

Structured Assessment 2021 (Phase Two) – Corporate Governance and Financial Management Arrangements: Hywel Dda University Health Board

Audit year: 2021

Date issued: April 2022

Document reference: 2776A2021-22

This document has been prepared for the internal use of Hywel Dda University Health Board as part of work performed in accordance with statutory functions.

The Auditor General has a wide range of audit and related functions, including auditing the accounts of Welsh NHS bodies, and reporting to the Senedd on the economy, efficiency, and effectiveness with which those organisations have used their resources. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

© Auditor General for Wales 2021

No liability is accepted by the Auditor General or the staff of the Wales Audit Office in relation to any member, director, officer, or other employee in their individual capacity, or to any third party in respect of this report.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

Summary report	
About this report	4
Key messages	4
Recommendations	6
Detailed report	
Governance arrangements	7
Managing financial resources	19
Appendices	
Appendix 1 – progress against previous recommendations	25

Summary report

About this report

- 1 This report sets out the findings from phase two of the Auditor General's 2021 structured assessment work at Hywel Dda University Health Board (the Health Board). Our structured assessment work is designed to help discharge the Auditor General's statutory requirement to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources under section 61 of the Public Audit (Wales) Act 2004. Our [2021 structured assessment phase one report](#) considered the Health Board's operational planning arrangements and how these are helping to lay the foundations for effective recovery.
- 2 The COVID-19 pandemic required NHS bodies to quickly adapt their corporate governance and decision-making arrangements to ensure timely action was taken to respond to the surge in emergency COVID-19 demand and to ensure the safety of staff and patients. Our [2020 structured assessment report](#) considered the Health Board's revised governance arrangements and was published in September 2020.
- 3 NHS bodies have continued to respond to the ongoing challenges presented by COVID-19, whilst also starting to take forward plans for resetting and recovering services affected by the pandemic. Our 2021 structured assessment work, therefore, was designed in the context of the ongoing response to the pandemic thus ensuring a suitably pragmatic approach to help the Auditor General discharge his statutory responsibilities whilst minimising the impact on NHS bodies as they continued to respond to COVID-19.
- 4 Phase two of our 2021 structured assessment has considered how corporate governance and financial management arrangements have adapted over the last 12 months. The key focus of the work has been on the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We have also considered how business deferred in 2020 has been reinstated and how learning from the pandemic is shaping future arrangements for ensuring good governance and delivering value for money. We have also sought to gain an overview of the Board's scrutiny of the development and delivery of the Health Board's 2021-22 Annual Recovery Plan.

Key messages

- 5 Overall, we found that the Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements for risk and quality governance have posed some risks, improvement action is now underway. While the Health Board continues to face significant financial challenges, it has maintained effective financial controls and monitoring and reporting is robust. The Health Board is working hard to achieve

financial recovery but is managing a number of risks and delivery is being hindered by operational capacity to develop recurring saving schemes.

- 6 The Board continues to conduct business in an open and transparent way. The Health Board has maintained good governance arrangements, with committees working well and adapting accordingly to reduce the burden on staff. Information to support scrutiny and assurance is comprehensive and good use has been made of opportunities to keep independent members briefed. The Board is committed to reviewing its effectiveness and has made a number of positive changes to its committee structures to align scrutiny and assurance with its strategic and planning objectives. A stable and cohesive board has largely been maintained during the pandemic and new independent members have been supported well into their roles. The Health Board has adapted its organisational design accordingly to maintain the rapid decision making and whole system working seen during the peaks in the pandemic. Transformation and building organisational capabilities are embedded within the structure and the appointment of the new Director of Strategic Development and Operational Planning, and alignment of the new planning objectives across the executive director portfolio, have both enhanced an already cohesive executive team.
- 7 The Health Board has well developed plans for continuing its response to COVID-19 and to reset and recover services, whilst looking to deliver its longer-term strategic intent. Partnerships appear to be working well and there has been good engagement with the public. Availability of additional capacity is presenting risks to the Health Board, but there are now good mechanisms in place to monitor and scrutinise delivery of its plan. The Health Board has reinvigorated its Board Assurance Framework which we have identified as good practice. Corporate risk management arrangements work well although issues with operational risk management have posed a risk to levels of assurance. Work is underway to address this. The Health Board continues to make a strong commitment to staff wellbeing and is leading the way with its discovery work to understand and learn from staff experiences during the pandemic. The quality and safety of services is a priority and the Health Board's Improving Together work is promoting a collegiate approach to improvement supported by an interactive performance dashboard. Operational quality governance arrangements have also posed a risk, but steps are being taken to strengthen these. The Health Board continues to have robust arrangements for tracking audit and review recommendations.
- 8 The Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.9 million. The Health Board is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years, and it will continue to fail to meet its financial duties due to a planned year-end deficit of £25 million. The Health Board continues to maintain appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability but capacity within operational teams is hindering its ability to achieve financial recovery. The Health Board has

robust arrangements in place for monitoring and scrutinising its financial position, supported by comprehensive and transparent reporting

Recommendations

- 9 We have not made any new recommendations based on our 2021 phase two work but have noted a number of minor improvement opportunities throughout this report. We will review progress against these as part of our 2022 work.

