

# Efficiency Savings Arrangements – Aneurin Bevan University Health Board

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# Summary report

## Introduction

- 1 The Health Board has a reasonably good track record for planning and delivery against savings plans (i.e., spending within Welsh Government allocation). This is underlined by their previous savings performance across the past five financial years 2017-18 to 2021-22. The IMTP (2022 – 2025) saw a return to the three-year planning process following a one-year Annual Operating Framework that was in operation for 2021-22. The IMTP was re-instated on the assumption that the Health Board will continue to meet its statutory financial duties and deliver financial balance on a rolling 3-year basis.
- 2 Over the past few years, savings were achieved in a period where demand and costs were increasing but revenue allocation were not always keeping pace. Furthermore, the pandemic has created increased uncertainty with significant consequences for finances both in the short term and longer term. The Health Board, like other bodies in Wales, prioritised its response to the COVID-19 pandemic. This directly impacted on its ability to focus on efficiencies and savings over the last two years. This ultimately resulted in underachievement of what were ambitious £33 million initial savings targets in 2020-21. In 2020-21 and 2021-22, the savings targets were revised to £9.4 million and £16.6 million respectively and delivered £10.9 million savings in 2020-21 and £16.6 million in 2021-22. In the current financial year initial savings plans for £26.2 million pounds were identified with additional cost avoidance plans for £19 million.
- 3 The strategic financial challenge remains as great as ever. The whole health sector continues to struggle with significant service pressures in unscheduled care, and growing waiting list backlogs. Opening four months early, the Grange University Hospital is an integral part of the Health Boards Clinical Futures Programme. Services across the Health Board's sites remain under significant pressure which ultimately makes it difficult both to meet demand and against that backdrop, achieve a realistic but ambitious savings programme. Welsh Government has committed to additional funding, and both planned and unexpected cost pressures, such as increase energy costs, make the current financial position more difficult. But it is not just current short-term cost pressures that present an issue, the demographic 'aging population' demand growth continues to represent a risk that will need a financial solution in the medium to longer term. It is therefore even more critical that savings plans create financial and service efficiencies and prevent the Health Board falling into a deepening and recurring deficit.
- 4 While the Health Board has a substantial revenue resource limit (£1,576 million<sup>1</sup>), achievement of even a proportionately small percentage of savings can be challenging. This is particularly an issue when some funding allocation is 'pre-committed' spend, such as for much of the primary care costs.

<sup>1</sup> Source: Month 7 Monthly Monitoring Returns

- 5 The Health Board's 2022-2025 IMTP assumptions indicate that £68 million savings will be required over the next three years of which £51 million recurring savings will need to be delivered. The revenue financial forecast 2022/23 to the Finance and Performance Committee formally signified a step change in the Health Boards position, reporting a potential deficit of circa £49 million without further action. It stated that the likely end of year position would be between £25 to £40 million deficit based on current operational plans. As of Month 7 2022-23, savings delivery remains off track, and the revised financial forecast currently stands at a likely £37 million deficit.
- 6 This audit was undertaken with the understanding that the Health Board's arrangements are intended to increase financial stability. Our review considered the high-level arrangements for planning, delivering, and monitoring of efficiency and savings. The review sought to address the following question: Is the Health Board putting in place effective arrangements to secure savings and efficiencies?

## What we found

- 7 The Health Board has a reasonable approach for identifying potential areas for savings and efficiencies to inform strategic financial planning. The Health Board has developed a good high-level approach for efficiencies planning, using a range of internal and external benchmarking and stakeholder reports to create an efficiencies compendium. This appropriately informs efficiency aims within the Integrated Medium-Term Plan (IMTP). It is generally positive that the Health Board integrates its efficiencies approach into its IMTP programmes rather than a solely discrete savings programme. There is a good overall ethos at a senior level that seeks an efficiency approach that supports financially sustainable services.
- 8 The Health Board is able to demonstrate its intent to deliver financial efficiencies through a balanced approach to service transformation and value-based programmes alongside short-term savings. This is preferable as an over-reliance on short-term and non-recurrent transactional cost cutting can impact adversely on longer-term financial stability. Nevertheless, non-delivery of savings this year coupled with additional exceptional cost pressures is leading to a deteriorating financial performance. As a result, it is likely that a greater proportion of short-term cost reduction and cost control measures will be needed alongside its transformational efficiency approaches. It is not ideal, but is necessary.
- 9 The Health Board has a good track-record of savings delivery which has helped it achieve financial balance in previous years. However, the position has deteriorated. Should there be both a 'likely £37 million' deficit carry-forward into next year alongside an increasing underlying deficit, it will make financial recovery substantially more difficult. If this is the case, the Board may need to adopt a more formal strategic financial recovery and accountability approach if its position does not improve.

