



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	27 June 2023
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Targeted Intervention Actions
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Andrew Spratt, Deputy Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Sicrwydd/For Assurance

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

The Health Board has been escalated into Targeted Intervention (TI) by Welsh Government (WG) on 29 September 2022 for Planning and Finance.

The Audit and Risk Assurance Committee oversees progress against the Health Board's response to TI, however, this report highlights the key finance function specific items associated with an assessment of the Financial Management Principles.

The Sustainable Resources Committee is requested to receive assurance from the proposal to complete the Finance Management Principles review.

Cefndir / Background

Work has been ongoing since the inception of TI in late 2022, to address the deliverables highlighted by WG. Significant progress has been made on the finance function specific actions, and this report highlights the proposal to acknowledge and complete the Finance Management Principles review that were listed as a deliverable for the finance function as part of the broader organisation response to TI.

This report sets out the key updates pertinent to the finance functions actions and includes the work that has been submitted to WG in June 2023 and clarifies the remaining Finance actions.

Asesiad / Assessment

A set of financial management principles has been agreed as part of the TI deliverables, by WG, NHS Executive Financial Planning and Delivery, and the Health Board.

As part of the 17 March 2023 WG TI Quarterly Meeting, the KPMG recommendations were signed-off with the following open item (amongst others) to be completed on this topic, recognising that it was also a key deliverable as part of the original TI scope, thus

amalgamating into one clear outstanding action for delivery by the Health Board under the TI umbrella:

Financial Management Principles	
Executive Lead:	Huw Thomas (Director of Finance)
KPMG Reference #'s:	8.24, 8.26, 8.28, 3.8, 3.11, 3.1, 4.1, 4.10, 5.2, 5.3, 5.1, 5.2.
Description:	<p>Comprehensive review required to scrutinise and evidence financial management arrangements within the Health Board for:</p> <ol style="list-style-type: none">1. Financial planning2. Budget setting3. Savings monitoring4. Forecasting5. Opportunities framework6. Project Initiation Document (PID) incl. risk assessment7. Investment decision making process, governance, and criteria8. Arcus review to be undertaken to critique the effectiveness of the finance business partnering model, and the organisational maturity to support said partnering model

The accompanying Financial Management Principles document, attached at Appendix 1, articulates the progress, status, and recommendations related to the review.

The same report has been shared with the NHS Executive Financial Planning and Delivery team and Welsh Government, both as part of the 21 June 2023 Quarterly TI meeting. A verbal update will be provided to the Committee as to the feedback received from WG during this meeting.

The Arcus review has also been included within this Sustainable Resources Committee update under a separate agenda item.

Argymhelliad / Recommendation

The Sustainable Resources Committee is asked to receive assurance from the proposal to complete the Finance Management Principles review.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	1199 (25) Achieving financial sustainability
Galluogwyr Ansawdd:	6. All Apply

Enablers of Quality: Quality and Engagement Act (sharepoint.com)	
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	2. Timely 3. Effective 4. Efficient
Amcanion Strategol y BIP: UHB Strategic Objectives:	6. Sustainable use of resources
Amcanion Cynllunio Planning Objectives	8c Financial Roadmap
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	10. Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	NHS Executive Financial Planning and Delivery Minimum Expectation and Good Practice Guide HFMA published guidance titled 'Are you Getting the Basics Right?'
Rhestr Termiau: Glossary of Terms:	Contained within the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	Finance Leadership Team Targeted Intervention Working Group Executive Team NHS Executive Financial Planning and Delivery

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial implications are inherent within the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	Not applicable.
Gweithlu: Workforce:	Finance workforce implications are inherent within the report.
Risg: Risk:	Not applicable.
Cyfreithiol: Legal:	Not applicable.

Enw Da: Reputational:	Not applicable.
Gyfrinachedd: Privacy:	Not applicable.
Cydraddoldeb: Equality:	Not applicable.

Date: 21 June 2023
Meeting: Hywel Dda Quarterly Targeted Intervention Meeting
Reporting Officer(s): Huw Thomas (Director of Finance)
Report Title: Financial Management Principles

Introduction

This report intends to articulate the expected adherence to the financial management and control environment, that is set out with clearly defined working principles, for the organisation to operate and delivery within.

The finance function has undertaken a comprehensive review and update of the key principles over the past three years and has prepared consistently worded and formatted principles documents covering these key areas. These act as the guiding principles when practically undertaking the key business processes.

The principles are to support the formal governance arrangements in place, namely the Health Boards Scheme of Delegation and Standing Financial Instructions (SFIs) which remain our key governance documents, which ultimately take precedent over the principle documents, for the avoidance of doubt, should there be any conflicting statements.

