

Review of Cost Savings Arrangements – Powys Teaching Health Board

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Detailed 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 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 total¹ 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 objective of our review has been to examine whether the Health Board has an effective approach to identifying, delivering, and monitoring sustainable cost savings opportunities. The detailed audit criteria are set out in **Appendix 1**.
- 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 Health Board has proper arrangements in place to secure economy, efficiency, and effectiveness in its use of resources.
- 6 We undertook our work between December 2023 and March 2024. The methods we used to deliver our work are summarised in **Appendix 2**. Our work comments on the approach within the Health Board to identifying, delivering, and overseeing cost saving opportunities. It considers the impact these arrangements had on the 2023-24 year-end position and highlights where arrangements may need to be strengthened for 2024-25 and beyond.

¹ Revised deficit positions for 2023-24, known as 'control totals', were allocated to Health Boards by Welsh Government in November 2023 following the provision of additional funding to support their financial positions.

Key findings

- 7 Overall, we found that **while the Health Board met its agreed deficit target for 2023-24, its recent track record of delivering against its overall savings targets is very variable. Given the Health Board's challenging current financial position, it urgently needs to accelerate work on introducing a new, more financially sustainable service model and to ensure it has the necessary skills and capacity to support the changes required.**
- 8 The findings that support our overall conclusions are summarised below under the following headings:
- Identifying cost savings opportunities.
 - Delivering cost savings plans.
 - Monitoring and oversight of savings plans.

Identifying cost savings opportunities

- 9 We considered whether the Health Board:
- has a clear understanding of the factors that are driving its costs;
 - routinely uses a range of data and intelligence to help identify cost savings opportunities; and
 - has an effective approach to selecting cost savings opportunities.
- 10 We found that **the Health Board has a good understanding of its cost drivers, and a clear process for identifying and selecting cost savings opportunities. While the Health Board recognises the need to transform its service model to achieve financial sustainability, it will need to accelerate the pace of this work to prevent its financial position from deteriorating further.**

Understanding the drivers of cost

- 11 The Health Board has a good understanding of the factors driving its costs, which are clearly set out in its 2024-29 Integrated Plan. These include continuing healthcare, commissioned activity, variable pay, inflationary cost pressures (including energy and prescribing costs), and the ongoing costs associated with responding to the legacy of the COVID-19 pandemic. The Health Board recognises the financial sustainability risks presented by overspending on its main cost drivers, and has endeavoured to better contain expenditure through, for example, enhancing reporting and scrutiny on expenditure at Board and committee levels. However, despite these actions, the Health Board continues to overspend on all its main cost drivers.
- 12 Although the Health Board achieved its control total deficit of £12 million in 2023-24, its underlying financial deficit deteriorated and now stands at £25.4 million. In March 2024, the Health Board submitted an Annual Plan for 2024-25 with a savings target of £7.9 million and a projected deficit of £24.9 million. However, the

plan was deemed not acceptable, credible, or supportable by Welsh Government in relation to the financial position. As a result, the Health Board agreed in May 2024 to commit to an additional £2 million of savings to reduce its deficit to £22.95 million for 2024-25 as well as to further explore an additional £2 million with an ambition to reduce the deficit to £20.95m for 2024-25. As of July 2024, verbal feedback provided by Welsh Government indicated that the plan remained unsupportable. At the time of reporting, the Health Board was awaiting a formal response from Welsh Government before considering next steps.

