

# Review of Cost Savings Arrangements – Betsi Cadwaladr University 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 audited position for NHS Wales was a collective deficit of £183 million. Whilst some NHS bodies were able to achieve year-end financial balance, the position for others – particularly some Health Boards – was challenging with several not being able to deliver the control total<sup>1</sup> 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 of 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.

<sup>1</sup> 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 exceeded its savings target and almost met its control deficit target for 2023-24, it has a varied track record of delivering recurrent savings. Given the Health Board's challenging current financial position, it urgently needs to accelerate work on rolling out and embedding its new cost savings arrangements across the organisation.**
- 8 The findings that support our overall conclusion 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 has also developed a new approach for identifying transformational savings opportunities. However, opportunities remain to strengthen this approach further to ensure the Health Board can meet its financial challenges in both the short and longer term.**

## Understanding the drivers of cost

- 11 The Health Board has a good understanding of its cost drivers. Independent Members and Executive Directors routinely receive progress updates on these cost drivers as part of the Health Board's ongoing financial reporting and analysis. Reports highlight areas of high cost such as pay and non-pay costs (including nursing and medical agency costs), continuing health care, and medicines management. Whilst the Health Board has a good understanding of its cost drivers and made progress towards achieving its 2023-24 control total deficit of £20 million with a final year-end position of £24 million deficit, these high-cost areas continue to be the key contributors to its challenging financial position and significant underlying deficit of £253 million.
- 12 The Health Board maintained a short-term focus on reducing its cost drivers in 2023-24 by introducing several specific financial control measures, including:
- a Vacancy Control Review process for particular grades and roles;

- a Recurrent Investment Group Assurance (RIGA) initiative to review previously committed investments and current year use of Performance and Transformation Budgets;
- additional non-pay checks and challenge process for over 70 areas of spending; and
- the introduction of additional in-year Divisional Expenditure Control Targets.

Whilst not all of these controls have generated budget releasing savings, they have resulted in the Health Board improving its financial position. However, whilst introducing these controls was necessary to prevent the Health Board's financial position from deteriorating further, some Directorates and Integrated Health Communities (IHCs) felt that the approach to their implementation was not as collaborative as it could have been.

- 13 For 2024-25, the Health Board has proposed a new approach to identifying and delivering savings based around the national Value and Sustainability Board<sup>2</sup> (VSB) workstreams. Some of these, particularly those around workforce and clinical variation, have the potential to deliver significant transformational efficiencies for the Health Board. However, sound budget management and ownership of financial targets and requirements at the operational level will also continue to be of central importance in identifying and addressing the factors that are driving costs within the organisation. During our review, concerns were raised from some operational areas about the accuracy of their base budgets. The Health Board, therefore, should seek to address this by demonstrating that base budgets have been informed by a clear understanding of the costs of services that are to be delivered. (**Recommendation 1.1**)
- 14 The Health Board is still in the process of developing a clearer longer-term Strategic Plan and Clinical Services Strategy. These are of fundamental importance in driving the service transformation that is needed in order to establish a service model that is clinically and financially sustainable, as highlighted in our 2023 Structured Assessment [report](#) and the Internal Audit report on savings<sup>3</sup> (noting also that there is still an outstanding recommendation from our 2022 Structured Assessment report relating to the development of a Clinical Services Plan).

<sup>2</sup> 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.

<sup>3</sup> Internal Audit completed a follow-up review of the 'Delivery of the Health Board's Savings'. Whilst the original report gave a 'No Assurance' rating, the follow-up has seen a very slight improvement to 'Limited Assurance'. The report was presented to the Audit Committee in March 2024.

