

Review of Cost Savings Arrangements – Cardiff and Vale University Health Board

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This document has been prepared as part of work performed in accordance with statutory functions.

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Contents

Introduction	4
Objectives and scope of our work	4
Key findings	5
Recommendations	13
Appendices	
Appendix 1 – Audit criteria	16
Appendix 2 – Audit methods	21
Appendix 3 – Management response to audit recommendations	23

Summary report

Introduction

- 1 NHS Wales is facing unprecedented financial challenges. The continuing impact of the COVID-19 pandemic on service demand and provision; the rising costs associated with staffing, energy, medicines, and maintaining an ageing estate; and tackling the 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 the 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 the Welsh Government in November 2023 following the provision of additional funding to support their financial positions.

Key findings

- 7 Overall, we found that **whilst the Health Board met its agreed deficit target for 2023-24, it needs to strengthen its overall approach to the identification and delivery of recurrent savings and ensure its service transformation plans align with wider plans to return the organisation to financial sustainability and balance.**
- 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 cost savings opportunities. However, it will need to improve the way it uses data and intelligence to identify sustainable savings opportunities and ensure its plans for service transformation are sufficiently well developed to support the Health Board's wider plans for achieving financial sustainability.**

Understanding the drivers of costs

- 11 The Health Board has a good understanding of the factors driving its costs, which are clearly set out in its 2024-25 Annual Plan. These include NICE (National Institute for Health and Care Excellence) and high-cost drugs, commissioned activity, local investments, Continuing Health Care, prescribing and non-pay inflation pressures, Welsh Risk Pool, and the ongoing costs associated with responding to the legacy of the COVID-19 pandemic. These cost pressures along with service developments² are key factors contributing to its increasing underlying deficit.
- 12 While the Health Board achieved its control total deficit of £16.4 million in 2023-24, its underlying financial deficit deteriorated and now stands at £60.9 million. The Health Board has submitted an Annual Plan for 2024-25 with a recurrent savings

² Service developments include unavoidable growth and a range of investments in national and regional services, for example, tertiary services, such as specialist services for children, and essential investment in Velindre University NHS Trust services, including innovative new cancer drugs.

target of £47.2 million. The Health Board is aiming to stabilise its financial position during 2024-25 and has set an ambition to deliver a £15.9 million deficit position. It aims to achieve financial balance by 2025-26.

- 13 The Health Board recognises that its needs to transform its services to better control its cost drivers and achieve long-term financial sustainability. It is therefore developing a programme of core efficiency and transformational savings that align to the themes / workstreams of the national Value and Sustainability Board (VSB)³. The Health Board is also committed to driving further cost reduction across six key areas:
- reducing reliance on high cost agency;
 - strengthening 'Once for Wales' arrangements to key workforce enablers such as recruitment and digital;
 - maximising opportunities for regional working;
 - redistributing resources to community and primary care;
 - reducing unwarranted variation and low value interventions; and
 - increasing administrative efficiency.
- 14 Delivering some of these savings opportunities will require implementation of new models of care and the redesign of existing care pathways to improve flow and reduce sub-optimal performance around length of stay. Furthermore, the timescales associated with transforming services will require the Health Board to continue identifying and delivering savings, particularly in the short term. The Health Board is currently developing its 10-year Clinical Services Plan⁴ which it aims to launch by Quarter 4 of 2024-25. While the Health Board has indicated that the high-level 10-year plan will not be costed, there will still be a need to clearly set out the costs and savings associated with transforming its services and ensure that the timescales for service transformation support the Health Board's plans to place its finances on a more sustainable footing. **(Recommendation 1)**

Using data and intelligence to identify and select cost savings opportunities

- 15 The Health Board's arrangements for using data and intelligence to inform cost savings identification and selection require strengthening. While it uses data and

³ The national Value and Sustainability Board (VSB) was set up by the Welsh Government and is chaired by NHS Executive to focus on specific themes to deliver possible pan Wales efficiencies. The workstreams include Continuing Health Care, Medicines Management, Workforce, Non-Pay, and Clinical Variation.