- 13 The Health Board recognises that it needs to transform its services to better control its cost drivers and achieve long-term financial sustainability. It has therefore committed itself to developing a sustainable model for health and care for the area - the Accelerated Sustainable Model². The 2023-26 Integrated Plan sets out a three phased approach (discover, design, and deliver) to introducing the model and identifies the programmes that will be the focus of the delivery phase, these being: frailty and the community model, speciality, diagnostic and planned care, and mental health. At the time of our review, the Health Board was beginning to develop plans around identifying demand and capacity, prioritisation, phasing, and delivery of this work. While this transformation approach is appropriate and necessary, the potential costs and savings associated with the model are not yet clear. Furthermore, the timescales associated with introducing the new model will require the Health Board to continue identifying and delivering savings, particularly in the short-term. The Health Board, therefore, should clearly set out the costs and savings associated with the model, as well as accelerate this work at pace to place its finances on a more sustainable footing at the earliest opportunity.
- (Recommendation 1)**

Using data and intelligence to identify and select cost savings opportunities

- 14 The Health Board has generally effective arrangements in place for using data and intelligence to identify and select savings opportunities. The Health Board established an Opportunities Group in July 2023 which is led by the Executive Director of People and Culture and includes the Deputy Director of Finance, Executive Director of Operations, Executive Medical Director, Assistant Director of Finance, and Assistant Director of Research and Innovation. The group considers potential savings opportunities based on data and intelligence from several key sources such as teams and departments, directorate reviews, continuing development of the Accelerated Sustainability Model, and benchmarking data from

² The model will be informed by the principles of the Wellbeing of Future Generations (Wales) Act (2015) and values-based healthcare with the aim of transforming the services the Health Board provides and improving outcomes, experience, and cost. Values-based healthcare aims to achieve better outcomes for patients at reduced cost. This could be through, but not limited to elimination of harm, reducing over-treatment and procedures with limited clinical effectiveness, or adopting alternative or preventative approaches.

NHS Benchmarking, CHKS³, medicines management, VAULT⁴, and the NHS Wales efficiency framework. It also considers potential savings ideas generated via the Health Board's 'Bright Ideas' initiative. The initiative has generated 134 responses to date, of which fifty-eight were identified as having the potential to deliver savings. However, there is scope for the Opportunities Group to consider opportunities arising from other sources of data and intelligence, including the findings of Getting it Right First-Time (GIRFT)⁵ reviews that directly apply to the Health Board. (**Recommendation 2**)

- 15 The Opportunities Group allocates potential savings ideas to a series of newly established Working Groups aligned to the themes of the national Value and Sustainability Board (variable pay, non-pay, complex healthcare, medicines management, and service reconfiguration). The role of these working groups is to assess the cost saving opportunity context and determine how to implement it where applicable. However, the Health Board indicated that there are challenges in identifying cost savings opportunities that are relevant to its service model, as most of the comparative information focusses on the provision of secondary care which it commissions rather than provides directly.
- 16 Viable savings schemes are presented to the Opportunities Group and a Review Panel (which includes representatives from clinical and compliance services) for further scrutiny and quality assurance. Recommendations made by the Opportunities Group to Board are informed by an integrated quality and equality impact assessment to ensure the selected savings schemes have the least adverse impact on strategy, quality, and performance. The Health Board's Impact Assessment Advisory Group reviews and provides specialist input into the development and quality of impact assessments. Until recently, the Health Board had a 'cautious' risk appetite towards financial sustainability due to its concerns about the potential adverse impact of savings on the quality and safety of services. However, it has now adopted an 'open' risk appetite towards financial sustainability, indicating that it is willing to consider all options and choose the ones most likely to result in successful delivery while providing an acceptable level of benefit.
- 17 The Health Board has also established a values-based healthcare programme as a key approach to achieving long-term financial sustainability. The programme, which is led by the Executive Medical Director and the Deputy Chief Executive/Executive Director of Finance, Capital and Support Services includes key objectives for the Opportunities Group to drive improved value across pathways, including WET Age-Related Macular Degeneration, cataracts, and musculoskeletal conditions.

³ Caspe Knowledge HealthCare Systems (CHKS) is a provider of healthcare intelligence, benchmarking, and quality improvement services.

⁴ The Value, Allocation, Utilisation and Learning Toolkit (VAULT) is managed by the NHS Executive to support and improve resource utilisation across the Welsh NHS.

