Communities of Practice to support practical learning and implementation.

In his Oral Statement on 14 January, the Minister provided an update on the Fund and outlined the approach to allocating the remaining £11million. This was followed by a letter to RPBs including a call for proposals and supplementary guidance.

All regions have completed Theories of Change for their proposals, and a National Evaluation Framework for the Transformation Fund was agreed with RPBs in April 2019. This will help us to understand what works, in a comprehensive and consistent way, and to support the opportunity for broader and consistent implementation across Wales. RPBs have submitted their first Mid-Point Evaluation Reports to provide early findings on the progress of transformation projects to date.

We have implemented regular learning network workshops where regional teams and Welsh Government discuss progress, lessons and examples of good practice emerging from proposals, and fourteen workforce engagement events highlighting local transformation projects have taken place across Wales, organised and run as a partnership by Welsh Government and RPBs.

### **Digital Priorities**

A Digital Priorities Investment Fund, totalling £50 million comprising of capital and revenue investment, has been established in 2019-20 as a key enabler of system change. The Fund is being managed as a portfolio of strategic programmes across

six themes:

- Transforming digital services for patients and public
- Transforming digital services for professionals
- Investing in data and intelligent information
- Modernising devices and moving to cloud services
- Cyber-security and resilience
- Key Cross Cutting Activity

The key outputs from the Fund in 2019-20 include:

- Delivery of four key reviews (infrastructure, commercial, workforce and communication);
- Establishing and recruiting a Chief Digital Officer for Care;
- Transitional work to establish a new Special Health Authority for Digital services; and
- Key programmes such as the National Data Resource and Welsh Community Care Information System.

## **Primary Care**

The national primary care fund of £40m was set up in 2015-16 with 3 stated priorities; service sustainability, better access and more services available in the community. The funding is achieving:

- Systematic testing and sharing of learning of new seamless models of care through the national primary care pacesetter programme
- Better access to the right professional through more multi professional teams in GP practices e.g. pharmacists and physiotherapists
- Better access to a wide range of non clinical wellbeing services through new workforce roles to link people to these services
- Increased capacity in community services teams

In June 2019, following the conclusion of negotiations, the Minister for Health and Social Services announced the new General Medical Services (GMS) Contract for 2019-20. This included new investment of around £25m into GMS services and a one-off permanent adjustment relating to indemnity costs, with no future implications for the GMS contract.

The new investment included:

- An uplift of 3% to the general expenses element of the contract;

- Investment in the implementation of the Access to In-Hours GP Services Standards;
- Investment into Global Sum to fund the infrastructure needs of practices in working towards achievement of the access standards;
- The introduction of a new Partnership Premium Scheme to incentivise partnership working as the preferred delivery model and to encourage our new GPs to take up these partner roles

The following activities were also agreed to improve the provision of GMS:

- With a clear focus on strengthening the role of clusters in terms of working collaboratively to plan and deliver services locally, practices will now be required to be members of a cluster, through the terms of the core contract.
- An improved cluster planning process with clearly defined output and activity indicators included in the new Quality Assurance and Improvement Framework (QAIF) and a requirement for the delivery of Enhanced Services to be planned at cluster level. The wider strategic context and governance arrangements of Enhanced Services will be reviewed during 2020.
- A revised improvement focussed Quality Assurance and Improvement Framework (QAIF), to include the introduction of a “basket” of Quality Improvement Projects to be delivered at a cluster level with a focus on Patient Safety.

### **Prevention and Early Years**

£10 million has been invested in supporting effective interventions in relation to the prevention of ill health and early years. The Minister for Health and Social Services agreed that £2.8 million should be used to establish a grant scheme specifically to enhance early years’ provision. I wrote to health boards, Public Health Wales and to chairs of RPBs setting out details for allocation of the remaining £7.2 million for targeted health intervention programmes. The funding allocated to the health boards is being invested through plans agreed jointly with RPBs who were asked to agree priorities for investment in their regions. Funding for Public Health Wales is intended to enhance system leadership at a national level and allow for upscaling of universal prevention schemes.

