

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
23 October 2013

Meeting time:
09:30

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Committee Clerk
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Agenda

1 Introductions, apologies and substitutions (09:30)

2 National Health Service Finance (Wales) Bill (9:30–10:00) (Pages 1 - 16)

FIN(4)-18-13 Paper 1

FIN(4)-18-13 Paper 2

FIN(4)-18-13 Paper 3

Mark Drakeford AM- Minister for Health and Social Services

Sally Hughes – Welsh Government Lawyer

Mark Osland - Deputy Director, Finance, Department of Health and Social Services

3 Scrutiny of the Welsh Government Draft Budget 2014–15: Evidence from the Welsh Government (10:00–11:00)

Jane Hutt AM, Minister for Finance, Welsh Government

Jo Salway, Deputy Director, Strategic Budgeting

Jeff Andrews, Specialist Policy Adviser

4 Welsh Government Draft Budget 2014–2015 (11:00 – 11:10) (Pages 17 - 25)

FIN(4)-18-13 Paper 4

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business: (11:10)

Items 6 & 7

6 Scrutiny of Welsh Government Draft Budget 2014–15: Review of Evidence Received (11:10–11:40)

7 National Health Service Finance (Wales) Bill: Stage 2 Order of Consideration (11:40)



Eich cyf/Your ref
Ein cyf/Our ref LF/MD/0988/13

Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

17 October 2013

Dear Jocelyn

Thank you for your invitation to appear before the Finance Committee in an informal session on 23 October 2013.

In advance of my appearance, I thought it would be helpful to provide a paper which reflects on some of the key issues that have already been raised in plenary.

I especially noted in the Stage 1 General Principles debate the widespread view of the need to ensure a high level of scrutiny, both while considering the NHS Finance (Wales) Bill (given the use of the 'fast track' process) and the funding of Local Health Boards more generally. In my paper I have explained how the new planning framework which is being developed in parallel to the Bill will enable my officials and I to monitor and scrutinise Local Health Board plans and finances with increasing effectiveness.

I trust that you and the Committee as a whole will find the information in this letter and in the paper of benefit, and I look forward to discussing the issues raised with you in more detail on 23 October.

Mark Drakeford AC / AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

Briefing Paper

Finance Committee

Date: 23 October 2013

Time: 9:30 -10:00

Venue: Senedd

Title: NHS Finance (Wales) Bill

Purpose

1. To provide a briefing paper for the Finance Committee on the implications of the NHS Finance (Wales) Bill, including:
 - financial flexibility
 - tolerances
 - monitoring of Local Health Board expenditure

Financial flexibility

Rolling 3 Year Duty

2. The 3 year rolling financial regime which will provide financial flexibility for each and every year from year 1 onwards is around the timing, not the totality of the resource requirements needed to match LHB expenditure profile over the three years. LHB plans are not static and Boards will need to update their Medium Term Plans to reflect the changing needs of services and circumstances so that the on-going financial flexibility is aligned with these rolling plans.
3. There will be an annual rolling cycle of LHBs updating and approving their Integrated Medium Term Plans, and the Welsh Government approving the plans with any resource shift between years. This will mean that the relevant resource limit used in the aggregated limits for the 3 year rolling financial duty will be the sum of the latest agreed limits from year 1 of each of the relevant rolling Integrated Medium Term Plans and not necessarily those that were set at the beginning of the first plan. Hence, flexibility going forward is maintained, not just for years 1 and 2 following commencement of the new duty.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Integrated Medium Term Plan Period						
Plan A - 2014/15 – 2016/17						
Plan B - 2015/16 – 2017/18						
Plan C - 2016/17 – 2018/19						
Plan D - 2017/18 – 2019/20						
Revenue Resource Limit						
Plan A - 2014/15 – 2016/17	Year 1					
Plan B - 2015/16 – 2017/18		Year 1				
Plan C - 2016/17 – 2018/19			Year 1			
Plan D - 2017/18 – 2019/20				Year 1		
Plan E - 2018/19 – 2020/21					Year 1	
Plan F - 2019/20 – 2021/22						Year 1
Financial Duty Assessment Measures						
3 Year Rolling Duty	X					
		X				
			X			
				X		

4. In the above illustration the 3 Year Rolling Duty will be assessed against the cumulative Revenue Resource Limit (RRL) – that is for the first assessment at the end of 2016/17 the Year 1 RRL for Plan A, Year 1 RRL for Plan B and Year 1 RRL for Plan C. Thus the relevant resource limit for each year, the Year 1 for each Plan, will incorporate any agreed financial flexibility between years as agreed within each approved plan. This flexibility to shift resources between years will be available on an on-going basis based on the discipline and process of submitting and approving Integrated Medium Term Plans on an annual basis.
5. During the policy development of the financial flexibility Bill, a number of options were considered including both a rolling 3 year duty as well as the fixed 3 year duty.
6. The key reason why the rolling 3 year duty was selected was to align with the Integrated Medium Term Planning timescales. LHBs will, on a rolling annual basis, review, update and approve their Integrated Medium Term Plans. The final notified funding allocated each year to the LHBs will be linked to the first year of each relevant submitted and approved rolling Integrated Medium Term Plan. This is key in providing the opportunity to flex, on an on-going basis, funding between years to support agreed profiled plans. Accordingly the financial duty measure, of cumulative expenditure against cumulative funding allocated, had to be aligned to the approved plans and flexed funding allocated over those 3 years.

7. Planning is an on-going process which needs to reflect the challenges and changes that arise from demographic and service changes. Given that LHBs would have updated and approved plans in years 2 and 3 it would not have been appropriate to have fixed the financial duty measure on an earlier, year 1 submitted plan.
8. Furthermore, the application of a financial duty on a fixed 3 year basis would effectively mean that an assessment of a LHB's financial performance would start afresh every 3 years. It is important that LHBs are assessed on an on-going basis and that poor performance in previous years is not disregarded or ignored.

LHB Underspends

9. The Planning Framework and financial flexibility are set up around flexing resources to align with service plan profiles. This includes proposed planned overspends and planned underspends. Some LHBs may plan to profile investment first to save later whilst others may plan to save first and invest later. The same assurance and approval process will apply whatever the profile of the plan.
10. There will be rigour in the assessment of any changes in the profile, whether front ended or back ended, as the manageability and delivery of the actions will be key.

Tolerances

11. The financial flexibilities put forward as part of the Bill can be defined as planned flexibility to support approved plans profiled over 3 years. The question of tolerance levels has been put forward in context of unplanned, or year end, flexibility. That is to provide some additional limited tolerance where the financial target is missed by an insignificant amount where it is recognised that the consequences of breaching a statutory financial duty is serious. As part of developing the Bill, consideration for tolerance levels for LHBs has been considered.
12. Currently NHS Trusts have defined tolerance levels, described as a materiality threshold, which are applicable to their financial duty. This threshold is set out by Direction, through the Welsh Health Circular WHC (2007) 049.
13. As LHBs are defined, in accordance with the Office of National Statistics (ONS) public sector classifications as "Central Government" bodies for Resource Accounting and Budgeting (RAB) purposes, the practical implications for providing tolerance levels is not straightforward. The LHBs financial outturn is consolidated into the consolidated NHS Wales and DHSS resources within its annual Main Expenditure Group (MEG) Budget allocation approved by the National Assembly. Any overspends and/or tolerance would accordingly be included in this consolidated position. Therefore the practical implications of including tolerances would be that DHSS would need to retain an additional reserve to cover the level of tolerance provided.