⁵ Getting it Right First Time (GIRFT) is a programme designed to improve the treatment and care of patients through in-depth review of services, benchmarking, and presenting a data-driven evidence base to support change.

Delivery of cost savings opportunities

- 18 We considered whether the Health Board has:
- a good track record of delivering savings plans and cost improvements;
 - clear plans in place to deliver the cost savings opportunities it identifies; and
 - the necessary skills and capacity to deliver its agreed cost savings opportunities.
- 19 We found that **the Health Board’s ability to deliver its overall savings targets has varied significantly. However, of the savings delivered in recent years, the majority have been recurrent in nature. This varied track record, coupled with skills and capacity gaps in key areas, presents risks to achieving its 2024-25 savings targets.**

Track record of delivery savings plans and cost improvements

- 20 As shown in **Exhibit 1**, the Health Board’s ability to deliver its overall savings targets has varied significantly. However, its performance has improved recently, with the Health Board delivering 84% of its savings target in 2023-24 compared to 22%, 29%, and 9% in 2022-23, 2021-22, and 2020-21, respectively. However, of the savings achieved each year, most of the savings delivered were recurrent in nature – 86% in 2023-24, 80% in 2022-23, and 100% in 2021-22 and 2020-21, respectively. Indeed, the Health Board delivered significantly higher levels of recurrent savings in 2023-24 compared with previous years.
- 21 Whilst these improvements are positive, it should be noted that the Health Board did not adjust its original 2023-24 savings target to reflect the £3.2 million of mitigating actions required to achieve its control total deficit of £12 million. Had it done so, it would only have delivered 59% of its savings target in 2023-24 (compared to 84%), with 50% of these recurrent in nature (compared to 86%). However, as we discuss in **paragraph 33**, the Health Board reported to its Board that it had delivered £12.1 million savings by Month 12 2023-24 due to the fact it recognised accountancy gains, which are non-recurrent in nature and reported separately to Welsh Government. The Health Board’s varied track record on savings delivery, its reliance on non-recurrent savings to meet the additional savings required in 2023-24, and growing cost pressures continue to present risks to its financial sustainability.

Exhibit 1: the Health Board's savings track-record between 2018 and 2024

Year	Overall Savings Target (£M)	Actual overall savings delivered (£M)	Recurrent savings as a % of overall savings target	Delivered non-recurrent savings (£M)	Delivered recurrent savings (£M)
2018-19	3.5	3	76%	0.3	2.7
2019-20	5.6	3.4	45%	0.9	2.5
2020-21	5.6	0.5	9%	0	0.5
2021-22	1.7	0.5	29%	0	0.5
2022-23	4.6	1	17%	0.2	0.8
2023-24	7.5	6.3	72%	0.9	5.4

Source: Welsh Government Monthly Monitoring Returns and Health Board Finance Reports.

Approach to delivery of savings plans

- 22 The Health Board has clear arrangements in place for turning its high-level savings requirements into deployable savings plans. Corporately, there are clear lines of accountability for savings delivery with Executive Directors issued an accountability letter which sets out several financial requirements including a savings target. Responsibility for individual savings scheme delivery is delegated to the relevant operational lead and finance business partner⁶. Savings are integrated into business as usual and removed from budgets to reflect operational reality.
- 23 However, the performance of individual savings schemes during 2023-24 suggests there is scope for the Health Board to set more realistic and achievable targets for some of its schemes going forward. For example, it experienced some significant savings shortfalls against its commissioned services target during quarter three 2023-24. However, this did not materially impact delivery of the initial overall

⁶ The finance business partner model ensures engagement on financial management and provides a good link between services and corporate finance. The financial business partners are financial accountants who have responsibility for supporting services, financial reporting and providing an advisory role.

savings target as it was offset by over-delivery of savings in other areas, namely medicines management (£1 million against a target of £0.490 million), non-pay (£3.1 million against a target of £2.6 million) and pay expenditure (£0.843 million against a target of £0.526 million).