⁴ The 10-year Clinical Services Plan will describe the Health Board's long-term ambition for its services and its journey to get there.

intelligence from some sources such as CHKS⁵, VAULT⁶, GIRFT⁷ reviews and local Value-Based Healthcare reviews, this is primarily in relation to a small number of priority areas at present, such as the Health Board's bed closure programme. There is scope, therefore, for the Health Board to increase its use of data and intelligence across a wider range of services to maximise the identification and selection of cost savings opportunities. **(Recommendation 2.1)**

16 Furthermore, while the Health Board is developing a local repository to help capture this information more systematically, it is not fully realising the benefits available from benchmarking its data sources at present which inhibits its ability to identify and select cost savings opportunities. **(Recommendation 2.2)**

17 While the Health Board has a programme, processes, and tools in place to canvas, capture and assess cost savings opportunities as outlined in its long-term strategy – 'Shaping Our Future Wellbeing' – and the Value in Healthcare Programme, it does not currently have systematic arrangements in place for seeking cost savings ideas from all sources, including its service users and wider stakeholders. **(Recommendation 2.3)**

18 The Health Board has also established a Value in Health Programme and dedicated team to use organisational resources more equitably, sustainably, and transparently to achieve better outcomes and service user experiences. During 2024-25, the team aims to build capacity and capability to apply values-based healthcare principles in practice; embed measurement and report patient, financial, and societal outcomes; and establish a value-based healthcare approach to strategic planning and operational delivery. Whilst the Value in Health Team has developed a strategy to support the embedding of the Value Based Healthcare principles and start to facilitate benefit realisation, it will also need to clearly demonstrate a return in investment in practice by ensuring that it is achieving meaningful cost reductions and savings. **(Recommendation 3)**

Selecting cost savings opportunities

19 The Health Board has reasonably effective arrangements for selecting cost savings opportunities. The Health Board follows both a top-down and bottom-up approach to capturing and appraising potential cost savings opportunities underpinning its strategic intent. Senior Responsible Owners (SROs) are tasked with setting up regular meetings to drive opportunities flagged within each Clinical Board, liaising with relevant personnel, developing detailed action plans, and assessing the validity of plans and expected savings, splitting between recurrent and non-recurrent opportunities, cost avoidance. and budgetary reduction. While each

⁵ Caspe Knowledge HealthCare Systems (CHKS) is a provider of healthcare intelligence, benchmarking, and quality improvement services.

⁶ The Value, Allocation, Utilisation and Learning Toolkit (VAULT) is managed by the NHS Executive to support and improve resource utilisation across the Welsh NHS.

⁷ 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.

savings scheme should be assessed via the 'Quality Impact Assessment' tool where necessary and tested to ensure they do not adversely impact on the strategic aims and overall performance standards agreed through the Health Board's Annual Plan/Integrated Medium Term Plan, there is a need for greater consistency in application. **(Recommendation 4)**

Delivery of cost savings opportunities

- 20 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.
- 21 We found that **the Health Board's 2024-25 savings target looks extremely challenging in the context of its recent record of delivering recurrent savings. To achieve this, it needs to strengthen accountability arrangements, set realistic and achievable targets for individual savings schemes, and enhance staff skills and capacity in respect of savings plans delivery.**

Track record of delivery savings plans and cost improvements

- 22 As shown in **Exhibit 1**, the Health Board's ability to deliver its overall savings targets has varied in recent years. Whilst it has come close to delivering its overall savings target in the last three years, the majority of the savings delivered were non-recurrent in nature. Recurrent savings (as a percentage of total savings) amounted to 44% in 2023-24, 38% in 2022-23, and 43% in 2021-22. Furthermore, it has still not reached the level of recurrent savings achieved during the pre-COVID years. The £18.2 million of recurrent savings delivered in 2023-24 was the highest the Health Board has achieved in recent years and illustrates the extent of the challenge it is facing in 2024-25, where a recurrent savings target of £47.2 million has been identified.