As part of their system leadership role, Public Health Wales have drawn up a draft specification on tracking spend on prevention. Included in the specification is: the baselining of spend on prevention; evidence review to learn from countries that invest a lot in prevention or have successfully made a shift; stakeholder engagement

to understand the barriers and enablers and development of a model to track spend on prevention. This work to be taken forward in 2020-21 will be aligned to the Building a Healthier Wales priorities and Public Health Wales is working with officials to deliver this.

## **Investing in our workforce**

Our objective is to ensure staff feel valued and that the NHS remains an employer of choice in Wales.

Wales is committed to the independent pay review process whereby the Doctors' and Dentists' Review Body (DDRB) and the NHS Pay Review Body (NHS PRB) are commissioned by UK health departments on an annual basis to provide observations and recommendations on pay for NHS doctors and dentists and NHS staff on Agenda for Change (AfC) terms and conditions, respectively.

A three year pay agreement for AfC staff, which has been implemented on a four country basis, was reached in partnership in 2018 and so for pay rounds 2019-20 and 2020-21 the NHS PRB has been asked simply to monitor and provide observation on the implementation of this agreement.

For the 2020-21 pay round as for 2019-20 we have asked the DDRB to provide observations and recommendations on what would be an affordable and fair pay award for doctors and dentists. We expect both the NHS PRB and the DDRB to publish their 2020-21 reports in June after which time we will consider their recommendations and provide advice to the Minister for Health and Social Services.

We are increasing our investment in education and training programmes for healthcare professionals in Wales. We invested an additional £7 million in 2019-20, and will invest a further £15 million in 2020-21. 2020-21 will be the sixth consecutive year funding to support health professional education and training in Wales has increased.

2019-20 represents the first full financial year for Health Education and Improvement Wales (HEIW) which has specific functions to transform the workforce. The organisation is working to a one year annual plan in 2019-20, and have now submitted a three year IMTP to for approval covering 2020 to 2022.

## **SUMMARY**

Whilst there remain a number of financial challenges during the remainder of this financial year still to be managed, I expect the overall Health and Social Services MEG to balance again at the end of the year. The majority of NHS organisations are

now demonstrating financial stability and maturity in their planning processes, but three organisations continue to cause concern specifically in terms of managing finances, although there are other areas highlighted in the escalation process. A range of factors, including changes to tax rules and significant levels of demand for acute care, have made the year challenging in terms of performance and service delivery. However, we continue to make progress in transforming the health and social care sector, in line with our plan set out in A Healthier Wales, with new models of care being developed and implemented in each region, and with significant new investment in digital technology. This progress is expected to continue and accelerate into 2020-21.



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**Reference:** AC/181/caf

**Date issued:** 27 February 2020

Dear Nick

## NHS finances and agency spending 2019-20: in year update

Last summer the Committee took oral and written evidence from Andrew Goodall and his team on NHS Finances, which was followed up by further written exchanges. Your letter to Andrew of 27 September 2019 noted the Welsh Government's ambition that any residual NHS deficit in 2019-20 would be managed within the Health and Social Services MEG and its expectation that all health board deficits would be eradicated by 2020-21.

The letter voiced the Committee's reservations around some of these expectations, particularly given the long-term challenges at Betsi Cadwaladr and Hywel Dda Health Boards. It also stated the Committee's intent to keep a watching brief, and to revisit NHS finances and NHS agency staffing costs in summer 2020 or sooner should there be indications that improvement is not as anticipated.

To support the Committee's ongoing scrutiny, we have updated our on-line interactive data tools for both NHS Finances [[English](#) and [Welsh](#)] and NHS Agency Staffing [[English](#) and [Welsh](#)] to provide a summary of 2019-20 financial year performance to 31 December 2019 and the NHS Wales forecasts for the final out-turn at 31 March 2020.

In this letter, I set out a brief summary of the latest position for the Committee, with further information in the two annexes.

### NHS Finances

The second Supplementary Budget has now been published, and for 2019-20 it shows that the health revenue related budget has increased by 6.8% in real terms. These are significant funding increases not seen in the NHS for some time. Although some of the revenue allocation has been used to fund increases in pay and pension costs, they should also facilitate improved financial performance

across NHS Wales, including moving towards the Welsh Government's 2020-21 ambition to eliminate all deficits.