- 24 The performance of some individual savings schemes during 2023-24 also suggests there is scope to strengthen delivery arrangements. For example, pay savings form a substantial element of the Health Board's savings plan, and within that a requirement to reduce agency costs. In August 2023, the Delivery and Performance Committee received an update on agency pay which highlighted that the Health Board was experiencing another year of increased agency costs. As a result, the Health Board established an agency spend reduction programme and developed a project plan with several areas of focus. Despite this, there was an overspend of £2.3 million against the year-to-date plan at Month 12 2023-24, which suggests that the action plan and associated delivery arrangements were not sufficiently robust in delivering the intended aims of the programme.

(Recommendation 3)

- 25 The Health Board has effective mechanisms for communicating its cost savings plans to staff, service users, and other stakeholders. It actively communicates with staff using its financial sustainability page on its intranet site, wellbeing roadshows, discussion of finance reports at the Local Partnership Forum and 'Chat 2 Change' Network comprising of trade union members and staff champions. We also note the Health Board's approach to staff engagement in delivering savings through staff reductions within its cleaning, catering, and portering services. We found evidence of good communication and support to staff in helping them understand the reasons and implications of the changes. Public Board meetings continue to be held virtually and livestreamed, with supporting papers including finance reports made available on the Health Board's website.

Skills and capacity to deliver savings opportunities

- 26 The Health Board has an overall skills and capacity gap in respect of the financial and transformational aspects of savings delivery. Aside from its Opportunities Group, which includes a wide range of expertise from across the organisation, the Health Board has limited innovation and improvement resources at its disposal. Consideration was given to establishing a Programme Management Office (PMO). However, given its potential scale, the PMO would also need to rely on additional support from the corporate finance team which is already stretched given the Health Board's financial challenges and increased external scrutiny. The Health Board has recently completed an assessment of the capacity, capability, and sustainability of the Finance Team. It found that the Finance Team lacks adequate senior level capacity, and it is therefore intending on recruiting an additional finance business partner to strengthen its operational and corporate capacity to deliver savings. In addition, finance reports consistently highlight capacity risks across wider operational teams which also impact on their ability to focus on savings delivery. **(Recommendation 4)**

- 27 The Health Board highlights transformational capacity as a critical risk in its Corporate Risk Register and identifies several controls and mitigating actions to actively manage the risk. However, at present, it does not have a complete understanding of the skills and capacity it requires to deliver its Accelerated Sustainable Model, which is crucial to it delivering the efficiencies and savings required to achieve long-term financial sustainability. This is an area that will need to be addressed if the Health Board is going to be successful in moving away from its approach of delivering short term non-recurrent savings to one where more complex transformational areas of change help deliver its future financial targets. **(Recommendation 5)**

Monitoring and oversight of cost savings delivery

- 28 We considered whether the Health Board:
- has an effective approach to reporting and monitoring the delivery of its cost savings plans;
 - identifies risks to the delivery of savings plans and actions to mitigate those risks; and
 - applies learning where cost savings plans have not been achieved.
- 29 We found that **the Health Board has reasonably effective arrangements for monitoring and reporting on cost savings. However, opportunities exist to provide stronger assurances that key cost reduction plans are achieving their intended impact, to strengthen risk management arrangements, and to introduce a systematic approach for learning lessons from savings planning and delivery.**

Reporting and monitoring the delivery of savings plans

- 30 The Health Board has reasonably effective arrangements for monitoring and reporting delivery of savings. At a corporate level, overall delivery against savings targets is reported to the Executive Committee, the Delivery and Performance Committee, and the Board as part of the routine finance reports. The reports are clear and provide an overview of progress against individual and collective savings targets and identify risks and mitigating actions. They also include links to the Health Board's monthly monitoring returns to Welsh Government which includes further detailed savings information.