Exhibit 1 – 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	33.8	25.6	51%	8.3	17.3
2019-20	26.1	23.2	56%	8.7	14.5
2020-21	29.0	5.1	11%	1.9	3.2
2021-22	16.0	15.7	43%	8.9	6.8
2022-23	19.4	18.2	38%	10.8	7.4
2023-24	32.0	41.4	58%	22.7	18.7

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

23 The Health Board’s track record of delivering recurrent savings in 2023-24 would have been worse than reported if it had reflected the additional 10% savings requirement of £8.8 million in its overall savings target. The Welsh Government savings requirement of an additional 10% was set to deliver the Health Board’s 2023-24 control total deficit of £16.6 million. Whilst the Health Board reported the need to deliver the additional 10% requirement in overall terms, its original savings target of £32 million was not updated to reflect this additional element. Whilst the Health Board exceeded its original 2023-24 savings target and achieved its 2023-24 control total, incorporating the additional savings target would have provided a more accurate picture of the overall savings required for 2023-24. This addition would have resulted in a savings target of £40.8 million and a reduction in the percentage of delivered recurrent savings from 58% to 46%. **(Recommendation 5)**

Approach to delivery of savings plans

- 24 The Health Board has adequate arrangements in place for turning its high-level savings requirements into deployable savings plans. Corporately, the Executive Director of Finance and Chief Operating Officer hold budget setting meetings with each Clinical Board. These meetings are maintained throughout the year with routine reporting of financial performance, including savings, to the Sustainability Programme Board, the Finance and Performance Committee, and Board (see **paragraph 31**). While the Health Board has indicated that financial accountability is a key aspect of job descriptions and the performance appraisal process, there is opportunity to further strengthen these arrangements by issuing accountability letters to Executive Directors and Clinical Boards to formalise financial performance and savings delivery expectations. This remains more important given the increasing financial pressures and ambitious cost savings requirements of £47.2 million for 2024-25. **(Recommendation 6)**
- 25 Savings targets are set out by themed areas such as medicines management, reducing length of stay, and procurement, alongside a 1.5% housekeeping target⁸. The Health Board identifies cross-cutting cost saving themes at senior and corporate levels. Senior staff are cognisant of the financial challenges. Nevertheless, the Health Board is striving to communicate operational costs savings plans with its key internal stakeholders through the formal meetings structures. However, our work has identified a need to strengthen engagement below corporate and senior management levels to raise awareness operationally at all levels across the Clinical Boards. **(Recommendation 7)**
- 26 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 themes such as length of stay, continuing healthcare, and procurement. However, this did not materially impact delivery of the overall savings target as it was offset by over-delivery of savings in other areas, namely workforce efficiencies (£9.3 million against a target of £8 million), and additional savings with no target such as review of investments, commissioning and non-recurrent opportunities (£0.680 million, £0.730 million, and £3.3 million, respectively). **(Recommendation 8)**

Skills and capacity to deliver savings opportunities

- 27 The Health Board has an overall skills and capacity gap in respect of the financial and transformational aspects of savings delivery. Aside from the Value in Health Team (see **paragraph 18**), the Health Board has limited innovation and improvement resources at its disposal. Furthermore, while the role of the Finance

⁸ Housekeeping savings targets refer to mandated cost reductions typically delivered through efficiencies in non-core or supporting service elements thereby minimising impact on direct service provision.

Business Partners⁹ is highly regarded, there was wide recognition of a more general skills and capacity gap to deliver on operational cost savings. A planned training programme with Health Education and Improvement Wales (HEIW) was reported as work in progress along with options to use the Healthcare Financial Management Association training resources. The Health Board has also put corporate structures and resources in place to assess the effectiveness of the corporate savings Project Initiation Documents¹⁰ (PIDS). However, at the time of our review, it was too early to assess the impact of these changes.

