

Review of Cost Improvement Arrangements – Health Education and Improvement Wales

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Summary report

Introduction

- 1 NHS Wales is facing unprecedented financial challenges. The legacy of the COVID-19 pandemic on service demand, the rising costs associated with staffing, energy, medicines, maintaining an ageing estate; and tackling the increasingly complex health conditions associated with an ageing population all contribute to the worsening financial situation across the NHS.
- 2 Despite the Welsh Government making an additional £425 million available to the NHS in October 2023, the 2023-24 year-end audited position for NHS Wales was a collective deficit of £183 million. Whilst some NHS bodies were able to achieve year-end financial balance, the position for others - particularly some Health Boards - was challenging with several not being able to deliver the control total deficit expected by Welsh Government.
- 3 The position for 2024-25 is equally, if not more challenging. Health bodies will need to ensure that they have robust approaches in place to identify and deliver in year cost improvement opportunities and to also take a longer-term approach to achieving financial sustainability that moves away from short-term approaches to ones where savings are achieved by transforming service models and ways of working.

Objectives and scope our work

- 4 Given the challenges outlined above, the Auditor General has undertaken a programme of work examining NHS bodies' approaches to identifying, delivering, and monitoring sustainable cost savings opportunities. Whilst our more detailed work has been targeted at health boards, we have also undertaken high level work at Special Health Authorities and NHS Trusts, linked to the specific functions of those bodies. The findings from that high level work at Health Education and Improvement Wales (HEIW) are set out in this report.
- 5 The work has been undertaken to discharge the Auditor General's statutory duty under Section 61 of the Public Audit (Wales) Act 2004 to be satisfied that the HEIW has proper arrangements in place to secure economy, efficiency, and effectiveness in its use of resources.
- 6 We undertook our work between February 2024 and April 2024 and provided feedback on our emerging messages to the Director Finance in May 2024. The methods we used to deliver our work are summarised in **Appendix 1**.

Key findings

- 7 Overall, we found that HEIW has sound arrangements for identifying, delivering, and monitoring its cost improvement opportunities. In drawing this conclusion we acknowledge that the organisation's scope to secure cost improvements is largely determined by the volume of training places that it needs to commission on behalf of NHS Wales.
- 8 The findings that support our overall conclusion are summarised below under the following headings:
 - Identifying cost improvement opportunities;
 - Delivering cost improvement opportunities; and
 - Monitoring and overseeing cost improvement opportunities.

Identifying cost improvement opportunities

- 9 We found that HEIW has a good understanding of its cost drivers. Over 80% of the organisation's costs are determined by its commissioning of NHS training places in line with the annual Education and Training Plan (E&TP). Pay is HEIW's other key cost driver, which represented 8% of its total budget in 2023-24. HEIW is currently benchmarking itself against its United Kingdom counterparts, such as Health Education England (now part of NHS England), to assess whether its staffing complement is fit for purpose.
- 10 HEIW has also identified two key potential unfunded future cost pressures, these are the unknown impact of Welsh Government's increase in the student fee from September 2024 and the removal of the Reduced Rate of Maintenance Loan for all NHS Healthcare Bursary students from September 2024. We understand that HEIW are in dialogue with Welsh Government regarding the unknown impact of these future cost pressures.
- 11 Improving the quality and accessibility of workforce and training data is a priority for HEIW. As the strategic body with oversight of the NHS workforce, HEIW continues to develop tools to support both itself and the wider NHS to improve workforce supply and demand data over the short- to medium-term. Whilst its various online business intelligence dashboards and demand and impact models are still evolving, they are increasingly being used by the organisation itself and Health Boards to inform their respective workforce planning and cost reduction arrangements. We have commented on this in our recent reports on [Workforce Planning Arrangements](#) and [Business Intelligence](#).

Delivery of cost improvement opportunities

- 12 As part of its wider response to the significant financial pressures within the NHS, the Welsh Government requested that HEIW re-submit its 2024-25

E&TP in late 2023 and to identify where further cost savings could be achieved. HEIW's resubmitted 2024-25 E&TP contained fewer training places than originally planned, with a consequent reduction in HEIW's original 2024-25 E&TP budget of £19 million. As an example of the impact of this on the number of training places commissioned, HEIW's revised 2024-25 E&TP is based on 2,400 pre-registration nurse training places, compared to 2,747 places that were identified in the original plan.

