

## Structured Assessment 2020 – Hywel Dda University Health Board

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# Summary report

## About this report

- 1 This report sets out the findings from the Auditor General's 2020 structured assessment work at Hywel Dda University Health Board (the Health Board). The work has been undertaken to help discharge the Auditor General's statutory requirement, under section 61 of the Public Audit (Wales) Act 2014, to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
- 2 This year's Structured Assessment work took place at a time when NHS bodies were responding to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. On 13 March 2020, the Minister for Health and Social Services issued a framework of actions to help prepare the system for the expected surge in COVID-19 cases. The framework included the cessation of non-urgent planned activity and the relaxation of targets and monitoring arrangements across the health and care system. Emergency funding arrangements were also introduced to facilitate the wide range of actions needed to respond urgently to the COVID-19 pandemic.
- 3 Shorter planning cycles were agreed for 2020-21 and supported by quarterly guidance setting out key considerations for the planning of the next phase of the pandemic, for maintaining delivery of essential services, and a movement towards the gradual reinstatement of routine services.
- 4 Our work<sup>1</sup> was designed in the context of the ongoing response to the pandemic to ensure a suitably pragmatic approach to help the Auditor General discharge his statutory responsibilities whilst minimising the impact on NHS bodies as they continue to respond to the next phase of the COVID-19 pandemic. The key focus of the work is on the corporate arrangements for ensuring that resources are used efficiently, effectively and economically. Auditors also paid attention to progress made to address previous recommendations<sup>2</sup> where these related to important aspects of organisational governance and financial management especially in the current circumstances.
- 5 The report groups our findings under three themes:
  - governance arrangements;
  - managing financial resources; and
  - operational planning: to support the continued response to the pandemic balanced against the provision of other essential services.

<sup>1</sup> The conduct of our work was co-ordinated with Internal Audit's rapid governance review which includes further testing of key controls noted in this report.

<sup>2</sup> Previous recommendations can be found in [our 2019 report](#).

## Key messages

- 6 Overall, we found that the Health Board has maintained good governance throughout the COVID-19 pandemic and has developed its operational plans in line with the Welsh Government guidance. Innovation and learning have been embedded throughout the revised governance arrangements to enable recovery and the acceleration of its strategic vision, but operational and structural pressures continue to present challenges for the financial position which will only be addressed by delivery of the strategic vision.
- 7 The Health Board has worked within revised frameworks to discharge Board duties and maintain good governance throughout the COVID-19 pandemic. Adapting quickly to virtual meetings, the Board has continued to conduct its business in an open and transparent way. Revised governance arrangements have supported rapid decision making and effective scrutiny, with a focus on learning and improvement embedded. Systems of assurance have also been maintained, with a strong focus on the quality and safety of services.
- 8 The Health Board continues to face financial challenges, exacerbated by the impact of COVID-19 but is trying to recover the financial position over the longer term. With a year-end deficit of £34.9 million, it did not meet its financial duties and is forecasting a deficit of £25 million for 2020-21. Without additional funding, the year-end position is likely to be much greater as a result of COVID-19. During the pandemic, the Health Board has however maintained effective financial controls, and comprehensive reporting has supported timely scrutiny and assurance on the financial position.
- 9 The Health Board has developed operational plans in line with the Welsh Government guidance, supported by a rapidly advancing approach to data modelling and guided by stakeholders. All essential services are being maintained with a cautious and flexible approach to recovering routine services. Regional solutions are being considered and arrangements are in place to learn from the pandemic and to accelerate the delivery of the Health and Care Strategy. The Health Board is highly committed to staff wellbeing, although it recognises that staffing remains a significant risk in the event of a second COVID-19 peak. The Health Board is maintaining good oversight and scrutiny of performance and delivery and is reshaping performance reporting in response to the changing requirements arising from the pandemic.

## Recommendations

- 10 We have not made any new recommendations based on our 2020 work but have noted improvement opportunities throughout this report. We will review progress against these and outstanding 2019 recommendations as part of our 2021 work.

# Detailed report

## Governance arrangements

- 11 Our structured assessment work considered the Health Board's ability to maintain sound governance arrangements while having to respond rapidly to the unprecedented challenges presented by the pandemic.
- 12 We found that **the Health Board has maintained good governance throughout the pandemic.**

## Conducting business effectively

### **The Board has adapted its governance arrangements to ensure public transparency, agile decision-making, and effective scrutiny and leadership throughout the pandemic**

#### **The Board has continued to conduct its business in an open and transparent way, adapting quickly to virtual meetings**

- 13 The Board has a history of holding meetings in public and using external facilities to enable meetings to be live streamed. Due to social distancing requirements and restrictions on public gatherings, the Board has been unable to hold meetings in public during the pandemic. Board members were required to work from home where possible, and as a result, the Health Board escalated the rollout of Office 365 and Microsoft Teams and quickly moved to holding virtual meetings. The Health Board also provided access to Microsoft Teams for the Community Health Council (CHC) to enable CHC members to also participate in Board meetings.
- 14 Virtual meeting etiquette has been adopted, with software functionality used by Board members to raise questions during Board and committee meetings. The issue of additional IT equipment resolved some initial technology challenges and while a few minor connectivity issues remain, the transition to virtual meetings has gone well.
- 15 From the outset, the Health Board has been clear with the public about the changes that needed to be put in place to Board meetings through its website and social media channels. The opportunity for the public to raise questions in advance of the meetings direct with the Chair, the availability of papers on the Health Board's website and live social media updates have continued with additional steps taken to make the draft minutes available within one week of the meeting.
- 16 The frequency of Board meetings also increased to monthly to provide increased public transparency on its response to the pandemic, with the Health Board the first in Wales to record its meetings and then upload the recordings onto its website and social media channels within 48 hours. More recently, the Health Board moved to live streaming meetings with the facility for members of the public to ask questions during the meeting. These actions all reflect the Board's continued focus on conducting business in an open and transparent way.