- 28 In addition, the Health Board has not demonstrated a complete understanding of the skills and capacity it requires to deliver system wide transformational change which will be 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 9)

Monitoring and oversight of cost savings delivery

- 29 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.
- 30 We found that **the Health Board’s monitoring and reporting arrangements require strengthening to provide more robust assurance on savings delivery. In addition, opportunities exist to improve the management of in-year savings risks and introduce a systematic approach for learning lessons from savings planning and delivery.**

Reporting and monitoring the delivery of savings plans

- 31 The Health Board’s arrangements for monitoring and reporting delivery of savings require strengthening. At a corporate level, financial performance, including savings, is reported to the Board, the Finance and Performance Committee, the Executive Team, and the Sustainability Programme Board. Financial performance

⁹ 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.

¹⁰ The Project Initiation Document (PID) defines a project, outlines its management approach, the risks, and assesses overall success, ensuring a solid foundation before committing to major expenditures.

updates are tailored to each forum and in general provide a high-level overview which predominantly focus on savings identified for its 'red', 'amber' and 'green' savings schemes as opposed to actual savings delivered during the year. While the information in the reports is sufficient to oversee the Health Board's progress in identifying savings to meet overall targets, it does not allow Senior Leadership or Board to scrutinise or recommend action where individual savings schemes are off-track. There is also an opportunity to provide clearer information and explanation of technical accounting transactions or issues that may result in revised end of year savings forecasts and performance. **(Recommendation 10)**

Identification of risks to savings plans delivery

- 32 The Health Board has adequately documented the risks around its wider financial position. Its ability to meet its statutory financial duties, produce a balanced three-year plan, and deliver a recurrent cost improvement programme feature as significant risks within its Board Assurance Framework (BAF) and Corporate Risk Register (CRR). Finance risks are also set out in the routine finance reports to the Finance and Performance Committee along with the controls and remedial action the Health Board is taking to address the risks.
- 33 Like all NHS Bodies in Wales, the Health Board assesses (RAG¹¹ rates) its savings schemes to determine the extent of risk of non-delivery. At Month 3 2023-24, the Health Board identified that 22% of its savings schemes were 'amber'. The Welsh Government requires 'amber' schemes to turn to 'green' schemes (ie a strong likelihood of delivery) within three months. The Health Board's finance report to the Finance and Performance Committee identified that it was expecting 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 13% 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 Finance 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 £32 million of 'green' rated schemes had been achieved, and a small number of 'amber' schemes remained totalling £0.498 million. There were no 'red' pipeline opportunities awaiting conversion into deliverable plans.
- 34 While the Health Board significantly increased its savings delivery during 2023-24, it is facing a more challenging situation during 2024-25. The latest update to the Finance and Performance Committee in August 2024 assesses failure to achieve the Health Board's savings/cost improvement target as a significant risk, indicating that it has only identified £18 million (38%) recurrent 'green' and 'amber' savings schemes against its £47.2 million savings target. The Health Board is taking several reactive actions to address the risk including enhanced monitoring of the delegated financial position, monthly finance meetings with each Clinical Board,

¹¹ 'Red', 'Amber', 'Green'.

weekly savings meetings with budget holders, and bi-weekly multi-leadership Sustainability Programme Board meetings.

- 35 Going forward, the Health Board will need to take more proactive action in its savings planning and delivery arrangements to mitigate in-year savings risks and achieve both its operational and overall savings targets. This should include a dynamic process of reserve (Red) savings schemes with sufficient detail to activate them within a short timescale when required. These could also feed into a rolling programme of savings schemes beyond the immediate financial year thereby ensuring they start each financial year with the majority of requisite savings identified. **(Recommendation 11)**

Applying learning

- 36 During 2023-24, the Health Board demonstrated that it was able to respond at pace to changing financial circumstances. It rapidly identified £16 million of both recurrent and non-recurrent additional actions to recover its savings deficit and deliver its revised forecast £16.4 million control total deficit. It would not have achieved this had it not identified additional savings or expanded key workstreams to consider savings from other aspects of the Health Board's business. The Sustainability Programme Board played a key role in monitoring progress in developing plans for these additional actions ensuring that they transitioned from their initial 'red' RAG rating through to 'amber' and 'green' to provide assurance on their delivery. 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. **(Recommendation 12)**