Identification of risks to savings plans delivery

- 31 As highlighted in our Structured Assessment work, the Health Board has operated without an updated Board Assurance Framework (BAF) for several years until the Board approved an updated BAF in May 2024. Despite this, there has been visibility of broader financial risks at Board and committee-level with good scrutiny and oversight of the information presented. During 2023-24, the Health Board's Corporate Risk Register included a risk relating to the management of financial

resources during the year and over the medium- term. Both elements of the risk have been RAG⁷ rated red with broadly similar risk scores, controls, mitigating actions and their impact.

- 32 The Health Board has generally satisfactory arrangements for identifying savings delivery risks at an operational level, and we saw good evidence that it has captured this information for some of its schemes such as medicines management and its catering, domestic and porter services savings plans. However, this was not the case across all schemes. As a result, the Health Board should strengthen its approach to identifying and documenting mitigating actions across all schemes to demonstrate it is actively managing and mitigating operational savings risks. **(Recommendation 6)**

- 33 Like all NHS bodies in Wales, the Health Board assesses (RAG rates) its savings schemes to determine the extent of risk of non-delivery. At Month 3 2023-24, the Health Board identified that 63% of its savings schemes were 'amber'. Welsh Government requires amber schemes to turn to green schemes (i.e. a strong likelihood of delivery) within three months. The Health Board's finance report to the Delivery and Performance Committee identified an action to develop increased certainty on 'amber' schemes so that they turn 'green.' Positively, four months later, at Month 8 2023-24, the Health Board reported that only 1% of its savings schemes remained 'amber' demonstrating that it was addressing savings risks quickly. The Health Board also identifies red savings schemes in its finance reports to the Delivery and Performance Committee which shows pipeline opportunities that need to be converted into deliverable plans. At Month 12 2023-24, the Health Board reported that £12.1 million of 'green' rated schemes had been achieved, which included accountancy gains of £5.7 million. However, it still had £4.2 million of 'red' pipeline opportunities which were not converted into deliverable 'green' or 'amber' schemes. **(Recommendation 7)**

Applying learning

- 34 The Health Board has generally effective arrangements for evaluating, improving, and embedding its cost savings arrangements. It routinely considers and seeks assurance from Internal Audit work through its Audit, Risk, and Assurance Committee (ARAC). At its meeting in June 2023, the ARAC considered an Internal Audit report on the Health Board's Savings Plans and Efficiency Framework, which gave reasonable assurance, and made several medium and low risk recommendations to improve the arrangements. The implementation of the recommendations was monitored using the Health Board's Internal Audit Recommendations tracker, and an update to the ARAC in January 2024 indicated that all recommendations have been completed.
- 35 During 2023-24, the Health Board demonstrated that it was able to respond at pace to changing financial circumstances. It rapidly established its Opportunities Group to identify additional savings in response to Welsh Government's request in

⁷ Red, Amber, Green.

July 2023, and where performance against its original savings target of £7.5 million was off track. Consequently, it met its revised control total deficit of £12 million. Whilst it did so through delivery of mainly non-recurrent savings, it would not have achieved this had it not identified additional savings opportunities or expanded key workstreams to consider savings from other aspects of the Health Board's business. The Health Board, therefore, should seek to identify the key lessons from this experience and apply the learning to its future approach to financial savings, with the aim of moving away from its reliance on non-recurrent savings. **(Recommendation 8)**

Recommendations

36 **Exhibit 2** details the recommendations arising from this audit. The Health Board's management response to our recommendations is summarised in **Appendix 3**.

Exhibit 2: recommendations

Recommendations	
R1	The Health Board should accelerate the work of introducing the Accelerated Sustainable Model and fully quantify the potential costs and savings that will arise through its introduction in order to place its finances on a more sustainable footing. (Paragraph 13)
R2	The Health Board should make greater use of Getting it Right First-Time (GIRFT) reviews that directly apply to the Health Board as a further source of potential intelligence to inform its savings identification arrangements. (Paragraph 14)
R3	The Health Board should set challenging but realistic targets for its individual savings schemes. It should also develop robust but achievable action plans for its schemes accompanied by suitable delivery arrangements to ensure they achieve their intended aims. (Paragraphs 23 and 24)
R4	The Health Board should broaden its assessment of capacity beyond its Finance Team to identify and develop plans to address any shortfall or gaps in available resource in its wider operational teams. (Paragraph 26)