## **Revised governance arrangements have supported rapid decision making and effective scrutiny, with the extent to which arrangements have been maintained a reflection of the maturity of the Board**

- 17 The Health Board activated its major incident plan and established a robust Command and Control structure in March 2020. Led by the Chief Executive Officer (CEO), Gold Command met three times a week with scope to scale up/down the frequency to reflect COVID-19 peaks. A clear infrastructure which included a Silver (tactical) group and supporting Bronze operational groups, along with a Command Centre and a number of advice cells underpinned the Gold Command arrangements.
- 18 The Chair attended the Gold meetings in an observer capacity. A daily sitrep dashboard was rapidly put in place to provide a status update across a range of COVID-19-related indicators including bed and equipment capacity to inform decision making. The dashboard along with the papers from the Gold Command and Silver group were made available to all Board members, with a formal report provided to the Board each month. The Board was initially scaled down due to Skype limitations, meeting with quorate membership only in March 2020 but following concerns from the Chair that this limited full contribution by all Independent Members, IT support was accelerated, and full membership was resumed from April onwards.
- 19 The Board fully considered the Welsh Government guidance on discharging Board committee responsibilities during COVID-19. At its April meeting, the Board approved revised arrangements to support agile decision making and reduce unnecessary bureaucracy within the context of maintaining good governance. Facilitated by temporary variation to its Standing Orders, the Board agreed changes which included:
- streamlining Board and Committee agendas to make them 'paper light' and increasing Board meetings to monthly, replacing the bimonthly Board development and seminars;
  - agreeing a minimum set of agenda items for Board meetings;
  - revising committee arrangements with:
    - the frequency of the Quality, Safety and Experience Assurance Committee (QSEAC) increased to monthly to allow for COVID-19-related matters to be considered on a regular basis.
    - the Audit and Risk Assurance Committee (ARAC), Finance Committee and newly established Health and Safety Assurance Committee (HSAC) maintained as normal but with more focused agendas.
    - other committees temporarily stood down with the responsibilities of the newly formed People, Planning and Performance Assurance

Committee (PPPAC) to be considered through Board and its other committees.

- agreeing arrangements for all Chairs of committees to meet with the relevant lead Executive(s) on a fortnightly basis, and for Independent Members' expertise and contacts to be made available to Executive Directors during the pandemic.
- agreeing ways of working principles and governance principles.
- detailing the process for Chair's action on urgent matters.
- establishing a Recovery Rethink and Innovation Group (subsequently renamed to Recovery, Learning and Innovation Group) to focus on exiting the pandemic, and an Ethics Panel to provide ethics input, advice and education across the Health Board.
- agreeing a range of communication including daily bulletins to all staff, weekly briefings to all Independent Members, and weekly calls with all key partners including local AMs/MPs, local authority leaders and CEOs, and CHC leads. The CHC chief officers and other CHC representatives also retained regular attendance at Board and committees.

- 20 Shorter Board and committee meetings have been fully attended, and in the peak of the pandemic focused on business-critical matters supported by simplified agendas and papers. Information to support decisions and provide assurance on quality, finance and performance has been robust and timely, including the development of an updated Integrated Performance Assurance Report (IPAR) which includes a range of COVID-19-related indicators. Non-critical items have been appropriately deferred until a more suitable time and clearly documented. We also observed effective scrutiny and challenge at all Board and committee meetings.
- 21 There has been limited use of Chair's action but where taken, there is a decision log, evidence of Board scrutiny and subsequent ratification by Board. Decision and action logs have also been maintained throughout the Command structure along with a specific decision log relating to COVID-19-related expenditure. The Command Centre has also maintained a log of all Welsh Government COVID-19 guidance.
- 22 Alongside the Command and Control structure, the Health Board has also utilised its Health and Social Care Delivery Group, a group established in 2019 to support the delivery of its Health and Care Strategy<sup>3</sup>. The group included membership from the three local authorities and was used to maintain close dialogue with the local authorities during the pandemic. Through the Group, the Health Board has worked with the three local authorities to reutilise ringfenced funding such as the Integrated

<sup>3</sup> **A Healthier Mid and West Wales – Our Future Generations Living Well**



Care Fund (ICF)<sup>4</sup>, work collectively to consider options for field hospitals and develop a joint response to supporting care homes. This group has subsequently been stood down and replaced with the Joint Integrated Executive Team previously established to support the Regional Partnership Board arrangements. Representatives from the three local authorities are also included within a number of the Bronze groups, for example, the group focusing on the community.

- 23 The Command and Control structure that the Health Board has established has clearly worked to support agile decision making in the face of the pandemic. However, the extent to which the Health Board has maintained its Board and committee business has been significant and was above and beyond what was required by the guidance. With the exception of the Bronze groups (excluding Bronze Acute) and advice cells, the Health Board's governance team has serviced all of the structures, and the Executive team have worked hard to provide the information needed to support continued scrutiny and assurance across the broad range of committees and groups that have been functioning. The Health Board should be commended for its efforts in ensuring good governance during the pandemic, which reflects the increasing maturity of the Board. In the event of a second peak, the Board should however consider whether it would be able to sustain the same level of Board and committee business.

### **Amendments to some tenures and clear schemes of delegations for executive functions have ensured board resilience and stability during the COVID-19 pandemic**

- 24 During the pandemic, the tenures of a number of Independent Members were due to end. The Welsh Government subsequently confirmed a second term for the Vice Chair for a period of four years, and an extension of one year for the Independent Member (community), the Independent Member (finance), the Independent Member (local authority) and the Associate Member, Chair of the Finance Committee.
- 25 As part of the Command arrangements, the Chair maintained regular dialogue with the Vice Chair and both third and fourth deputy arrangements were put in place in the event that the Chair and Vice Chair were unavailable. Similar arrangements were adopted for the CEO. Normal business continuity arrangements were applied for the rest of the Executive team with the second level deputies utilised where absences occurred.
- 26 Since June 2020, the Executive Director of Finance has provided oversight and ongoing support to the planning and informatics reporting teams.