- 10 A significant proportion (45%) of total required savings are pay related, but the operational cost savings plans for these were not in place early enough. This appears to have compromised delivery. In addition, the delivery of service transformation-based efficiencies may not release the required quantum of savings to the 'bottom line' as intended. Even if they do, transformational savings may be slower to realise than short-term cost-control/cost avoidance measures. There needs to be greater contingency for under-delivery and a stronger focus on the cash-releasing element of the Health Board's IMTP transformation programmes. There also needs to be stronger service level engagement and accountability to ensure improved delivery of savings going forward.
- 11 Delivery of savings by the health board's services has been too slow. Service leaders are clearly aware of their accountabilities and the savings 'ask' but indicated that exceptional service pressures and strain on the workforce has impacted the ability this year to operationalise savings delivery. This approach has placed the Health Board in a position that it must now over-achieve in the last few months of the year. The Executive Team adopted a 'turnaround' approach in May to help address these challenges, but to date this has had limited effect on the overall savings delivery.
- 12 More can be achieved by better coordinating the work of the organisation's enablers. In general, the financial business partner approach is appropriately supporting financial improvement, providing support, reporting and advice. The work of the value-based healthcare team is supporting service improvement, but there is a need for a stronger focus on the extent the investment in the team is delivering improved outcomes and achieving cost reductions. More can also be done to better coordinate the work of the Health Board's existing improvement and innovation 'capability' through the Programme Management Office (PMO) to deliver improved financial efficiencies.
- 13 The Health Board openly articulates its financial risks, but the actions it has taken to mitigate those risks has not been sufficiently effective. When considering just the savings plans, 78% of its savings programmes were classed as amber in April. By August 76% of the savings programmes still remained amber. As of the most recent report, none were classified 'red' even though savings expectations for the year have reduced from £26.2 million to an estimated £17 million indicating non-delivery.
- 14 In general, the Health Board's monitoring arrangements rightly focusses on strategic efficiency plans. However, it also needs to focus its oversight on the risks to operational delivery of plans and better understand the impact of efficiency plans. For the first half of the year, the Health Board reported year-end breakeven whilst even modest early savings targets were not being realised. This suggests the need for the Health Board to more regularly update its forecast to provide a sense of urgency when and if the financial position deteriorates.

# Recommendations

## Exhibit 1: recommendations

The table below sets out the recommendations from this review.

Recommendations	
<b>Financial savings and efficiency planning</b>	
R1	Re-visit efficiency plans to re-assess their realistic cash releasing potential as soon as practically possible. Plans should be re-prioritised according to the cash releasing potential.
<b>Financial delivery arrangements</b>	
R2	By the end of January 2023, the Health Board should ensure earlier preparation of deployment/service level savings to deliver the IMTP's key efficiency programmes. Ideally the savings planning approach should be continuous going forward to prevent any hiatus at the beginning of the financial year.
R3	By the end of January 2023, ensure comprehensive and effective operational service engagement with the team preparing the compendium so that the opportunities identified within the compendium can be translated into deliverable saving schemes.
R4	By February 2023, align the efficiencies and savings expected in the IMTP improvement programmes with a more coordinated work programme utilising the key enablers including the Programme Management Office, the Value Based Healthcare Team, the Clinical Futures team and wider research and development.
<b>Financial monitoring and oversight</b>	
R5	By February 2023, strengthen scrutiny of savings plans which are risk assessed as amber or (in future) red risk rated plans. In addition: <ul style="list-style-type: none"><li>• ensure that financial savings targets and timescales are agreed and regularly updated;</li><li>• strengthen the effectiveness of management intervention where efficiency plans are off-track.</li></ul>
R6	Update the year-end financial forecast position more regularly based on the changing level of risk to the finances, as well as the year-to-date financial position.

## Recommendations

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- R7 By March 2023, ensure there is clarity of operational financial risk sharing (for example where operational directorate responsibilities for delivering savings and IMTP programme responsibilities for delivery of efficiencies overlap).
- R8 By March 2023, strengthen the use of visual management tools including service transformation trackers, saving trackers and linked risk trackers for all programmes. This performance information needs to be communicated to relevant service management for increased responsiveness.
- R9 By the end of January 2023, implement stronger approaches for monitoring the deployment/delivery of savings to better understand where service improvements are and aren't delivering the necessary efficiency and financial improvement. As part of this ensure there is timely and effective corrective action.



# Detailed report

While high-level planning for financial savings is reasonable and well-balanced, there is a risk that the Health Board could see increasing deficit year on year

**The Health Board is setting ambitious high-level transformation-based efficiency plans alongside more traditional cost ‘control’ approaches, but there needs to be greater contingency for any under-delivery**

- 15 Each year, the Health Board sets out its savings requirements in its integrated medium-term plan (IMTP). It sets out at a high level:
- the changing cost pressures and risks, both local service/demand risks and wider cost growth applicable across Wales, such as increased energy costs;
  - the recurrent and non-recurrent savings requirements over each of the three years of the plan.
- 16 Against a backdrop of continued service pressures, the Health Board has set an ambitious savings target of £26.2 million for 2022-23. It also committed to £19 million cost avoidance measures in its integrated medium-term plan and to manage new in-year cost pressures for 2022-23. The IMTP appropriately sets out priority savings areas and intent.
- 17 The IMTP and wider savings approach at the Health Board heavily focusses on a high proportion of recurring savings (**Exhibit 2**). During our review, staff anticipated that some recurring savings will be delivered through service transformation, driving service sustainability and efficiencies as it recovers from the pandemic. The Health Board’s Clinical strategy and IMTP sets out a systematic programme to help shape those improvements.

## Exhibit 2: IMTP 3-year plan savings requirements

	2022-23 (£m)	2023-24 (£m)	2024-25 (£m)
Recurrent savings	18	15	18
Non-recurrent savings	8	4	5
<b>Total savings requirement</b>	<b>26</b>	<b>19</b>	<b>23</b>
Percentage recurring savings	69.2%	78.9%	78.2%