Detailed report

Governance arrangements

- 10 Our structured assessment work considered the Health Board's governance arrangements while continuing to respond to the challenges presented by the pandemic.
- 11 We found that **the Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements for risk and quality governance have posed some risks, improvement action is now underway.**

Conducting business effectively

- 12 We found that **the Board continues to conduct business in an open and transparent way and has maintained good governance arrangements which have been appropriately adapted when needed. The Health Board is committed to reviewing its Board effectiveness and has made a number of positive changes to its committee structures. A relatively stable and cohesive Board and executive team has been maintained and the learning from the pandemic has been incorporated into organisational design.**

Public transparency of Board business

- 13 The Health Board has continued to hold Board and committee meetings virtually. Attendance levels have been good. Virtual meeting etiquette is now well established, with Board and committee meetings making good use of the technology available. There have been no major IT connectivity issues except for a connection problem which occurred during the July 2021 Board meeting, however this was dealt with effectively and swiftly. The Health Board plans to continue with the virtual arrangements but is looking to bring back face to face Board meetings as soon as it is safe to do so.
- 14 Board and committee papers are available on the Health Board's website ahead of meetings. Members of the public are invited to observe, and the Health Board makes good use of its media channels to promote upcoming Board meetings. Additional Board meetings have been held during the year to enable decisions to be made ahead of Welsh Government deadlines. All Board meetings have continued to be livestreamed, reflecting the Board's ongoing commitment to public transparency. Recordings are available to view on the Health Board's website immediately after the event. The Community Health Council continue to be regular attenders at the Board meeting.
- 15 The extent to which Board and committee business is discussed in private is kept to a minimum. The Health Board includes a summary of the discussions in its

committee update report to the public board meeting. A number of other NHS bodies in Wales include a redacted set of minutes of its private meetings in the public board papers. The Health Board may want to consider reviewing the approaches of other NHS bodies to see if there are other ways of increasing its public transparency further.

Board and committee arrangements

- 16 To respond to the immediate challenges of the COVID-19 pandemic, the Health Board made temporary amendments to the frequency of meetings, the streamlining of agendas and the standing down of some committees. These amendments were facilitated by temporary variation from parts of the Health Board's standing orders which were agreed by the Board in April 2020. These arrangements worked well and were constantly kept under review by the Board.
- 17 In July 2020, the Board and Quality, Safety & Experience Committee reverted to bi-monthly meetings, with the frequency of all other committees running as normal. The Board and committees were able to be maintained during the second peak of COVID-19, and when required the Quality, Safety & Experience Committee increased its frequency to maintain oversight of the pandemic's impact on patient care. The Finance Committee continued to meet monthly, as it was doing prior to the pandemic. The temporary variations to the standing orders were formally stood down in May 2021.
- 18 The Health Board has retained its focus on reducing the burden on executive director's time, with attendance only as and when required at committees, and a streamlined approach to agendas supported by a paper light approach. A tight focus on the length of Board and committee meetings has also been maintained. Agenda items deferred during 2020 were kept to a minimum, and these have now all been reinstated.
- 19 Board and committee papers are made available to independent members in line with deadlines set out in standing orders. Board agendas are comprehensive, and papers are generally in the region of 400 pages per meeting. Committee papers are also comprehensive and in the region of between 250 and 350 pages per meeting. The use of presentations, verbal updates and interactive data tools has enabled the paper light approach mentioned in **paragraph 18**.
- 20 Use of the Health Board's SBAR report¹ is well embedded within Board and committee meetings to support independent members understanding of the key issues in each agenda item and what is expected of them. The report is used for all internal papers and also ensures that Board and committee agenda items are linked to the Health Board's strategic objectives, and any impact of decisions is clearly understood.

¹ Situation, background, assessment, and recommendation.

- 21 Our observations of Board and committee meetings has found them to be well chaired, with focused discussions on key items, and contributions made by all attendees. There is good cross referral between committees, supported by the newly established committee chairs meetings. Committee chairs are included in the agenda setting for each committee meeting, and reports of each committee meeting are presented to the Board. Chairs of committees have also retained a touchpoint meeting with the relevant lead executive officer between committee meetings.
- 22 The register of interests for all Board members is kept up to date and presented at the Audit and Risk Assurance Committee annually. Each Board and committee meeting includes a standing agenda item to declare any conflicts of interest in respect of any agenda items.
- 23 A regular programme of Board seminars and development sessions have been held during 2021. These have enabled independent members to be engaged more informally in wider strategic discussions and development activities. The Chair and Chief Executive have also retained briefing sessions with independent members to keep them up to speed on urgent issues. An electronic Resource Centre also allows independent members to have ongoing direct access to information pertaining to the pandemic. As was the case in 2020, there has been limited need to make use of Chair's Actions, but when required, these receive appropriate scrutiny and challenge, and are ratified at the following Board meeting.

Board commitment to continuous improvement

- 24 The Health Board is proactive in reviewing the effectiveness of its Board and committees. The Board undertook a detailed review of its arrangements in May 2021 to support its Annual Governance Statement. The review drew on a wide range of internal and external assessments that are undertaken throughout the year, including self-assessments and annual reports of each of the committees. Using a matrix assessment, the Board agreed a maturity level four defined as 'we have well developed plans and processes and can demonstrate sustainable improvement throughout the service'. This is an improvement on the previous financial year, from level three. The Health Board has previously committed to being one of two NHS bodies in Wales to pilot a new annual assessment approach developed through the NHS Wales Board Secretaries Network. The need to maintain an agile approach in response to the pandemic has however, meant that this new approach has been deferred for the time being.
- 25 One of the areas identified in the Board's effectiveness review was the need to redesign independent member development and tailor local induction. The Health Board has developed a comprehensive induction pack for new independent members. During 2021, there have been three new independent members. Previously we have commended the Health Board for its ability to provide a transition period between outgoing and incoming independent members. However, delays with the national recruitment process have meant that a transition period

was not able to be facilitated for the recent appointments. However, the Health Board has worked hard to ensure that new independent members have had opportunities to be supported by more experienced independent members and have access to executive directors where relevant. Gaps between outgoing and incoming independent members have been minimal, with no implications on attendance or continuity at Board and committee meetings.