At 31 December, NHS Wales bodies were collectively forecasting a deficit of £72 million for 2019-20. Whilst this would represent an improvement on last year's £96 million deficit outturn, it is £12 million more than the £60 million deficit that they forecast at the start of the year, and £32 million greater than the 'control totals' set by the Welsh Government for health bodies.

Although NHS Wales is expecting to deliver 17% more than its planned savings for the year, the total value of those expected savings is still 18% lower than last year. Savings plans, if delivered, are a crucial element in driving improved financial performance; however, it is the recurrent nature of savings which ensures that those improvements are sustainable in future years. I note that the proportion of savings which are recurrent across NHS Wales is expected to drop from 79% in 2018-19 to just 68% this year.

Based on these forecasts, three health boards will generate in-year financial deficits for 2019-20. Four health boards will fail their first financial duty to break-even over a rolling three-year period, as they have done since the introduction of the new duties under the 2014 Act.

The reported position at 31 December therefore has placed pressure on the break-even position for the Health and Social Services Group in 2019-20. It also suggests that NHS Wales bodies may well struggle to meet the Welsh Government's expectation to eradicate all health board deficits by 2020-21.

I set out further details in [Annex 1](#).

### **NHS agency staffing spend**

NHS Wales is currently forecasting that in 2019-20 it will record its highest ever annual spend on agency staff.

NHS expenditure on agency staffing in Health Boards and NHS Trusts for the first nine months of 2019-20 stood at £127 million and is forecast to rise to £169 million by 31 March 2020. Health bodies' projections indicate that £128 million of this (76%) will be spent to cover vacant posts.

Spending on nursing agency staff across Wales in 2019-20 is forecast to rise by £12 million (19%). However, this appears to be primarily related to the two health bodies affected by boundary changes from 1 April 2019 – Cwm Taf Morgannwg and Swansea Bay. A drop-in nursing agency spend at Swansea Bay might reasonably have been expected this year, as their services have contracted by around 27%, but actual levels of spend are unchanged from the previous year.

I set out further details in [Annex 2](#).

I trust that the Committee will find this information helpful as it prepares to take oral evidence from the Welsh Government at its 9 March meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Crompton', with a long horizontal stroke underneath.

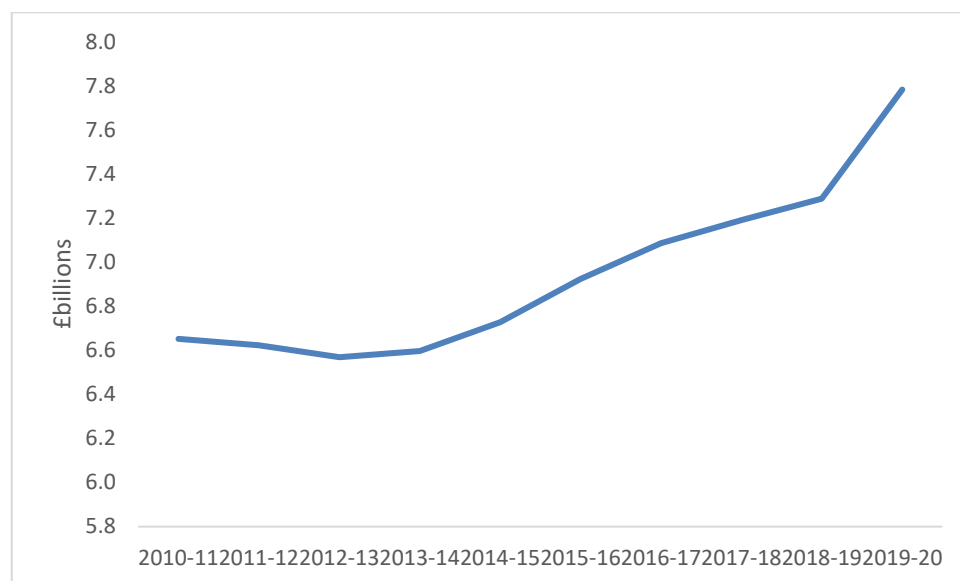
**ADRIAN CROMPTON**  
**Auditor General for Wales**