## Using data and intelligence to identify cost savings opportunities

- 15 The Health Board's use of benchmarking data such as that from the VSB, VAULT<sup>4</sup>, and GIRFT<sup>5</sup> to support its cost efficiency and savings programme has been variable. This is mainly due to the historical resource and capacity challenges within the Finance Team to undertake this type of analysis work. In addition, the Health Board has confirmed that outputs from its GIRFT reviews do not necessarily always identify savings opportunities. Furthermore, when they highlight potential efficiency gains, they are not always progressed as they usually require a level of initial investment which the organisation is unable to provide due to its challenging financial position. The Health Board's new approach to savings identification through its VSB workstreams should provide a framework for making more systematic use of data and intelligence to support the identification of savings schemes. This approach will be supported by a new project team that will provide additional capacity to undertake this type of analysis work, which we discuss further in **paragraph 30**.
- 16 The Health Board has developed a proactive initiative to engage staff in identifying cost savings. The 'Small Change Big Difference' initiative enables engagement with staff on improvement and cost savings ideas. The Health Board has promoted this initiative through its management structures, team meetings, and regular Chief Executive staff briefings. At the time of our review, the initiative had generated 61 suggestions for further assessment. The Health Board intends to further embed this new approach during 2024-25. Notwithstanding the positive engagement of staff, our review identified limited evidence of the Health Board canvassing and using the views of service users and other stakeholders in the generation of savings ideas. As we discuss in **paragraph 17**, the Health Board intends to streamline and improve its savings guidance. This presents an opportunity to provide greater clarity around how and when the views of service users and stakeholders should be canvassed in the process of generating savings ideas. **(Recommendation 3.1)**

## Selecting cost savings opportunities

- 17 The Health Board is continuing to improve its processes for savings selection as defined within its guidance and proformas on the submission of Savings Schemes and Savings Plans for 2024-25. The Health Board also intends to streamline and improve its savings guidance to ensure that all budget holders clearly understand its savings arrangements. When updating its guidance, the Health Board should

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

<sup>5</sup> Getting it right first time (GIRFT) are programmes 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.

take the opportunity to ensure that it also reflects its new savings approach based around its VSB workstreams. **(Recommendation 3.2)**

- 18 There is variability in the use of impact assessments for savings schemes, with some schemes not identifying the need for a quality impact assessment despite their potential clinical implications. We also heard concerns from some senior staff over the maturity of the Health Board's consideration of quality and patient safety in its savings arrangements. These arrangements will need to be strengthened through the VSB workstreams, particularly if the Health Board hopes to achieve greater levels of savings through more complex and challenging transformational change programmes. **(Recommendation 3.3)**
- 19 For 2024-25, the Health Board's financial plan reflects the challenges experienced in 2023-24 with a planned deficit position of £19.8 million and a savings requirement of £48 million. However, despite the scale of this challenge, the Health Board has been slow in selecting viable savings schemes for 2024-25. Independent Members have expressed concerns over the delays in both financial planning and developing viable savings schemes for 2024-25 and the potential impact this might have on the achievement and effective scrutiny of 2024-25 financial/savings plans. These concerns echo comments in our 2023 Structured Assessment report around the slow identification of savings schemes and converting schemes to 'green' within the Health Board's RAG classification of savings. **(Recommendation 2.1)**
- 20 The finance update to the Board in July 2024 indicates that the organisation continues to hold significant risks in respect of the savings it needs to deliver in order to achieve its 2024-25 control total deficit of £19.8 million. The Month 3 position showed a £21.5 million shortfall in the forecast savings position with £26.5 million of savings identified against a target of £48 million. Significant action over the remainder of the year is therefore needed in the identification and delivery of savings if the forecast year-end position is to be achieved.

## Delivery of cost savings opportunities

- 21 We considered whether the Health Board has:
- a good track record of delivering savings plans and cost improvements;
  - clear plans in place to deliver cost savings opportunities it identifies; and
  - the necessary skills and capacity to deliver its agreed cost savings opportunities.
- 22 We found that **whilst the Health Board's delivery of recurrent savings improved in 2023-24, savings performance was variable across its Integrated Health Communities and Directorates. As a result, it will need to identify and deliver significantly more recurrent savings at pace as well as strengthen financial competencies across the organisation if it is to achieve its challenging 2024-25 savings target.**