14. Consequently applying financial tolerances to year end outturn positions does not come without risks. Any additional expenditure that may occur as a result of allowing tolerances would be an extra unplanned charge on the consolidated Department for Health and Social Services Main Expenditure Group. How any tolerance is accounted for, and audited, in LHB Accounts and departmental accounts are being assessed.
15. While LHBs will need absolute clarity on the tolerance levels for the financial duty, there needs to be flexibility to change tolerance levels, following due notice, as the balance between holding back a reserve or releasing funds may need to change over time. Therefore it would be impractical to set a specific level on the face of the Bill.

Monitoring the LHB Expenditure

16. In support of the new Planning Framework, revised Standing Orders and Standing Financial Instructions will be issued to Local Health Boards, which will contain new requirements for boards to develop, scrutinise and approve Integrated Medium Term Plans, including balanced Medium Term Financial Plans. The Planning Framework, to be issued at the end of October 2013, will also clarify the respective roles and responsibilities of LHBs and the Welsh Government in terms of ownership, scrutiny, assurance, monitoring and approval.
17. The monitoring of plans is key to the disciplined approach needed to ensure the planning framework is effective. The monitoring will be conducted by Welsh Government officials and will include a robust system of checks and balances. The new approved Integrated Medium Term Plans will be the main focus on which the monthly LHB performance reviews will be undertaken and will be followed up by actions taken forward throughout the financial year to ensure there is compliance and alignment with the service, performance and financial plans.
18. This monitoring and reporting process will identify early warning signs of a LHB failing to meet its plans, including financial targets, which will allow the position to be tracked, reported and escalated through the regular well established reporting mechanisms. Over the last year the performance management arrangements have been strengthened and integrated with regular Quality and Delivery meetings with each LHB and Trust with an overview being taken by my officials through a monthly Integrated Delivery Board.
19. As noted in the Wales Audit Office Health Finances report:

“The Department has strengthened the monthly monitoring returns process in recent years and it is a good means to ensure detailed and timely reporting of NHS bodies’ in-year financial position and year end

forecast. It provides the Department with a timely NHS-wide picture, which it can react swiftly to if required.”

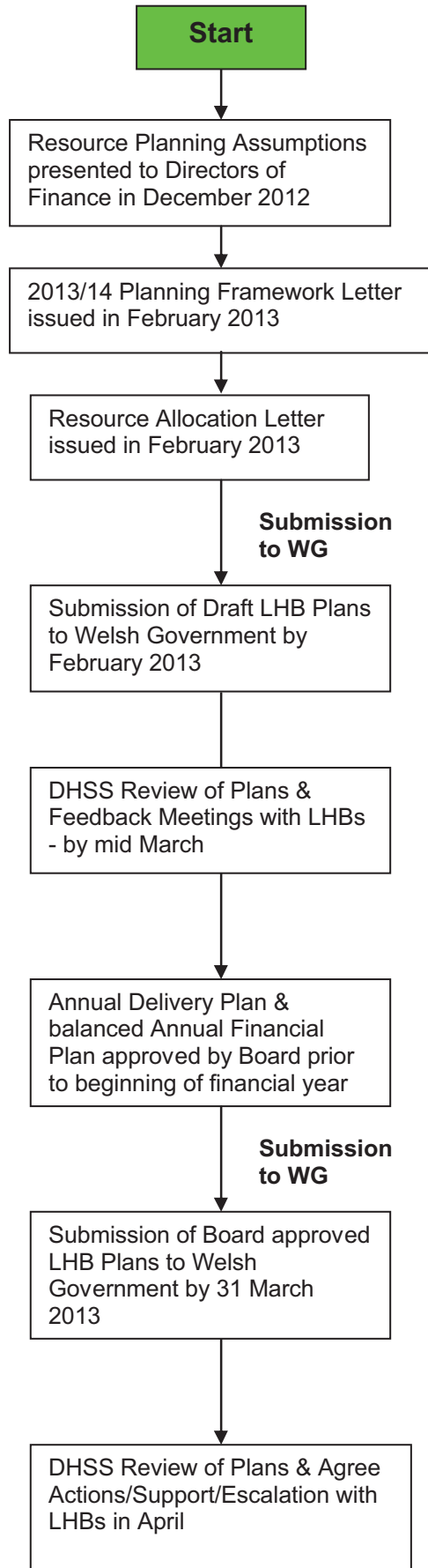
20. Flowcharts are included as part of this briefing paper to demonstrate the change that the planning framework brings under a new duty and the procedure for escalation:

- Annex A sets out the current process for planning, accounts and financial duty.
- Annex B demonstrates the same, but under the new financial duty.
- Annex C sets out the approvals and escalation arrangements which would be in place in support of the new duty.

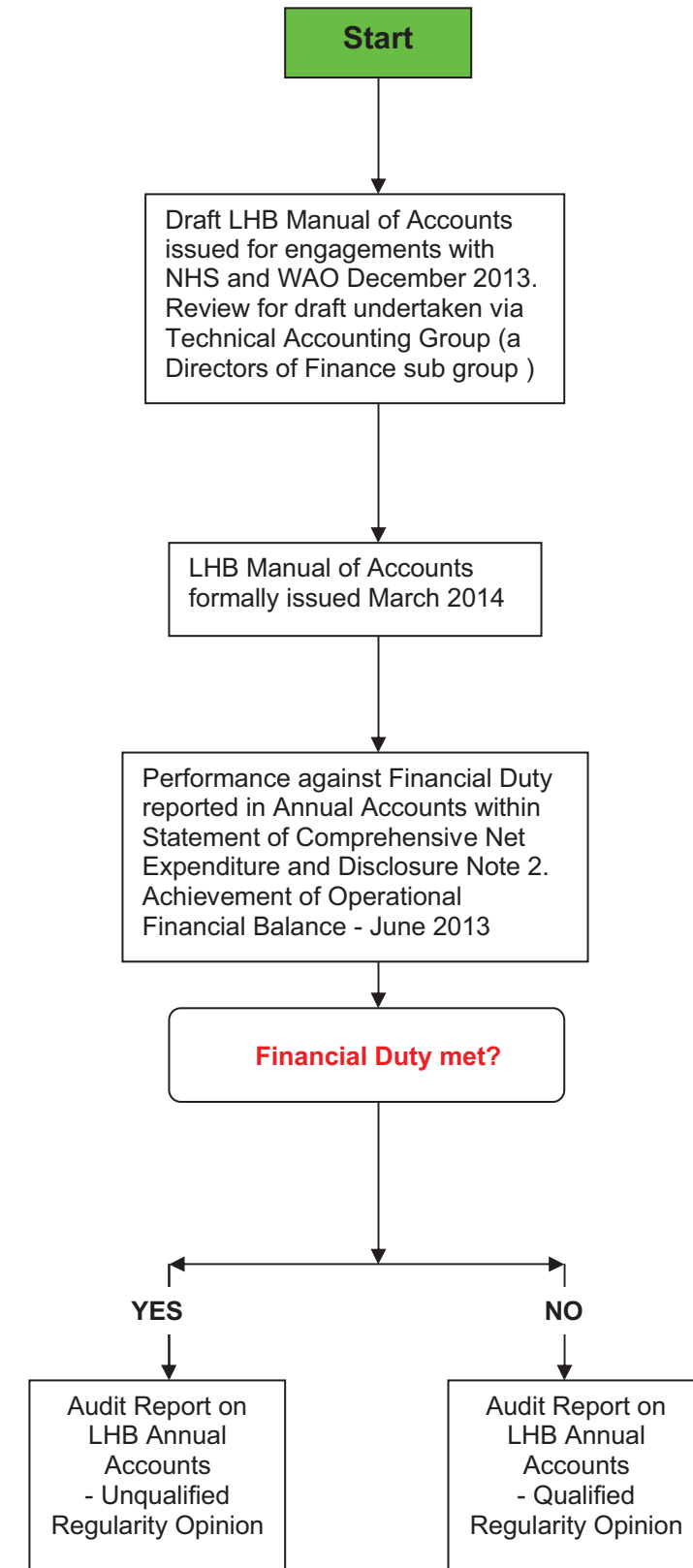
Consideration is being given to a number of other matters that were raised during the Stage 1 debate and I will continue to update Members on progress.