## Annex 1: NHS Wales Finances

### Funding

The budget for NHS Wales has increased significantly between 2018-19 and 2019-20. Without adjusting for inflation, the 'health revenue'<sup>1</sup> budget has grown from £7.3 billion in 2018-19 to £7.9 billion, with an increase of £650 million. Taking account of inflation, the budget has increased by 6.8%. This is by far the largest increase in the budget in recent years (Figure 1). This increase includes significant additional funding allocated during the year. Some of the in-year funding came from extra funding from the UK Government to cover UK wide changes to pensions, medical negligence and immigration health charges. Some additional funding came from the Welsh Government's reserves, including £17 million for in-year priorities and pressures.

Figure 1: health revenue budget (real terms at 2018-19 prices)



Source: Wales Audit Office NHS Wales Finances data tool

In theory, this 6.8% real terms increase should have more than covered the 3.2% to 3.9% real terms demand and cost pressures that the Health Foundation has

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<sup>1</sup> 'Health revenue' covers the funding in the Welsh Government's budget for the day-to-day running of NHS services, central support and public health activities. The figures in the chart are drawn from the Welsh Government's second supplementary budget for each financial year.

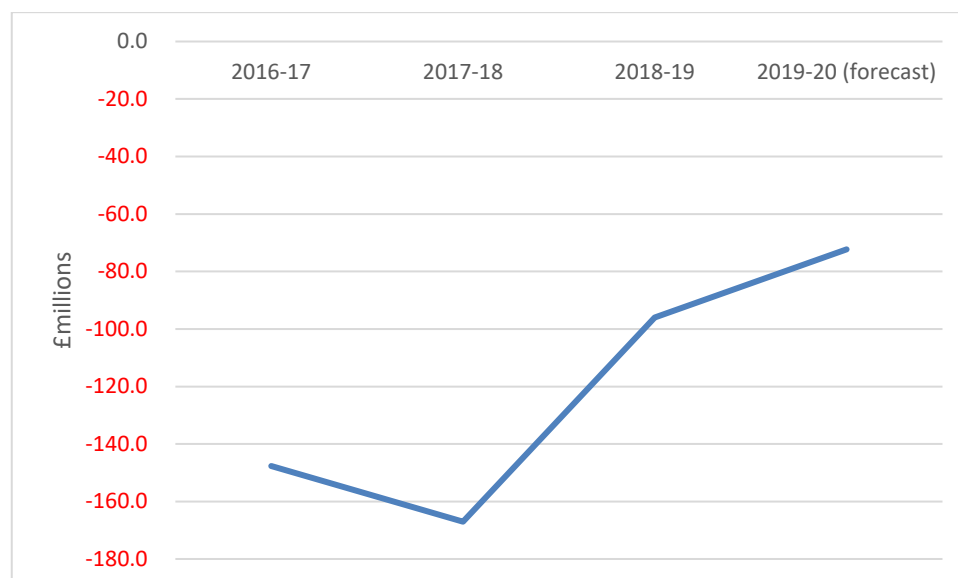
estimated the NHS in Wales faces each year. In practice however, and as set out in more detail below, the NHS has continued to struggle to meet those pressures. Part of the explanation for the current position is that not all the increased funding in the budget has gone to directly manage the immediate pressures on health services. There have been some significant one-off allocations, including £170 million to cover pension changes, £95 million for pay awards and £52 million to support improved performance, particularly for elective waiting times.

In addition, the Welsh Government has allocated an extra £192 million to support its ambitions for integrating health and social care and wider transformation of services, as set out in [A Healthier Wales](#). Some of this funding has been allocated direct to local government to support social care or is shared between health, social care and other partners through Regional Partnership Boards. The Welsh Government expects this investment to result in longer-term improvements to the cost-effectiveness of health and care services.

### Financial performance

At 31 December 2019, NHS Wales forecast that it would deliver a deficit of £72.3 million in 2019-20. Given that the reported deficit at that date was already £65.9 million, a significantly improved financial performance would be needed in the last three months of the year to achieve the deficit as forecast. If delivered, this will continue the improving trend shown in [Figure 2](#).