Recommendations

- R5 The Health Board should rapidly ensure it has a complete and thorough understanding of the skills, capacity, and resources (including in the fields of innovation and improvement) to effectively deliver the Accelerated Sustainable Model. **(Paragraph 27)**
-
- R6 The Health Board should clearly identify savings delivery risks, and mitigating actions within in its corporate and operational risk management arrangements. **(Paragraph 31 and 32)**
-
- R7 The Health Board needs to prioritise how best to turn its red savings schemes into recurrent green and amber schemes that have a realistic chance of delivering the identified savings. **(Paragraph 33)**
-
- R8 The Health Board should identify the key lessons from its approach to identifying and delivering savings at pace during 2023-24 and apply the learning to its future approach with the aim of placing less reliance on non-recurrent savings. **(Paragraph 35)**

Appendix 1

Audit criteria

Exhibit 3 below sets out the detailed audit criteria for this review.

Identifying cost savings opportunities

Area	Audit Criteria
Understanding the drivers of cost	<ul style="list-style-type: none">• The organisation's opening balance sheet is true and fair.• The organisation has effective arrangements in place for identifying and analysing the full range of pay and non-pay factors driving its costs in the short, medium, and long-term.• The organisation has a good understanding of the scale of cost savings required to achieve financial sustainability in the short, medium, and long-term and has set realistic and achievable targets accordingly.• The Board is appropriately involved in overseeing, scrutinising, and challenging the organisation's financial analysis and cost savings targets.
Using data and intelligence to identify cost savings opportunities	<ul style="list-style-type: none">• The organisation routinely accesses and uses benchmarking information from a range of sources (e.g. NHS Benchmarking, CHKS, Medicines Management KPIs)• The organisation routinely accesses and uses efficiencies data and information from a range of sources (e.g. NHS Wales Efficiency Framework / VAULT, GIRFT reviews, local Value-based Healthcare reviews / opportunities)

Area	Audit Criteria
	<ul style="list-style-type: none"> • The organisation has clear processes in place to canvas, capture, and assess ideas and suggestions on cost savings opportunities from staff, service-users, and other stakeholders on a regular basis. • The organisation has clear processes in place for responding to centrally identified cost savings opportunities from the NHS Wales Value and Sustainability Board.
Selecting cost savings opportunities	<ul style="list-style-type: none"> • The organisation has a clear and iterative process in place to appraise all potential cost savings opportunities for achievability and for impact on delivering the organisation's strategic aims, well-being objectives, population health, the quality and safety of services, and ability to meet performance targets / service specifications in the short, medium, and long-term. • The organisation has a clear and iterative process in place for scrutinising, agreeing, and approving cost savings opportunities, which also involves the Board and its relevant committee(s). • The organisation's agreed cost savings opportunities: <ul style="list-style-type: none"> – are realistic, achievable, and focus on maximising value to the health of the population being served; – cover the breadth of the organisation's clinical, administrative, and technical functions; – balance one-off non recurrent savings with more sustainable saving opportunities; – incorporate productivity savings, but recognise these will not lead to a reduction in monetary terms; and – focus on medium- to longer-term transformation, as well as short-term and incremental opportunities. • have been scaled and targeted appropriately across all parts of the organisation (rather than a standard percentage applied across all parts.)