Flow Chart to represent the current processes and arrangements.

Planning Process



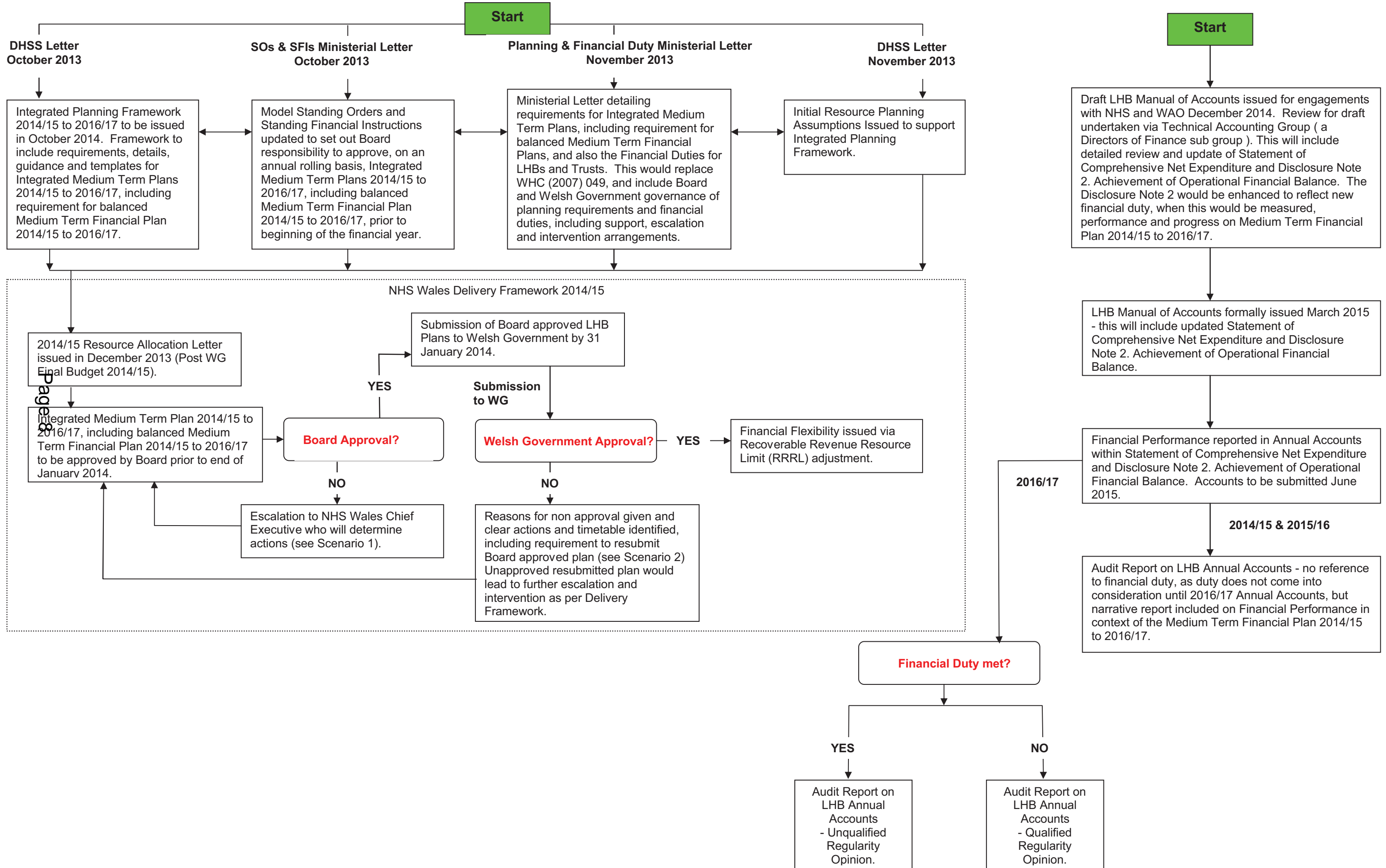
Accounts and Financial Duty Process



Flow Chart for the process and arrangements once the NHS Finance (Wales) Bill is enacted.

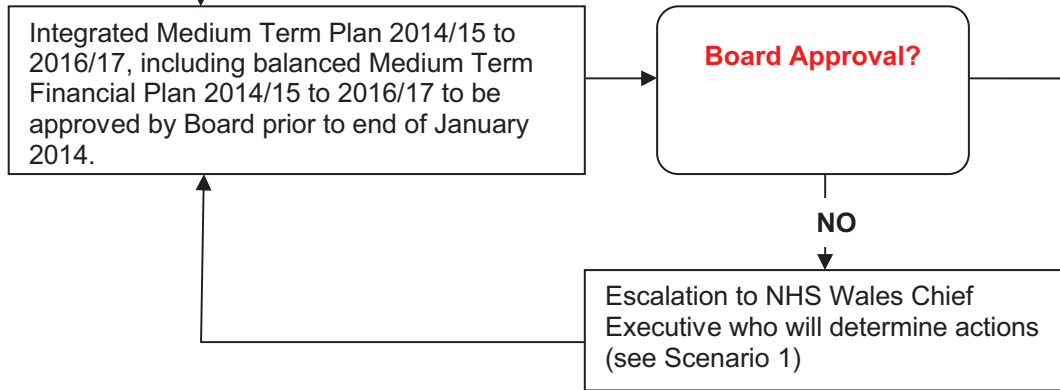
Planning Process

Accounts and Financial Duty Process



Approvals and escalation flow chart once NHS Finance (Wales) Bill enacted

Start



Submission of Board approved LHB plans to Welsh Government by 31 January 2014

Welsh Government Approval?

As per Delivery Framework the escalation, to level 1, 2, 3 or 4 will be subject to the assessment of the state of the submitted plan, and on the judgement of necessary action to deliver a robust and appropriate balanced plan.

Initial Board approved plan not approved by Welsh Government.

