

Review of Cost Savings Arrangements – Cwm Taf Morgannwg University Health Board

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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 has delivered its savings target and a break-even financial position for 2023-24, it now needs to initiate a more future orientated approach focussing on service transformation to maintain its long-term financial sustainability.**
- 8 The findings that support our overall conclusions are summarised below under the following headings:
- identifying cost savings opportunities;
 - delivering cost savings plans; and
 - 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’s mechanisms for identifying short-term cost savings are evident, but it needs to maintain current financial performance whilst managing quality and performance risks and transforming services for longer-term value and financial stability.**

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 2024-27 Integrated Medium Term Plan (2024-27 IMTP). These include operating pressures, NICE and high-cost drugs, increasing commissioned activity, local investments, continuing healthcare, prescribing and non-pay inflation pressures, overtime and Allied Health Professional costs, and the Welsh Risk Pool. In addition, it acknowledges the wider contextual challenges facing the organisation including supply chain delays, inflationary pressures, and the ongoing residual post-pandemic service adjustments that apply to most organisations. While there is a good understanding of cost drivers at an organisational level, variation in financial performance at an operational level suggests differing potential for savings delivery within Care Groups and Clinical Service Groups. **(Recommendation 1)**
- 12 During 2023-24, the Board provided a clear steer and focus on achieving a balanced financial position, culminating in a break-even control total and an underlying financial deficit of £19.4 million. In March 2024, the Health Board submitted a financially balanced 2024-27 IMTP to the Welsh Government with a recurrent savings target of £26.3 million. The plan sets out the Health Board’s

ambition to continue to 'live within its means', but this has led to a number of difficult investment decisions impacting on some services. For example, it has been unable to invest in Stroke Services, which at present is encountering significant performance challenges, resulting in the Health Board ranking among the worst in Wales across several of its urgent assessment and discharge measures². While the Health Board has signalled potential opportunities for lower savings targets and higher levels of discretionary investment in years 2 and 3 of its IMTP delivery, it will need to closely monitor and manage any immediate quality and performance risks that may arise.

- 13 The Welsh Government has subsequently approved the Health Board's 2024-27 IMTP. However, the Health Board did not meet its financial duty to break even against its Revenue Resource Limit over the three-year period 2021-22 to 2023-24 and remains in 'Enhanced Monitoring' for finance, strategy and planning under the Welsh Government's NHS Intervention and Escalation Framework³.
- 14 Key to controlling cost drivers and achieving financial sustainability, is delivering the Health Board's long-term strategy – CTM 2030 – which sets four high-level strategic aims⁴, underpinned by three key strategy themes⁵, to transform its acute and community services. During 2023-24, the Health Board has progressed work on many key areas of the strategy including the development of the Llantrisant Health Park⁶ and Maesteg Community Hospital⁷. However, the Health Board's efforts in achieving financial break-even during 2023-24 and the continuing financial challenges it is experiencing during 2024-25 are impacting on the pace of delivering other key strategic objectives, such as development of the Acute Clinical Services Plan which is key to creating more sustainable models of secondary care. The Health Board, therefore, needs to clearly prioritise and set out a roadmap for the potential costs and savings associated with transforming its services and ensure that the timescales for service transformation support its plans to place its finances on a more sustainable footing. **(Recommendation 2)**

² Stroke Urgent Assessment and Discharge measures: % compliance with direct admission to an acute stroke unit within four hours, % of patients assessed by a stroke consultant within 24 hours, % of patients assessed by one of OT, PT SALT within 24 hours, and % of patients discharged with ESD/Community Therapy MDT.

³ [Information on NHS Wales oversight and escalation arrangements](#). In addition to being in Enhanced Monitoring for finance, strategy and planning, the Health Board is in Targeted Intervention for performance and outcomes.

⁴ CTM 2030's four high level strategic aims are 'creating health', 'improving care', 'inspiring people' and 'sustaining our future'.

⁵ CTM 2030's three key strategy themes are 'supporting resilient communities', 'integrated community services' and the 'clinical services strategy'.

⁶ The Llantrisant Health Park Programme aims to deliver a cutting-edge diagnostics and treatment centre.

⁷ Maesteg Community Hospital is being re-developed into a health, care and wellbeing hub.