Figure 2: NHS Wales revenue outturn: 2016-17 to 2019-20 (as forecast)

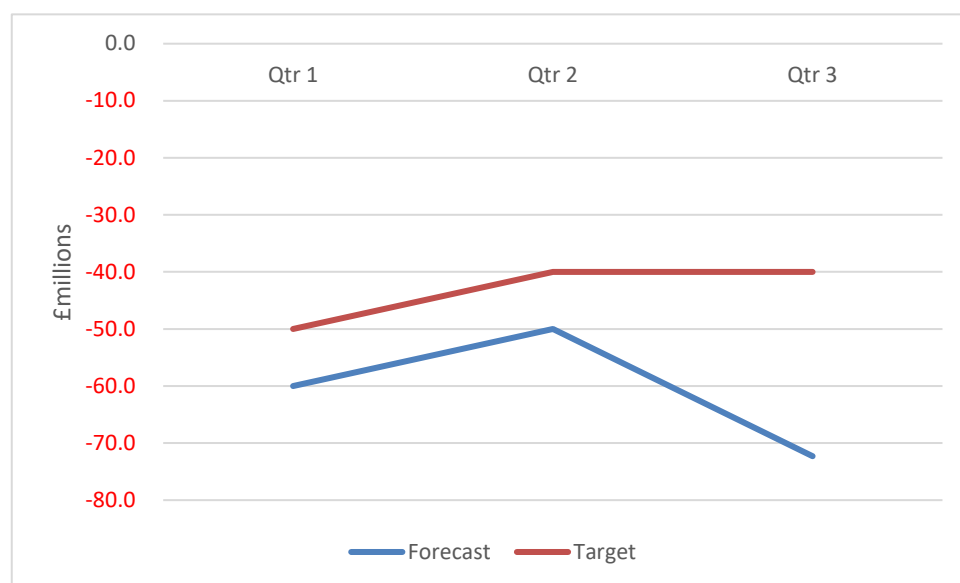


Source: Wales Audit Office NHS Wales Finances data tool

Whilst this compares favourably to last year's £96 million deficit outturn, it is £12 million more than the deficit forecast at the start of the year and £32 million greater than the target deficits (control totals) in place for health bodies at quarter three.

Figure 3 shows the movement of the deficit position against forecast through the year.

Figure 3: NHS Wales 2019-20 forecast compared to target



Source: Wales Audit Office analysis of NHS bodies' Monthly Monitoring Returns

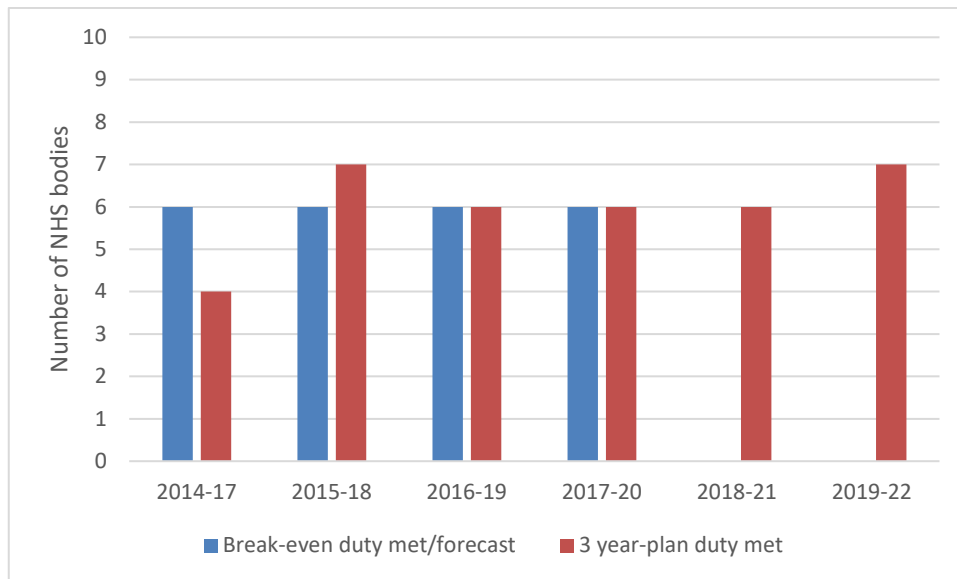
Three NHS bodies are forecasting a deficit for 2019-20, one fewer than in 2018-19. Of these three, Betsi Cadwaladr and Hywel Dda Health Boards, though showing improved trends, both expect to exceed their 'control totals' (annual deficits agreed in advance with the Welsh Government) by £10 million. The third body, Swansea Bay Health Board, is forecasting a deficit of £12.3 million against a planned break-even position at the start of the year.