- 26 In the latter part of 2020, the Health Board revisited its strategic vision and undertook a comprehensive review of its previous commitments. This work resulted in a refreshed set of strategic objectives and supporting planning objectives which were used to shape the 2021-22 Annual Recovery Plan. To ensure appropriate oversight, each objective was mapped to the Board or an existing committee at that time. This resulted in a number of changes being proposed to the committee structure to better align scrutiny and assurance with the objectives. The outcome of the mapping exercise was shared at a Board seminar in April 2021. A formal paper was subsequently presented and approved by the Board in May 2021 setting out proposed changes to committees. Formal revisions to governance arrangements were approved in July 2021 and the new committees took effect in August 2021. The changes included:
- The establishment of the Strategic Development & Operational Delivery Committee, to replace the 'planning' and 'performance' elements of the previous People, Planning and Performance Assurance Committee.
 - The establishment of the People, Organisational Development & Culture Committee, to replace the 'people' element of the previous People, Planning and Performance Assurance Committee.
 - The establishment of the Sustainable Resources Committee, to replace the previous Finance Committee, and provide a broader focus than finance, also reducing the meeting frequency to bi-monthly.
 - The renaming of the previous Quality, Safety and Experience Assurance Committee to the Quality, Safety and Experience Committee.
- 27 Although still in their infancies, the new committees have embedded well, and as mentioned in **paragraph 21**, we have found all committees to be chaired well. The Board has made a commitment to keep these committees under review and amend as necessary.
- 28 Throughout the pandemic, the Health Board has maintained its Stakeholder Reference Group and Healthcare Professionals Forum. It has also maintained its Staff Partnership Forum and its Ethics Panel established to support ethical decision-making in response to the pandemic. The Health Board has also further developed its mechanism for ensuring it hears and involves views from diverse and minority groups. The Health Board had considered establishing a Diversity and Inclusion Advisory Group to the Board, which incorporates its Black, Asian, and Minority Ethnic (BAME) Advisory Group set up in 2020, and its Enfys LGBTQ+ Network. Further discussion on how this agenda is taken forward is currently being taken through the People, Organisational Development & Culture Committee.

Ensuring organisational design supports effective governance

- 29 The Health Board formally stood down its command structure in March 2021, whilst retaining the flexibility to stand elements of it back up should there be a resurgence in COVID-19 cases. Weekly Executive Team meetings were reinstated with a focus on reviewing progress and co-ordinating and updating the ongoing response to the pandemic, as well as the wider routine business. Provision for on-request Gold Command meetings was made and a number of these have been held since March 2021 on specific issues. A number of COVID-19 related cells remain in place, such as the public health cell. Each cell reports directly into the Executive Team.
- 30 The Health Board's Silver (tactical) Command is still meeting but the learning from the Silver Command has also been incorporated into the establishment of an Operational Planning & Delivery Programme Group which meets on a weekly basis. The group brings together key leaders from across the organisation and aids whole system discussions and agile working seen during the response to the pandemic. The learning from the Bronze Command has resulted in the establishment of Planning Objective Delivery Groups aligned with planning objectives. This includes delivery groups for Urgent and Emergency Care, and Planned Care. Operational delivery is also supported by the establishment of monthly operational business meetings with the Director of Operations and the clinical directorates.
- 31 The Strategic Enabling Group, first established to support the Health Board's transformation agenda, has been refreshed to focus on building organisational capabilities to aid and accelerate delivery of the planning objectives. This includes aspects such as value-based healthcare, the use of digital and intelligence, and innovative approaches relating to social value not necessarily seen in other NHS bodies. The group is chaired by the Director of Finance.
- 32 The Health Board's Transformation Steering Group, first established in June 2020, has also been refreshed as an advisory group to the Board. The Transformation Steering Group provides a forum for seeking new ways to meet the Health Board's longer-term strategic vision and capturing new and innovative ideas from across the organisation. Outputs from the group translate into potential planning objectives for future years. The Health Board has retained its previous Associate Member for Finance by successfully appointing them as a strategic advisor to provide independent challenge to the Board. A further three strategic advisors have also been appointed, one focused on value-based healthcare, one on transformation and social value, and one on community engagement. The Strategic Advisor for Transformation is a member of the Transformation Steering Group.
- 33 The Health Board has largely maintained continuity within its executive director cohort during the pandemic. The new Director of Strategic Development and Operational Planning commenced in April 2021 and has brought a refreshed and welcomed perspective to the way the Health Board plans its services. All executive directors have been assigned planning objectives and where COVID-19 restrictions

have allowed, the Executive Team have held a number of team development sessions to continue building on its already strong and cohesive team working.

Planning for recovery²

- 34 We found that **the Health Board has well developed plans for continuing its response to COVID-19 and to reset and recover services, whilst also laying the foundations to deliver its longer-term strategic intent. Partnerships are working well and there has been good engagement with the public. Availability of additional capacity is presenting risks to the Health Board, but there are now good mechanisms in place to monitor and scrutinise delivery of its plans.**
- 35 The COVID-19 pandemic has had an unprecedented impact, and the need for the Health Board to respond has come at a huge cost to its ability to deliver routine services. In line with Welsh Government guidance, the Health Board developed its 2021-22 Annual Recovery Plan, which sets out how it plans to manage the ongoing response to the pandemic and implement the reset and recovery of services.
- 36 Independent members were given early sight of the developing plan during Board seminars from December 2020 onwards. The Board formally discussed the draft plan at its March 2021 private meeting and approved it subject to a number of amendments prior to submission to the Welsh Government.
- 37 Feedback from the Welsh Government was broadly positive but reflected that the plan was overly long. The feedback recognised the Health Board's strong strategic intent, with a positive focus on primary and community care, mental health and learning disabilities, and regional solutions. A number of improvements were addressed in the final plan, these included:
- better triangulation between activity, workforce, and financial requirements.
 - clearer alignment with NHS planning priorities.
 - greater clarity on the plans for recovery of planned care, the support for urgent and emergency services, and the ongoing response to COVID-19.
 - better clarity of deliverables and the timescales for delivery.
- 38 The final plan was approved by the Board in June 2021 and submitted to the Welsh Government in line with the required timescales.
- 39 In 2018, the Health Board launched its 20-year strategy 'A Healthier Mid and West Wales - Our Future Generations Living Well'. In light of the pandemic, the Health

² NHS bodies are required to submit a three-year Integrated Medium-Term Plan (IMTP) to the Welsh Government on an annual basis. The Welsh Government paused the IMTP process for 2020-23 in March 2020, to allow NHS bodies to focus on responding to the COVID-19 pandemic. Instead, health bodies were required to submit quarterly plans during 2020-21 as well as prepare an annual plan for 2021-22 by 31 March 2021. Our 2021 structured assessment phase one report considered the Health Board's operational planning arrangements.