The principle documents describe how processes should be undertaken within the finance function and across the organisation, and accountable officers, as specified via the Chief Executive Officer Accountability Letter to the respective Executive Directors, are expected to actively manage their portfolios to ensure delivery is aligned to the principles.

Key deliverables

A set of financial management principles have been agreed as part of the Targeted Intervention (TI) deliverables, by Welsh Government (WG), NHS Executive Financial Planning and Delivery (FP&D), and the Health Board.

As part of the 17 March 2023 WG TI Quarterly Meeting, the KPMG recommendations were signed-off with the following open item (amongst others) to be completed on this topic, recognising that it was also a key deliverable as part of the original TI scope, thus amalgamating into one clear outstanding action for delivery by the Health Board under the TI umbrella:

Financial Management Principles	
Executive Lead:	Huw Thomas (Director of Finance)
KPMG Reference #'s:	8.24, 8.26, 8.28, 3.8, 3.11, 3.1, 4.1, 4.10, 5.2, 5.3, 5.1, 5.2.
Description:	Comprehensive review required to scrutinise and evidence financial management arrangements within the Health Board for: 1. Financial planning

	<ol style="list-style-type: none">2. Budget setting3. Savings monitoring4. Forecasting5. Opportunities framework6. Project Initiation Document (PID) incl. risk assessment7. Investment decision making process, governance, and criteria8. Arcus review to be undertaken to critique the effectiveness of the finance business partnering model, and the organisational maturity to support said partnering model
--	--

Principles review

From the inception of TI in 2022, the Health Board’s finance function have aligned and agreed a process of documentation, review, and response with the NHS Executive FP&D team. Principle documents have been shared and an assessment undertaken and fed back to the Health Board.

The assessment, undertaken by the NHS Executive FP&D team, has been made against two nationally recognised NHS best practice guides, which are explained as follows:

- i. The Finance Delivery Unit (FDU as was, now called NHS Executive FP&D) Minimum Expectation and Good Practice Guide – This document provides a guide on the key elements making up a strong control environment relating to budgetary control and financial planning & forecasting.
- ii. The HFMA published guidance titled ‘Are you Getting the Basics Right?’ – A self-assessment guide designed to help finance teams and their boards to think about the key control elements required to support the NHS organisation’s financial position and identify improvements to drive sustainability.

Following the assessment, the Health Board finance function have responded to all recommendations, either updating the principles, stating that another process already addresses the recommendation, no action will be taken, or that it will remain open and be built into upcoming workplans.

Arcus review

A review into the effectiveness of the finance business partnering model within the Health Board has been concluded, undertaken by Adrian Wilmott, an external industry expert in Finance Business Partnering.

This is included in the appendix to this report, and highlights good progress made to date, specifically within the accounting and reporting teams, together with a rigorous forecasting process and getting closer to the service.

It also provides a concise set of recommendations to further develop the strategic role of a finance business partner, specifically surrounding the role clarity between

business controllers and finance business partners, to aid dedicated initiate support within the organisation, and for the role of the service to focus on financial discipline and value optimisation.

A task and finish group has been established within the Health Board to take these recommendations forward.

Proposal

The Health Board proposes that WG endorses the contents of this report and signs off the Financial Management Principles TI deliverables as complete, following corresponding feedback from the NHS Executive FP&D team.

The appendix outlines that some open recommendations are to be implemented in the future, and it is proposed that the NHS Executive FP&D team will continue with the collaborative working approach, together with the Health Board finance team, to satisfy themselves on an ongoing basis, outside of the TI escalation, that the Health Board continues to meet an acceptable level of financial management principles.

A status update report will be developed between the Health Board and the NHS Executive FP&D teams, to provide appropriate financial information into future TI meetings in order to monitor ongoing impact of the financial management principles, notably Opportunities conversation to Savings, cost pressures and mitigating actions, investment decisions, and ultimately any change to the in-year and underlying financial deficit.

The Health Board Internal Audit team will also periodically review the principles, and broader financial management arrangements, as part of their ongoing workplan.