## Track record of delivery savings plans and cost improvements

- 23 Although the Health Board exceeded its savings target for 2023-24, it failed to do so in the previous five years (see **Exhibit 1**). Whilst there has been some challenge<sup>6</sup> over the accuracy of the 2023-24 savings target, its overall savings performance for 2023-24 is a significant improvement on prior years. However, this positive overall savings performance masks the significant variation in savings performance within the IHCs. For example, the Centre IHC achieved only 58% of its target savings, with less than 50% of these being recurrent in nature. Given that the IHCs account for most of the Health Board's budget, continued underperformance of savings in these areas will significantly undermine its ability to achieve its challenging savings target for 2024-25. (**Recommendation 2.2**) The Health Board also has a variable track record of delivering recurrent savings. Whilst it delivered significantly more recurrent savings in 2023-24 than in the prior three years, they only represented 63% of the total savings delivered. However, apart from 2020-21 and 2022-23, between 2018-19, and 2023-24 the percentage of recurrent savings delivered against the Health Board's overall savings target has exceeded 50%. (**Recommendation 2.3**)
- 24 The Health Board's track record of delivering savings in 2023-24 would have been worse than reported if it had reflected the additional 10% savings requirement of £13.4 million in its overall savings target and subsequent savings plans. The Welsh Government savings requirement of an additional 10% was set to deliver the Health Board's 2023-24 control total deficit of £20 million. Whilst the Health Board reported the need to deliver the additional 10% requirement in overall terms, its original savings target of £31 million was not updated to reflect this additional element and, therefore, was not part of its routine reporting on savings to the Board and the Performance, Finance, and Information Governance Committee. Whilst the Health Board exceeded its original 2023-24 savings target and almost 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 £44 million and a reduction in the percentage of delivered recurrent savings from 63% to 50%. (**Recommendation 4**)

<sup>6</sup> Internal Audit's January 2024 follow-up report on the Delivery of Savings contains a management response highlighting some internal errors in the classification of stretch savings target with the correct savings target being £30.9 million. However, we note that the Health Board has continued to report its high-level performance against a savings target of £25.2 million, with a sub note that the additional £5 million were stretch targets.

## 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 the higher of overall savings target or delivered	Delivered non-recurrent savings (£M)	Delivered recurrent savings (£M)
2018-19	45	37	78%	2	35
2019-20	45	34	53%	10	24
2020-21	45	9.4	18%	1.2	8.2
2021-22	17	16.6	65%	5.5	11.1
2022-23	35	23	14%	18.1	4.9
2023-24	31	35	63%	14	22

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

### Approach to delivery of savings plans

25 The Health Board has developed a targeted approach to delivering savings as part of wider efforts to strengthen its grip and control over its finances. As part of this approach, the Health Board allocated a savings target of 2.5% to all Directorates and IHCs in 2023-24, which has increased to 2.8% in 2024-25. As part of this, Directorates and IHCs are required to identify savings and produce an annual savings plan which outlines how they will achieve this target. However, our review highlighted concerns from Directorates and IHCs about the extent to which having a pan-Health Board savings target recognises their specific and unique context. **(Recommendation 1.2)**

26 The Health Board aligns its planning for cost savings with the development of its Integrated Medium Term Plan (IMTP) and annual planning cycle. In our 2023

Structured Assessment report, we noted that the approach for financial planning for 2023-24 was affected by significant disruption at senior levels in the Finance Team and the high level of turnover of other senior staff. Notwithstanding this, the Health Board has made progress in developing its savings delivery plans. The master savings tracker captures individual savings schemes and includes key saving scheme data<sup>7</sup>.