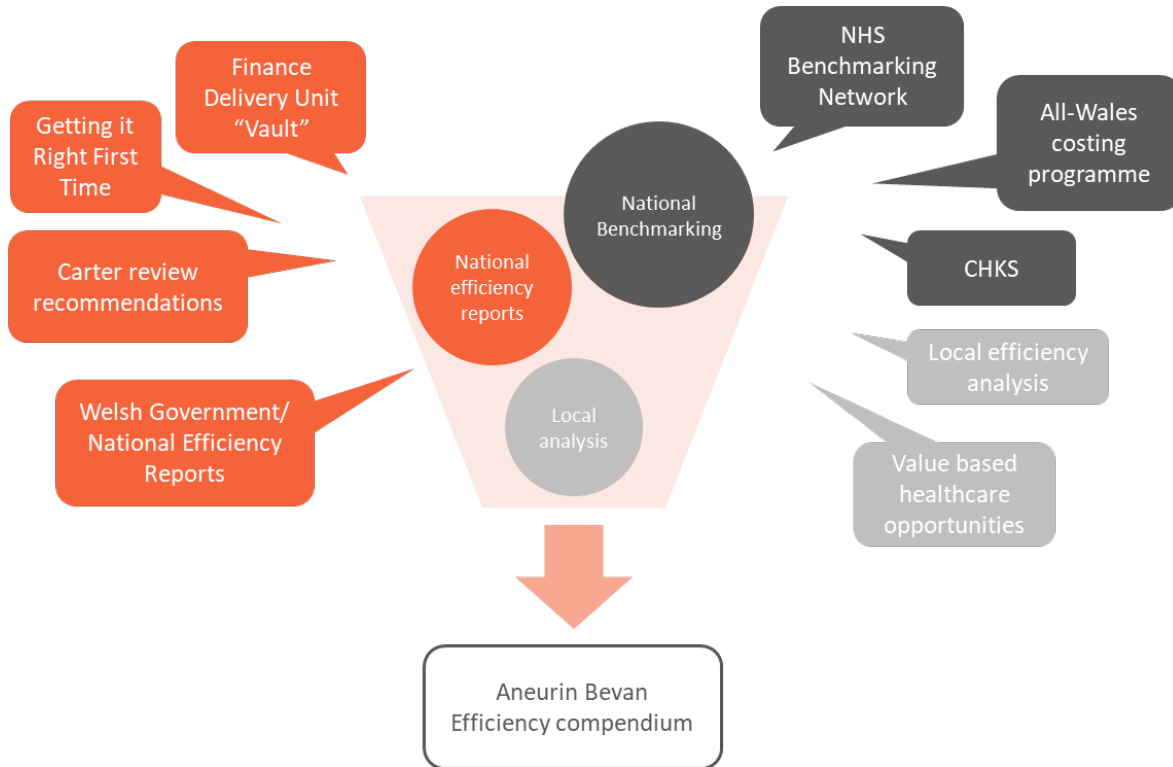
Source: Aneurin Bevan University Health Board IMTP

- 18 The Health Board is positively embedding efficiency and savings requirement in the aspirations set out in the IMTP. This type of approach should help ensure that services become more financially sustainable and in theory help to reduce the requirement each year to find additional short-term savings to fill financial gaps. Transformation and service efficiencies dominated discussions during interviews reflecting the importance that the Health Board is giving to financially efficient and sustainable services.
- 19 However, this approach also comes with risks. Transformation-based savings plans often experience a long lead-in before efficiencies are realised. Moreover, transformation-based approaches may improve service efficiency without ultimately achieving a reduction in 'bottom line' costs. While this transformational approach is appropriate and necessary, it is not sufficient on its own to deliver on intended cashable savings. Committing to these longer-term approaches is essential but it may mean that the Health Board needs to plan for a greater than required degree of savings at the start of any given year. This contingency would allow for under-delivery of some schemes and help contribute to keeping Health Board spend within allocation. The Health Board has continued to identify and plan savings areas throughout the course of the current financial year and whilst they initially lacked detail, it appeared very likely that many additional schemes would be required this year to meet savings targets (**Recommendation 1**).

### The 'compendium' provides a good approach for identifying efficiency potential

- 20 The Health Board is using information and analysis from many sources to help it identify the savings opportunities and shape saving schemes. The Health Board routinely considers opportunities identified in national and local efficiency frameworks for both seeking service transformation/change based efficiencies and cash releasing savings. The Health Board's financial planning department are effectively identifying savings and efficiency potential, using benchmarking and business intelligence (**Exhibit 3**) and this is summarised in its 'Compendium'.
- 21 The Compendium has recently been updated following a hiatus during the pandemic and it provides a comprehensive and detailed list of savings and efficiencies potential. It sets out priorities for efficiency savings, provides case studies, guidance, and research evidence. It also links to wider independent clinical practice efficiency reviews such as the Getting It Right First Time (GIRFT). GIRFT reviews are independent and clinically led, which may help to secure relevant clinician, clinical director, and senior manager buy-in to the changes needed.

**Exhibit 3: national and local data sources informing the Compendium**



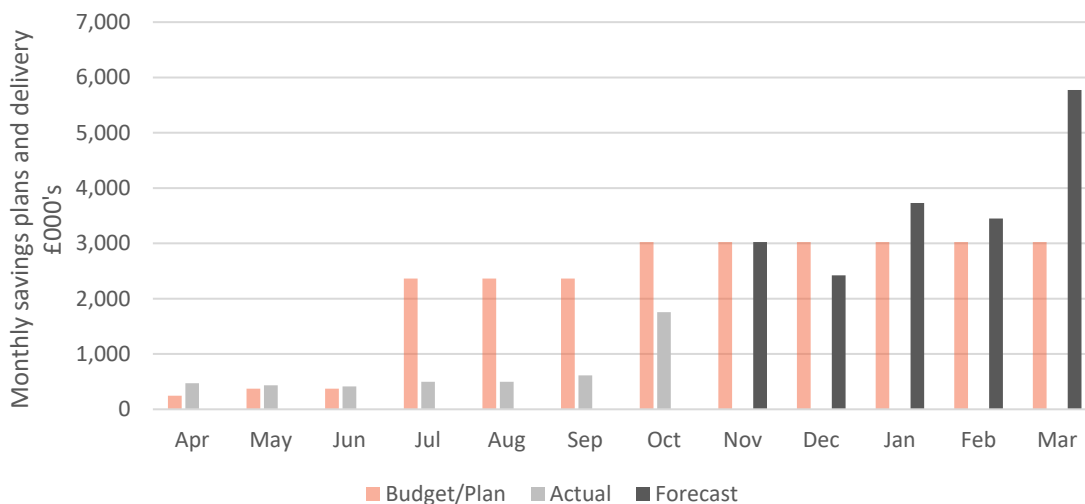
Source: Aneurin Bevan University Health Board