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 further strengthening. It uses some data and intelligence from sources such as CHKS⁸, VAULT⁹, GIRFT¹⁰ reviews, and local Value-Based Healthcare reviews. However, there is scope for the Health Board to increase its use of data and intelligence across a wider range of service areas to maximise the identification and selection of cost savings opportunities. **(Recommendation 3.1)** 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 3.2)**
- 16 The Health Board has processes to canvas, capture, and assess ideas and suggestions on cost savings opportunities internally and from some external stakeholders based on best practice, including examples from outside Wales. However, the Health Board may also wish to consider identifying cost savings ideas from service users, potentially as part of its proposed engagement on the emerging Acute Clinical Services Plan.
- 17 In addition, the Health Board's Value and Efficiency Programme includes several central 'enabling groups' to help drive pan-Health Board efficiency savings. The groups for 2024-25 have been changed to align with the national Value and Sustainability Board workstreams¹¹ encompassing workforce, continuing healthcare, non-pay/procurement, medicines management, service redesign, and clinical variation. In a cost constrained environment, a particular challenge for the programme will be taking forward savings schemes that require an upfront investment in order to achieve longer-term savings, and for such schemes to ensure that they deliver the intended savings as a return on that investment. **(Recommendation 4)**

⁸ Caspe Knowledge HealthCare Systems (CHKS) is a provider of healthcare intelligence, benchmarking, and quality improvement services.

⁹ The Value, Allocation, Utilisation and Learning Toolkit (VAULT) is managed by the NHS Executive to support and improve resource utilisation across the Welsh NHS.

¹⁰ 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.

¹¹ 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.

Selecting Cost Saving Opportunities

- 18 The Health Board has a reasonably effective approach 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. The 2023-24 Financial Plan was based on a 'control total' approach requiring Care Groups and Corporate Directorates to collectively operate within a maximum allowable overspend of £23.8 million. To meet this control total, they were required to deliver a £28.3 million savings target.
- 19 The Executive Leadership Group has taken a central role in determining individual savings targets for Care Groups and Corporate Directorates. These are predominantly calculated as a percentage of their recurrent budget allocation for the year. Targets were approved by Board and savings plans developed with the Care Groups to achieve the overall savings target. However, our work identified some concerns around the equity and fairness of 'stretch' targets that had been allocated to some areas such as Unscheduled Care, Primary Care, and Medicines Management.
- 20 Financial Planning templates are used to assess Care Group and Corporate Directorate savings plans and pipeline ideas. Executive Directors provide scrutiny and challenge over the deliverability of the plans. Each savings scheme is also required to be assessed via a Quality Impact Assessment where necessary and tested to ensure they do not adversely impact on the strategic aims. An Internal Audit report on savings arrangements in December 2023 stressed the need for guidance around Quality Impact Assessments for identified savings schemes. A new revised approach was being implemented at the time of our review; however, it was too early to assess the impact of the change.
- 21 Due to the limited progress on service transformation, savings schemes remain predominantly short term and transactional in nature to meet in-year savings requirements. As Care Groups continue to mature, the wider approach to securing greater financial sustainability needs to include areas such as public health, prevention, community-based care, and regional working that can elicit longer-term savings opportunities. **(Recommendation 5)**

Delivery of cost savings opportunities

- 22 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.

23 We found that the Health Board’s track record for savings delivery is improving, resulting in achievement of its overall savings target for 2023-24. It is also progressively increasing its recurrent savings. However, the financial situation during 2024-25 is looking increasingly challenging due to the impact of both predicted and some unforeseen risks necessitating greater financial resilience and consistency in savings plans and delivery.

Track record of delivery savings plans and cost improvements

24 As shown in Exhibit 1, with the exception of 2020-21, the Health Board has been able to demonstrate a track record of progressive improvement for both its overall savings and recurrent savings delivery. Notably, 94% of savings delivered in 2023-24 were recurrent. However, the Health Board did also rely on £5.8 million accountancy gains savings in 2023-24, which are non-recurrent in nature and reported separately to the Welsh Government¹².

Exhibit 1: in-year savings track-record 2019 to 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)
2019-20	10.0	9.9	69%	3.0	6.9
2020-21	20.6	5.9	16%	2.6	3.3
2021-22	14.5	12.3	30%	8.0	4.3
2022-23	17.3	17.2	52%	8.2	9.0
2023-24	27.3	27.4	94%	1.7	25.7

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

¹² Figure obtained from table C4 in the month 12 Welsh Government Monthly Monitoring Return.