- 27 The Health Board's new 2024-25 VSB workstreams were being finalised at the time of our review. Some initial observations indicate that the proposed governance structure for the individual workstreams should result in better engagement across the Health Board and increase the success of delivering savings schemes benefits. However, the outline framework could benefit from being clearer not only on the arrangements for considering the quality and patient safety impacts but also the extent to which savings schemes underpin the strategic direction of travel and consider the impact that they may have on other services as well as how Value Based Health Care (VBHC) initiatives would be integrated into the overall savings programme (see **Recommendation 3.3**).
- 28 The Health Board had drafted accountability letters for 2023-24, but these were not issued to IHCs and Directorates due to internal personnel changes within the Finance Team. Instead, the IHCs and Directorates were allocated individual control totals for 2023-24 in November 2023. The Health Board has confirmed that it was issuing new updated accountability letters for 2024-25. The accountability letters are an important component in the Health Board's overall approach to financial recovery and need to be used to provide clarity around roles, responsibilities, and financial targets. As such, they can help address some of the potential gaps in understanding/communications between the corporate Finance Team and the IHCs in relation to financial accountability and responsibility for initiating financial improvement plans. (**Recommendation 1.3**)

## Skills and capacity to deliver savings opportunities

- 29 The Health Board has taken some steps to develop financial competencies by issuing guidance through its Budget Holders Handbook and delivering training on procurement for budget holders. However, we were made aware of some financial competency gaps across areas of organisation which are impacting its ability to effectively manage its financial and savings planning. (**Recommendation 5.1**) Significant disruption at senior levels in the corporate Finance Team during 2023-24, and senior staff turnover, have also contributed to these challenges. The challenges around financial competencies also extend to Independent Members.
- 30 The Health Board indicated its intention to bolster its capacity for savings delivery in 2024-25 through its new centralised savings Value and Sustainability Project

<sup>7</sup> The master savings tracker data includes – savings classification, delivery milestones, and responsible officers. Saving scheme owners are required to identify other information, such as key risks and wider impacts during the initial saving planning stages.

Team. This team will comprise staff from the Transformational Support Team, Corporate Finance Officer and Service Area Leads focussing on both central and locally identified savings opportunities. The Health Board proposes that the new team will link into national groups and other stakeholders on a regular basis to ensure that the opportunities to build upon national savings initiatives, data and learning are maximised within the Health Board. At the time of our work, this team was in the process of forming. However, once fully embedded, it should enable the Health Board to make greater use of data and intelligence to identify cost savings opportunities and provide greater capacity to deliver its challenging 2024-25 savings target.

- 31 The Health Board's engagement with clinicians around savings is variable. The current Directorate Triumvirate Management structures within the IHCs and Directorates include senior clinical representatives and therefore provide a framework for clinical engagement around savings. However, the Health Board recognises that it needs to improve how clinicians are engaged in identifying and delivering financial efficiencies and savings. For 2024-25, the Health Board's new governance around its VSB workstreams will include clinical leads which should, when fully embedded, start to address this concern. However, it will be important that this positive clinical engagement approach also extends to the savings identified and delivered within the IHCs and Directorates, where engagement with clinicians was considered to be variable. (**Recommendation 2.4**)

## Monitoring and oversight of cost savings delivery

- 32 We considered whether the Health Board:
- has an effective approach to monitoring and reporting 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 previously have not been achieved.
- 33 We found that **whilst the Health Board's arrangements for scrutinising, monitoring, tracking, and reporting on cost savings are improving, they have not resulted in improved financial performance across the organisation. As a result, it needs to better hold the Integrated Health Communities and Directorates to account for poor delivery of savings and strengthen its approach to sharing best practice and the lessons learnt from ineffective savings schemes.**

## Monitoring and reporting the delivery of savings plans

- 34 The Board has a clear understanding of the Health Board's financial challenges through its regular finance and savings reports. The Performance, Finance, and Information Governance Committee (PFIG) and Executive Finance and Information

Delivery Group (EFIDG) also receive these detailed financial reports which incorporate progress updates on savings. These reports are sufficiently detailed and granular to facilitate progress monitoring at the IHC and Directorate level. The Board has also taken part in several Board Development Sessions which have focused on finance, savings, and financial planning. Independent Members consider the quality of the financial information has improved over the last year and our observations at PFIG and Board meetings in February 2024 confirmed that there is a good level of challenge and debate around finance. However, as part of this review, we observed that some Independent Members' ability to discharge their role would benefit from having a more detailed understanding of the Health Board's finances. (**Recommendation 5.2**)