- 13 In prior years there has been a gap between the number of training places commissioned and those actually filled. This has resulted in HEIW refunding some of its allocation back to Welsh Government. This refund amounted to £22 million and £19 million in 2022-23 and 2023-24, respectively. HEIW is anticipating that any refund to Welsh Government in 2024-25 will be significantly less than in previous years due, in part, to the revised 2024-25 E&TP.
- 14 HEIW updated the E&TP to reflect the impact of a flat line budget¹ for 2024-25. Notwithstanding this, to support the additional planning work for the revised 2024-25 E&TP, HEIW's internal Prioritisation Group used the MoSCoW² prioritisation methodology to inform its decision making in the context of a reducing budget. However, due to the very tight time constraints for resubmitting the updated 2024-25 E&TP, the plan did not clearly define the longer-term impacts of reducing training places. However, we are aware that a more comprehensive analysis and presentation of the potential long-term impacts on the NHS workforce of the various plan options has been incorporated into the development of the draft 2025-26 E&TP. This should enable decision making to take account of impacts over the longer term.
- 15 As part of its routine planning, HEIW used its Stakeholder Reference Group to engage on the development of its original 2024-25 E&TP and 2024-27 Integrated Medium-Term Plan (IMTP). However, it was unable to fully engage stakeholders on the resubmitted E&TP due to the tight timescales for re-submission of the plan to Welsh Government. This change to the normal engagement process has put a strain on HEIW's relationship with some key stakeholders, who have raised concerns about the transparency of the process to update the original 2024-25 E&TP as requested by Welsh Government. However, HEIW has been working closely with stakeholders and Welsh Government to address these concerns to ensure there is a more robust and shared approach to future planning. Stakeholders will have improved visibility on the options around future E&TPs through this more collaborative approach to planning.

¹ Flat line budget – a budget with no increase in allocation – i.e. held at current year levels.

² MoSCoW - (Must have, should have, could have, and won't have), prioritisation approach.

- 16 As a broader observation, it is acknowledged that any future opportunities to secure savings from education training and commissioning activity need to be seen in the context of the wider workforce needs of NHS Wales. We have noted that HEIW's draft E&TP 2025-26 that was recently considered by the Board recommends an increase in commissioning and other activity requiring additional investment of nearly £26 million with a further £9.5 million on investment linked to Welsh Government policy decisions.

Monitoring and oversight of cost improvement opportunities

- 17 We found that HEIW has a robust approach to the monitoring and oversight of its financial position and cost improvement requirements. We are aware that this has included the board holding an extraordinary meeting to consider the in-year changes to its E&TP.
- 18 Both the board and the Executive Team receive monthly finance and performance reports. The Education Commissioning and Quality Committee (ECQC) also support the Board with specific scrutiny and oversight of the E&TP. HEIW has recently established an Oversight Group, which will report into its Executive Team and has specific responsibility for routine operational oversight, scrutiny, and monitoring of the E&TP. This new group and the intention to recruit a new Director for Education should, when fully embedded, further strengthen HEIW's governance and monitoring arrangements.
- 19 HEIW's routinely monitors its key financial risks. In March 2024, HEIW added two new finance related red risks to the Corporate Risk Register in relation to delays in Welsh Government approving the 2025-26 E&TP and the impact of another flat line budget for the 2025-26 E&TP. These corporate risks and the wider strategic risk focusing on the achievement of the statutory financial duty are routinely monitored by the Audit and Assurance Committee and reported to the Executive Team and board.

Next steps

- 20 This high-level review of HEIW's approach to cost improvements has not identified any specific audit recommendations. The issues identified will be kept in view and used to inform our wider assessment of the organisation's financial planning arrangements as part of our Structured Assessment work.

Appendix 1

Audit methods

Exhibit 1 below sets out the methods we used to deliver this work. Our evidence is limited to the information drawn from the methods below

Element of audit approach	Description
Documents	We reviewed a range of documents including: <ul style="list-style-type: none">• Board and Committees agenda, papers, and minutes• Key organisational strategies and plans• Key risk management documents, including the Board Assurance Framework and Corporate Risk Register• Key reports and plans relation to organisational finances, savings and cost improvements• Any relevant reports prepared by the Internal Audit service.
Interviews	We interviewed the following senior officers and Independent Members: <ul style="list-style-type: none">• Chief Executive Officer• Director Finance, Planning and Performance

Element of audit approach	Description
	<ul style="list-style-type: none"> • HEIW Board Chair • Chair of Education Commissioning and Quality Committee • Medical Director • Director of Nurse and Health Professional Education • Deputy Director of Education Commissioning and Quality
Observations	<ul style="list-style-type: none"> • We observed Public and In-committee Board meetings



Audit Wales

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

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