Board has reviewed its strategy and confirmed that it is still fit for purpose. The Annual Recovery Plan has been set in the context of the strategy but also builds on its discovery work undertaken in 2020. The discovery work sought to learn from the pandemic response and how that learning can be applied to accelerate delivery of the strategy. The Annual Recovery Plan has also taken account of revised wellbeing objectives which were agreed in 2020.

- 40 The Health Board has seen significant growth in the number of patients waiting for planned care, whilst continuing to respond to the needs of patients with COVID-19. The Annual Recovery Plan sets out how the Health Board intends to increase activity, reduce waiting times, and improve access to services, making use of regional solutions where practical to do so. In June 2021, the Health Board received additional funding of £11.3 million to support the recovery of planned care services. A further £9.5 million was received in October 2021. This funding is being used to provide additional internal and external capacity to respond to the increasing backlog of activity. Challenges associated with available capacity, particularly within the independent sector, are however, presenting risks to the Health Board's ability to spend the funds. At its November in-committee meeting, the Board formally agreed to hand £10.1 million back to the Welsh Government.
- 41 The Annual Recovery Plan recognises the key milestones needed in year to support delivery of the longer-term strategy, particularly in relation to business cases for the new hospital build. Despite the pandemic, extensive work is progressing to develop the new hospital programme business case ahead of the March 2024 deadline. During May and June 2021, the Health Board undertook a public engagement exercise to understand how the pandemic had impacted its local population and the implications for its strategy. The exercise also sought views on potential locations for the new hospital and the factors that the Health Board needs to consider in respect of the location. The exercise attracted a good level of engagement.
- 42 As mentioned in **paragraph 26**, the 2021-22 Annual Recovery Plan consists of a number of strategic and planning objectives. Our 2021 structured assessment phase one report identified the need for the Health Board to develop its processes for monitoring delivery of its plans. All planning priorities in the 2021-22 Annual Recovery Plan have been assigned a responsible lead executive director, and a committee for scrutiny and assurance. Delivery of the planning objectives is overseen by the Executive Team and reported to the Board on a quarterly basis. A new monitoring report, using RAG³ ratings, has been developed. The report sets out progress against each planning objective, and mitigating actions where delivery is behind profile. Progress against delivery of planning objectives is also reflected in the Health Board's Board Assurance Framework (**paragraph 45**).
- 43 The Health Board is working closely with its partners to deliver its Annual Recovery Plan. Regional solutions with Swansea Bay University Health Board are helping to

³ Red, Amber and Green.

respond to pent up demand in ophthalmology as well as a number of other priority areas. Work with the Mid Wales Healthcare Collaborative has also focused attention on improving clinical pathways for Bronglais District General Hospital. The Health Board has continued to work very closely with the three local authorities, with the Vice Chair now chairing the Regional Partnership Board and the Joint Integrated Executive Team continues to meet on a regular basis. Joint solutions have been developed to respond to the shortage in domiciliary care provision, including the development of a domiciliary bridging service.

Systems of assurance

- 44 We found that **the Health Board is committed to delivering high quality services and supporting staff wellbeing. An innovative approach to enable effective scrutiny of strategic risks and outcomes is in place through the interactive Board Assurance Framework and performance dashboard. The Health Board has a well-managed approach to monitoring the implementation of audit and review recommendations. Operational risk and quality governance arrangements have posed a risk to receiving the required levels of assurance, but work is now underway to address these.**

Managing risk

- 45 In our previous structured assessment, we referred to the Health Board planning to undertake a refresh of its Board Assurance Framework in 2020 to reflect its strategic vision. Due to the impact of the pandemic, this work was temporarily delayed. The Health Board has since revisited its Board Assurance Framework to reflect the revised strategic and planning objectives (referred to in **paragraph 26**). A reinvigorated interactive Board Assurance Framework was approved by the Board in September 2021.
- 46 The Health Board should be commended on its Board Assurance Framework, and although still evolving, it is identified as a model of good practice. As well as identifying the principal risks to delivery of the Health Board's objectives, the controls and assurances, the Board Assurance Framework also seeks to align outcomes against strategic objectives, and delivery against its planning objectives. The interactive tool is designed to allow independent members see at a glance, areas of concern, the actions being taken, and assurances are provided through the relevant committees. At the time of writing, areas of concern include slow progress against delivery of planning objectives, slow or no impact on agreed outcome measures, and significant risks to the achievement of strategic objectives, where there is little confidence in the assurances provided. The Board Assurance Framework is currently being reported to the Board at every meeting with the Audit, Risk & Assurance Committee maintaining oversight of the strength of controls and assurances. The principal risks within the Board Assurance Framework are assigned to the most appropriate committee.