<sup>4</sup> The ICF was used as a temporary measure to respond to the pandemic. These monies were later replaced by funding received from the Welsh Government relating specifically to COVID-19 and the ICF was reinstated.

- 27 As the Health Board moves into the reset and recovery phase of the pandemic, the Director of Partnerships and Corporate Services leaves to take up a new role. This post is being removed from the organisational structure, with existing roles and responsibilities reallocated across a number of the Executive Team with effect from August 2020 to complement their wider portfolio responsibilities. This is with the exception of communications, which will move to a new Engagement and Communications post reporting directly to the CEO in the Autumn. In addition, the Executive Director of Finance role which was fixed term has now been made a permanent appointment.
- 28 All of these arrangements and amendments to the tenures have helped to provide a stable and cohesive Board during the pandemic and moving into the longer-term phase of recovery.

### **The Board has fully embedded a focus on learning and improvement within its governance arrangements**

- 29 In the early stages of the pandemic, the CEO virtually attended the Command and Control structure for a short period as an observer. This gave him chance to reflect and gave rise to opportunities to make immediate minor adjustments to the way in which the structure operated. This included revising the membership of the Gold, Silver and Bronze groups in place and a realignment of Executive responsibilities during the pandemic. More broadly, the operation of the Command and Control structure has been kept under review through the Executive Team with the frequency of meetings reduced, Bronze groups stood down and new advice cells adopted to address new phases of the pandemic, for example, Public Health, including Test, Trace, Protect, and Social Distancing.
- 30 The revised governance arrangements have also been kept under constant review by the Chair, CEO and Board Secretary, with input from Board members. Board and committees have started to maintain a much broader 'business as usual' focus as the peak in the pandemic has subsided. In June 2020, a new Listening and Learning Sub-Committee of the QSEAC met for the first time and the stood-down committees were reinstated. Board and QSEAC meetings will revert to bimonthly with effect from September 2020. Committee workplans are currently being reviewed and deferred action log items rescheduled.
- 31 In April 2020, the Health Board established a Recovery, Learning and Innovation group as set out in its revised governance arrangements. This group identified innovation and practices to retain going into recovery and beyond. Initially focused on the short term, the CEO and Chair subsequently saw opportunity for the group to lead innovation and learning for the longer term, recognising the direct correlation with the longer-term transformation agenda outlined in the Health Board's Health and Care Strategy. The group was subsequently replaced with a Transformation Steering Group (TSG), chaired by the CEO in June 2020. Through the group, the Board has indicated its intent to:
- retain virtual working, focused agendas and 'paper-light' meetings;

- retain a Command Centre as a central hub for all Welsh Government guidance and a contact point for all staff and members of the public; and
  - adopt the 'how' approach applied to the Silver and Bronze structures across the operational elements of the Health Board to promote empowerment and local ownership; and adopt the 'what and why' strategic approach applied to the Gold Command to the Board.
- 32 At the outset of the pandemic, the Health Board also made it clear that it would retain the Ethics Panel that was established as part of the Command and Control structure. The Board has also identified the need to provide much more focus on the Black, Asian and Minority Ethnic (BAME) group and as such the Chair put forward a recommendation to establish a Board BAME Advisory Group with effect from July 2020. In approving the Advisory Group, the Board also approved attendance by the Advisory Group Vice-Chair at Board meetings.

## Systems of assurance

### The Health Board has maintained systems of assurance during the pandemic with a strong focus on quality and safety

#### The Health Board adapted its risk management system during the pandemic

- 33 We have previously identified that the Health Board has a well-developed Board Assurance Framework (BAF) which was due to be updated to support the implementation of the Health Board's strategy from 2020 onwards, with a review of the risk management framework due to take place later in 2020. At the time of the impact of COVID-19 in March 2020, arrangements had been put in place to update the BAF alongside new planning objectives.
- 34 In April 2020, as part of the revision to its Governance arrangements, the Board considered a paper which set out changes to the way in which operational and corporate risks would be managed during the pandemic. Three new COVID-19 corporate risks were identified on the Corporate Risk Register (CRR) with assurance provided through the Gold Command. Review of the CRR was retained by the Board, but the frequency of review was increased to monthly, with a review by the Executive team undertaken prior to each Board meeting. Oversight of all of the quality and safety risks was allocated to the QSEAC, with financial risks allocated to the Finance Committee. The remaining risks rested with the Board until such time as the stood-down committees were reinstated. At that time, it was agreed that the Board would not amend its risk appetite but keep it under review.
- 35 Executive performance reviews were also stood down with an increased responsibility for Executive Directors to retain oversight of operational risks direct with operational teams using the Datix Risk Module. This allowed ownership of risks at a local level, with assurances being provided to the Board on actions being

taken through the Command and Control structure and the committee structures. A specific COVID-19 operational risk log is in place in relation to quality and safety risks, which is reported through to the QSEAC.

- 36 A review of the BAF is now due to take place in the Autumn, informed by the work of the TSG and the implementation of the Health Board's strategy.

### **The Board has maintained a strong focus on quality and safety during the pandemic, but action was taken to strengthen assurance on workforce matters**