Escalation Action
 Welsh Government would:

- Confirm with LHB that plan not approved;
- Confirm that, pending resubmission and approval of balanced 3 year plan, that Year 1 Revenue Resource Limit would remain as £1,000m(as per Appendix 2 in EM);
- Require Board to resubmit balanced 3 year plan within a month;
- Detail any specific requirements highlighted in the review of the original submitted LHB plan and any recommendations for support; and
- Detail any specific requirements relating to the Year 1 plan pending resubmission and approval of balanced 3 year plan.

Subject to a Board approved updated plan being submitted by end of April 2014 the following could apply following Welsh Government reconsideration of plan within 2 weeks of receipt:

- Welsh Government approval – funding adjustments agreed and move onto the plan monitoring arrangements; OR
- Welsh Government not approved.

Resubmitted Board approved plan not approved by Welsh Government

Escalation Action

- escalated from support to intervention – action will be subject to assessment of how close/far the LHB is from a approvable balanced plan
- Boards to resubmit plan by end of May 2014
- in setting out escalation Welsh Government would highlight consequential of continued non compliance on Board and Board members, including impact on:
 - Chair's position
 - Chief Executive position as Accountable Officer.

2nd Resubmitted Board approved plan not

Escalation Action
 NHS Wales Chief Executive who to determine actions and intervention, including any recommendations to Minister regarding powers available to the Welsh Government through the NHS (Wales) Act 2006, S26-28.

The progress from Level 1 to Level 3 will need to be in a timely manner and would be expected to be completed by end of June 2014.

Welsh Government Approval?

Financial Flexibility issued via Recoverable Revenue Resource Limit (RRRL) adjustment

Scenario 1
 The Board responsibility for presenting and approving the plan will be both set out by Direction and will be included within the Board's Standing Orders and Standing Financial Instructions.

- The Board will be in breach of their own Standing Orders if plan not finalised and approved.
- The Chair has personal responsibility to ensure that matters Reserved for the Board are dealt with by the Board in a timely manner and in line with Standing Orders.
- The Chief Executive has personal responsibility to ensure that Integrated Medium Term Plan 2014/15 to 2016/17, including balanced Medium Term Financial Plan 2014/15 to 2016/17 is presented in a timely manner to the Board for approval.

Where the above requirement has not been met the initial escalation will be, in line with the Delivery Framework to level 4, direct to NHS Wales Chief Executive who will determine actions which may include the following:

- Meeting required with Chair, Vice Chair, CEO, Board Secretary and relevant Executives.
- Introduction of 'special measure' arrangements.
- Review of executive effectiveness.
- Review of Board effectiveness.

The actions will include strict timetable with weekly monitoring, and further escalation and intervention as appropriate.



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Ms Jocelyn Davies AM
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Date: 16th October 2013
Our ref: HVT/1975/fgb
Page: 1 of 5

Dear Mrs
NATIONAL HEALTH SERVICE FINANCE (WALES) BILL

Thank you for your letter of 30 September 2013, in which you sought my views on the National Health Service Finance (Wales) Bill (the Bill) which was introduced by the Welsh Government on that date, using the fast-track legislative procedure.

I am grateful for the opportunity to comment, and trust that my views will be of assistance to your Committee during the scrutiny process.

In overall terms I welcome the intentions behind the Bill, which seeks to address concerns that I have raised repeatedly in my annual reports on the Finances of NHS Wales¹ and also previous recommendations made to the Welsh Government by your own Committee and also by the Public Accounts Committee.

In particular, I commend the Welsh Government's announced intention to create a requirement for Local Health Boards (LHBs) to develop, scrutinise and approve integrated medium-term plans, including balanced medium-term financial plans, and thereby to introduce a degree of managed flexibility. The lack of fully-integrated plans within NHS Wales, bringing together service delivery, finance and workforce planning, has long been a major weakness and it is good that this is to be addressed. The requirement for those integrated LHB plans to be approved by the Welsh Government should help to ensure that appropriate rigour and challenge is built into the planning process, and should also assist in addressing pan-Wales issues and minimising silo-based thinking.

¹ *Health Finances 2012-13 and beyond* (published 16 July 2013)

http://www.wao.gov.uk/assets/englishdocuments/NHS_Finances_English_web.pdf

Health Finances (12 July 2012)

http://www.wao.gov.uk/assets/englishdocuments/NHS_Finances_167A2012_English_2.pdf

It is important to recognise that NHS finances are complicated and that relatively straightforward accounting changes are unlikely, in themselves, to provide complete solutions. I do therefore have some comments about the nature of the proposed changes to the financial regime, and I note that these mirror to some extent various points that were raised by Members during the Plenary Debate on the general principles of the Bill that took place on 8 October.

It has long been my view that the existing financial regime for the seven LHBs in Wales is not fit for purpose. I consider that requiring each LHB to live within predetermined annual revenue and capital resource limits is unsuitable as a financial discipline for complex organisations delivering front-line healthcare services that are mainly driven by demand-led clinical assessments of need.

At present, any breach of a resource limit (even by just £1) would result in an automatic qualification of my regularity audit opinion on the annual accounts of an LHB, whilst any under-spend by an LHB cannot be rolled forward to the next financial year and instead has to be surrendered. The resultant focus amongst the LHBs on what is often referred to as '*landing a jumbo jet on a postage stamp*' leads to unintended consequences and drives inappropriate behaviours. For example:

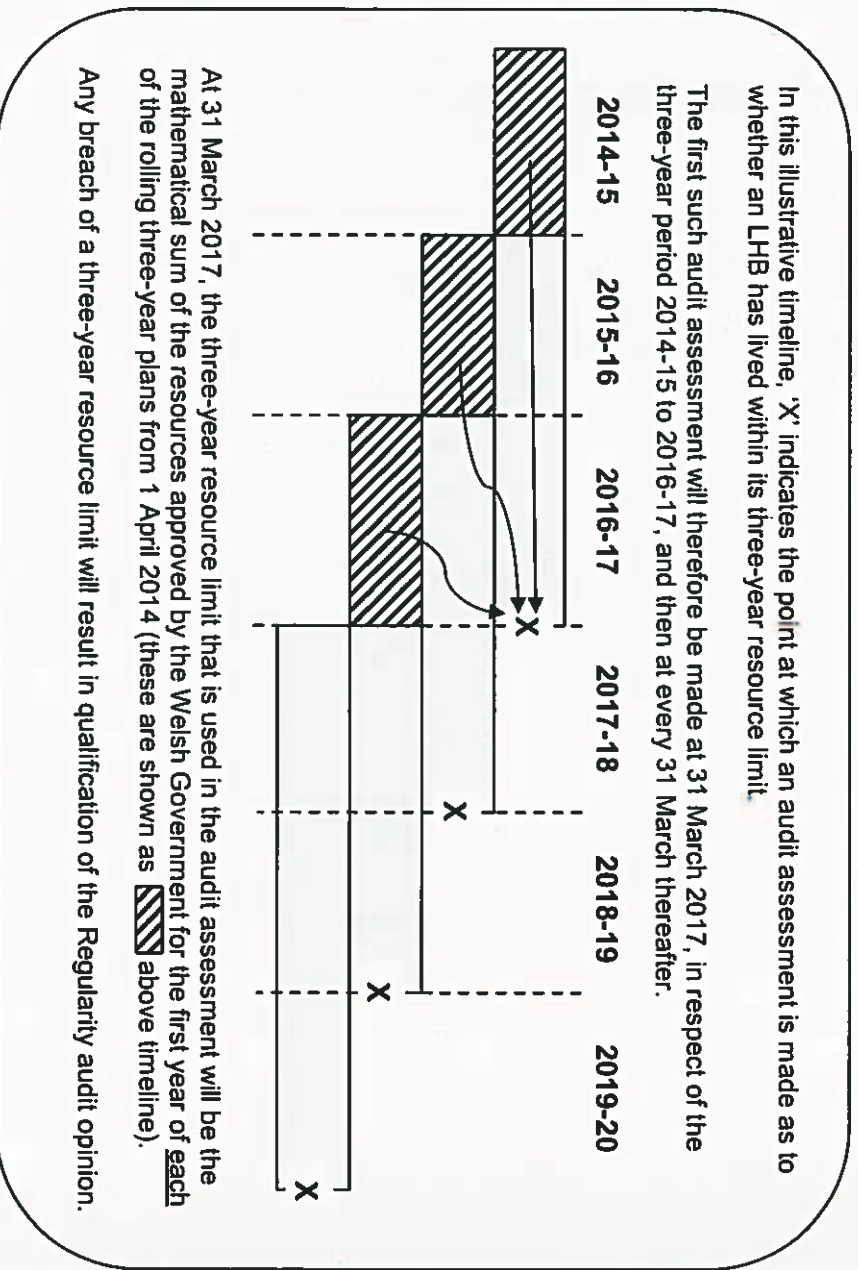
- Every LHB looks first to securing its own annual financial position, rather than working collaboratively with other NHS bodies to deliver better patient outcomes;
- The use of annual resource limits compels each LHB to focus on the short-term, and this has been generally at the expense of much-reduced Board and senior management consideration of medium-term and strategic financial planning;
- The historic provision by the Welsh Government of additional in-year resource funding for LHBs has led to instances of inappropriate behaviour in the forecasting of year-end out-turns, in the apparent belief that the forecasts themselves will drive higher levels of additional funding support;
- The same pattern of repeated in-year 'bail-outs' has also led to the LHBs not driving through the delivery of planned savings as rigorously as would otherwise have been the case, again in the belief that additional funding will be provided; and
- The inability to retain unspent capital funds to the following year can lead to a 'use it or lose it' attitude when LHBs face year-end spending decisions, which can jeopardise the achievement of good value for money in NHS procurement and capital contracting.

For these reasons, I support the Welsh Government's intention to move away from the use of an annual resource limit for each LHB, and to replace this with a rolling three-year limit with effect from the 2014-15 financial year.

However, there are some practical limitations to the proposed new arrangements. This is because, from the third year onwards (ie from 2016-17), each LHB will always find itself in the third year of any single three-year funding cycle. An LHB's available resources for that financial year will essentially be the balance of allocated resources that remain unspent from the preceding two years of the three-year plan, after taking account of any uplifts in funding for years 2 and 3 of that planning period that may be provided by the Welsh Government when approving subsequent three-year plans. It would therefore appear that the scope for financial flexibility under the arrangements set out within the Bill will, from 2016-17 onwards, be only very slightly greater in practice than that currently available to the LHBs. It should be noted, however, that under the new arrangements it will be possible for LHBs to carry-forward any under-spends to future years, rather than having to surrender these back to the Welsh Government as at present.

The practical effects of the proposals within the Bill on the audit assessment of compliance with the prescribed resource limits (the 'regularity' audit opinion) are set out in Exhibit 1.

Exhibit 1: Three-Year LHB financial planning and the impact on the Regularity audit opinion



It follows that the main practical effect of the Bill will be to provide the LHBs with two years of 'breathing space' (in 2014-15 and 2015-16) during which there will be no requirement to live within an annual resource limit, and no external audit assessment of financial performance against a statutory resource limit. From 2016-17, the existing annual audit assessment recommences, but now looking back at each LHB's total expenditure over the preceding three years, rather than at its annual expenditure.

In my view, it will be imperative that all of the LHBs make best use of this 'breathing space' period to drive through the necessary changes in service transformation, in order to place future NHS service provision onto a financially sustainable cost base. I note the recent announcement by the Finance Minister in her draft 2014-15 Budget of significant additional funding for NHS Wales, and I would urge that these funds, once allocated, are used to maximum effect by each LHB in support of their respective (and their collective) transformation, reconfiguration and delivery agendas.

It will of course remain possible, as now, for the Welsh Government to provide LHBs with additional funding during the financial year and to adjust each LHB resource limit accordingly. Such adjustments to resource limits are a normal working practice, arising as they do from in-year 'Barnett consequentials' from the Chancellor's Autumn Statement etc, and so these adjustments do not currently just arise from 'bail-out' funding flows.

As at present, it will be the final resource limit approved by the Welsh Government for an LHB which will be the limit against which the auditor will assess whether any expenditure breach has occurred. It will therefore remain effectively for the Welsh Government itself to determine (by either granting, or withholding, an adjustment in the resource limit) whether it wishes to see an LHB have its accounts qualified for a breach of the resource limit, since the external auditor has no discretion in this regard. I note that, to date, I have not had to qualify my regularity audit opinion on the accounts of any of the seven LHBs, as the Welsh Government has always opted to make additional resources available to over-spending LHBs.

There are no specific amendments to the Bill that I wish to propose for consideration by your Committee. My intention, once the Bill has been enacted, will be to issue a narrative report alongside my audit opinion on the annual accounts of each LHB from 2014-15 onwards, commenting on the current status of their integrated three-year service, financial and workforce plans, the progress being made against those plans and any corrective measures being taken, either to bring identified variances into line with those plans or to revise the plans themselves and to resubmit them to the Welsh Government for approval.

I anticipate that this independent commentary from the external auditor will assist each of the LHBs themselves and also be of value to the Welsh Government in its oversight of NHS Wales. My reports on the LHBs' annual accounts will also serve to enhance the ability of the National Assembly for Wales and its Committees to scrutinise the performance of each LHB and to hold them to account.

Finally, I note from the 8 October Plenary debate on the Bill that the Minister has undertaken to explore whether there may be scope for the introduction of 'end of year flexibility' or 'tolerance' arrangements within the provisions of the Bill. My staff are discussing these issues with Welsh Government officials, but I think that it may prove very difficult to blend any degree of flexibility with the necessary rigidity that comes with the imposition of formal resource limits, on either an annual or a three-year basis. Similarly, detailed consideration of suggestions that LHBs should be granted borrowing powers will, I suspect, have to await the outcome of the UK Government's response to the Silk Commission, as this will in part depend on whether or not the Welsh Ministers are themselves to be given greater borrowing powers than those that they currently enjoy by virtue of the Welsh Development Agency Act 1975.

I hope that this letter is of assistance to you and your members, and I stand ready to give oral evidence to your Committee during its consideration of the Bill if that would be helpful.