Based on these forecasts, the first financial duty under the 2014 Act (to break-even over a rolling three-year period) will again be failed by four Health Boards. The cumulative NHS Wales deficit since the introduction of these financial flexibilities six years ago will also increase once again, to some £590 million.

More positively, Cardiff and Vale UHB (which now has an approved three-year plan in place and was de-escalated from 'Targeted Intervention' during the year) is forecasting in-year break-even for 2019-20, for the first time in four years.

Performance against financial duties to date is summarised in Figure 4.

Figure 4: NHS bodies' performance against financial duties



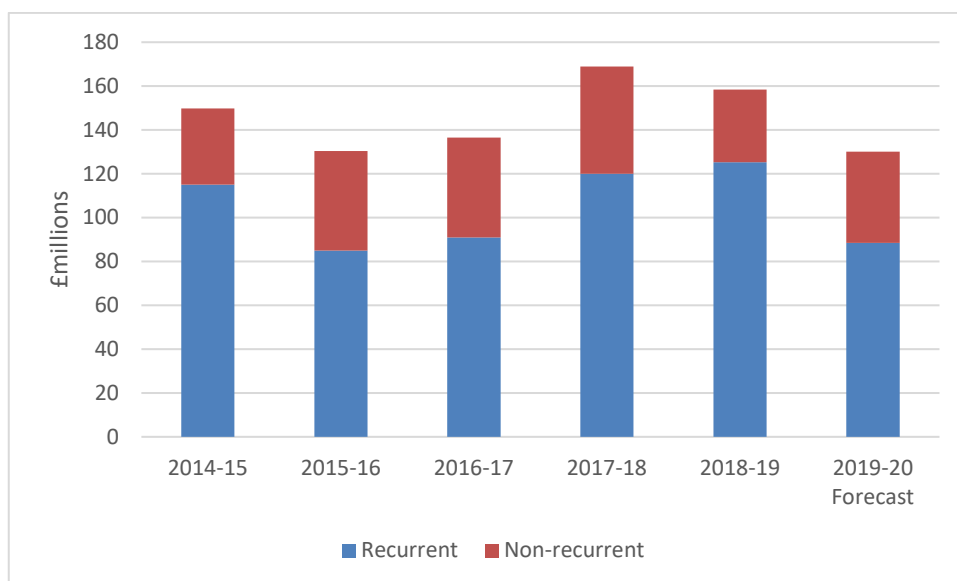
Source: Wales Audit Office NHS Wales Finances data tool

### Savings plans

A key element of NHS Wales' ability to improve financial performance is the identification and delivery of recurrent savings plans.

Figure 5 shows that, based on the December 2019 forecast for 2019-20, annual savings delivery is decreasing and the proportion of savings which are recurrent has dropped this year. We also note that at 31 December, the Welsh Government reported that two health bodies had yet to finalise the savings planned at the start of the year.

Figure 5: NHS Wales savings delivery



Source: Wales Audit Office analysis of NHS bodies' Monthly Monitoring Returns

Note:

Our online interactive data tool [[English](#) and [Welsh](#)] provides comparative analyses of NHS Wales expenditure and financial positions. This tool has recently been updated with monthly monitoring data submitted by individual health bodies to Welsh Government reporting actual expenditure for the period April to December 2019 and forecast expenditure for January, February and March 2020.