- 37 From the outset, the Health Board has emphasised the importance of maintaining a continued focus on the quality, safety and experience of patients and their families during the pandemic, by increasing the frequency of the QSEAC. This enabled the Board to maintain a handle on core quality, safety and experience issues, as well as have an increased focus on the impact of COVID-19 on the quality and safety of services. The fortnightly meeting between the Committee Chair and the Lead Executive has also allowed opportunities to identify issues that require escalation.
- 38 Most of the requirements set out in the Welsh Government guidance for quality scrutiny during the pandemic have been considered by the QSEAC. Regular assurance reporting on key agenda issues such as Putting Things Right, infection prevention and control, and compliance with the Nurse Staffing Levels (Wales) Act have also been maintained during the pandemic, along with annual reporting requirements and routine consideration of risks. The additional QSEAC meetings have also allowed deep dive discussions into specific risk areas relating to COVID-19 such as the impact on cancer treatments, and the availability of Personal Protective Equipment (PPE) and critical care medicines. A detailed COVID-19 report is also provided to the QSEAC meeting drawing attention to the key areas of the quarterly operational plans and in particular the reinstatement of essential services, and the clinical prioritisation of patients.
- 39 Where items set out in the Welsh Government guidance have not been considered in detail by QSEAC during the pandemic, they have either been covered elsewhere in the Health Board's governance structure or have been considered as part of the Committee's workplan. For example:
- safe and timely discharge arrangements, including testing arrangements for patients being discharged back into the community, are being considered by the Bronze group for community, feeding up through the Command and Control structure to Gold Command and the Board.
  - detailed updates on clinical audit and mortality reviews are scheduled for the August committee, although verbal updates have been provided on clinical audit. Despite the Welsh Government standing down all national clinical audits, the Health Board's clinical audit team have been able to maintain

data collection for a number of national audits during the pandemic as well as support some locally agreed clinical audits.

- 40 To support the QSEAC, the Health Board has largely maintained the supporting QSEAC infrastructure. Apart from one meeting, the Operational QSEAC has met, providing assurance up from the directorates on quality matters, although attendance at these meetings from directorates has been variable, which is understandable during the pandemic. The Safeguarding, Infection Prevention and Control, and Medicines Management groups have been held and as referenced in **paragraph 30**, the Health Board has established its new Listening and Learning Sub-Committee. Although stood down, the Effective Clinical Practice group also held an interim meeting to discuss a number of urgent matters before being dissolved. The Research and Development Sub-Committee was also stood down but as an active contributor to international and national COVID-19 trials, this sub-committee was reinstated in July.
- 41 At an operational level, some quality and safety meetings were initially paused but have since been restarted. The new Quality Panel however has been maintained, led by the Executive Director of Nursing, throughout the pandemic to consider specific quality issues. Prior to the impact of COVID-19, the Health Board had been making progress against the recommendations made in our previous [report on operational quality and safety arrangements](#), but changes to strengthen, and in particular standardise, the arrangements across directorates have been paused.
- 42 As part of the revised governance arrangements, Board members receive the daily sitrep report which includes a range of quality indicators including availability of PPE, staff sickness levels, case and admission levels, bed capacity and death rates. More formally, the Board also receives a monthly update on the Health Board's response to COVID-19.
- 43 As part of routine business, the Board has also continued to receive its new Improving Patient Experience Report which has included patient stories, with the patient story agenda item now also reinstated at QSEAC.
- 44 Scrutiny across the quality and safety agenda continues to be good. Whilst the COVID-19 response has had an acute hospital focus, the depth and breadth of challenge has spanned a wide range of issues with mental health, learning disabilities and primary care, key focus areas of attention. Papers provide the necessary assurance on the arrangements in place, but Independent Members are increasingly seeking assurance on outcomes, which will need to be addressed as the Health Board starts to exit the pandemic.
- 45 As part of the revised governance arrangements, workforce matters became the responsibility of the Board following the standing down of the PPPAC. Through the Gold Command papers, Independent Members have been kept briefed on a range of workforce issues. A Bronze group specifically dedicated to workforce has been in place during the pandemic and a detailed update on arrangements has been set out in quarterly operational plans. During the early part of the pandemic however, there had been no detailed update to the Board specifically in relation to workforce,

although aspects were included in the wider COVID-19 report and via the PPPAC Chair's report. As such, an extraordinary PPPAC was held in May to seek assurance on a range of issues, including the arrangements in place to manage staff at risk. An update was provided to the May Board meeting with a recommendation to reinstate the Committee. At the PPPAC meeting in June 2020, the Executive Director of Workforce and Organisational Development (OD) provided a very detailed assurance report. This report included the wellbeing support provided for staff as well as the implementation of the all-Wales COVID-19 staff risk assessment. A new workforce dashboard was due to be presented to the August PPPAC meeting.

### **A balanced and proportionate approach has been taken to tracking high priority recommendations**

- 46 As part of its consideration of the Welsh Government guidance, a detailed paper was considered by the Board in April 2020 as to how recommendations from audit, inspection and regulatory bodies would be managed during the pandemic. Recognising the need to maintain good governance, the paper set out a balanced approach which highlighted a series of high priority recommendations which would still need to be addressed and tracked. These fell into four key groups:
- six immediate improvement recommendations from Healthcare Inspectorate Wales (HIW);
  - enforcement notices from the Mid and West Wales Fire and Rescue Service (MWWFRS);
  - improvement notices and material breaches from the Health and Safety Executive (HSE); and
  - high priority recommendations from Internal and External Audit, including some previous recommendations arising from our Structured Assessment work.
- 47 Executive Directors were also asked to review all other recommendations and assess whether they could be implemented within the planned timescales, and if not, to identify interim arrangements to manage the risk and a revised timescale.
- 48 As part of its core business, the ARAC has maintained oversight of the audit tracker during the pandemic, focusing its attention on the high priority recommendations. The ARAC has also continued to receive finalised internal audit reports to inform the year-end opinion. and has sought to maintain an overview on key controls issues that have been raised in previous audit reports.

## **Managing financial resources**

- 49 Our work considered the Health Board's financial performance, changes to financial controls during the pandemic and arrangements for monitoring and reporting financial performance.