- 35 In our 2023 Structured Assessment report, we commented that the Health Board is strengthening its oversight of savings plans through the Executive, the Executive Delivery Group for Performance and Finance, and routine review of major programmes and monthly review with service leads. The Finance Team has also undertaken several 'check and challenge' meetings with IHCs and Directorates to provide a focus on delivering financial targets, including savings. However, the Health Board has recognised it will need to continue to make improvements in key areas, such as clarifying the roles and accountability of senior management and continuing to improve its financial control environment in areas such as business case approval. Whilst these improvements will be crystallised in the Health Board's refreshed governance arrangements to support its new VSB workstreams, there is opportunity to strengthen these arrangements further by introducing a more structured escalation process for when IHCs and Directorates are not meeting their savings targets. (**Recommendation 2.5**)

## Identification of risks to savings plans delivery

- 36 The Health Board's Corporate Risk Register clearly identifies financial sustainability as a key corporate risk. The Executive Team, Risk Management Group, PFIG and Audit Committee regularly review this risk and have kept its status unchanged due to the Health Board's ongoing challenging financial position. Whilst the controls and assurances outlined for the Health Board's key financial sustainability risk appear to be reasonable, its financial position continues to remain challenging. Therefore, it will be important for the Board and its committees to continue to scrutinise the effectiveness of these controls to ensure that they remain fit for purpose.
- 37 The Health Board's savings guidance outlines the risk assessment of savings schemes, which follows the RAG savings risk classifications set out by the Welsh Government. The master savings tracker reflects this RAG classification and forms the basis for savings classification in the savings tracker and internal and external reporting on savings. As we discussed in **paragraph 20**, as at Month 3 2024-25 the Health Board had identified £26.5 million of savings, which were classified as 'green'. This equates to 55% of the Health Board's overall savings target for 2024-

25. The Health Board, therefore, continues to carry a significant risk to achieving its overall savings target for 2024-25 unless it converts the remaining 'amber' and 'red' schemes to recurrent 'green' schemes at pace.

## Applying learning

38 The Health Board does not have a well-developed approach to learning lessons from underperforming savings schemes. There were some limited examples of informal sharing of ideas and learning between IHCs and Directorates and some parts of the Health Board have been working with the NHSE F&DT<sup>8</sup> to access learning from across Wales to support the development of savings opportunities. However, in overall terms, the Health Board needs to embed a more systematic approach to learning lessons from others, and to understand why saving schemes it has identified have failed or underperformed. The Health Board has told us that its recently established VSB workstreams should, when embedded, provide greater opportunity to adapt its approach to savings based on learning.  
**(Recommendation 6)**

## Recommendations

39 **Exhibit 2** details the recommendations arising from this audit.

### Recommendations

- R1 The Health Board should seek to obtain better ownership of financial targets and savings requirements by Directorates and the Integrated Health Communities (IHCs) through:
- R1.1 Demonstrating that base budgets have been informed by a clear understanding of the costs of services that are to be delivered.  
**(Paragraph 13)**
  - R1.2 Ensuring that savings targets are based on an analysis of the actual opportunities that exist within Directorates and IHCs as opposed to a pan-Health-Board savings target. **(Paragraph 25)**
  - R1.3 Ensuring that accountability letters are issued in a timely manner and clearly set out the roles, responsibilities, and accountabilities of the Directorates, Integrated Health Communities, and the corporate centre.  
**(Paragraph 28)**

<sup>8</sup> National Health Service Executive Wales – Financial Delivery Team (NHSE FDT)