25 The Health Board has a recurrent savings target of £26.3 million for 2024-25 but is experiencing challenges in delivering this target. The Month 5 2024-25 Finance Update to Board in September 2024 noted a £3.9 million year-to-date deficit, with the main driver being a £6.8 million shortfall in savings delivery. The Health Board was still reporting a break-even position at year-end, which slightly improved by Month 6. However, a significant incident relating to the Health Board's Princess of Wales Hospital has recently occurred¹³. This is disrupting services as the Health Board enters the critical winter period and potentially puts both their revenue and capital performance at risk and may impact on savings delivery for 2024-25.

Approach to delivery of savings plans

26 The Health Board has sufficient processes in place for turning its high-level savings requirements into deployable savings plans. Corporately, there are clear lines of accountability for savings delivery with Executive Directors issued an accountability letter which sets out several financial requirements including a savings target. Responsibility for individual budgets can be sub-delegated to accountable officers within the Health Board's operating structure. Monthly finance meetings with Care Groups and Directorates are used to monitor progress of savings schemes delivery.

27 The performance of individual savings schemes during 2023-24 suggests there is scope for the Health Board to ensure stronger accountability for operational savings delivery going forward. For example, it experienced some significant savings shortfalls in service areas such as Clinical Support Services, Primary Care and Community, and Women and Children's services and achieved a greater proportion of savings in areas such as Diagnostics, Therapies and Specialities, Corporate Executives, and Contracting and Commissioning. However, whilst this did not materially impact delivery of the overall savings target as it was offset by favourable variances on non-delegated savings¹⁴, it does indicate a need for greater operational grip and control on savings delivery to manage the risks to its underlying financial position. **(Recommendation 6)**

Skills and capacity to deliver savings opportunities

28 The Health Board is developing its skills and capacity in respect of the operational aspects of savings delivery. There is evidence of more collaborative working between the Finance Team and Chief Operating Officer's team in providing oversight of financial performance and there are plans to roll-out financial training

¹³ During October 2024, the Health Board declared a critical incident at its Princess of Wales Hospital site revealing serious deterioration to the building's roof that will require a substantial programme of replacement.

¹⁴ Non-delegated savings are centrally held funds used by the Health Board to support Care Group (delegated) savings delivery.

now the Care Groups are fully established. Finance Business Partners¹⁵ also provide support within Care Groups and Clinical Services Groups for planning and delivery of operational cost savings. In addition, the Project Management Office (PMO) and Change Hub have recently transferred to the Chief Operating Officer's team, which provides an opportunity to ensure capacity is in the right place to achieve operational savings objectives.

- 29 However, there remains a skills and capacity gap in respect of the longer-term service transformation required to deliver financial sustainability. While there are some examples of the Health Board's strategic intent for new service model approaches through its Care Group model, this work remains in its formative stages. The Health Board acknowledges the need to align resources across corporate and operational teams to support transformational change. **(Recommendation 7)** Furthermore, an Internal Audit report in December 2023 highlighted gaps in the provision of Project Initiation Documents¹⁶ (PIDs) which will need to be addressed before it starts to develop plans for larger scale changes.

Monitoring and oversight of cost savings delivery

- 30 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.
- 31 We found that **the organisation has clear processes for monitoring, tracking, and reporting delivery of its agreed transactional cost savings plans. However, there are opportunities 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

- 32 The Health Board has reasonably effective arrangements for monitoring and reporting delivery of savings. At a corporate level, financial performance, including savings, is reported to the Board, Planning, Performance and Finance Committee (PPFC) and Executive Leadership Group. Financial performance updates are

¹⁵ 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.

¹⁶ 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.

tailored to each forum with a high-level overview of savings performance reported to Board and a more detailed report to PPFC which includes an analysis of savings by RAG rating and trends in delivery across Care Groups and Corporate Directorates. This information is sufficient to oversee the Health Board savings delivery progress and enables the Board to scrutinise or recommend action where savings schemes are off-track.