- 50 We found that **the Health Board continues to face financial challenges, exacerbated by the impact of COVID-19 but has maintained effective financial controls, monitoring and reporting.**

## **Achieving key financial objectives**

**The Health Board is continuing to face financial deficit, which is now impacted significantly by COVID-19, but is taking steps to attempt to recover over the longer term**

### **The Health Board did not meet its financial duties in 2019-20, with a year-end deficit of £34.9 million**

- 51 During 2019-20 the Health Board continued to spend beyond its means resulting in a year-end deficit of £34.9 million and a three-year cumulative deficit of £139.7 million, although this was an improved position from the previous year<sup>5,6</sup>. As such, the Health Board did not meet its statutory duty to break even against its Revenue Resource Limit over the three-year period 2017-2020.
- 52 At the start of the financial year, the Health Board had set out its intention to deliver against a £29.8 million deficit. A £25 million deficit control total was subsequently agreed with the Welsh Government, which included a brought forward underlying deficit of £47 million. To meet its agreed deficit control total, a £28.8 million savings requirement was identified. Plans were in place to deliver £18.4 of million savings, with £18 million achieved, of which £6.2 million were non-recurring. During 2019-20, the Health Board's turnaround process maintained a focus on driving through service efficiencies but a shortfall of £10.4 million in the required savings remained.
- 53 For 2019-20, the Welsh Government offered an additional £10 million to reduce the planned deficit to £15 million on condition that the agreed deficit control total was met at the year-end. At month seven, it was clear that the Health Board was going to be unable to meet its deficit control total, and the additional £10 million from the Welsh Government was withdrawn. Operational pressures largely relating to medicines management and unscheduled care resulted in an increased year-end deficit forecast of £35 million. A small impact as a result of COVID-19 was felt in March 2020, but this was largely offset by underspends on activity as a result of a suspension of planned care services at the same time.
- 54 The Health Board did meet its Capital Resource Limit with an underspend of £0.7 million. Total underspend was £1.1 million but £0.4 million was used to offset against COVID-19-related costs in March 2020. The planned spend of £1.1 million

<sup>5</sup> Outturn position for 2018-19 was £35.4 million and a rolling three-year deficit of £154.4 million.

<sup>6</sup> Following a [ministerial announcement in July 2020](#), historic debt will be written off by the Welsh Government, subject to the Health Board delivering its three-year break-even duty.

was unable to progress due to the impact of COVID-19, and the underspend was returned to the Welsh Government at the year-end.

- 55 The Health Board was not able to develop an approvable three-year Integrated Medium-Term Plan with a balanced financial plan, therefore failing to meet its second statutory duty. The Health Board has remained in Targeted Intervention<sup>7</sup>, and in line with previous years, has continued to operate annual planning arrangements in agreement with the Welsh Government.

**The Health Board set an ambitious plan for 2020-21 to deliver a reduced forecast deficit of £25 million, but without additional funding, this will be significantly more as a result of COVID-19**

- 56 The Health Board's agreed financial plan for 2020-21 was shared with the Board in January 2020, and again in March 2020. It set out a planned deficit of £25 million which was predicated on achieving a savings requirement of £34.2 million.
- 57 The financial plan built in lessons learnt from the budget setting process applied in 2019-20, for example, allowing for escalated expenditure in medicines management and unscheduled care. Responsibility for the deficit had also to be shared across the operational teams to ensure local ownership rather than being retained as a central responsibility. A new opportunities framework had also been implemented which draws on efficiency data such as the Finance Delivery Unit efficiency framework to identify opportunities to make efficiency savings, as well as draw on good practice and opportunities to streamline the allocation of resources.
- 58 The Health Board has clearly recognised that the impact of the COVID-19 pandemic now presents an unprecedented significant risk to the financial position for this year, and for years ahead. At month one, the Health Board had identified plans to achieve £5.6 million of savings. At month four, the Health Board had made savings of just £0.7 million, with a year-end forecast of £3.4 million of savings. This leaves a shortfall of £30.8 million, noting that the financial impact of COVID-19 sits outside of the costs included in the 2020-21 financial plan.
- 59 At month four, the Health Board was forecasting a year-end deficit of £108.8 million. This was an improvement on the previous month's forecast of £129.4 million. The year-end forecast deficit includes a reduced £20 million operational deficit. The remaining deficit of £88.8 million is directly linked to the impact of COVID-19.
- 60 The Welsh Government has provided £16.8 million of COVID-19 funding to date. The Health Board remains focused on delivering its baseline plan and has not assumed any further funding from the Welsh Government. It is recognising the effect of reduced planned care expenditure to offset COVID-19 costs, minimising financial run rates and continually reviewing its forecast alongside quarterly operational plans. However, it is unlikely that the Health Board will be able to cover

<sup>7</sup> [NHS Wales Escalation and Intervention Arrangements](#), March 2014.



the ongoing COVID-19 costs without significant additional funding or increasing its planned deficit.

### **The Health Board has not yet set out its financial plan beyond 2021 but changes in its transformation arrangements are now bringing a focus on the longer-term financial recovery**

- 61 To support the planning process for 2020 onwards, the Health Board developed a three-year plan for the period 2020-23. This plan, developed prior to the impact of COVID-19, aligned with the Health Board's strategy and set out its intentions to continue to focus on value based and prudent healthcare. The plan however did not set out the financial plan for the full three-year period, focussing only on 2020-21 to underpin the current year's annual plan subsequently approved by the Welsh Government.
- 62 The Health Board's Recovery, Learning and Innovation Group established as part of the Command and Control structure was initially tasked with maintaining a focus on how the Health Board's financial position would be recovered in the short-term. The subsequent move to the TSG has now seen the group focus on financial opportunities to aid recovery in the longer-term, recognising that a key factor in the Health Board's ability to recovery financially will be the transformation of its services. The Chair of the Finance Committee is a member of the TSG.
- 63 The TSG has subsequently replaced the Health Board's structure which was set up in 2019 to lead the implementation of its Health and Care Strategy. The Board approved this amendment in July 2020 with the TSG now supported by the Strategic Enabling Group which was also established as part of the health and care strategy delivery structure. The Strategic Enabling Group brings together all of the enabler functions, including finance, digital and procurement, required to deliver the strategic vision and the recovery needed as a result of the pandemic.