- 47 The Health Board's corporate risk register is also reported to every other Board meeting, with risks assigned to, and monitored through the relevant committee. The Health Board has revisited its corporate risks through discussions with independent members and consideration of specific risks in committees. Principal risks have also been discussed and agreed through executive team workshops. During 2021, the Health Board also updated guidance to the Board in relation to its tolerance and appetite for risk. A further review of the Health Board's appetite for risk has been deferred until 2022-23. The Executive Team maintain regular oversight of the corporate risk register. As per our 2020 structured assessment, COVID-19 specific risks are incorporated within the corporate risk register.
- 48 Internal Audit plans to review the Health Board's Board Assurance Framework and risk management arrangements in early 2022. A number of Internal Audit reviews undertaken 2021 focused on governance arrangements within individual directorates. These reviews identified operational risks not being updated and actions to mitigate risks being overdue. Our quality governance review (referred to later in this report) which focused specifically on quality risks, also found inconsistencies in operational risk management, failures to update risk registers and confusion over responsibilities for risk.
- 49 As part of its revised governance arrangements to respond to the pandemic, the Health Board set out a streamlined approach to risk management. This involved standing down the monitoring and scrutiny of operational risks but maintained a requirement for operational teams to manage existing risks and any new risks to prevent harm, minimise loss and reduce damage. Prior to the pandemic, operational risks were scrutinised through monthly executive performance reviews with directorates. Although the revised governance arrangements have since been stood down, the Health Board has ceased its pre-pandemic performance arrangements. The existing arrangements were replaced by the Improving Together approach, which adopts a much more collegiate approach to improvement. This approach is currently being rolled out (discussed further in **paragraph 57**). In the meantime, work has been undertaken to strengthen operational risk arrangements in response to our quality governance work. This has included an executive led review of each directorate's risk registers and included the Head of Assurance and Risk. The Health Board plans to include these reviews as part of an ongoing programme.

Quality and safety assurance⁴

Staff wellbeing arrangements

- 50 The Health Board places staff wellbeing as a significant priority. In 2019, the Health Board developed its ten-year Workforce, Organisational Development and Education Strategy for the period 2020-2030. Staff wellbeing features prominently within the strategy. The impact of the pandemic led to the need to accelerate some of the key aspects of the strategy. Supported by a Bronze Workforce Group, the Health Board undertook a number of actions to ensure that staff were supported. This included the establishment of the Rest, Recovery and Recuperation Reference Group during the peak of the pandemic, and the BAME Advisory Group with a direct reporting line to Board. This also included the rollout of the risk assessment tool to identify staff at risk from the COVID-19 virus, additional investment in the Staff Psychological Wellbeing Service, and the creation of local resources such as 'listening spaces' through the use of charitable funds.
- 51 Rest, recovery, and recuperation of staff underpins three of the Health Board's strategic objectives⁵ in its Annual Recovery Plan 2021-22. These are supported by a number of planning objectives which includes conducting a second discovery review to understand the experiences of staff during the pandemic and what is needed to help them recover. The findings of the discovery review⁶ were presented to the Board in July 2021 and is the first such review to be undertaken across Wales. Working with the West Wales Research, Innovation and Improvement Hub, the comprehensive review sought views from a wide range of staff.
- 52 The findings of the discovery review will be used to help shape the approaches to rest, recovery and recuperation over the next two years including a 'thank you offering' to staff. The report includes a number of recommendations which includes legitimising time for pause and reflect within the working day. Actions have been developed in conjunction with staff, with the People, Organisational Development and Culture Committee maintaining oversight of the action plan, along with the delivery of the other workforce related planning objectives and the workforce strategy.

⁴ We have limited the work we have undertaken on quality governance arrangements as part of our 2021 structured assessment as we have undertaken a separate review of quality governance arrangements at the Health Board. The review has considered whether the organisation's governance arrangements support delivery of high quality, safe and effective services. Our findings were reported in October 2021.

⁵ The three strategic objectives are 'putting people at the heart of everything we do, working together to be the best we can be, and striving to deliver and develop excellent services'.

⁶ [Discovery Report: Understanding the staff experience in Hywel Dda University Health Board during the 2020-21 pandemic](#)

- 53 The People, Organisational Development and Culture Committee also receives assurance on a wide range of other workforce aspects including a regular update on the workforce dashboard which includes aspects such as sickness absence, performance and development review compliance and the use of annual leave.
- 54 Throughout the pandemic, the Health Board has maintained its programme of appreciation and recognition of staff to support staff wellbeing. In April 2021, the Health Board also introduced a reverse mentoring scheme for Board members to learn from a selection of staff across the organisation about what it is like to be an employee. A mid-term session to share the learning was held in October 2021, with a final session due to be held in March 2022.

Quality and safety of services

- 55 The quality and safety of services is an integral part of the Health Board's strategic vision and 2021-22 Annual Recovery Plan. The Health Board has a number of quality improvement priorities and supported by its Quality Improvement Strategic Framework 2018-2021, is working to develop its Quality Management System although progress with this has been delayed due to the pandemic.
- 56 The Health Board's Integrated Performance Assurance Report is the main vehicle for providing assurance to the Board and committees on how the Health Board is performing against national and local performance and quality measures. The report provides a clear update on declining measures and those requiring significant improvement, and also sets out very clearly the actions that are being taken. The report is supported by an interactive tool which has evolved throughout 2021. The tool should also be commended as good practice. Following the NHS Wales Planning Framework, the Health Board has adopted a performance framework to reflect the four quadrants of harm⁷. The Integrated Performance Assurance Report uses a rating system to provide independent members with an overview of areas of concern in relation to the four quadrants.
- 57 The Health Board has adapted its performance management framework to focus on Improving Together, in recognition of the collective sense of action seen during the pandemic. Improving Together brings together a range of improvement activities, including quality initiatives, supported by improved visualisation of key data. As a result, the Health Board has moved to using statistical process charts to report on its improvement measures. This way of presenting makes it easier to identify when significant changes are needed to improve performance. These areas are highlighted in the Integrated Performance Assurance Report to the Board and committees. Improving Together is currently being rolled out across the Health Board.

⁷ Harm from COVID-19 itself, an overwhelmed NHS and social care system, a reduction in non-COVID-19 activity and from wider societal actions/ lockdown.