## Recommendations

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- R2 The Health Board should strengthen its approach to the identification and delivery of savings by:
- R2.1 Identifying viable savings schemes to meet the Health Board's overall savings target earlier in the financial planning cycle. **(Paragraph 19)**
  - R2.2 Taking earlier remedial action to bring under-performing saving schemes back on track. **(Paragraph 23)**
  - R2.3 Maintaining a focus on the identification of saving schemes that deliver recurrent savings. **(Paragraph 23)**
  - R2.4 Securing greater engagement from clinicians in the development and delivery of savings schemes. **(Paragraph 31)**
  - R2.5 Introducing a more formalised escalation process where Directorates and IHCs are not delivering against their savings targets. **(Paragraph 35)**
- 
- R3 When updating its savings guidance, the Health Board should ensure:
- R3.1 That the guidance provides greater clarity around how and when the views of service users and stakeholders should be canvassed in the process of generating savings ideas. **(Paragraph 16)**
  - R3.2 That the guidance reflects the new savings approach based around its Value and Sustainability Board framework. **(Paragraph 17)**
  - R3.3 That the guidance clearly articulates the arrangements for assessing the impact of savings schemes on quality and patient safety, how they support the Health Board's strategic priorities, and impact on other services, as well as the integration with other initiatives (such as Value Based Health Care). **(Paragraphs 18 and 27)**
- 
- R4 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 24)**
- 
- R5.1 The Health Board should ensure that it has a clear programme in place to address the financial capability gaps across the organisation to ensure operational managers have the necessary skills to support financial planning and savings delivery arrangements. **(Paragraph 28)**
- R5.2 The Health Board should put arrangements in place to support Independent Members to gain a better understanding of the organisation's finances. **(Paragraph 34)**

## Recommendations

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- R6 The Health Board should adopt a more systematic approach to the identification and sharing of learning on the delivery of savings schemes. This should include lessons learnt from Health Board savings schemes which have failed or underperformed and the sharing of good practice from the approach to savings schemes in other organisations. **(Paragraph 38)**



# Appendix 1

## Audit methods

Exhibit 3 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.
Documents	We reviewed a range of documents, many of which were provided in support of the self-assessment, including: <ul style="list-style-type: none"><li>• Board and Committees agendas, papers, and minutes</li><li>• Key organisational strategies and plans</li><li>• Savings benchmarking data</li><li>• Key risk management documents, including the Board Assurance Framework and Corporate Risk Register</li><li>• Key reports and plans in relation to organisational finances and savings</li><li>• Reports prepared by the Internal Audit service.</li></ul>

Element of audit approach	Description
Interviews	<p>We interviewed the following senior officers and Independent Members:</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer</li> <li>• Interim Executive Director of Finance</li> <li>• Executive Medical Director</li> <li>• Director of East Integrated Health Community</li> <li>• Chair of Performance Finance and Information Governance Committee</li> <li>• Director of Centre Integrated Health Community</li> <li>• Director of West Integrated Health Community</li> <li>• Director of Midwifery and Women’s Services</li> <li>• Director of Mental Health and Learning Disabilities</li> <li>• Finance Director Commissioning and Financial Planning</li> <li>• Interim Finance Director: Operational Finance</li> </ul>
Observations	<p>We observed Board meetings as well as meetings of the following committee:</p> <ul style="list-style-type: none"> <li>• Performance Finance and Information Governance Committee (PFIGC)</li> </ul>

# Appendix 2

## Management response to audit recommendations

Exhibit 4: Betsi Cadwaladr University Health Board’s management response to our audit recommendations