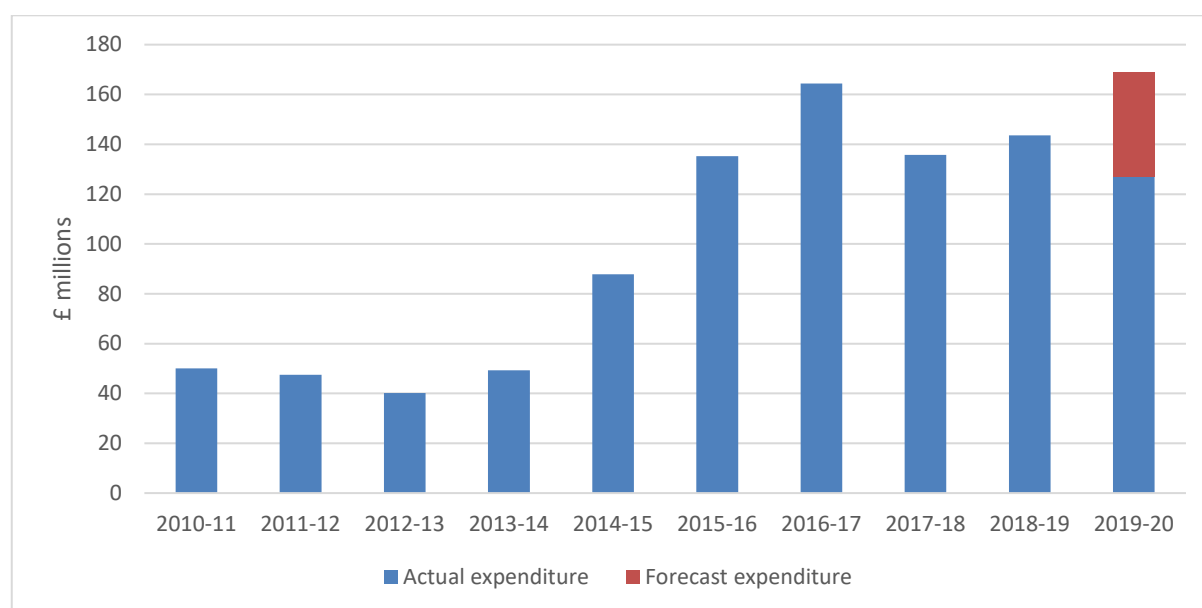


## Annex 2: NHS agency staffing spend

As shown in **Figure 6**, agency expenditure had previously peaked at £164 million in 2016-17. Overall expenditure on agency staff fell by £29 million (17%) between 2016-17 and 2017-18, but a trend of annual increases has resumed.

In 2018-19, agency expenditure rose by £8 million (5.8%) and it is forecast to rise by £25 million (18%) in 2019-20.