The following documents are contained within the appendix of this report that cover the deliverable requirements, and evidence and justify the detail to support the above proposal:

- a) Budgeting Process and Principles
- b) Financial Planning Process and Principles
- c) Forecasting Process and Principles
- d) Opportunities Framework
- e) Project Initiation Document
- f) Savings Reporting Process and Principles
- g) Investment Case Process and Principles
- h) Financial management principles review, feedback, and responses
- i) Arcus Diagnostics and Recommendations

HYWEL DDA UNIVERSITY HEALTH BOARD

Budgeting Process and Principles

Contents

Introduction	2
In-Year Budget Changes.....	2
Governance.....	2
Criteria	2
Budget virements	2
Reserves	2
In-year funding Allocations	4
Budget profiling.....	5
Non-Recurrent Budgets	5
Appendix 1 – Criteria for Budgetary Changes.....	6
Protected Budget Types	6
Non pay budget changes	6
Pay budget changes	6

HYWEL DDA UNIVERSITY HEALTH BOARD

Budgeting Process and Principles

Introduction

This document has been prepared to establish best practice in budget management to enable Finance and Service teams to standardise budgeting principles across the organisation, reduce the number of budget lines and iterations on an annual basis and enable Service Managers to be accountable for their budgets

In-Year Budget Changes

Governance

Corporate Reporting will act as the 'gatekeeper' for the authorisation of all in-year budget changes to ensure the principles are applied. Where the principles have not been correctly applied the budget journal will not be authorised and the reason explained to the team member entering the journal (which will require that same team to enter a further journal to reverse the entry). Any instances of non-authorisation due to the principles not being applied correctly will be fed into the Learnings Log process.

A summary of all budget changes will be monitored and reported (in arrears) on a monthly basis by the Management Accounting (MA) team to identify and understand any outliers in the nature or volume of budgetary changes.

Criteria

Please refer to Appendix 1.

Budget virements

The budgetary control procedure for the Health Board was approved in February 2021. As part of this update, all Finance Business Partners (FBPs) are required to complete the "Budgetary Control Policy Virement Form" and ensure it is approved by the appropriate Manager in line with the scheme of delegation. Corporate Reporting will not process any budget virements until this document is provided and approved. The Budgetary control procedure can be found here [Hywel Dda University Health Board | Financial Procedures & Written Control Documentation Page \(wales.nhs.uk\)](https://www.wales.nhs.uk/health-board/financial-procedures-written-control-documentation)

Any budget virements between Directorates should cover the costs transferred. If, by exception, the costs transferred are not covered by the budget transferred this would need to be discussed and agreed by the affected budget holder and their FBP.

For any other budget requests outside of the below list, these will be reviewed on an individual basis where a decision will be made to approve/ reject the request. Such requests should be explained to the Corporate Reporting team in the first instance.

Reserves

Reserves are budgets held in a specific cost centre within the Level 4 'Directorate Health Board Financing' on behalf of all Directorates. The source of these budgets may be through additional Revenue Resource Limit (RRL) from WG allocations or through decisions made (typically through the annual planning cycle but also in-year) to reallocate existing core budgets.

It is a key principle that budgets will not be held in Reserves during the year, and that these budgets need to be allocated to the appropriate Directorate as soon as possible; and by no later than 2 months of recognition. In respect of the annual planning cycle, new investments approved must be

Page | 2

HYWEL DDA UNIVERSITY HEALTH BOARD

Budgeting Process and Principles

allocated directly to the owner Directorate base budgets (i.e. included in delegated budgets) and not held in Reserves.

Reserve balances will be managed within the Finance function through the Working Day meeting cycle, and formally reported to Executive Team and Board as part of the IMTP/Annual Plan cycle, and ongoing monthly finance reports.

The exception relates to centrally held Reserves (as per below).

Those Reserves classified as “Centrally held” will be treated as follows; Owners will be responsible for defining underlying processes as required. For all of the below, any recurrent slippage will be re-allocated centrally as contribution to recurrent savings delivery or to be utilised towards other approved items either in-year ([please refer to separate Investment decision making process, governance, and criteria document](#)) or in the following financial year’s planning cycle supported by appropriate business case documentation.

Reserve Item	Finance Team Owner	Ledger treatment
Variable Pay	Corporate Reporting	The Executive-led Workstreams in relation to Sustainable Workforce (one for Medical & Dental and one for Nursing) will determine a consistent and evidence based methodology for the release of the Reserve. This relates to both Nursing Agency premiums and Medical & Dental premium Locum costs. As the need may arise in different Directorates pay groups year on year, the Reserve will only be issued non-recurrently. This will be issued as part of the base budgets and therefore will be included in Directorate’s delegated budgets from the beginning of each year. No changes will be made in-year.
Secondary Care Drugs “Horizon scanning”	Medicines Management	The Medicines Management team will act as ‘gatekeeper’ approving a consistent methodology for the release of the Reserve and also reporting on any projected slippage overall. The Reserve will only be released for the specific drugs to the specific Directorates identified during the horizon scanning exercise deriving the Plan values.
CHC Inflation	Commissioning	The release will be transacted once the inflationary uplifts are formally agreed with the relevant Local Authority up to the Plan value for each county; if there are any shortfalls by county this will need to be managed during the year.
Medical wage award	Corporate Reporting	Once the Pay Award is confirmed through the in-year WG circular the YTD retrospective impact will be calculated based on Actual costs incurred; budgets will be released in line with the Actuals costs incurred YTD. The balance of the in-year budgets will be released at the same time for future months on a straight line basis. It is expected that the balances would not remain in Reserves across a month end cycle as the allocation is generally received in line with the YTD payments being made to staff.
Agenda for Change wage award	Corporate Reporting	