- 22 Savings opportunities outlined in the revised Compendium are largely process-improving efficiencies. It includes opportunities such as reducing average length of stay to achieve bed reductions, reducing unnecessary follow-up outpatient appointments and cancellations. As a result, it helps the Health Board to identify potential cost reductions and staffing efficiencies (such as reducing the requirement for agency staffing).
- 23 Overall, the Compendium of efficiency opportunities provides a good basis to inform savings opportunities and helps to identify which division or service need to lead the improvements. While these opportunities are costed, the Health Board does not highlight or prioritise those which are more likely to deliver cash releasing efficiencies, nor does it set out which schemes are most likely to be successful (**Recommendation 1**). Further work needs to be done to turn best practice ideas into operational reality. We also note that the majority of saving schemes in the compendium are acute rather than primary and community focussed. This may place greater burden on a specific part of the organisation that is already under intense pressure to deliver timely and effective services.

## The Health Board needs to start planning its overall savings approaches earlier

- 24 For the Health Board to maximise delivery of savings in any given year, it needs to start the process early. We recognise the pandemic was still significantly affecting services during the winter of 2021-22, however, the month-by-month plan for savings delivery aimed to achieve little in the first Quarter of 2022-23. Interviewees responses during our fieldwork reinforced this point and included a range of comments that plans were ‘...not entirely there yet’. This was worsened by an additional lag in savings under-delivery from July to September which is now placing far greater pressure on achievement of savings during the last three months of the year (**Exhibit 4**).
- 25 While effort should be made to recover the position for the remainder of the year, the chart below suggests that operational-level planning for savings delivery needs to start at least three-months before the beginning of the next financial year. As well as earlier operational-level planning, there needs to be a tangible shift towards focused deployment and realisation of savings. This savings ambition needs to be clearly communicated to operational service leads and key stakeholders to ensure the maximum benefits are realised.

**Exhibit 4 – month by month savings targets/plans at Month 7 2022-23 £000’s**

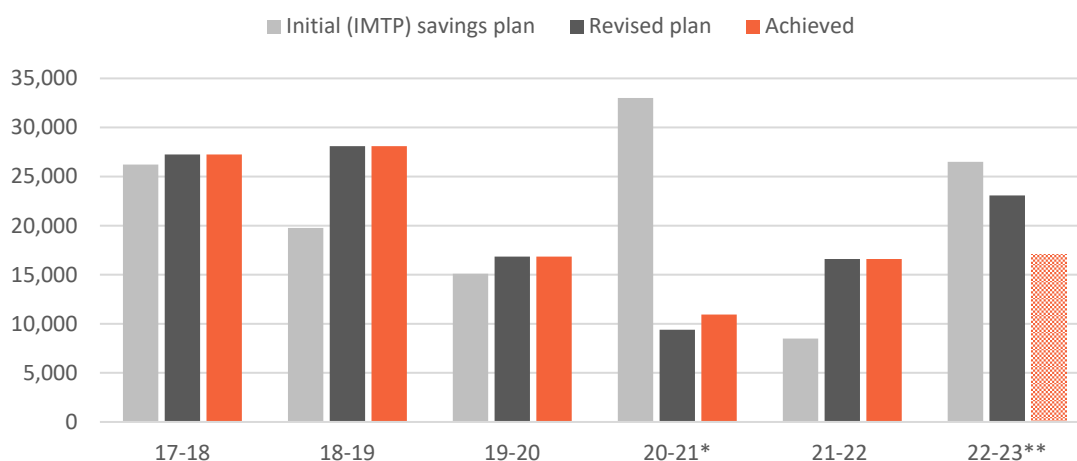


Source: Monthly Monitoring Returns to Welsh Government

## There is a risk that the Health Board could end up in a cycle of annual financial deficit if it does not adopt a more effective approach for savings planning and delivery

26 The Health Board has demonstrated that it has designed and adapted its savings plans reasonably effectively over a number of years. It also has a reasonable track record on savings and efficiencies (**Exhibit 5**). However, the Health Board is trying to recover from the under-delivery of savings experienced during the pandemic, which is affecting its 'deficit' underlying position carried forward into following years. In addition, the environment has changed. Inflationary factors are clearly affecting energy and wider supply chain costs and staffing costs are further increasing the financial risk.

**Exhibit 5: track record of end of year financial position**



Source: Audit Wales analysis of Health Board data, IMTPs and annual plans

Note: \* The 2021-22 annual plan identified that significant recurrent savings of £33 million were planned for 2020-21 before COVID-19 impacted and substantially reduced savings expectations.

\*\* The shaded bar represents likely year-end forecast savings delivery predicted at month 7.

27 The Health Board's 2022-25 IMTP identifies an opening underlying 'deficit' of £21 million for 2023-24. And during this year, increasing cost pressures and expected under-delivery of savings is resulting in a 'likely' forecast position of £37 million deficit by year end. This suggests that without additional financial allocation or local cost reduction measures, that the opening underlying deficit will increase next year.