Recommendations

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

Exhibit 2: Recommendations

Recommendations

- R1 The Health Board should ensure that its service transformation plans more explicitly set out how they will help the organisation achieve financial sustainability in terms of the savings that will be generated and the timescale for achieving them. **(Paragraph 14)**

Recommendations

- R2 The Health Board should make improvements to how it uses data and intelligence to inform its savings identifications and selections arrangements by:
- R2.1 Extending its use of data and intelligence across a wider range of services. **(Paragraph 15)**
 - R2.2 Rapidly progressing work on its local data repository to facilitate the systematic capture of benchmarking data. **(Paragraph 16)**
 - R2.3 Developing a more systematic approach to canvassing the views of stakeholders, staff, and service users in the generation of savings ideas. **(Paragraph 17)**
-
- R3 The Health Board should assure itself that its investment in the Value in Health Team is supporting service improvement, delivering improved outcomes, and achieving cost reductions. **(Paragraph 18)**
-
- R4 The Health Board should strengthen both its guidance and governance around the Quality Impact Assessment processes for savings. This will ensure a consistent and clearly documented and understood approach for considering quality, patient safety, and intra Health Board impacts of savings decisions. **(Paragraph 20)**
-
- R5 The Health Board should ensure that future savings reports clearly articulate all the savings it needs to deliver in a given year to meet its Welsh Government control total. **(Paragraph 23)**
-
- R6 The Health Board should strengthen accountability for savings delivery by issuing accountability letters to Executive Directors and Clinical Boards which provide clarity around roles, responsibilities, and financial targets. **(Paragraph 24)**
-
- R7 The Health Board should strengthen its arrangements for communicating its cost savings plans to staff. **(Paragraph 25)**

Recommendations

R8 The Health Board should set challenging but realistic targets for its individual savings schemes and manage risks to under-delivery more effectively.

(Paragraph 26)

R9 The Health Board needs to identify sufficient capacity and capability to deliver longer-term service objectives (including in the fields of innovation and improvement) to effectively deliver its operational savings plans and longer-term service transformation. **(Paragraph 28)**

R10 The Health Board should strengthen its financial reporting on savings by including actual savings delivery progress for each scheme during the year to provide stronger assurances that savings plans are delivering as intended. Financial reports should also include a short technical appendix to provide clearer information and explanation of technical accounting transactions or issues that may result in revised end of year savings forecasts and performance. **(Paragraph 31)**

R11 The Health Board should ensure earlier savings planning preparation for the 2025-26 financial year and develop a rolling programme of reserve savings schemes to help mitigate any risks to savings under-delivery or where savings requirements change in-year. **(Paragraph 34)**

R12 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. **(Paragraph 36)**

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 (eg NHS Benchmarking, CHKS, Medicines Management KPIs).• The organisation routinely accesses and uses efficiencies data and information from a range of sources (eg NHS Wales Efficiency Framework / VAULT, GIRFT reviews, local Value-based Healthcare reviews / opportunities).• 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.

	<ul style="list-style-type: none"> • The organisation has clear processes in place for responding to centrally identified cost savings opportunities from the NHS Wales Value and Sustainability Board.
<p>Selecting cost savings opportunities</p>	<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; – focus on medium to longer-term transformation, as well as short-term and incremental opportunities; and – 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
<p>Approach to delivery of savings plans</p>	<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.
<p>Skills and capacity to deliver savings opportunities</p>	<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.
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 have not 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 (eg 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).

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	Completed self-assessment questionnaire and supporting documents were reviewed.
Documents	We reviewed a range of documents, including: <ul style="list-style-type: none">• Board and Committees agendas, papers, and minutes;• Key organisational strategies and plans;• Key risk management documents, including the Board Assurance Framework and Corporate Risk Register;• Key reports in relation to organisational finances;• Reports prepared by the Internal Audit service.
Interviews	We interviewed the following:

Element of audit approach	Description
	<ul style="list-style-type: none"> • Assistant Director of Finance – Business Partner (3 x Clinical Boards) • Director of Workforce and Financial Performance (Medicine) • Deputy Director of Finance / Strategic Planning • Deputy Director People and Culture • Director of Operations – Women and Children’s Clinical Board • Executive Director of Finance • Chief Operating Officer
Observations	<p>We observed Board meetings as well as meetings of the following committees:</p> <ul style="list-style-type: none"> • Public Board • Special Board Meeting • Finance 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 ensure that its service transformation plans more explicitly set out how they will help the organisation achieve financial sustainability in terms of the savings that will be generated and the timescale for achieving them.	Work is ongoing on a long-term financial model for the health board to support the financial sustainability agenda. Value and transformation offer great opportunities to deliver services that are more effective and offer greater value for money albeit this does not always offer a scale of savings to address the University	June 2025 and ongoing as long-term financial plans evolve and flex	Deputy Director of Finance

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)
		Health Board's (UHB's) annual requirement of savings.		
R2	<p>The Health Board should make improvements to how it uses data and intelligence to inform its savings identifications and selections arrangements by:</p> <p>R2.1 Extending its use of data and intelligence across a wider range of services.</p>	<p>The UHB has good sources of data on Benchmarking via its Value Team including CHKS and the Financial Delivery Unit Vault data. The Finance Team is developing a more</p>	<p>May 2025</p>	<p>Deputy Director of Finance</p>

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)
	R2.2 Rapidly progressing work on its local data repository to facilitate the systematic capture of benchmarking data.	<p>balanced monthly resource report pack to introduce key CHKS opportunities data into monthly reporting in 2024-25 as part of its 'Changing the Conversation' reporting programme.</p> <p>The local data repository development plan includes delivery of a stable Local Data Repository infrastructure (currently in proof of concept) and integrating new systems including Electronic Prescribing and Medicines Administration (EPMA e-prescribing), Patient Reported Outcome measures (PROMS) and AQUA Theatreman (theatres system). Longer term plans are to ingest many more different data sources.</p>	June 2025	Director of Digital

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	R2.3 Developing a more systematic approach to canvassing the views of stakeholders, staff, and service users in the generation of savings ideas.	A Data Insights Programme Board has been established, chaired by Director of Digital & Health Intelligence, the aim of which is to oversee and sign off internal data insights and reporting capabilities with broad representation from across corporate services and clinical boards. This plans to train up business intelligence partners and to deploy and train appropriate staff on Power BI as well as pursuing the data democratisation agenda.	March 2025 into 2027-28	Director of Digital

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R3	The Health Board should assure itself that its investment in the Value in Health Team is supporting service improvement, delivering improved outcomes, and achieving cost reductions.	Value business cases are subject to the Investment Board process that includes a significant benefits realisation process and post implementation review that are identified during the business case approval process.	March 2025	Director of Finance/Investment Group
R4	The Health Board should strengthen both its guidance and governance around the Quality Impact Assessment processes for savings. This will ensure a consistent and clearly documented and understood approach for considering quality, patient safety, and intra Health Board impacts of savings decisions.	Quality Impact Assessments (QIAs) have been more extensively used in assessing potential actions that support annual plan delivery and financial sustainability in 2024-25. They have been subject to pre-scrutiny by the Chief Operating Officer (COO) and are considered through the Sustainability Board chaired by the Chief Executive Officer (CEO).	December 2024	Director of Nursing

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		The extended use of QIAs has resulted in a new standard template being developed by the Director of Nursing which is now utilised as a starting point form QIAs.		
R5	The Health Board should ensure that future savings reports clearly articulate all the savings it needs to deliver in a given year to meet its Welsh Government control total.	The savings programme is hard wired into the UHB's annual financial plan and is a key objective in delivering the Welsh Government's control total. The totality of savings plans will be reported in plans and financial reports unlike 2023-24 when the Going Further savings	March 2025 as part of the 2025-26 Financial Planning	Deputy Director of Finance