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

**National Assembly for Wales Finance Committee
Call for Information re National Health Service (Wales) Finance Bill**

Background

- By representing the seven Health Boards and three NHS Trusts in Wales, the Welsh NHS Confederation brings together the full range of organisations that make up the modern NHS in Wales. Our aim is to reflect the different perspectives as well as the common views of the organisations we represent.
- The Welsh NHS Confederation acts as an independent voice in the drive for better health and healthcare through our policy and influencing work and by supporting members with events, information and training. Member involvement underpins all our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.
- On behalf of its members, the Welsh NHS Confederation welcomes the opportunity to respond to the Health and Social Care Committee's call for information on financial issues facing the NHS in Wales.

Position on the National Health Service (Wales) Finance Bill

- The Welsh NHS Confederation, on behalf of its members, welcomes the publication of the National Health Service (Wales) Finance Bill.
- For some time the NHS has been calling for Welsh Government to make different mechanisms available and greater flexibility to allow Health Boards to manage their end of year positions in a more balanced manner. Break even is a very precise requirement placed on Local Health Boards on 31st March each year and this has become a somewhat arbitrary date for the production of annual accounts.
- An environment needs to be created that rewards progress on good financial management, facilitates the development of clinically led proposals for service reconfiguration and, in the best scenario, allows transition and pump priming support for service development. Welsh Government should endorse the creation of reserves as good and expected best practice, particularly in such challenging financial times. Other public services have such mechanisms.
- The Welsh NHS Confederation believes the Bill will enable Local Health Boards to have a greater focus on medium term planning. The increased flexibility afforded in the Bill will enable plans to be developed at Health Board level that allow investment to be made in one year that supports the achievement of service change and reduced costs in future years.
- The Welsh Government has been clear that there will be rigour in the practical application of the Bill and that Local Health Boards will have to demonstrate rigorous service, workforce and financial planning. Local Health Boards' plans will need to be sufficiently robust over the whole three years, in order that a planned additional expenditure in one year can be allowed, based on strong certainty that the savings will be there in the second or third year to recover it. The Welsh NHS Confederation believes that such use of flexibility would be a very worthwhile improvement to the current financial regime.
- The Welsh NHS Confederation recognises that there is concern about a potential risk that additional flexibility would be used to provide 'cover' for a potential failure to balance expenditure to income in one year, and the 'problem' passed on to be resolved in following years – possibly the third of the three year period. The Welsh Government has been clear that to mitigate against this risk, robust monitoring and management arrangements would need to be exercised to prevent such a use of the flexibility. The flexibility mechanism should be exercised

for planned investment and secure savings, and not to cover difficulty in balancing income with expenditure.

- Strong discipline will need to be exercised by Local Health Boards to ensure that each case for investment in any one year can indeed deliver the cash savings in future years to repay that investment. There are schemes that reduce future growth in demand but these are not the same as providing cash savings from existing expenditure to repay the investment made.
- One area where it may be helpful to have further clarification from Welsh Government is whether there is the financial means at a central level to allow a number of Local Health Boards to exercise flexibility of additional expenditure in the same year.

Finance Committee

Meeting date: 9 October 2013

Reference: FIN(4)-18-13 (paper 4)

Budget Scrutiny 2013-2014

Who holds the purse strings? An analysis

The attached paper from the Assembly's outreach service summarises the responses to a public consultation exercise conducted at this year's summer shows.

This paper attempts to draw some conclusions, and invites members to consider:

- a) How best to incorporate this work in our draft budget report;
- b) How best to respond to the desire for the public voice to be heard.

Methodology and sample size

Our survey had 48 responses. Given that it was quite a detailed survey, about finances, this is a reasonable number. But it does not allow us to draw firm conclusions – only to gauge impressions.

We estimate that half of those filling in the questionnaire would have been involved in a discussion with a member of the outreach team.

Conclusions

Q1. There was a fairly even split between those who knew the Assembly 'polices' the Welsh Government's spending plans, and those who didn't.

Q2. There was some recognition of the Assembly's role in assessing value for money.

Q3. 62% of respondents thought the Assembly's work had an impact on the WG spending plans.

Q4. How does the Assembly scrutinise the work of the Government? Email questionnaire was the most popular, followed by special events. (but none of the options scored more than 8, which suggests there isn't a widespread public knowledge of how we do scrutiny).

Q5. When told how, there was a split in to thirds of those who thought this was more, less or pretty much what they expected.



Q6. A majority thought the public voice wasn't heard enough in the process. Although a third thought it was!

Q7. Better press coverage and public engagement through social media were the most popular ways to engage that public voice.

Q8. When asked would they like their views heard 38% said no. and 15% weren't sure. This suggests that around half the population has no great interest in actively participating in the budget process.

Summary

Our survey reinforces the Silk Commission's finding that the public's knowledge of the Assembly's process of scrutinising the Welsh Government's annual budget is neither deep nor widespread.

It also suggests that a up to half the country have no interest in doing so. Among those who were interested, email questionnaires were their preferred means of being consulted.

Chamber and Committee Service

October 2013



Finance Committee

Budget Scrutiny 2013-2014

General Summary of Outreach Work

Background

The Outreach team promoted a questionnaire which sought to find out what people think about the Assembly's role in scrutinising the Welsh Government's budget, and if and how they would like to get involved in the future.

The survey was aimed at the general public visiting the Assembly bus during the summer in various locations across Wales. The engagement exercise consisted of one questionnaire in paper format.

The questionnaire concentrated on the key aspects of budget scrutiny and the public's participation in it, namely:

- Raising awareness of the fact that the Assembly has a role in "policing" the way that the Welsh Government spends public money;
- Highlighting how the Assembly examines these spending plans on behalf of the people of Wales;
- Discovering whether the people of Wales think this is enough, especially in relation to capturing the public voice in scrutiny;
- Asking whether the public would like to have a say in the scrutiny process; and
- Finding out if the public think that the Assembly's scrutiny has an impact on the Welsh Government's budget, financial spend and accountability.

Methodology

As part of the Finance Committee's Welsh Government Budget Scrutiny for 2013-2014, the Outreach team produced a questionnaire on the public knowledge of the Assembly's budget scrutiny, and how the Assembly can help promote and get members of the public involved in the process.

The questionnaire was open to members of the general public, who were targeted through:

- **Summer engagement events;** and
- **Tour groups and visitors to the Senedd**

Key Statistics

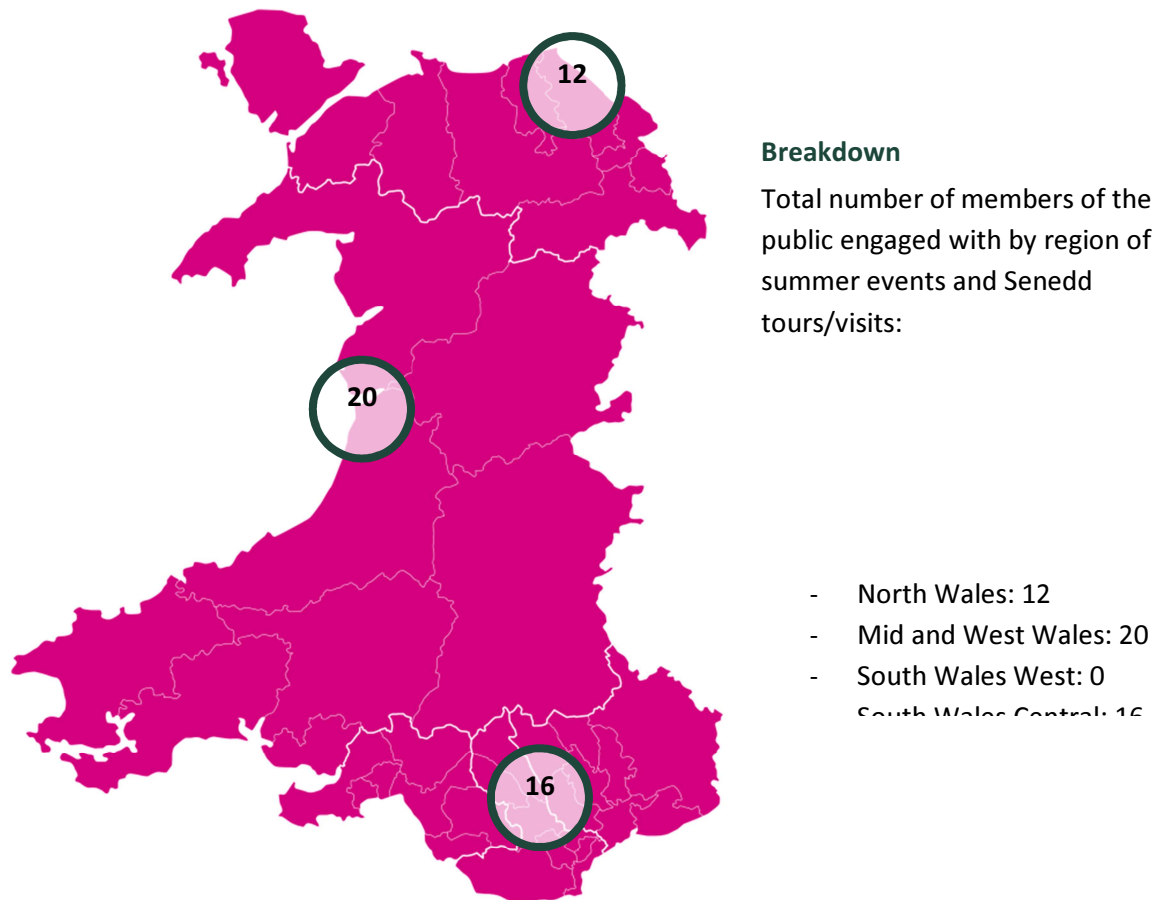


48 Total number of survey responses received

13 Total number of regional and national events where the survey was promoted

Total Number of Participants by Region

This diagram shows the **total** number of people **engaged with directly** as part of the project.



Budget 2013-2014 Activity



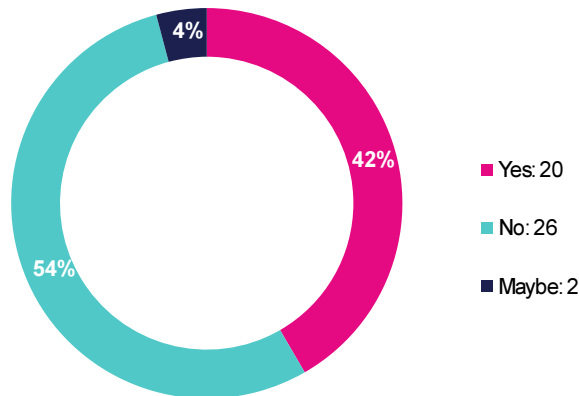
Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Question 1 – Did you know that the Assembly "polices" the Welsh Government's spending plans in this way?

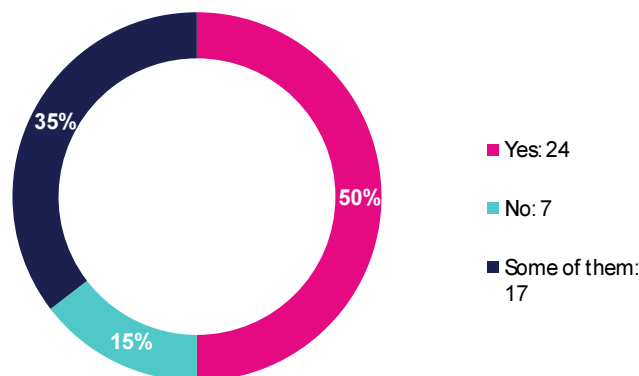
For the purposes of question one, participants were provided with background information on the budget process, that namely:

- The Government sets out how it plans to spend public money in the coming year;
- The Assembly examines these plans on behalf of the people of Wales; and
- The Assembly decides whether or not to agree with the Government's spending plans.



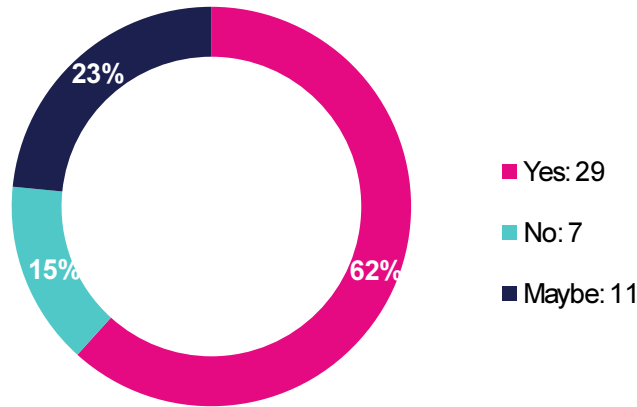
Question 2 – Do you think they measure whether public money is being spent effectively?

For the purposes of question two and three, participants were provided with background information on what values the Assembly looks at when scrutinising the Welsh Government's budget plan, namely: affordability; prioritisation; value for money; and the budget process.



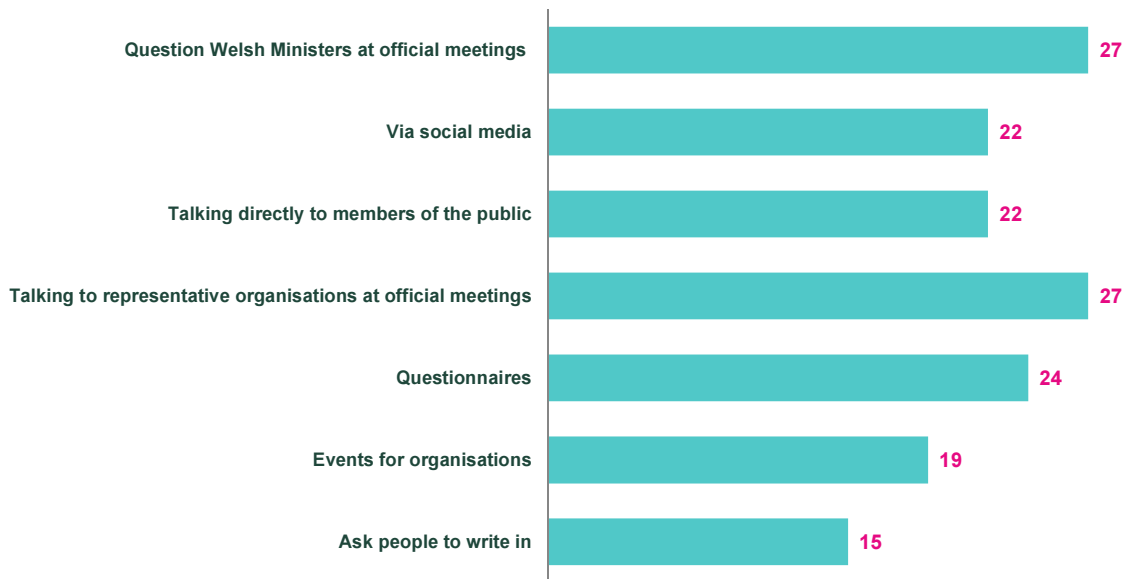
Question 3 – Do you think that the Assembly's work has an impact on the Welsh Government's spending plans and accountability for public money?