Ref	Recommendation	<b>Management response</b> Please set out here relevant commentary on the planned actions in response to the recommendations	<b>Completion date</b> Please set out by when the planned actions will be complete	<b>Responsible officer (title)</b>
R1	The Health Board should seek to obtain better ownership of financial targets and savings requirements by Directorates and the Integrated Health Communities (IHCs) through: R1.1 Demonstrating that base budgets have been informed by a clear understanding of the costs of	R1.1 The base budgets have been developed from determination of the underlying position, unavoidable cost pressures and additional developments supported through a process of allocation by the Executive and then wider Health Board. This will be enhanced for 2025/26 through use of Value Based Healthcare (Value & sustainability) work that will include articulation productivity and efficiency by speciality.	October 2025	Executive 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)
	<p>services that are to be delivered. <b>(Paragraph 13)</b></p> <p>R1.2 Ensuring that savings targets are based on an analysis of the actual opportunities that exist within Directorates and IHCs as opposed to a pan Health Board savings target. <b>(Paragraph 25)</b></p> <p>R1.3 Ensuring that accountability letters are issued in a timely manner and clearly set out the roles, responsibilities, and accountabilities of the Directorates, IHCs, and the corporate centre. <b>(Paragraph 28)</b></p>	<p>R1.2 The articulation of demand and capacity by speciality and comparison to national metrics will enable allocative efficiency models to be endorsed. This will depend largely upon formation of the above speciality plans and Corporate benchmarking that will occur prior to and during 2025/26.</p> <p>R1.3 The Accountability Letters have been fully refreshed in 2024/25 and clearly set out the Accountable Officer's expectations for deliver by each of the Budget Holders. Over 464 electronic letters have been issued to Managers with over 400 returned signed.</p>	<p>October 2025</p> <p>Complete</p>	<p>Chief Operating Officer</p> <p>Executive 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	<p>The Health Board should strengthen its approach to the identification and delivery of savings by:</p> <p>R2.1 Identifying viable savings schemes to meet the Health Board's overall savings target earlier in the financial planning cycle. <b>(Paragraph 19)</b></p> <p>R2.2 Taking earlier remedial action to bring under-performing saving schemes back on track. <b>(Paragraph 23)</b></p> <p>R2.3 Maintaining a focus on the identification of saving schemes</p>	<p>R2.1 The Health Board identified the 2024/25 full year ask of £48m by month 7. This gives greater opportunity to identify opportunities and turn those into savings green rated schemes prior to commencement of the 2025/26 financial year.</p> <p>To support identification and delivery of savings, a Director of Value and Sustainability will co-ordinate identification of opportunities through to delivery of savings, an Executive lead identified for each of the five V&amp;S national themes.</p> <p>The all-Wales Vault, Informatics data, costing data, all Wales V&amp;S Group Reports support the Executive officers in identification of opportunities. Each</p>	<p>Complete</p> <p>Complete</p> <p>July 2025</p>	<p>Executive Director of Finance</p> <p>Executive Director of Finance</p> <p>Executive 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)
	<p>that deliver recurrent savings. <b>(Paragraph 23)</b></p> <p>R2.4 Securing greater engagement from clinicians in the development and delivery of savings schemes. <b>(Paragraph 31)</b></p> <p>R2.5 Introducing a more formalised escalation process where Directorates and IHCs are not delivering against their savings targets. <b>(Paragraph 35)</b></p>	<p>Executive held accountable at the Monthly Integrated Performance – Executive Delivery Group for progress, which is chaired by Chief Executive. The Divisional Directors also held accountable within this forum for delegated savings target performance.</p> <p>R2.2 The guidance will be amended to include the reporting of underperforming schemes to the Integrated Performance – Executive Delivery Group. The report will include the supporting explanations and the action to be taken to either recover or mitigate the performance.</p> <p>R2.3 The Annual Plan (endorsed by the Board) sets out the expectation to deliver the annual savings requirement on a recurrent basis. The 2023/24 Full Year Effect (FYE) outturn was £26.3m which was in</p>	<p>March 2025</p> <p>March 2025</p>	<p>Executive Director of Finance</p> <p>Executive Director of Finance</p>

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		<p>excess of the required target £25.2m. The 2024/25 current recurrent FYE forecast against the £48m Savings Target stands at £39.2m (at Month 6).</p> <p>R2.4 The formation of a model that mirrors Welsh Government's approach to securing 'Value and Sustainability' will result in greater engagement from Clinicians (the Clinical Variation component led by the Medical Director).</p> <p>R2.5 The Monthly Finance Report which includes the delivery against target by each Division is discussed at the Monthly Integrated Performance – Executive Delivery Group chaired by the Chief Executive.</p>	<p>Complete</p> <p>Complete</p>	<p>Executive Director of Finance</p> <p>Executive Director of Finance</p>