Identification of risks to savings plans delivery

- 33 The Health Board has adequately documented the risks around its wider financial position with appropriate financial management structures in place including the Board Assurance Framework (BAF) and Corporate Risk Register, outlining key risks including the risk of failure to plan and manage revenue resources within the limits set by the Welsh Government. Finance risks are also set out in the routine finance reports to the PPFC and Board, with the controls and remedial action the Health Board is taking to address the risks.
- 34 Like all NHS Bodies in Wales, the Health Board applies a RAG rating to its savings schemes to determine the risk of non-delivery. During 2023-24, the Health Board was able to address savings risks quickly, albeit using non-delegated savings to offset forecast savings shortfalls. However, the picture during 2024-25 is more challenging. At Month 1, the Health Board identified that 42% of its savings schemes were 'amber' and 38% 'green'. The Welsh Government requires 'amber' schemes to turn to 'green' schemes (ie a strong likelihood of delivery) within three months. However, at Month 4, while the Health Board reported that 13% remained 'amber' there was also a reduction in its 'green' savings schemes to 17%, indicating a deterioration in forecast savings from £19.1 million to £7.2 million. The Health Board does not identify 'red' savings schemes in its finance reports to the PPFC in line with Welsh Governance guidance. Instead, assurance is provided on the actions being undertaken to recover schemes which are under-delivering.

Applying learning

- 35 The Health Board has indicated that its Project Management Office (PMO) and Change Hub (**see paragraph 28**) will provide increased opportunities for learning at an operational level. However, at the time of our review, the structural changes to the Chief Operating Officer's team were relatively new and it was too early to evaluate the impact of the revised arrangements. We noted some innovative service changes in progress, to improve savings delivery, for example, the use of facilities workforce to support patients' meal times, thereby reducing the numbers of Nursing and Healthcare Support Workers required on the roster. The Health Board are also looking to manage longer-term costs through reducing their use of waiting list initiatives and arrangements for on-call staff as the current three-site approach is costly. The Health Board, therefore, should seek to identify the key lessons from these experiences and apply the learning to build savings delivery

capability within the Care Groups and Clinical Support Groups. **(Recommendation 9)**

Recommendations

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 assess operational savings delivery potential and risks within each Care Group and Clinical Service Group on an ongoing basis. (Paragraph 11)
R2	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)
R3	The Health Board should make improvements to how it uses data and intelligence to inform its savings identifications and selections arrangements by: R3.1 Extending its use of data and intelligence across a wider range of services. (Paragraphs 15) R3.2 Rapidly progressing work on its local data repository to facilitate the systematic capture of benchmarking data. (Paragraph 15)
R4	Where 'invest to save' opportunities are identified and taken forward through the Value and Sustainability Programme the Health Board should confirm that it is able to provide sufficient upfront funding to support them and able to demonstrate a clear return on investment (Paragraph 17)
R5	Plans for service transformation (five years plus) need to be developed as the Care Groups continue to mature and increasingly focus on public health, prevention, community-based care and regional working. (Paragraph 21)

Recommendations

- R6 The Health Board should ensure stronger operational accountability for savings delivery and manage risks to its underlying position more effectively. **(Paragraph 27)**
-
- R7 The Health Board should ensure that there are sufficient skills, capacity and capability across its corporate and operational teams to effectively deliver its longer-term service transformation. **(Paragraph 29)**
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- R8 The Health Board should identify the key lessons from its approach to identifying and delivering savings during 2023-24 and apply the learning to its future approach. **(Paragraph 35)**

Appendix 1

Audit criteria

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

Exhibit 3: 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.• The organisation has clear processes in place for responding to centrally identified cost savings opportunities from the NHS Wales Value and Sustainability Board.

Area	Audit Criteria
<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
Approach to delivery of savings plans	<ul style="list-style-type: none">• The organisation has plans in place for delivering cost savings opportunities which clearly set out:<ul style="list-style-type: none">– the financial savings that will be delivered and how they will be measured;– the anticipated impact on strategy, quality, and/or performance;– the key risks, controls, and mitigating actions;– any interdependency with other cost savings plans;– any dependency on other organisational work streams and strategies;– key delivery milestones; and– which senior officer is responsible and accountable for delivery.• The organisation has effective arrangements in place for managing cross-cutting cost savings plans.• The organisation has appropriate arrangements in place to communicate its cost savings plans to staff, service-users, and other stakeholders.

Area	Audit Criteria
Skills and capacity to deliver savings opportunities	<ul style="list-style-type: none"> • Roles and responsibilities in relation to delivering cost savings plans at all levels of the organisation are clearly documented and understood. • The organisation has assessed the skills/capability and capacity required to deliver its cost savings plans at both a corporate and operational level and has put appropriate arrangements in place to address any shortfalls and gaps (including the appropriate use of external capacity/expertise.) • The organisation has appropriate corporate structures and resources in place (such as a Programme Management Office) to: <ul style="list-style-type: none"> – keep delivery on track; – provide challenge when needed; – support corporate and operational staff to manage delivery risks; and – provide an agile and timely response to under-performance/under-delivery.
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
<p>Monitoring the delivery of savings plans</p>	<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).
<p>Identification of risks to savings plans delivery</p>	<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.