- 28 The consequence of a deficit this year and increased underlying deficit in the next year are:
- the Health Board needing to deliver substantially more savings next year, possibly necessitating a greater shift to short term savings and cost control measures.
  - the Health Board fails to meet its statutory requirement to breakeven over a three-year period for 2020-23, and this continues for at least another two years while the deficit remains in the rolling 3-year period. If this was to occur, it would result in a qualification of the regularity audit option.
  - the Health Board fails to prepare an approvable IMTP for 2023-26.
- 29 The Health Board, albeit ambitious in its aim for transformation-based efficiencies, need to create savings plans that address the risks to the financial 'bottom line'. The IMTP assumes recurrent savings opportunities will be achieved to reduce the underlying financial deficit for 2023-24 to £8 million. However, this predicted future underlying deficit now looks optimistic. It is likely that without additional allocation, savings plans will need to be more extensive. While needing to continue to focus on achieving transformation-based financial efficiencies, the Health Board most likely will need to adopt broader plans for cost-reduction and cost-containment further underlining the need for greater responsiveness to changing circumstances.

## The approach for delivery of cashable efficiencies is not currently strong enough

### The Health Board did not deploy operational savings plans in a sufficiently timely manner to deliver its cash-releasing savings to their initial targets and timescales.

- 30 Our work found limited evidence of effective preparation turning high-level IMTP savings requirements into deployable operational savings plans (**Recommendations 2 and 3**). From those we met, there was a clear understanding of the savings 'ask', but with a focus amongst Health Board staff on wider general efficiency through transformation and some cost control measures. Whilst Health Board operational staff felt savings opportunities existed and were being worked towards, we detected an optimistic stance, in part based on positive savings performance in previous years. This may have limited the sense of urgency at operational levels in some quarters.
- 31 In contrast, the lack of early operational savings plans approaches contributed to lower confidence within the Finance Department of savings delivery during the first six months of the year. As a result, officers started reporting significant increases in risk both to overall delivery of savings and a deteriorating financial position. Clearly

efficiency opportunities were identified, such as reducing £9.8 million pay costs<sup>2</sup>, but the operational savings plans to support achievement of savings has not been sufficiently in place. These operational-level savings planning arrangements need to start earlier, with greater detail and to be delivered with pace. An assessment of capability to deliver short- and medium-term savings would also be beneficial to ensure strategic intent can be fully realised. In short, savings delivery needs to be far more robust going forward.

- 32 During May 2022 (Month 2) the Health Board declared a 'severe risk' to financial break-even. As a result of these increasing concerns, the Executive Team:
- adopted an 'internal turnaround' approach in May 2022 to accelerate financial cost reduction in 2022-23;
  - identified areas of focus for income and cost mitigation opportunities as part of their internal recovery.

However, mitigating 'turnaround' actions were not in place as of the Finance and Performance Committee in July, with reports then indicating that approaches 'will need to be fully developed and options presented for Board consideration'. We understand that at that point, 'turnaround' discussions became a standing item at the weekly Executive team meeting. In addition, several workshop sessions identified areas of focus and introduced 'task and finish' groups to progress plans. Given the deteriorating financial position and absence of well-formed operational level plans, our view is that these additional measures were appropriate given the circumstances.

- 33 It should be noted though that Health Board staff that we met raised some concerns relating to the 'turnaround' approach. They highlighted that the short-term approach would increase the proportion of non-recurring savings, therefore increasing the financial pressure in future years. In our opinion, it is pragmatic to adopt both a transformational approach and a shorter-term cost-reduction focus until the point where service models are more financially sustainable.

## **While overall lines of budgetary accountability for delivery of savings are relatively clear, stronger accountability approaches are needed where savings delivery is off track**

- 34 Accountabilities for delivery of savings and efficiencies are set out in the Health Board's scheme of delegation and applied through the established organisational and managerial structures. In general, these lines of accountability are clear operationally. From those we met with, Health Board staff appeared clear around their formal financial accountabilities. But they also described a need to balance their financial accountability with their wider accountabilities for ensuring staff wellbeing (i.e., avoiding staff burn-out), and Covid-19 related and wider service

<sup>2</sup> Month 2 financial reporting of Monthly Monitoring Report savings.

pressures. They indicated these competing priorities led to slower savings delivery this year.

- 35 Accountabilities become more complex when considering that the Health Board has a matrix approach where savings rest both with budget holders in line with the structure and also programme leads (including for outpatient transformation). While we could identify general financial responsibilities for both budget holders and IMTP programme leads, the clarity of risk-sharing for non-delivery of efficiencies was less clear. For example, it wasn't clear who would own the financial consequence for non-delivery of IMTP programme efficiencies when the programme is off-track because implementation at a service level didn't deliver expected savings.
- 36 In our structured assessment report this year, we have highlighted the increasing challenge on the overall financial position of the Health Board and lower than expected delivery of savings. Our report includes high-level commentary on controls and scheme of delegation, and as a result we have recommended that the Health Board reviews its Scheme of Delegation to ensure it more strongly outlines delegated accountability for the budgetary position and achievement of financial efficiencies at and below executive levels.
- 37 The Health Board has sought to use the existing operational structures and programme structures as a means to embed efficiencies within organisational working. However, increased costs and lower than expected delivery of savings this year suggest that stronger accountability approaches may be needed. We understand that the Health Board is also considering the formation of a dedicated financial recovery turnaround group to monitor progress, which may in part fulfil this function.

## **Organisational 'enablers' support identification and delivery of efficiencies, but there is a need to ensure that their impact is maximised**

### **The financial business partner model is supporting financial improvement**

- 38 The finance business partner model is engendering increased engagement on financial management and is providing 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. Those we met with during the review were generally very supportive of these arrangements. However, it also appears that the arrangements do not always provide the stimulus for rapid financial improvement, suggesting a potential to refine them.