Delivery of cost savings opportunities

Area	Audit Criteria
Approach to delivery of savings plans	<ul style="list-style-type: none">• The organisation has plans in place for delivering cost savings opportunities which clearly set out:<ul style="list-style-type: none">– the financial savings that will be delivered and how they will be measured;– the anticipated impact on strategy, quality, and / or performance;– the key risks, controls, and mitigating actions;– any interdependency with other cost savings plans;– any dependency on other organisational work streams and strategies;– key delivery milestones; and– which senior officer is responsible and accountable for delivery.• The organisation has effective arrangements in place for managing cross-cutting cost savings plans.• The organisation has appropriate arrangements in place to communicate its cost savings plans to staff, service-users, and other stakeholders.
Skills and capacity to deliver savings opportunities	<ul style="list-style-type: none">• Roles and responsibilities in relation to delivering cost savings plans at all levels of the organisation are clearly documented and understood.• The organisation has assessed the skills / capability and capacity required to deliver its cost savings plans at both a corporate and operational level and has put appropriate arrangements in place to address any shortfalls and gaps (including the appropriate use of external capacity / expertise.)• The organisation has appropriate corporate structures and resources in place (such as a Programme Management Office) to:<ul style="list-style-type: none">– keep delivery on track,– provide challenge when needed,– support corporate and operational staff to manage delivery risks, and– provide an agile and timely response to under-performance / under-delivery.

Area	Audit Criteria
Track record of delivery savings plans and cost improvements	<ul style="list-style-type: none"> • Cost savings plans in recent years have been largely achieved. • There is evidence of learning being applied where cost savings plans previously haven't been achieved.

Monitoring and oversight of cost savings delivery

Area	Audit Criteria
Monitoring the delivery of savings plans	<ul style="list-style-type: none"> • The organisation has clear arrangements in place for monitoring delivery which reflect the timescales and risks associated with delivering individual plans and the overall cost savings target. • The organisation has selected appropriate key KPIs and has put effective controls in place to ensure the quality of underlying data are reliable for effective monitoring and reporting. • The organisation's approach to monitoring and tracking delivery of its cost savings plan is appropriately aligned to its broader financial management arrangements (e.g., Standing Financial Instructions, Schemes of Reservation and Delegation, budget allocations.) • The organisation produces tailored reports that meet the differing needs of users in the governance chain. • The organisation ensures that delivery of cost savings is accurately reflected in finance reports presented to the Board and / or its relevant committee(s).

Area	Audit Criteria
Identification of risks to savings plans delivery	<ul style="list-style-type: none"> • The organisation has identified and documented the key risks to delivery in the appropriate risk registers (operational, corporate, and Board Assurance Framework.) • The organisation is actively managing / mitigating the risks at the appropriate level. • The organisation has appropriate arrangements in place to identify and escalate cost savings plans that are off-track and / or having an adverse / unanticipated impact on strategy, quality, and / or performance. • The organisation takes appropriate action in a timely manner where cost savings plans are off-track and / or having an adverse / unanticipated impact on strategy, quality, and / or performance.
Applying learning	<ul style="list-style-type: none"> • The organisation seeks assurance on its arrangements by using internal audit, or a similar independent and objective reviewer. • The organisation appropriately evaluates its approach to achieving cost savings. • The organisation actively uses its own evaluation(s) and assurances provided by internal audit to identify lessons learned and to change / improve its arrangements. • Lessons learned and changes / improvements are reported to the Board and / or its relevant committee(s) to enable an agile response in-year. • The organisation has appropriate arrangements in place to fully transfer and / or integrate changes arising from its cost savings plans to its business-as-usual operations and activities.

Appendix 2

Audit methods

Exhibit 4 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
Self-assessment	The Health Board completed a self-assessment structured around the audit criteria (“What We Looked At”).
Documents	We reviewed a range of documents, provided in support of the self-assessment, including: <ul style="list-style-type: none">• Board and Committees agendas, papers, and minutes• Key organisational strategies and plans• Savings benchmarking data• Key risk management documents, including the Corporate Risk Register

