

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/
Prif Weithredwr GIG Cymru
Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director General Health and Social Services/
NHS Wales Chief Executive
Health and Social Services Group



Llywodraeth Cymru
Welsh Government

3 November 2020

Dear Mr Ramsay,

NHS Finances

Thank you again for your understanding in standing down the formal evidence meetings during November to allow myself and my team to concentrate on responding to the recent upsurge in coronavirus cases. Prior to the informal briefing I am due to give the Committee on 9th November, I thought it would be helpful to provide an overview of the actions we took to manage the financial impact of the pandemic on the NHS.

I was determined at the beginning of the emergency period to ensure that sound processes of financial governance and management were secured from the outset by NHS organisations, recognising that decision-making had to be undertaken at pace to put in place the necessary interventions. I issued Accountable Officer and financial guidance to Chief Executives on 30th March outlining key considerations in taking urgent decisions in a pandemic environment, in line with the standards of 'Managing Welsh Public Money'.

I ensured that all NHS boards stood up appropriate governance structures to manage the emergency response locally, with Gold command taking major investment decisions within each organisation.

Given the significant rapid expenditure required centrally on PPE, NHS Wales Shared Services (NWSSP) set up a financial governance group to scrutinise major PPE orders prior to their formal sign-off by the Velindre NHS Trust Board. Where these orders exceeded local delegated limits, they came in to me for approval under the normal contract approval processes prior to the contracts being awarded.

Additionally, NWSSP benefited from the significant expertise of the Surgical Materials Testing Laboratory, hosted by NWSSP, to quality assure product from new suppliers before contracts were placed. As a consequence, we were able to maintain our level of PPE supply.

Weekly communication meetings across the NHS Wales finance function were established with senior Welsh Government finance officials to ensure an effective system-wide response. This included a Finance Cell, chaired by my Director of Finance and including senior finance officials and representatives of the NHS Directors of Finance to ensure system over-sight and influence to all major issues and ensuring alignment of policy and operational delivery from a financial perspective across NHS Wales. The Cell maintained a Situation Report which was submitted up through the Planning and Response structure to ensure financial issues receive appropriate consideration alongside operational and workforce responses. The Cell was stood down during the summer, but has now been reinstated to act as a key touchpoint for the remainder of the financial year.

In addition to the Finance Cell a weekly call takes place with all NHS Directors of Finance and senior officials to explore all emerging operational issues and risks that require a system response, and ensuring clear, consistent, and frequent communication on all issues to ensure clarity and consistency of approach. These meetings have continued throughout the duration of the emergency.

A key focus of these communication channels has been ensuring NHS governance arrangements are fit for purpose, and responsive to the changing needs of the pandemic response. As examples of the issues covered, this has included:

- Review and reprioritisation of internal audit work programmes to support rapid reviews of governance arrangements where required;
- Engagement with Audit Wales on the NHS Wales finance community response; and
- Ensuring clear decision making structures in response to the risk of fraud from the need to significantly increase advance payments to suppliers to source additional PPE amongst global competition within an international supply chain significantly affected by COVID-19

Officials, with support from the Finance Delivery Unit, established financial monitoring arrangements during April to ensure that the impact on baseline NHS financial plans could be captured and carefully monitored. A detailed analysis of direct cost impacts, efficiency delivery impacts and offsetting resource savings was developed. This analysis has been used as the basis for confirming the funding needs for the NHS confirmed in the £800 million stabilisation package announced by Ministers in August. This financial impact return is now submitted monthly to Welsh Government by NHS organisations as a key component of the monthly financial monitoring process.

In addition, bespoke and specific financial reporting exercises were introduced across the system to key interventions, including workforce, PPE, Test, Trace and Protect, and Field Hospitals. This included developing rapid detailed modelling and detailed reporting in key areas such as PPE where systems were not in place prior to the pandemic at the required breadth and scale.

On a system basis, system wide financial monitoring returns have been reset and refined to ensure on a monthly basis all NHS organisations report a detailed financial position and forecast including not only the impact of COVID-19, but also transparent reporting of available funding and resources for repurposing such as under-spends due to reduced activity due to COVID 19 and slippage on previous commitments not progressed due to COVID 19.

Financial monitoring processes have sat alongside the quarterly planning processes, ensuring that they validate the financial planning assumptions underpinning the operational and workforce plans. The Finance Delivery Unit instigated a process of peer review of the Quarter 2 plans submitted earlier in the summer, and this will be repeated with the submission of Quarter 3 and 4 plans that have recently been submitted. This process has proved a useful opportunity to share learning and test underlying assumptions on a consistent basis. In addition, my Finance Director and his team will be meeting the senior finance team from each NHS organisation over the next few days to review their financial plans and year-end forecasts at month 6, to confirm their expected outturn position which they will then be held accountable to deliver.

A key feature of the initial response was the need to move rapidly with the deployment of the field hospital network, anticipating that there would be a need for significant additional capacity to ensure the NHS was not over-whelmed during the first wave of cases. The urgency of the situation meant that there was no opportunity to develop normal business cases in line with the five case model to support these significant temporary infrastructure investments, so officials worked alongside organisations as they developed and implemented plans within a matter of days. To ensure learning from this exceptional approach, officials commissioned due diligence reviews of the field hospital programme for the five health boards, covering three main areas, financial due diligence, contracting and commercials, governance and decision-making. Key findings and themes were shared with organisations to inform lessons learnt and prospective plans going forward.

The response has also required significant repurposing of the capital programme. This has resulted in c.£104m of the programme being directed towards schemes including the early opening of the Grange University Hospital, the additional testing laboratory and equipment for Public Health Wales and digital enabling investments across Wales. The £33m additional 400 bedded surge capacity on the University Hospital of Wales site has been fully supported from a capital perspective through Strategic Budgeting.

Within Welsh Government, my finance team have worked closely with finance and budgeting officials from other portfolios and with Welsh Treasury and central finance staff. Senior health officials have attended weekly internal finance and budgeting meetings which have ensured robust communications across Welsh Government and ensuring consistent advice to ministers. In addition, health officials have worked with Welsh Treasury officials to engage with UK Government departments to

understand the financial implications of policy development within England on Wales, and to secure appropriate consequential funding.

We have also ensured that the NHS Wales approach is in line with other nations, through regular dialogue and sharing of approaches and assumptions with colleagues in NHS Scotland in particular. This will continue to inform a core part of the response going forward.

Despite the need for a significant and rapid operational response to the emergency, we have maintained a focus on financial performance throughout the duration and looking forward to the end of the financial year. The additional funding announced by ministers in August has allowed us to stabilise the financial position, taking account of planned deficits that were being managed through the planning process prior to the pandemic. With the inevitable caveat that we cannot predict with any certainty how the pandemic will continue over the next few months, our current assessment is that the funding that has now been allocated in the First and Second Supplementary Budgets will be sufficient to manage the ongoing NHS response to the year end.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Goodall', written in a cursive style.

Dr Andrew Goodall