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		Individual performance reviews with areas and directorates will also include performance against savings targets, where teams will further be held to account for delivery.		
R3	<p>When updating its savings guidance, the Health Board should ensure:</p> <p>R3.1 That the guidance provides greater clarity around how and when the views of service users and stakeholders should be canvassed in the process of generating savings ideas. <b>(Paragraph 16)</b></p> <p>R3.2 That the guidance reflects the new savings approach based</p>	<p>R3.1 The Health Board launched Small Change Big Difference in 2023, which sought ideas from all staff. We will continue to progress and follow up on these initiatives to secure enhanced savings delivery.</p> <p>R3.2 The guidance refers to the Value and Sustainability categories. However, this will be expanded to include references to the newly developed Value and Sustainability Framework.</p>	<p>Ongoing 2025</p> <p>March 2025</p>	<p>Executive Director of Finance</p> <p>Executive Director of Finance</p>



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R3.3	<p>around its Value and Sustainability Board framework. <b>(Paragraph 17)</b></p> <p>That the guidance clearly articulates the arrangements for assessing the impact of savings schemes on quality and patient safety, how they support the Health Board’s strategic priorities, and impact on other services, as well as the integration with other initiatives (such as Value Based Health Care). <b>(Paragraphs 18 and 27)</b></p>	<p>R3.3 The guidance and scheme templates require the Divisions to have indicated whether a scheme requires an impact assessment. It is the responsibility of the Director approving the scheme submission to be satisfied on the robustness of the assessment and maintain the document within Division.</p>	Complete	Executive Director of Finance

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R4	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. <b>(Paragraph 24)</b>	The Health Board ensures that the Finance Reports and Monthly Financial Monitoring Return Submission clearly articulate the required savings to meet the Board endorsed Financial Outturn, including the requirement for further mitigations in year to manage the impact of emerging unplanned cost pressures.	Complete	Executive Director of Finance
R5	R5.1 The Health Board should ensure that it has a clear programme in place to address the financial capability gaps across the organisation to ensure operational managers have the necessary skills to support financial planning and savings delivery arrangements. <b>(Paragraph 28)</b>	R5.1 The Health Board has developed a budget managers guide that is readily available and signposted to officers within the intranet, published with hyperlinks to supporting policies and procedures. In addition, training sessions are held with all budget managers to emphasise the skills required to deliver within budget the services for which funds are allocated out to officers.	Complete	Executive Director of Finance

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	R5.2 The Health Board should put arrangements in place to support Independent Members to gain a better understanding of the organisation's finances. <b>(Paragraph 34)</b>	R5.2 Development sessions have been held in regards to financial plans, development of the plans (that articulate a reconciliation to the outturn for the year in addition to underlying deficit. In addition, sessions have been held as a group and for individual new Independent Members to update on financial planning, performance and relevant actions required to mitigate risks to attainment of plan.	Complete (and continuing)	Executive Director of Finance
R6	The Health Board should adopt a more systematic approach to the identification and sharing of learning on the delivery of savings schemes. This should include lessons learnt from Health Board savings schemes which have failed or	The criteria for assessing schemes as Green ensure that delivery expectation is robust. A small number of schemes show immaterial non delivery; however, these relate to transactional schemes where there can be some movement in actual delivery.	Complete	Executive Director of Finance

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	underperformed and the sharing of good practice from the approach to savings schemes in other organisations. <b>(Paragraph 38)</b>	The Health Board recognises that the relevance of this recommendation would certainly be key for larger Transformational schemes and it is important to create a culture that seeks innovation, accepting this will not always deliver and importantly there is a vehicle to learn from these experiences. The Value and Sustainability Board will give a vehicle for this to develop moving forwards.		





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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.