HYWEL DDA UNIVERSITY HEALTH BOARD

Budgeting Process and Principles

Regional Integration Fund	Corporate Reporting	<p>The RIF Reserve will be held centrally profiled in Month 12 until the RPB ratify the Plans for the year (this is the contingency position, as the aim is for the majority of Plans to be in place from Month 1).</p> <p>Once Plans are agreed, funding will be released into the appropriate Directorates and profiled in line with Plans. This includes Local Authority Plans which are recorded within Health Board Financing Directorate.</p>
Welsh Risk Pool	Corporate Reporting	<p>This is estimated each year during the Planning cycle by NWSSP, and provision made for any changes year on year in the recurrent Reserve. In the base budget, a non-recurrent negative allocation pending will be recognised to signal the 'payment' of the contribution via WG; this will be refined during the year based on any confirmation from NWSSP of updates to the level of risk share payable by the Health Board (which will present an in-year risk or opportunity).</p>
All COVID-19 funding (Programmes: PPE, Surveillance and Mass Vaccinations)	Corporate Reporting	<p>Where COVID-19 funding is received for a specific programme, the relevant Finance team will be responsible for requesting the budget from Reserves to match the corresponding costs incurred in the dedicated programme COVID-19 cost centre. The Corporate Reporting Team will then approve the release of funding to match the costs. The forecast for COVID-19 programme costs will be reviewed as part of the monthly review cycle and funding assumptions amended to match the EoY forecast.</p>

In-year funding Allocations

As soon as a member of the Finance team is made aware of planned, bid requests or confirmed WG funding (that will be issued via Revenue Resource Limit allocations) they must inform the Corporate Reporting team. The Corporate Reporting team will transact any confirmed funding in the ledger as anticipated income from WG (and report monthly to WG as part of the MMR) and the corresponding Reserve. The Reserve can then be issued to the relevant Directorate on provision of the relevant cost centres, subjectives and profile.

On receipt of a new Allocation that had not been highlighted as part of the above process, Corporate Reporting will notify FBP of this Allocation (with accompanying letter for information). The FBP whose Directorate is due the Allocation will be required to provide the forecast phasing of the allocation and estimated split between the following categories used as part of the NHS Wales Monitoring Return:

- Pay
- Non-Pay
- Drugs
- Primary Care
- Prescribing
- CHC
- Other Healthcare Services

HYWEL DDA UNIVERSITY HEALTH BOARD

Budgeting Process and Principles

The FBP will be expected to draw down funding received in-year by the end of the month following the month receipt. For any Allocation left in Reserve for longer than this (that is not agreed to remain centrally in Reserves via the relevant ADoF), this Allocation will automatically be released centrally to fund the overall Health Board position on the assumption that this is not required. This is to ensure that accountability for delivery of operational expenditure plans will sit with Directorates from the outset and enable collaboration to deliver service change objectives.

Budget profiling

All FBPs are required to profile base budgets in line with when actual costs are forecast to be incurred. Once the profile has been uploaded, in year re-profiling of budgets will not be permitted unless explicitly approved on a case-by-case basis by the Assistant Director of Finance (ADoF) for that department. It is not permitted to 'smooth' the reported position by 'accruing to budget' (accruals should not be made without evidence of expenditure). Variances that arise as a result of the budget profile not matching actual costs due to timing differences in expenditure should form part of the narrative explanation of in-month variances where material. This may result in, for example, an under-spend in an earlier part of the year and an over-spend in a later part of the year which overall is £nil EoY – this is an intentional outcome of this process.

Specific profiles can be set within Oracle for specific types of expenditure; for example, drugs budgets would be aligned to Prescribing days per month. This is set annually as part of the base budget.