## **The Health Board's value-based healthcare approach is driving aspects of service improvement, but the work needs to demonstrate that it is achieving improved outcomes and contributing to current as well as future service cost reductions**

- 39 Complementary to the compendium approach, which largely focusses on technical process efficiencies, the Health Board is driving its value-based healthcare 'outcomes-focussed' approach. Value-based healthcare aims to achieve better outcomes for patients at reduced cost. This could be through, but not limited to elimination of harm, reducing over-treatment and procedures with limited clinical effectiveness, or adopting alternative or preventative approaches.
- 40 The Health Board has adopted values-based healthcare as a key approach to achieving long-term financial sustainability setting three 'goals for delivery':
- **Goal 1: Transformation through a Value Lens** supporting health and care professionals to consider a value-based approach to service transformation. This includes work around outpatient transformation and incorporating digital transformation.
  - **Goal 2: Embedding a Value culture**, improving knowledge, skills, and experience building the capacity and capability across the organisation to support service transformation.
  - **Goal 3: Develop strategic partnerships and innovative approaches** working with a range of key stakeholders, including local authorities, third sector providers and industry partners.
- 41 The Health Board is now shaping its plans to focus on areas including ophthalmology, heart failure, critical care, diabetes, musculoskeletal services and care of the elderly<sup>3</sup>. The Health Board's recent value-based healthcare annual report identifies the key achievements in the last year. It focusses very much on what has been done and how it's been delivered rather than demonstrating, in the main, improvement in outcomes or cash-releasing efficiencies. The Health Board has been allocated and is spending £2.9 million to help support further delivery. Our work suggests that there is a need for the programme to demonstrate the return on this investment by increasing the focus on delivery impact and ensuring that its investment is attaining meaningful cost reductions and savings.

## **There is scope for greater coordination of the Health Board's existing innovation and improvement structures and capabilities to support delivery of operational savings and efficiencies**

- 42 The Health Board has several innovation and improvement resources at their disposal. It is investing in a Project Management Office (PMO) to support system change at scale to deliver recurrent sustainable improvement and improve

<sup>3</sup> Note that the Value Based Healthcare areas of focus for 2022/23 in the IMTP differ in some areas to those identified in its recent Value-Based Healthcare annual report.

resource utilisation. The Health Board has also reshaped its improvement approach through 'Health Systems Leadership Group', and wider improvement, innovation and research and development work. At present, these arrangements, while supporting improvement, are not maximising or realising the financial efficiencies necessary to help put the Health Board on a sustainable financial footing (**Recommendation 4**). Several of those we spoke to as part of this review felt aspects of the existing work of these groups could be better aligned with the strategic efficiency and savings priorities and a stronger need for PMO accountability for savings.

## **The outpatient transformation approach is positive but needs to increase scale and pace and demonstrate tangible cost reduction and cash savings**

- 43 Our work considered progress delivering one of the Health Board's key IMTP programmes aimed at improving efficiency, its Outpatient Transformation Programme. When reviewing this, we considered the programme in the context of achievement of both service efficiencies and contribution to cash-releasing savings.
- 44 Most patient interactions with secondary care are through outpatient clinics with patients referred by their GP or cross-referral from other clinical specialties and patients seen after initial diagnosis or treatment as part of follow up review. Given the volume of Health Board outpatient attendances each year, there is significant potential to further modernise services, eliminate waste and drive efficiencies.
- 45 The Health Board's Outpatient Strategy, finalised in October 2020, focusses on efficiency improvements and reducing unnecessary outpatient attendances. Key to this is a self-directed model of care such as patient initiated follow up and see-on-symptoms supported by appropriate digital technologies. The pandemic appears to have resulted in a more rapid adoption of virtual outpatient clinics and electronic communication. But at the same time, it has impacted the breadth and pace of the delivery of the Health Board's outpatient's transformation programmes and the extent that they deliver cashable efficiencies.
- 46 Recent updates indicate that service efficiencies may help increase patient throughput but not substantially contribute to the savings delivery. Even some cost avoidance measures, such as reducing numbers of clinic or patient cancellations, which is unarguably the right thing to do, may not release cashable efficiencies in the short term. We expect that these types of efficiencies may well be absorbed by increasing service demand. Overall, the approach and ambition to deliver improved efficiency in outpatient services is clear. But the scale and pace needs to increase and there needs to be much stronger focus on ensuring those efficiencies result in improvement both to access to waiting lists and contribute to financially sustainable services. In this regard, there is opportunity to share lessons learnt from the early adopters such as Gynaecology and Neurology more widely.

## While there is reasonable oversight of savings planning and delivery, there is a need to identify and respond to the financial risks at an earlier stage

### Once financial risks are identified, the health board needs to ensure a more rapid response is taken to mitigate them

- 47 Like all health bodies in Wales, the Health Board risk assesses (RAG rates<sup>4</sup>) its saving schemes to determine the extent of risk of non-delivery. At Month 1, the Health Board identified that 78% of its savings were rated as ‘amber’. Welsh Government requires any amber schemes to turn to green schemes (i.e., a strong likelihood of delivery) within three months. However, four months later, at Month 5, the Health Board reported that 76% of its savings still remained ‘amber’. The Health Board is not addressing its savings risks quickly enough (**Recommendation 5**). In addition, the Health Board should, but does not, identify any red saving schemes in its financial report to the Finance and Performance committee even though:
- ‘likely’ savings at year-end have been revised down from £26.2 million to £17 million (reported at month 9)
  - there is now less time available to deliver the quantum of savings within the financial year; and
  - the most recent committee report highlights the overall financial position as extremely significant risk.
- 48 There is open reporting of the overall financial risk to the Board. Throughout the year, the stated high-level risk to the overall financial position is reported appropriately.
- 49 Nevertheless, our view is that the Health Board should be more routinely updating its year-end forecast position based on both the financial position to date and its own risk assessment. While the Health Board updated its savings forecasts and risks, it was only during Month 6 that the Health Board revised its year-end position from breakeven to a ‘likely’ £37 million deficit<sup>5</sup> (**Exhibit 6**). For senior operational managers who run services that are experiencing extreme pressure, the reality of the financial situation may not appear quite as stark when five months into the year, the health board continues to report a breakeven forecast. The current reporting approach does not support the messaging needed around the ‘sense of urgency’ (**Recommendation 6**).