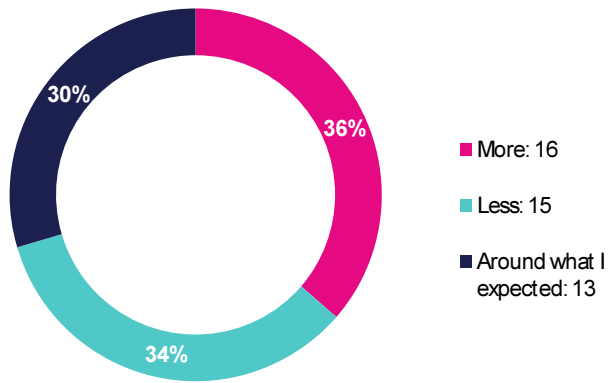
Question 4 – How do you think the Assembly does this?

For the purposes of the remaining questions, participants were asked to choose how they thought the Assembly currently scrutinises the work of the Government by picking from a list, some of which the Assembly does, some of which it doesn't.

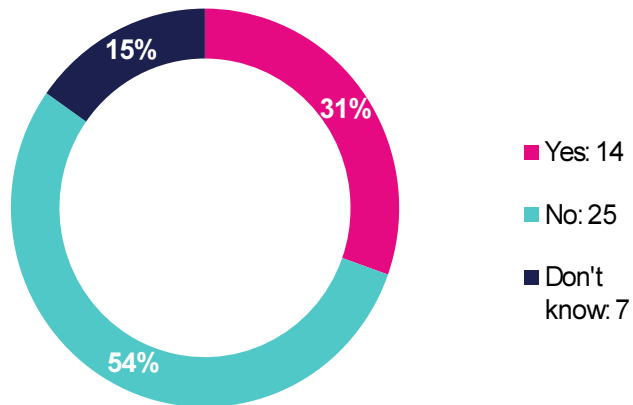


Question 5 – Was this more or less than you expected?

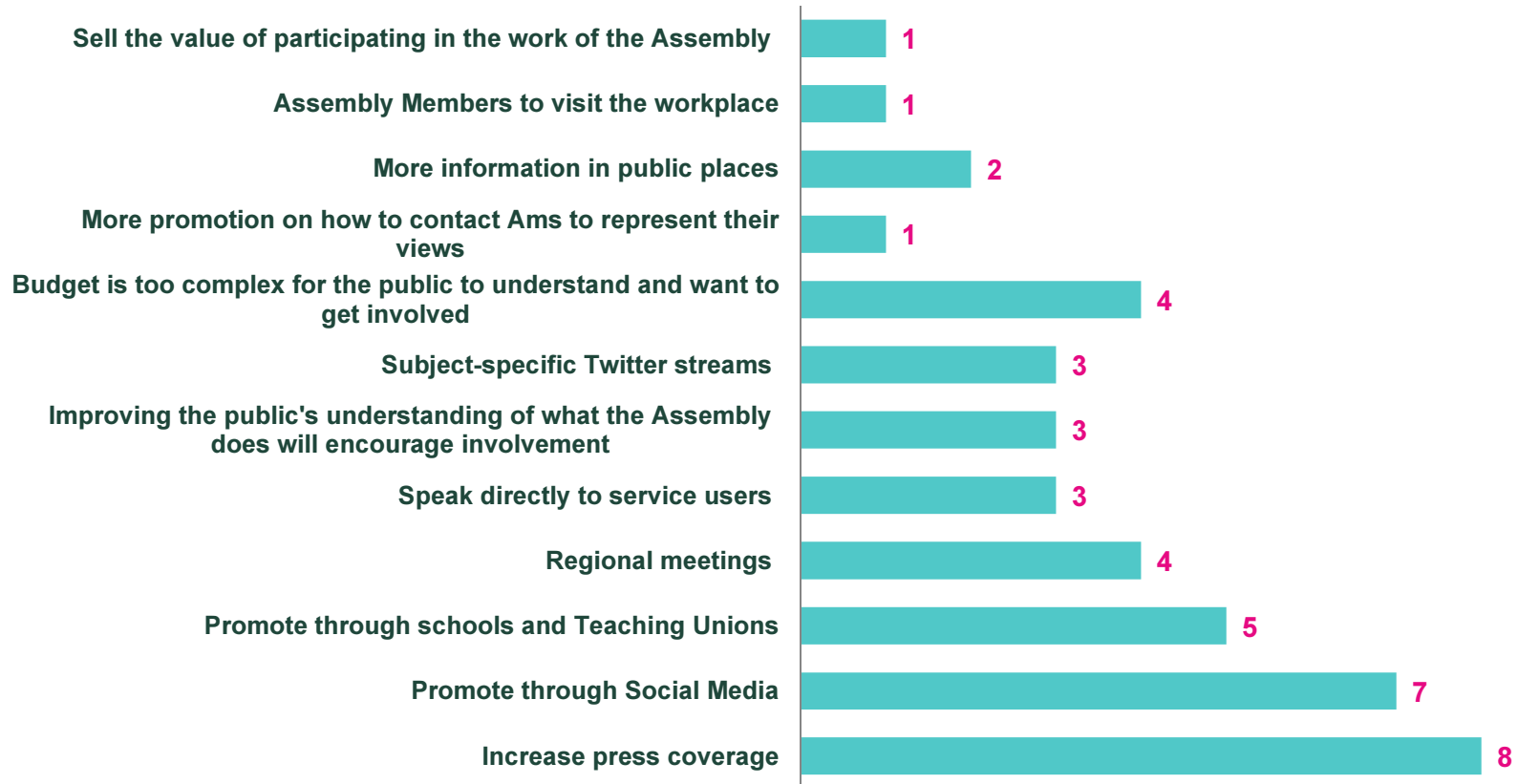




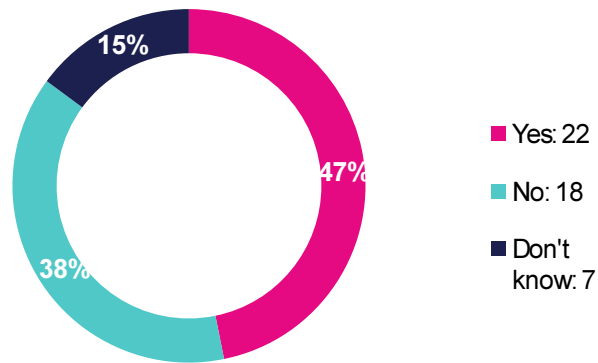
Question 6 – Do you think that the public voice is heard loudly enough in this process, for example through representative organisations?



Question 7 – If you answered no, what do you think the Assembly could do to better make the views of the public heard?



Question 8 – Would you like to have your views heard in this process?



Question 9 – If you answered yes, how?