## **Financial controls**

### **The Health Board has maintained effective financial controls throughout the pandemic**

#### **The Health Board is continuing to strengthen its financial controls, but longer-term action is required to reduce the underlying deficit**

- 64 During 2019-20, the Welsh Government commissioned KPMG to undertake a detailed review of the Health Board's finances. The KPMG report identified two key drivers to the Health Board's underlying deficit:

- the cost of the Health Board's operating model with opportunities to improve productivity, reduce fixed costs and right size hospital services to reduce duplication, variation and sub-scale services; and
  - the cost of clinical demand from populations for services which is not sufficiently explained by the age of the Health Board's population.
- 65 The Health Board maintained its Turnaround Programme during 2019-20, and as well as the opportunities framework identified in paragraph 57, has continued to strengthen its financial controls to reduce operating costs. An action plan to strengthen grip and control, with a particular focus on pay, was developed and monitored through the Finance Committee, although these actions now form part of a wider programme of work focusing on workforce efficiency and effectiveness. The Health Board's Health and Care Strategy provides the necessary focus on reducing fixed costs and right sizing hospital services, although actions to address increased clinical demand have not yet started.
- 66 More generally, the finance business partnering model has now become fully established within the Health Board with business partners allocated to all directorates, and through the accountability agreements, clear delegated budgetary responsibility remains in place. Our annual accounts work has continued to identify that the Health Board has adequate financial controls in place, and the finance team were well placed to deliver against the revised accounts deadline for 2019-20. The Health Board has also made positive use of data analytics to bring forward the monthly financial close down process, enabling operational teams to access updated financial information on day one of the month.

### **The Health Board has established clear mechanisms for recording and tracking COVID-19 expenditure**

- 67 At the start of the pandemic, the Health Board set up a single COVID-19 cost centre to facilitate the identification of all COVID-19 related costs for the financial year 2019-20. This enabled immediate procurement to be made.
- 68 For the financial year 2020-21, internal accountability agreements have not been issued but instead replaced with a delegations and finance delivery letter. These set out the existing financial control principles and reiterate the importance of existing financial governance processes. The letter also set out the need for accurate recording of the financial impact of COVID-19. This has been supported by the establishment of COVID-19 cost centres for each directorate, including the field hospitals. In total, 54 COVID-19 cost centres have been established to enable all costs to be tracked.
- 69 The business partners have been key during the pandemic in providing scrutiny and challenge at a local level and ensuring consistency across the Health Board in relation to COVID-19 expenditure. Decision logs are in place across all spend areas. Where decisions have been made at pace which have involved values above the delegated financial limit of the members of staff authorising the

decisions, business partners have consolidated these, and ratification and approval have subsequently been sought. All decisions where spend has exceeded £25,000 have been monitored by the Finance Committee and reported to the ARAC along with value for money considerations.

### **The Health Board has operated within existing financial controls during the pandemic**

- 70 In May 2020, the Board received a paper setting out the financial governance arrangements during the pandemic, and the value for money considerations in relation to the level of COVID-19 expenditure. The paper set out that existing financial controls set out in the Health Board's Scheme of Delegation, Standing Orders and Standing Financial Instructions would apply, with no amendments needed. The paper however did recognise that there was a risk of breaches against Standing Orders which would be addressed through variations which would require Board approval.
- 71 The Health Board's Scheme of Delegation allows adequate delegation for most large purchases, but further approval was through Gold Command and full Board if necessary. The use of Chair's Action was also available for any urgent decision on significant expenditure if needed, for example expenditure for field hospital set-up, but this has largely been kept to a minimum.
- 72 For the first three months of 2020-21, the Health Board has had access to additional independent hospital beds to support the delivery of essential services. The commissioning of this capacity was undertaken on an all-Wales basis by the Welsh Health Specialised Services Committee (WHSSC) and funded by Welsh Government.
- 73 The Health Board has worked closely with its local authority partners to establish its nine field hospitals, making use of Licence to Occupy agreements where appropriate. In accordance with the Welsh Government directive, funding for these costs has flowed through the Health Board to its local authority partners. The Welsh Government has recently commissioned KPMG to undertake reviews of field hospitals for due diligence, including those established by the Health Board. Once completed, the Health Board will need to respond to any improvement actions identified by the review.
- 74 During the pandemic, there has been a significant increase in the number of charitable gifts and donations. The Health Board has applied its Standards of Behaviour Policy to register gifts and donations, although recognises that the volume has presented challenges for maintaining a central log. Donations received centrally have been recorded, and where possible, the Health Board has promoted the use of the Amazon Wishlist to donate gifts. Financial donations have been directed through the Health Board's charitable fund and an agile but robust process has been adopted to allocate funds to front line services.

- 75 Routine counter fraud arrangements have been maintained during the pandemic. Although the local counter fraud specialist (LCFS) took up a new post in Swansea Bay University Health Board, he provided ongoing support to the Health Board during the peak of the pandemic while a new LCFS was appointed.

## Monitoring and reporting

### Comprehensive reporting has supported timely scrutiny and assurance on the financial position throughout the pandemic

- 76 During the pandemic, the Board has maintained robust oversight of the Health Board's finance position. The Finance Committee has continued to operate on a monthly basis, with the Board and ARAC receiving timely reporting for each of their meetings. The Chair of the Finance Committee has also maintained contact with the Director of Finance on a fortnightly basis.
- 77 A detailed breakdown of the financial position and the impact of COVID-19 across the directorates and on a health board wide basis has been provided to the Finance Committee. This is then reported through to the Board via the Committee reports, which set out month-on-month trends across a range of measures to help the Board monitor the financial position and track it over time. The reports also clearly set out the risks to the Health Board's ability to deliver against its savings target and control expenditure.
- 78 At an operational level, the Health Board's Turnaround Holding to Account meetings were stood down at the end of 2019-20. The finance business partners have maintained oversight during the pandemic but as the Health Board starts to move into the recovery phase, the Executive Director of Operations and the Executive Director of Finance have established a series of system engagement meetings with directorates. These meetings are designed to help understand the actions that directorates are trying to take to recover, including a focus on savings, as well as identify opportunities where the Executive team can help to facilitate improvement.