- 58 The Board also receives a regular Improving Patient Experience Report which draws on a range of intelligence including concerns, feedback from the Health Board's Patient Advice and Liaison Service (PALS), and the Public Sector Ombudsman for Wales. The Board and its committees also receive more detailed reports on specific areas of concern, for example, the fragility of the GP out of hours services, and access to mental health services.
- 59 Our quality governance work found that the Health Board is committed to providing safe, high quality services and has aligned its strategy and plans with risk and quality improvement. Corporate structures and resources provide effective support for quality governance and improvement. However, we found inconsistencies in operational arrangements were limiting assurances. We also identified that monitoring and scrutiny of the quality and safety of services were being strengthened through increased use of quality outcome measures. In response to our work, the Health Board has already started to standardise quality governance arrangements, with work planned to review capacity opportunities to enhance these arrangements further.

Tracking progress against audit and review recommendations

- 60 The Health Board has a well-established process for tracking audit and review recommendations. As well as internal and external audit, the process also includes recommendations from a wide range of other external regulatory and review bodies.
- 61 As part of its revised governance arrangements to respond to the pandemic, the Health Board set out an approach which highlighted a series of high priority recommendations which would need to be addressed and tracked. The Audit and Risk Assurance Committee has maintained oversight of these recommendations during the pandemic but has now also started to increase its focus on lower priority recommendations which are starting to reach reprioritised deadlines.
- 62 During the pandemic, services and directorates have remained accountable for all recommendations relating to the areas of responsibility. A bi-monthly report to all services and directorates setting out outstanding recommendations and requesting an update has been maintained during the pandemic. Outstanding recommendations and gaps in updates are monitored by the Executive Team. A summary of the status of all outstanding recommendations is presented to the Audit and Risk Assurance Committee each meeting, and where progress is not being made, an escalation process is in place to bring executive directors into the committee to provide an update.
- 63 At the October Audit and Risk Assurance Committee, a total of 244 recommendations⁸ were reported, of which 86 were identified as being behind

⁸ These recommendations related to Audit Wales, Internal Audit, Healthcare Inspectorate Wales, Delivery Unit, Mid & West Wales Fire & Rescue Authority, Health & Safety

schedule. Relating to Audit Wales specifically, only two recommendations were reported as outstanding. The Board Secretary has routinely provided an update to the Audit and Risk Assurance Committee on previous structured assessments. All previous structured assessment recommendations relating to 2019 and before have either been completed or closed. We have provided updates on previous structured assessment recommendations which remained open in 2020 in **Appendix 1**.

Managing financial resources

- 64 Our work considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 65 We found that **while the Health Board continues to face significant financial challenges, it has maintained appropriate financial controls and monitoring and reporting is robust. The Health Board is working hard to achieve financial recovery but is managing a number of risks and delivery is being hindered by operational capacity to develop recurring saving schemes.**

Achieving key financial objectives

- 66 We found that **the Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.9 million. The Health Board is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years, and it will continue to fail to meet its financial duties due to a planned year-end deficit.**

Financial performance 2020-21

- 67 At the end of 2020-21, the Health Board failed to meet its financial duty to break-even against its Revenue Resource Limit over a rolling three-year period. The Health Board reported a deficit of £24.9 million for the financial year 2020-21, and a rolling three-year deficit of £95.3 million for the period 2018-21. The Health Board's year-end financial deficit for 2020-21, however fell within the deficit control total agreed with the Welsh Government of £25.0 million. The Health Board met its Capital Resource Limit of £34.5 million, with a reported underspend of £0.1 million at the year-end
- 68 COVID-19 had a considerable impact on the revenue costs the Health Board set out in its financial plan 2020-21. During the financial year, the Health Board received an additional £133 million of Welsh Government funding, including £12.3 million of capital funding. This was to support the Health Board's response to the

Executive, Stratia Consulting, Public Service Ombudsman Wales, Community Health Council, Royal Colleges and Peer Reviews.

pandemic, including the ongoing use of field hospitals, and the establishment of the Test, Track, Protect and Mass Vaccination programmes.

- 69 The pandemic also impacted on the Health Board's ability to deliver its planned savings target of £34.2 million. At month 1, £5.6 million of savings schemes had been identified. At month 12, the Health Board had delivered just £3.4 million savings. The savings achieved were largely through a reduction in staffing costs, cost containment on non-pay activity, and a reduction in costs associated with continuing health care. The non-delivery of the remaining savings target was offset by reductions in non-expenditure as a direct result of the pandemic.
- 70 Whilst under 'targeted intervention' as part of the NHS Wales Escalation and Intervention Arrangements since September 2016, the Health Board has operated annual planning arrangements in agreement with the Welsh Government. However, the Health Board has been working to develop an approvable three-year Integrated Medium-Term Plan (IMTP). Due to COVID-19, the requirement for an IMTP for the period 2020-23 was paused, however as the Health Board did not have an approved IMTP for the previous period 2019-22, it failed its duty to have an approvable plan up to 31 March 2021. In October 2020, the Health Board was de-escalated to 'enhanced monitoring' status.

Financial performance 2021-22

- 71 The Health Board's draft financial plan 2021-22 was shared with the Board in March 2021 and approved in June 2021 prior to submission to the Welsh Government. It sets out a forecast overspend of £25.0 million. At month 7, the Health Board reported a deficit of £14.4 million which was broadly in line with its financial profile, although there was recognition that there had been overspends in some areas which require close monitoring, particularly in relation to unscheduled care.
- 72 The 2021-22 financial plan includes a financial savings target of £16.1 million. At the start of the year, plans to identify the required level of savings were in place for £8.1 million, but all plans were identified as amber, with a number of the plans profiled to be delivered over the last six months of the financial year. At month 7, the Health Board had delivered £6.2 million of savings, and was ahead of its profile by £3.0 million largely due to the delivery of unprofiled medicines management and continuing health care savings. Green savings plans are now in place for £11.9 million through to the end of March 2022, with an additional £4.3 million of savings identified through COVID-19 related cost reductions. The vast majority of savings however are non-recurring, and the ability to deliver savings plans over the next few months whilst the service is under considerable pressure is recognised as a risk by the Board.
- 73 The financial plan also assumes additional funding of £96.8 million, from Welsh Government, to cover costs associated with the ongoing response to the pandemic. At month 7, the Health Board had received £52.9 million. However, forecast costs have now risen due to increased costs associated with the COVID-

19 response, and the Health Board has now assumed funding from the Welsh Government of £104.9 million. The financial plan also includes additional funding from the Welsh Government of £21.5 million to support the recovery of planned care services, although the Board recognises it has a significant risk associated with an inability to spend the additional funds by the end of March 2022 (referred to in **paragraph 40**).