Element of audit approach	Description
	<ul style="list-style-type: none"> • Key reports and plans relation to organisational finances and savings • Reports prepared by the Internal Audit service
Interviews	<p>We interviewed the following senior officers and Independent Members:</p> <ul style="list-style-type: none"> • Dr Carl Cooper – Chair of the Board • Hayley Thomas – Chief Executive Officer • Pete Hopgood – Deputy Chief Executive/Executive Director of Finance, Capital and Support Services • Stephen Powell – Executive Director of Planning, Performance and Commissioning • Debra Wood Lawson – Executive Director of People and Culture • Dr Rhobert Lewis – Independent Member • Hywel Pullen – Deputy Director of Finance
Observations	<p>We observed Board meetings as well as meetings of the following committees.</p> <ul style="list-style-type: none"> • Public Board • Board Development Session • Delivery and Performance Committee

Appendix 3

Management response to audit recommendations

Exhibit 5: Health Board's management response to our audit recommendations

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	The Health Board should accelerate the work of introducing the Accelerated Sustainable Model and fully quantify the potential costs and savings that will arise through its introduction in order to place its finances on a more sustainable footing.	<p>Agreed – The Health Board has established a programme of work around future sustainability with programme and workstream structure: -</p> <p>‘Task force’ in place to examine three areas:</p> <ul style="list-style-type: none"> • the future model (building on existing work) • options and decisions around when to achieve financial breakeven. • new opportunities based on analysis of data and benchmarking. 	In place and as per timelines identified.	Director of Improvement and Transformation

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
		Identified timeline in place with initial engagement planned for 24/25.		
R2	The Health Board should make greater use of Getting it Right First-Time (GIRFT) reviews that directly apply to the Health Board as a further source of potential intelligence to inform its savings identification arrangements.	Agreed – To note The Health Board has been fully engaged and implemented GIRFT principles for its provider services where relevant and is working with other providers for commissioned services therefore already actioned.	In place and complete (note this is a continuous process).	Executive Director of Planning, Performance and Commissioning
R3	The Health Board should set challenging but realistic targets for its individual savings schemes. It should also develop robust but achievable action plans for its schemes accompanied by suitable delivery arrangements to ensure they achieve their intended aims.	Agreed and noted - Targets set are challenging and realistic and under constant review, a pipeline of opportunity is encouraged across all services to mitigate any shortfalls. A comprehensive process is already in place to deliver against plans as identified.	In place and complete (note this is a continuous process).	Director of Finance, Capital, Estates and Support Services.
R4	The Health Board should broaden its assessment of capacity beyond its Finance	Agreed – The Health Board has advertised an additional finance role to support the business	Complete with ongoing review.	Director of Transformation

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
	Team to identify and develop plans to address any shortfall or gaps in available resource in its wider operational teams.	partner team in this area. The wider operational capacity will be kept under review to ensure the newly established Director of Transformation and Improvement (with associated team and portfolio established) is supporting delivery in operational areas as needed.		and Improvement
R5	The Health Board should rapidly ensure it has a complete and thorough understanding of the skills, capacity, and resources (including in the fields of innovation and improvement) to effectively deliver the Accelerated Sustainable Model.	Recruited to new Director of Transformation and Improvement post (with associated team and portfolio established) to ensure that appropriate capacity and expertise in place to support change delivery.	In place and complete (note this is a continuous process).	Director of Transformation and Improvement with support of Chief Executive and Executive Directors
R6	The Health Board should clearly identify savings delivery risks, and mitigating actions within in its corporate and operational risk management arrangements.	Agreed, already included in the risk register but this has been updated and enhanced.	In place and complete (note this is a continuous process).	Director of Corporate Governance

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R7	The Health Board needs to prioritise how best to turn its red savings schemes into recurrent green and amber schemes that have a realistic chance of delivering the identified savings.	Agreed and ongoing action.	In place and complete (note this is a continuous process).	Director of Finance, Capital, Estates and Support Services.
R8	The Health Board should identify the key lessons from its approach to identifying and delivering savings at pace during 2023-24 and apply the learning to its future approach with the aim of placing less reliance on non-recurrent savings.	Agreed and ongoing action.	In place and complete (note this is a continuous process).	Director of Finance, Capital, Estates and Support Services.



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