## Operational planning

- 79 Our work considered the Health Board's progress in developing and delivering quarterly operational plans to support the ongoing response to COVID-19 and to provide other essential services and functions in line with Welsh Government planning guidance. At the time of our work, the focus was on essential services with the aim of restoring normal and routine activities when it is safe and practicable to do so.
- 80 We found that **operational plans are informed by strengthened data modelling, and a commitment to stakeholder engagement, regional solutions and staff well-being, with clear arrangements for monitoring performance and delivery.**

However, another peak in COVID-19 poses a significant risk to workforce arrangements.

## Developing the plan

**Operational plans support a flexible approach to service recovery and the Transformation Steering Group is using learning from the pandemic to accelerate strategy delivery**

### **The Health Board quickly developed quarterly plans guided by stakeholders and a rapidly advancing approach to data modelling**

- 81 Plans have been developed in line with the revised NHS Wales Operating Framework. The Health Board worked quickly and effectively with its Board in developing quarterly plans. They were submitted to the Welsh Government on time. The Welsh Government submission deadline for quarter one preceded the Board meeting. The draft plan went to key committees and Gold Command. This enabled Board members to comment and challenge before sign-off by the Chair and retrospective ratification at the next Board meeting. The draft quarter two plan was presented to the Board at a Board seminar in June, prior to submission to the Welsh Government at the end of June. The quarter two plan was subsequently approved by the Board in July 2020.
- 82 The Health Board has engaged and collaborated with stakeholders during this period to inform quarterly planning. For example:
- plans define risks and regional solutions as a key part of the planning for the Health Board's regional services;
  - the CHC attended and participated fully in the Board seminar for the quarter two plan; and
  - discussions with local partners through the Health and Care Delivery Group allowed the diversion of the ICF to enable the provision of field hospitals (as set out in paragraph 22).
- 83 The Health Board has responded to the Welsh Government feedback. Feedback indicated that the quarter one plan lacked detail on different scenarios and their implications. Subsequently, the Health Board's modelling cell has rapidly developed its ability to analyse the impact of changes across a range of factors, enabling more accurate forecasting and more informed planning.
- 84 The Health Board has also developed a more comprehensive view on the potential additional non-COVID unscheduled care and winter surge capacity needed to manage usual levels of winter demand when COVID-19 activity is ongoing. The quarter two plan includes refreshed NHS surge capacity plans based on the

updated modelling assumptions and requirements for field hospitals and independent sector facilities.

### **Essential services are being maintained and routine services reactivated in a cautious and flexible way**

- 85 The Health Board's quarter two plan indicates that all essential services, as defined in the framework, are being delivered across all Health Board services. Its intention is to ensure that it has the workforce and the infrastructure to respond to future COVID-19 scenarios that may require additional surge capacity. Also, to enable community-based solutions which address the growth in community activity like that experienced during quarter one, whether routine or through intermediate care virtual wards.
- 86 A Task and Finish Group has been set up to ensure that the Health Board is able to restart and continue services safely and effectively. Service plans give priority to those patients at the greatest clinical risk. For example, cancer and ophthalmology patients, and outpatients.
- 87 The approach to the recovery of routine services is cautious and flexible, in line with Welsh Government guidance issued in June 2020. The guidance focuses on safe working practices for NHS buildings in order to reduce the possibility of transmission of COVID-19 in the workplace. Some teams and departments have started to evaluate their working environments in light of the Welsh Government guidance, while others have shown that they already comply with much of it. There are several sources of support to help them complete the process, including from Health and Safety, Infection Prevention and Control, management, and Estates.
- 88 The evaluation needs to be completed in clinical and non-clinical areas before the Health Board can co-ordinate and prioritise the use of control measures across hospital, community and primary care teams. For example:
- installation of bespoke Perspex screens;
  - modifying care pathways to include the use of digital options instead of face-to-face contact;
  - enabling social distancing in clinical and non-clinical areas, which may require a reduction of bed numbers in some areas; and
  - installation of social distancing signage compliant with the recently issued Welsh Government standard.
- 89 The approach being taken to recover routine services invariably will mean many patients will need to wait to receive their care. The Health Board has plans in place to contact each patient individually to explain the reasons for delay, how to self-manage their condition, action they should take should their condition deteriorate and to confirm that the planned procedure is still necessary.

## **The new Transformation Steering Group is building on the learning from the pandemic to accelerate the delivery of the Health and Care Strategy**

- 90 The Health Board re-considered the delivery arrangements for its Health and Care Strategy and recognised that the experience of the COVID-19 pandemic provides an opportunity to change its approach. This led to the changes to the Recovery, Learning and Innovation Group established as part of the Command and Control structure, as set out in paragraph 31, and the subsequent establishment of the TSG. As well as its role in the immediate recovery, the group has been established to:
- learn from the pandemic and the response to it;
  - translate the learning into practical applications; and
  - transform services over the lifetime of the Health and Care Strategy.
- 91 In July 2020, the TSG produced its first Strategic Discover Report to identify initial learning from the pandemic response which can be applied to accelerate delivery of the Health and Care Strategy. The Board authorised the proposed changes as a result of the learning set out in the report. Through its own internal staff engagement, the Health Board identified a range of things that have worked well, including:
- a common vision, shared goals and the empowerment and autonomy to act;
  - workforce flexibility, a 'can do' culture, and camaraderie;
  - working digitally and use of technology-enabled care;
  - restructured services and pathways together with integrated, collaborative partnership working.
- 92 Similarly, it found things that had worked less well, such as:
- lack of access to timely data and the negative impact on planning and decisions;
  - workforce pressures highlighting workforce gaps and under-resourced teams;
  - limited strategic planning for large-scale events like the pandemic;
  - knee-jerk decisions to stop routine services and the slow pace of restarting them;
  - potential impact of changes on patients; and
  - limited controls and due diligence leading to risks, particularly unchecked maverick behaviours.
- 93 The report also draws on learning from other sources across the world. The TSG will bring new ideas to the Board on a regular basis about services, operational changes, and organisational arrangements.