- 74 The Health Board started the financial year with an underlying deficit of £57.4 million. It recognises the financial challenges that it will have over the coming years and the need to be financially sustainable. It also recognises that the impact of non-recurring savings in 2021-22 is likely to result in an increased underlying deficit of £68.9 million at year-end if additional recurring savings are not identified in this financial year.
- 75 As part of its 2021-22 Annual Recovery Plan, the Health Board has set out a number of ambitious planning objectives, two of which focus on medium- to longer-term financial planning. The first is focused on the development of a three-year financial plan based on value improvements and opportunities, and other focused on the development of a five-year financial plan that achieves financial balance based on the implementation of the Health Board's 20-year strategy. The draft three-year financial plan is expected to be presented to Board in January 2022 to align with the development of the three-year plan for 2022-25, with the five-year plan due to be presented in March 2022.

Financial controls

- 76 We found that **the Health Board continues to maintain appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability but capacity within operational teams to develop recurring saving schemes is hindering delivery.**
- 77 The Health Board has continued to maintain appropriate financial controls. During the first quarter of 2021-22, a review of financial controls along with a wider review of the adapted governance arrangements in response to the pandemic was undertaken to ensure that they remained fit for purpose. We had reported in 2020 that no changes had needed to be made to the standing financial instructions, scheme of delegation and standing orders. This has remained the case and the financial controls have continued to work as normal.
- 78 The Audit and Risk Assurance Committee continues to regularly receive a detailed financial assurance report which provides updates on procurement, losses, and special payments. The report provides detailed analysis of the number of Single Tender Actions (STAs), values and reasons why standard procurement procedures have not been followed. The report also includes detailed analysis of competitive tenders and consultancy contracts awarded. Other than a peak in the number of STA's during December 2020 – March 2021 due to a range of needs across a number of clinical and corporate areas, the number and value of STAs has been broadly consistent with the previous financial year. The report also provides

detailed analysis of losses which includes overpayment of salaries and more recently, COVID-19 vaccine write offs. The report is an example of good practice, which other NHS bodies are looking to replicate, and continues to receive regular scrutiny.

- 79 During the financial year 2020-21, Internal Audit undertook an advisory review of governance during the pandemic which highlighted that financial governance was maintained. Audits of the finance team transformation, charitable funds, accounts receivable and a follow up audit of contracting all received positive assurance. Audits of the payment systems provided by NHS Wales Shared Services, including the primary care contractor payment systems, payroll, and accounts payable also all received positive assurance.
- 80 All financial decisions relating to the ongoing COVID-19 response are considered by the executive team. Separate cost centres are in place for specific response programmes. Operational response costs are reported through directorate cost centres, with a challenge process in place through finance business partners who are aligned with the directorates. Our audit of financial statements did not identify any significant issues in respect of financial controls.
- 81 The development of the Health Board's medium- to longer-term financial plans are supported by the continued evolution of an improvement opportunities framework which was first developed in early 2020. The framework builds on previous work undertaken by KPMG and the Financial Delivery Unit efficiency framework. It now also draws on benchmarking data from CHKS⁹ and the NHS benchmarking network, and intelligence coming from the Health Board's recently established work with Lightfoot with the aim of identifying opportunities to change the way services are delivered. The Health Board has identified a significant number of potential improvement opportunities to deliver better value.
- 82 The Health Board has also developed a route map to sustainability which has both informed the 2021-22 Annual Recovery Plan as well as the development of the three- and five-year financial plans. The route map draws on a number of agreed priority improvement opportunities, as well as broader work undertaken by the Health Board in relation to value-based healthcare.
- 83 The Health Board recognises that its financial deficit is largely as a result of the way in which it allocates and consumes resources. The Costing and Value Team has recently undertaken work to establish how resources are consumed across the three counties. This work has identified that services within Carmarthenshire are the main driver of the Health Board's underlying deficit, although services within Pembrokeshire drive more deficit on a per capita basis. The work has been supported by the development of a costing tool, which enables operational teams at a cluster level to understand how resources are used locally. The Health Board is developing a new planning objective which will see financial resources be allocated on a locality basis, supported by the tool, as a way of driving through

⁹ CHKS is a provider of healthcare intelligence and quality improvement services.

efficiencies in secondary care. Work to engage clinical and operational teams is ongoing before this can be fully implemented.

- 84 Capacity within the operational teams to engage in the transactional and transformational change needed to deliver on the improvement opportunities, whilst also responding to the ongoing pandemic, is however presenting a challenge. Recurring savings plans for 2021-22 are still not forthcoming and as mentioned in **paragraph 70**, costs are escalating in some service areas. System engagement meetings, as part of the Health Board's Improving Together approach, are held with high-risk directorates and the Directors of Finance and Operations where greater 'grip and control' is needed.
- 85 The Health Board's Counter-Fraud Service provide regular reports to the Audit and Risk Assurance Committee, and delivery of the counter-fraud workplan is on track. In October 2020¹⁰, we reported that the Health Board demonstrates a strong commitment to counter-fraud, has suitable arrangements to support the prevention and detection of fraud and is able to respond appropriately where fraud occurs.