Area	Audit Criteria
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; and• reports prepared by the Internal Audit service.

Element of audit approach	Description
Interviews	<p>We interviewed the following:</p> <ul style="list-style-type: none"> • Service Director, MH and LD • Chief Operating Officer • Divisional Director of Facilities • Deputy COO for Acute Services • Assistant Finance Director and Director of Ops Unscheduled Care • Service Director Primary Care and Community • Deputy Director of Finance • Executive Director of Finance Estates and Procurement • Director of Operations for Planned Care
Observations	<p>We observed Board meetings as well as meetings of the following committees:</p> <ul style="list-style-type: none"> • Public Board • Planning, Performance and Finance Committee

Appendix 3

Management response to audit recommendations

Exhibit 5: Cwm Taf Morgannwg University Health Board's response to our audit recommendations.

Ref	Recommendation	Organisational 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 assess operational savings delivery potential and risks within each Care Group and Clinical Service Group on an ongoing basis.	The IMTP process for 2025-28 will utilise an assessment of operational savings delivery potential to inform savings targets for each Care Group.	March 2025	Director Of Finance
R2	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.	The IMTP process for 2025-28 includes an intention to ensure that at least the first stage of the ACSP public engagement is undertaken, in order to arrive at a set of options for further public consideration. In parallel, there are a range of emergency services changes that are being evaluated for performance, quality and financial sustainability opportunities. This will contribute to the development of a three-year plan, including a realistic assessment of impact on cost savings.	March 2025	Director of Strategy and Transformation

Ref	Recommendation	Organisational 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)
R3	<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>R3.1 Extending its use of data and intelligence across a wider range of services.</p> <p>R3.2 Rapidly progressing work on its local data repository to facilitate the systematic capture of benchmarking data.</p>	<p>Plan to make improvements in how we use data and intelligence to underpin savings identification and selection to be incorporated into our IMTP planning process.</p>	March 2025	Director of Digital/Director of Strategy and Transformation
R4	<p>Where 'invest to save' opportunities are identified and taken forward through the Value and Sustainability Programme the Health Board should confirm that it is able to provide sufficient upfront funding to support them and able to demonstrate a clear return on investment.</p>	<p>Invest to Save opportunities will continue to be supported by clear cases setting out the proposed return on investment in-year and recurrently. Any proposals where there is insufficient return in-year to maintain cost neutrality will be managed as an investment proposal through our established IMTP processes.</p>	March 2025	Director of Finance

Ref	Recommendation	Organisational 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)
R5	Plans for service transformation (five years plus) need to be developed as the Care Groups continue to mature and increasingly focus on public health, prevention, community-based care and regional working.	Plans for service transformation will continue to underpin our IMTP and strategy development. This will be reflected in our 2025-28 IMTP.	March 2025	Director of Strategy and Transformation /Chief Operating Officer
R6	The Health Board should ensure stronger operational accountability for savings delivery and manage risks to its underlying position more effectively.	Revised monthly finance reviews are now in place and these are undertaken and led by the COO and DOF. The reviews focus on both in-year and recurrent plans and are underpinned with accountability agreements. Issues are escalated to the Chief Executive and to Board through Finance reporting.	Complete	Director of Finance/Chief Operating Officer
R7	The Health Board should ensure that there are sufficient skills, capacity and capability across its corporate and operational teams to effectively deliver its longer-term service transformation.	We will consider the sufficiency of skills, capacity and capability in developing our IMTP and future strategy. Plan to be reflected in our 2025-28 IMTP.	March 2025	Director of Strategy and Transformation /Chief Operating Officer/Director for People

Ref	Recommendation	Organisational 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)
R8	The Health Board should identify the key lessons from its approach to identifying and delivering savings during 2023-24 and apply the learning to its future approach.	We will consider the key lessons in developing our IMTP and future strategy. Lessons learned to be reflected in our 2025-28 IMTP.	March 2025	Director of Strategy and Transformation/Chief Operating Officer/Director of Finance



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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.