**Figure 6: total NHS expenditure in Wales on agency staff between 2010-11 and 2019-20**

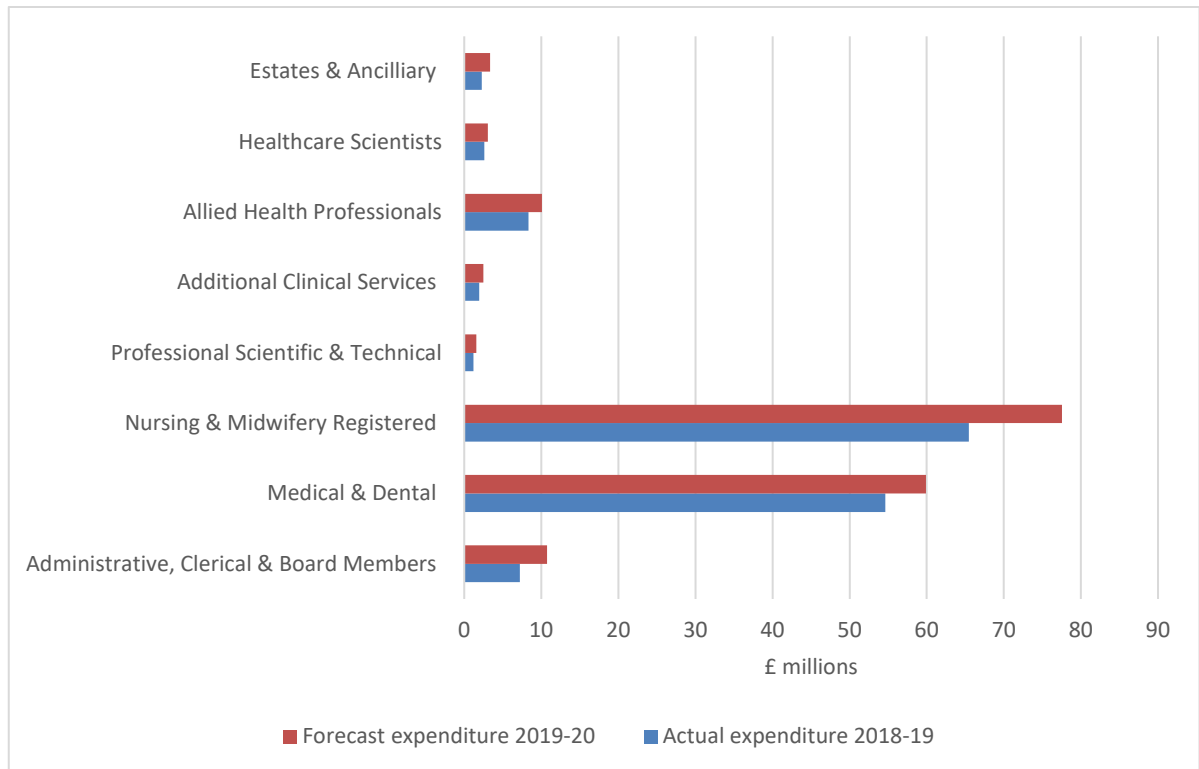


Source: Wales Audit Office Expenditure on agency staff by NHS Wales data tool

**Figure 7** shows that agency expenditure is forecast to rise in all staff categories in 2019-20, with the largest increase on Nursing and Midwifery staff.

The proportion of forecast total agency expenditure to be spent on doctors and nurses in 2019-20 (81%) is consistent with recent years. The share of expenditure on medical staff is predicted to fall by 3% to 35%, whilst the proportion spent on nursing staff remains at 46%.

Figure 7: forecast NHS expenditure in Wales on agency staff by staff group in 2019-20, compared to actual expenditure in 2018-19



Source: Wales Audit Office Expenditure on agency staff by NHS Wales data tool

Spending on nursing agency staff across Wales in 2019-20 is forecast to rise by £12 million (19%). This appears to be primarily related to the health bodies affected by the boundary change in March 2019.

Figure 8 shows that combined nursing agency expenditure in Cwm Taf Morgannwg and Swansea Bay UHB for 2019-20 is forecast to be £9 million greater than the combined expenditure in those bodies the previous year.

Whilst an increase in Cwm Taf Morgannwg's expenditure might be expected, as it takes on the services previously provided by the newly named Swansea Bay, it is perhaps surprising that Swansea Bay's expenditure has not reduced.

Figure 8: nursing agency expenditure forecast for 2019-20 in Cwm Taf Morgannwg and Swansea Bay UHBs compared to expenditure in their predecessor bodies in 2018-19

	<b>Swansea Bay UHB (formally Abertawe Bro Morgannwg) £million</b>	<b>Cwm Taf Morgannwg UHB (formerly Cwm Taf) £million</b>	<b>Total £million</b>
2018-19 actual expenditure	12.1	7.0	19.1
2019-20 forecast expenditure	12.1	16.1	28.3
<b>Increase in expenditure</b>	<b>0.04</b>	<b>9.1</b>	<b>9.2</b>

Source: Wales Audit Office Expenditure on agency staff by NHS Wales data tool

Nationally, spending on medical agency staff is forecast to rise by £5 million (10%), of which the majority relates to Aneurin Bevan and Betsi Cadwaladr UHBs. Aneurin Bevan is also forecasting that it will spend £2 million more on nursing agency staff in this financial year.

Note:

Our online interactive data tool [[English](#) and [Welsh](#)] provides comparative analyses of agency expenditure by NHS body and by staff group. This tool has recently been updated with monthly monitoring data submitted by individual health bodies to Welsh Government reporting actual expenditure for the period April to December 2019 and forecast expenditure for January, February and March 2020.