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		requirements were reported separately.		
R6	The Health Board should strengthen accountability for savings delivery by issuing accountability letters to Executive Directors and Clinical Boards which provide clarity around roles, responsibilities, and financial targets.	Budget holders are aware of savings targets as these are discussed, shared and devolved through the planning and form part of rolling monthly meetings and accountability meetings such as the monthly Executive Performance Reviews and the Monthly Finance Ops meeting. Accountability letters have previously been considered and not pursued. They will be considered again as part of the 2025-26 Financial plan Process.	For consideration in financial planning and budget setting for 2025-26 Consideration by April 2026	Director of Finance and Chief Executive Officer
R7	The Health Board should strengthen its arrangements for communicating its cost savings plans to staff.	The UHB engages its staff through multiple communication points, in the context of the financial outlook and	June 2025	Whole UHB Leadership teams including but not

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		<p>the need to identify and deliver Cost Reduction Programmes.</p> <p>The UHB will seek to ensure that these initiatives are continued and strengthened and the need for increased focus is communicated clearly to all staff members.</p> <ul style="list-style-type: none"> • Financial Sustainability Communications Working Group • Corporate SharePoint page and internal communications • Financial Sustainability – You Said, We Did, communications • Staff emails shared on key internal communications 		<p>exclusive to Executive Directors, Corporate Functions, Clinical Board management teams and Finance Leads</p>

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		<p>messages relating to Financial Sustainability</p> <ul style="list-style-type: none"> • Communications support to individual portfolios in Medicines management, Workforce and Procurement • All Staff Engagement through 'Ask Suzanne' <ul style="list-style-type: none"> – Viva Engage – Local Partnership Forum – Clinical Board Executive Reviews <p>In addition to these UHB/Corporate initiatives each Clinical Board delivers a raft of measures to communicate the financial challenge and the need for efficiencies within their own reporting structures. These have been provided to Audit Wales colleagues.</p>		

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R8	The Health Board should set challenging but realistic targets for its individual savings schemes and manage risks to under-delivery more effectively.	This has been a communicated position in savings delivery aspirations to date recognising the risk that not all schemes will be delivered or, if delivered, not necessarily within the timescale or value initially projected. The savings tracker that is updated weekly, using the Green/Amber/Red ratings assurance, is used nationally within Wales. Based on a rolling scrutiny and reporting cycle, a re-energisation process takes place in year to secure new schemes to replace deficits.	April 2025	Deputy Director of Finance and Budgetholders

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R9	The Health Board needs to identify sufficient capacity and capability to deliver longer-term service objectives (including in the fields of innovation and improvement) to effectively deliver its operational savings plans and longer-term service transformation.	There has been a rolling expansion in personnel in the Chief Operating Officer's department to help better deliver performance in activity and effective use of resources. The UHB continues to support a Shaping Change and an Innovation team. These have been heavily involved in delivering a pan UHB Rapid Delivery Event in December 2024 involving 200 leadership colleagues.	January 2025	COO's Office Shaping Change Team Innovation Team
R10	The Health Board should strengthen its financial reporting on savings by including actual savings delivery progress for each scheme during the year to provide stronger assurances that savings plans are delivering as intended. Financial reports should also include a short technical appendix to provide clearer	Actual monthly savings are reported via the monthly monitoring returns to the Welsh Government through the Health Board savings tracker process. The point raised on technical accounting issues can be reviewed to ensure reporting consistency across the multiple audiences. This is highlighted as a	March 2025	Deputy Director of Finance

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	information and explanation of technical accounting transactions or issues that may result in revised end of year savings forecasts and performance.	separate item in the monthly Welsh Government monitoring returns.		
R11	The Health Board should ensure earlier savings planning preparation for the 2025-26 financial year and develop a rolling programme of reserve savings schemes to help mitigate any risks to savings under-delivery or where savings requirements change in-year.	That is always the intention. Internal planning guidance issued for 2025/26 aims to bring the planning timetable forward with an ambition of having a fully developed savings plan in place prior to 1 April.	March 2025	Deputy Director of Finance

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R12	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.	Our approach to savings identification and delivery remains agile to ensure we maximise lessons learnt in previous years. Our approach entering a new financial year is discussed through both Management Executive and the Board to ensure that the UHB can deliver and maximise financial opportunities driving best value.	March 2025	Executive Team



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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.