Monitoring and reporting

- 86 We found that **the Health Board has robust arrangements in place for monitoring and scrutinising its financial position, supported by comprehensive and transparent reporting.**
- 87 The Health Board's financial position continues to be closely scrutinised, until June 2020 by the Finance Committee, and after then by the new Sustainable Resources Committee. A touchpoint meeting with the Chair of the committee is also held in the intervening months. An update from the Committee is also reported to every Board meeting along with a detailed financial report for consideration as part of the main Board agenda. Detailed papers have also been provided to the Board on particular financial risk issues, such as the inability to deliver the additional funding to support the recovery of planned care services.
- 88 The financial position is also closely monitored through the regular Executive Team meetings. Discussions are informed by the System Engagement Meetings, and through the intelligence gathered by the finance business partners. Financial sustainability meetings have also been established to develop the medium- and longer-term financial plans and to monitor progress.
- 89 Financial reporting continues to be very comprehensive with information consistent with that submitted to the Welsh Government through the monthly monitoring returns. Reports provide a clear picture of the financial position, challenges and risks, and the mitigating actions being taken. They also include clear explanations of the different elements of funding the Health Board is receiving and the progress and associated risks with expenditure. Reports are regularly supported by a slide

¹⁰ Audit Wales, [Effectiveness of Counter-Fraud Arrangements at Hywel Dda University Health Board](#), October 2020

pack which enable independent members to focus on specific issues. Reports are also regularly supported by detailed data analysis, with some key financial data now available through the use of interactive data tools.

Appendix 1

Progress against previous recommendations

Exhibit 1: progress made on previous year recommendations

Recommendation	Description of progress
<p>Monitoring delivery of plans</p> <p>R1 We found scope to reduce potential duplication of assurance between the Business Planning and Performance Assurance Committee (BPPAC) with the Health and Care Strategy Delivery Group (HCSDG). The Health Board should clarify the reporting lines of the Health and Care Strategy Delivery Group to ensure that the risk of duplication of assurance is mitigated (2019).</p>	<p>Closed</p> <p>Prior to the pandemic, monitoring of the Health and Care Strategy was aligned to the BPPAC and the Health and Care Strategy Delivery Group was stood down, with oversight of the delivery of the strategy a responsibility of the executive team. The BPPAC was subsequently amended to form the People, Planning and Performance Assurance Committee. Subsequent amendments to the Health Board's governance arrangements have now resulted in responsibility for scrutiny and monitoring of the delivery of the Health Board's strategy moving to a new Strategic Development and Operational Delivery Committee which met for the first time in August 2021.</p>

Recommendation	Description of progress
<p>Performance management reviews</p> <p>R2 We found that the Executive Performance Reviews (EPRs) do not apply to corporate directorates, with the exception of Estates. The Health Board should apply EPRs to corporate directorates not already covered within the process (2019).</p>	<p>Closed</p> <p>Formal performance management review meetings with the Executive Team were stood down during the first wave of the pandemic. Work has continued to ensure directorates still receive performance information, with a steering group in place to develop performance dashboard. The Board has also approved the implementation of its Improving Together approach which strives to deliver a collegiate approach to improvement.</p>
<p>Staff engagement</p> <p>R3 We found that there is scope to empower the wider workforce to contribute to the transformational change agenda. The Health Board should implement practical solutions to engage the wider workforce in the change programme, for example by identifying change champions within individual services (2019).</p>	<p>Closed</p> <p>Prior to the pandemic, the Health Board had developed a Transformation Programme to drive through the changes needed to aid delivery of its 20-year strategic vision. Due to the impact of the COVID-19 pandemic, the Transformation Programme was stood down. Throughout the COVID-19 pandemic, staff have been at the forefront of the Health Board's response and management of the pandemic. The Health Board's approach to transformation has subsequently changed with the Transformation Steering Group established, for example, which includes fluid engagement with staff. Staff have also been engaged in the Health Board's discovery work.</p>
<p>Operational meetings</p>	<p>Closed</p>

Recommendation	Description of progress
<p>R3 To free up capacity for both executive and operational teams, and to enable a more joined up focus on the use of resources, the Health Board should streamline the number of holding to account or performance review meetings with operational teams by:</p> <ul style="list-style-type: none"> a) reviewing the frequency and timing of these meetings; b) reviewing the location of these meetings, to improve visibility of the executive team; and c) aligning these meetings with management sessions contained within job plans for clinical directors to enable them to participate fully. (2018) 	<p>The Health Board's Turnaround Programme and Holding to Account meetings ceased in March 2020. Formal performance management review meetings with the executive team were also stood down during the first wave of the pandemic (see R2 2019). Prior to the pandemic, significant work had been undertaken to develop clinical leaders across the operational teams and ensure capacity within job plans to enable attendance at key meetings. Clinical leaders have been pivotal to the Health Board's response to the pandemic and now form part of the Operational Business Meeting.</p>
<p>Strategic planning</p> <p>R4 To ensure the delivery of its strategy, the Health Board should seek to resolve the outstanding request for funding from the Welsh Government to support the capacity needed to implement the strategy within the intended timescales (2018).</p>	<p>Closed</p> <p>Prior to the pandemic, the Health Board had sought additional funding from the Welsh Government to support its Transformation Programme. Due to the impact of the pandemic, the Transformation Programme was stood down. The Health Board's</p>

Recommendation	Description of progress
	<p>approach to transformation and its wider delivery of its strategy has subsequently changed.</p>
<p>Operational structure</p> <p>R8 To show leadership, visibility of the executive directors across the Health Board needs to extend to all directors and consideration needs to be made to holding meetings with operational teams away from the headquarters wherever possible (2017).</p>	<p>Complete</p> <p>Prior to the pandemic, executive directors had become much more visible through the executive performance reviews however these were stood down in March 2020. During the pandemic, the executive directors have been visible across the Health Board to show support for staff during these challenging times. To meet Welsh Government COVID-19 social distancing guidance, executive directors have reduced their attendance at headquarters and have instead taken opportunities to work across a variety of health board sites when it has been safe and appropriate to do so.</p>



Audit Wales
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.