<sup>4</sup> RAG rating – the process of assessing and categorising risks as Red, Amber or Green.

<sup>5</sup> £32.6 million best case, £37 million likely and £49 million worst case deficit.

**Exhibit 6: in-year and forecast position 2022/23 (Red text denotes negative value) at Month 7**

	Apr	May	June	July	Aug	Sept	Oct
<b>In year position</b>		£4.9m	£8.4m	£14.3m	£17.4m	£22.8m	£25.7m
<b>Formally reported forecast</b>	Breakeven	Breakeven	Breakeven	Breakeven	Breakeven	£37m	£37m

Source: Monthly Monitoring Returns

- 50 The Health Board is good at identifying its emerging financial risks such as exceptional/additional cost pressures. This helps to provide a perspective on the dynamic situation that the Health Board currently faces, particularly noting energy costs, other inflationary cost increases and wider system pressures. But with dynamic financial risks, there also needs to be a dynamic response to minimise the impact in current and future years. It suggests that efficiencies and cost reduction planning should be ongoing and multi-year with the ability to bring forward savings activity into the current year if required.
- 51 In relation to IMTP programme risks, there appears to be a lack of clarity on where risks are held. Monthly risk reporting is at directorate rather than at a programme level. Reporting contained only basic information and it would be beneficial to also include savings risks, their categorisation and mitigating actions for IMTP programmes. It would also be helpful to identify how savings risks are shared between the programmes and directorates (**Recommendation 7**). To support this, better use of visual management tools including programme service transformation and savings trackers for programmes is required, to reduce ambiguity and uncertainty around progress (**Recommendation 8**).

**The Board and Finance and Performance committee demonstrate reasonable oversight of savings planning and delivery, but there is a need to focus more strongly on savings that are off-track**

- 52 We considered the governance arrangements for overseeing the financial efficiencies programme. The Board and the Finance and Performance Committee both receive sufficient information on the overall finances of the Health Board and within that high-level coverage of savings targets and programmes. In addition, the Committee receive ongoing updates and papers outlining additional efficiency opportunities. These include the update to the compendium of efficiencies, as part of an efficiency review, value-based healthcare, variable pay reduction and its agency reduction plan.
- 53 Reporting provides assurance that efficiency approaches, if delivered, would help provide financial balance. However, we identified a marked contrast in different

aspects. There is reasonably good committee coverage of efficiency planning and the related supporting analysis, but weaker focus on the impact of those efficiency plans (**Recommendation 9**). In addition, stronger assurances are needed to provide a clearer picture and link between savings plans, risks to delivery, and actual overall impact on the year-end forecast.

- 54 For example, pay savings form a substantial element of the Health Board's financial recovery plan, and within that a requirement to reduce agency costs. In July 2022, the Finance and Performance Committee received an update on its "Reduction of Agency Action Plan". The plan outlines 16 actions to address reliance on Health Care Support Workers and Nursing agency staffing. Every one of those 16 actions are 'RAG rated' as green and due for delivery between June and September 2022. As of June 2022, the forecast year-end spend Nursing agency spend was £23.1 million and as of September those 'green rated' actions only appear to have had a minimal impact on the position, reducing the forecasted year-end spend to £22.8 million. This is in the context of overall agency spend which has grown substantially in the last 5 years<sup>6</sup>. Far from reducing, agency spend is forecast to increase by around 6.5% between last year to this year (£57.5 million in 2021-22 to £61 million in 2022-23). We use this to illustrate the need for sceptical enquiry of efficiency outcomes at the planning stage and to ensure that there is appropriate consideration of the impact on the overall financial position i.e., the difference those plans have made.
- 55 The Board also needs to consider the extent that it prioritises 'service efficiencies' against cash-releasing savings. For example, the Health Board can achieve transformational efficiencies to reduce the number of beds it requires or reduce the staff that it needs. But the challenge for the Health Board is whether to take out the beds and reduce its staffing to realise its cash-releasing aims, or to use the freed capacity to improve performance, for example by reducing the waiting list backlog. At present Welsh Government requires bodies to both improve service performance, addressing waiting list backlog and spend within allocation.

<sup>6</sup> Agency expenditure is a costly staffing approach. Overall fees include an agency overhead, tax and the staff pay element. While some flexible use of agency is required, there is significant over-reliance in the Health Board. Aneurin Bevan Agency Expenditure, in 2016-17 was £16.3 million and has increased to £57.5 million in 2021-22. Current forecast is £61 million.

# Appendix 1

## Organisation response

Exhibit 7: action plan – to be completed when the Health Board has prepared its management response to the recommendations

Ref	Issue	Recommendation	Intended outcome/benefit	Agreed	AIB responsibility and actions	Completion date
R1	Financial savings and efficiency planning	Re-visit efficiency plans to re-assess their realistic cash releasing potential as soon as practically possible. Plans should be re-prioritised according to the cash releasing potential.	Identification and achievement of cash releasing savings will have an immediate impact on the Health Board's overall financial position.	Yes	<p>Finance Director</p> <p>The Board has established additional Board and executive level financial recovery arrangements including a continuous focus on the identification of areas that can reduce costs.</p> <p>This will be invigorated through the IMTP process to further progress general efficiency, cost avoidance and cost reduction opportunities to support an improvement to the recurrent financial position of the Health Board.</p> <p>The Board will consider how focus is given to higher benefit schemes going forward.</p>	31 March 23