## Resources to deliver the plan

**The Health Board is committed to staff well-being with regional solutions and resource modelling helping inform plans, although staffing is a significant risk in the event of a second peak**

**Regional solutions are being considered for field hospitals and for a number of services, while more detailed demand modelling is helping to inform resource plans**

- 94 The Health Board is working to find regional solutions, particularly by building on the strong relationship with Swansea Bay University Health Board. In quarter two the focus will include exploration of options for regional solutions for field hospital provision, with a shared prioritisation approach to regional beds, a regional workforce model and joint services in a number of other specialty areas. The health boards covering mid-Wales are also collaborating on service provision to ensure that patient flow is maintained.
- 95 The modelling cell has undertaken detailed work to forecast non-elective demand for the coming winter. This supports the development of COVID-19 and non-COVID-19 demand forecasts for existing hospital and field hospital beds to inform the quarter three plan. The cell has also developed a community COVID-19 demand model to assist the Health Board's community teams to plan services and is working on a more accurate 'near-casting' model to improve the accuracy of its short-term functional capacity analysis. The Health Board is seeking to maximise workforce availability and is aware of potential limiting factors on productivity such as social distancing, the need to maintain staffing levels within the Nurse Staffing Levels (Wales) Act, and the need to be able to safely staff surge areas.

**The Health Board is highly committed to supporting staff well-being although staffing remains a significant risk in the event of a second COVID-19 peak**

- 96 The Health Board has developed workforce plans in response to the enormous challenges presented by the pandemic. The measures taken include:
- a significant recruitment campaign which increased the workforce by 912 whole-time equivalents (WTE);
  - reporting staff sickness rates on a daily basis;
  - facilitating remote working to support shielding and social distancing;
  - redeployment of staff to support front line services or to protect at-risk staff; and
  - creating flexible teams for anticipated critical needs at times of escalation. For example:



- a ‘mortuary bank’ of porters trained in core skills to support each county; and
  - a cleaning and infection control rapid response team across counties for care home, schools, field hospitals etc.
- 97 Despite mitigating measures, the supply and availability of workforce is a key risk to delivery for the Health Board as it restarts services, prepares for winter pressures and plans for a possible second COVID-19 peak. The workforce risks, existing actions and further mitigation measures are set out in the quarter two plan and are aligned with the Health Board’s Workforce Strategy. They include:
- an inability to provide appropriate staff psychological well-being support;
  - a lack of trainers and insufficient training to prepare new staff;
  - new employees having insufficient knowledge, skills or experience; and
  - new staff terminating their short-term employment contracts at the end of the fixed period.
- 98 Staff with underlying health conditions are risk assessed, with use of the national COVID-19 Risk Assessment tool adopted following its all-Wales implementation. The Workforce Team have contacted all managers to highlight that it is very important for staff to complete the risk assessment, particularly those identified as BAME. Some of those staff may be reluctant to complete the assessment and the Health Board has worked with representatives of BAME staff to encourage completion and to address any issues. The Workforce and Organisational Development Update Report to the People, Planning and Performance Committee in July 2020 includes:
- the number of managers who responded to the process;
  - the number of staff who completed assessments; and
  - a summary of the assessment outcomes.
- 99 Some staff are unable to work in a patient-facing area. Wherever possible, the Health Board recommends they work at home or in a non-clinical area, using telemedicine and available IT platforms.
- 100 From the outset, the Chair has championed the psychological well-being of staff. The Health Board introduced a Staff Psychological Well-being Plan at the end of March 2020 to support staff through the pandemic. It has been updated twice to ensure that it responds to learning from staff experience, and to any new Welsh Government guidance which has an impact on working arrangements.
- 101 Teams have also been brought together to maximise what is available to support staff. Demand for counselling support decreased after the first peak of COVID-19 but during June the number of requests increased to a record high. There is recognition of the need to address the challenges which staff have experienced as a result of the need for home working, including feelings of isolation, frustrations with technology and the pressure of managing home working. Health Board leaders have been offered coaching to help them cope with the uncertainty and demands created by the pandemic.

- 102 An ongoing staff experience survey and thematic analysis is helping the Staff Psychological Well-being Team to respond to emerging needs. Psychological well-being messages are included twice weekly in the all-staff communication, and all staff have been sent a thank you card for their contribution during the pandemic. A dedicated COVID-19 intranet page for staff psychological well-being provides links to various resources. The Occupational Health Team provides advice and support to managers and staff on staff testing, risk assessment and issues concerning isolation and shielding.
- 103 To provide further support, the Health Board is also now looking to expand its 'Spaces for Listening' with a network of facilitators, offer a new online Building Resilience Programme and make available additional resources and support for managers.

## Monitoring delivery of the plan

### **The Health Board has maintained good oversight and scrutiny of performance and delivery but needs to increase its focus on the four quadrants of harm**

- 104 Whilst the national performance monitoring requirements were largely stood down, the Health Board has continued to maintain oversight of performance and the impact that COVID-19 has had on the delivery of services.
- 105 In May 2020, a revised Integrated Performance Assurance Report (IPAR) was produced which focused primarily on unscheduled care, cancer, eye care, childhood immunisations and financial performance. A new COVID-19 section was also introduced. Although the need to submit data nationally was suspended, data was also reported for a range of other indicators and a summary provided in the IPAR.
- 106 The IPAR has subsequently been expanded to reflect the quarterly plans. A revised IPAR was reported to the Board in June 2020 which indicated whether performance was in line with the plans, and the actions due to be taken. For July 2020, an additional section was also added to track Health Board compliance with the essential services framework.
- 107 Key quality and safety elements in the essential services framework are to be further monitored by the PPPAC and any concerns will be referred to the QSEAC. Any exceptions noted at these meetings are to be escalated to Board. To date however, the performance reporting framework has not provided assurance regarding the four quadrants of harm set out in the NHS Wales Operating Framework. The Executive Director of Finance is currently redeveloping the performance framework which will look to include the four quadrants of harm.





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