Ref	Issue	Recommendation	Intended outcome/benefit	Agreed	AIB responsibility and actions	Completion date
R2	Financial delivery arrangements	By the end of January 2023, the Health Board should ensure earlier preparation of deployment/service level savings to deliver the IMTP's key efficiency programmes. Ideally the savings planning approach should be continuous going forward to prevent any hiatus at the beginning of the financial year.	Earlier deployment of savings plans / continuous savings approach will increase the likelihood that savings are realised.	Yes	<p>Finance Director with executive Team</p> <p>To provide further detail to the response to R1 above. The Executive team hold a monthly financial recovery board to identify and monitor savings delivery and includes a continuous focus on the identification of areas that can reduce costs.</p> <p>The continuous identification of savings schemes are part of the action plan of the ABUHB financial recovery plan, engaging divisional teams and workforce throughout ABUHB as well as executive led plans.</p>	31 March 23

Ref	Issue	Recommendation	Intended outcome/benefit	Agreed	AIB responsibility and actions	Completion date
R3	Financial delivery arrangements	By the end of January 2023, ensure comprehensive and effective operational service engagement with the team preparing the compendium so that the opportunities identified within the compendium can be translated into deliverable saving schemes.	Improved systems for identifying deliverable savings schemes.	Yes – in principle.	<p>Finance Director</p> <p>The finance team has engaged with the Board, Sub-committees, Executive team, transformation programmes, divisional teams and corporate teams as part of its usual workplan to spread the opportunities for efficiency improvement throughout the organisation.</p> <p>The expected delivery of savings through the transformation programmes &amp; divisions has not been achieved during 2022/23 due to operational pressures.</p> <p>As a result, it is accepted that more engagement work is required to gain service ownership to progress the opportunities for efficiency improvement and savings delivery.</p>	Continue with on-going engagement



Ref	Issue	Recommendation	Intended outcome/benefit	Agreed	AIB responsibility and actions	Completion date
R4	Financial delivery arrangements	By February 2023, align the efficiencies and savings expected in the IMTP improvement programmes with a more coordinated work programme utilising the key enablers including the Programme Management Office, the Value Based Healthcare Team, the Clinical Futures team and wider research and development.	Delivery of improved financial savings / efficiencies through better coordination of the Health Board's enablers.	Yes	<p>Director of Planning</p> <p>The plan for 2022/23 aimed to progress service and financial sustainability &amp; deliver efficiency through transformation. This would be enabled by the PMO structure with multi professional teams working with service teams across pathways to deliver improvement, this is more inclusive than the teams quoted.</p> <p>Due to operational pressures the progress has not delivered the expected results during 2022/23 but will be revisited to consider application for 23/24 as part of the IMTP review.</p>	31 March 2023

Ref	Issue	Recommendation	Intended outcome/benefit	Agreed	AIB responsibility and actions	Completion date
R5	Financial monitoring and oversight	<p>By February 2023, strengthen scrutiny of savings plans which are risk assessed as amber or (in future) red risk rated plans. In addition:</p> <p>Ensure that financial savings targets and timescales are agreed and regularly updated.</p> <p>strengthen the effectiveness of management intervention where efficiency plans are off-track.</p>	Effective monitoring, risk rating and oversight arrangements will improve performance of efficiencies / savings delivery	Yes	<p>Finance Director</p> <p>Savings plans are developed with scrutiny through the Executive team, they are risk assessed, updated regularly, and reported formally on a monthly basis to the Exec team, WG and Board.</p> <p>Chief executive Officer</p> <p>It is recognised there is a need to reconsider &amp; develop a new approach to Savings agreement and ownership and management intervention, this will be developed as part of the revised governance approach for ABUHB, through the financial recovery plan actions.</p>	31 March 2023

Ref	Issue	Recommendation	Intended outcome/benefit	Agreed	AIB responsibility and actions	Completion date
R6	Financial monitoring and oversight	Update the year-end financial forecast position more regularly based on the changing level of risk to the finances, as well as the year-to-date financial position.	To ensure key messages around the Health Board's financial risks and forecasted position are communicated promptly.	Yes, in principle	Finance Director Financial forecasts and risks are identified, reviewed, updated on an ongoing basis with formal reporting on an established monthly cycle. 2022/23 remains a very volatile and uncertain year and while the forecast did not formally change until mid-year, the risk analysis was updated monthly & reflected the risk appetite of the Board. This process will continue as good practice going forward.	Ongoing
R7	Financial monitoring and oversight	By March 2023, ensure there is clarity of operational financial risk sharing (for example where operational directorate responsibilities for delivering savings and IMTP programme responsibilities for delivery of efficiencies overlap).	Improved management of financial risks at operational levels.	Yes	Chief Executive and Finance Director The approach to savings responsibility and accountability will be revisited and established as part of the financial recovery process and IMTP development.	31 March 2023

Ref	Issue	Recommendation	Intended outcome/benefit	Agreed	AIB responsibility and actions	Completion date
R8	Financial monitoring and oversight	By March 2023, strengthen the use of visual management tools including service transformation trackers, saving trackers and linked risk trackers for all programmes. This performance information needs to be communicated to relevant service management for increased responsiveness.	Improved responsiveness to performance information enabling more effective monitoring of progress with service transformation, savings, and risk.	Yes	Finance Director The approach to more visual savings reporting will be aligned with the response to R7 above and established as part of the financial recovery process and IMTP development.	31 March 23
R9	Financial monitoring and oversight	By the end of January 2023, implement stronger approaches for monitoring the deployment/delivery of savings to better understand where service improvements are and aren't delivering the necessary efficiency and financial improvement. As part of this ensure there is timely and effective corrective action.	Improved monitoring of savings deployment / delivery will ensure financial improvement.	Yes	Chief Executive and Finance Director It is recognised there is a need to reconsider & develop a new approach to Savings agreement and ownership and management intervention, this will be developed as part of the revised governance approach for ABUHB, through the financial recovery plan actions.	31 March 23





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