Non-Recurrent Budgets

The Master Budget Control spreadsheet includes both recurrent and non-recurrent budgets. Income and Non-Pay non-recurrent budgets are routinely recorded in the same level of detail contained within Oracle within the Master Budget Control spreadsheet. For Pay non-recurrent budgets, there is a process to record a greater level of detail, whereby an individual's pay budget is categorised across multiple fields such as Basic, Additional sessions, Commitment Awards, Overtime, Enhancements, On-costs etc).

The purpose of capturing the non-recurrent pay budgets in specific categories is to allow a comparison of actual spend to budget in a greater level of. A Steering Group will determine an automated method of classifying Actual pay expenditure into the categories. This will feed into the Finance Dashboards in Power BI to inform the Pay Intelligence analysis.

As all new posts are already costed through the Pay costing tool prior to a budget request being made this is not an additional task for the Management Accounting team, except for the need to extract the costing data and feed into the Corporate Reporting team.

HYWEL DDA UNIVERSITY HEALTH BOARD

Budgeting Process and Principles

Appendix 1 – Criteria for Budgetary Changes

Protected Budget Types

The following categories of budget cannot be used as part of any cleansing/realignment process, but may be used in the identification of savings schemes (with the exception of RIF):

- CHC;
- Secondary Care Drugs;
- Primary Care Prescribing;
- Regional Integration Fund (RIF)

Any investments (budgets) approved through the Financial Planning cycle (National or Local) cannot be re-allocated from the cost centre(s)-subjective(s) to which they were assigned in the Plan in-year. The Management Accounts team will monitor and report (in arrears) on a monthly basis actual level of expenditure against each specific investment. Where slippage against investments occur, these will be highlighted and if investments consistently fail to be made at the Planned levels throughout the year (for example, due to inability to recruit to posts) then any unutilised full year effect (FYE) budgets will be re-allocated to Central Reserves for contribution to recurrent savings delivery or to be utilised towards other approved items in the following financial year's planning cycle. Any unutilised budgets will not be retained within Directorate positions and cannot be used to offset other pressures or new investments (as all new investments should be subject to the separate governance processes, [please refer to separate Investment decision making process, governance, and criteria document](#)).

Non pay budget changes

Changes to non pay budgets (within a Level 4 Directorate position) in the year will either be due to:

- a significant structural change in the directorate (OCP); or
- a realignment of recurrent budgets as part of a zero-basing type exercise in an effort to redistribute budgets to the offset pressures from areas of under-spend.

By their nature, these types of changes are therefore not anticipated to be frequent. This process will negate the need for a system wide Non-Pay right-sizing exercise.

Pay budget changes

Changes to pay budgets (within a Level 4 Directorate position) are to be based on service requirements (for example, a Service Delivery Manager wanting to adjust budgets to reflect skill mix changes). These changes must be cost neutral and costed through the Standard costing tool prior to a budget request being made, assuming no formal investment request has been made. Changes may also be made due to realignment of recurrent budgets as described above. This would fall outside of (and therefore before) the Pay right-sizing processes for both A4C and Medical and Dental staff for the Financial Plan ([please refer to separate Financial Planning Process and Principles document](#)).

HYWEL DDA UNIVERSITY HEALTH BOARD

Financial Planning Process and Principles

Contents

INTRODUCTION	2
WELSH GOVERNMENT	3
HEALTH BOARD	3
WG FUNDING ALLOCATION	3
STEERING GROUP FRAMEWORK	5
Finance Steering Group Framework.....	5
FINANCIAL PLANNING ASSUMPTIONS	7
Transformation	7
NATIONAL FINANCIAL POSITION DRIVERS	7
Pay awards.....	7
Minimum & Living Wage	7
Tax Changes	8
National Insurance Changes.....	8
Pension Contribution Changes	8
Other Legislative Changes.....	8
Non Pay.....	8
SLA and LTA Nationally Agreed Inflationary Increases	8
Demographic Growth Estimates	8
Planning principles: National Drivers.....	8
LOCAL FINANCIAL POSITION DRIVERS	10
Financial Position Drivers within Directorates	10
Savings.....	11
Reserves	11
SAVING PLANS / OPPORTUNITIES	11
TIMETABLE	12
DECISION MAKING PROCESS.....	13
Preparation of IMTP Tables (Minimum Data Set (MDS)) and Narrative	14
Issue of Accountability Letters and budget schedules	14
Appendix 1: Base Pay Budget Setting for Medical and Dental posts.....	16
Key Principles	16
Appendix 2: Base Pay Budget Setting for A4C posts	20

Introduction

INTRODUCTION

In accordance with the Welsh Ministers' powers under section 175(2) of the National Health Service (Wales) Act 2006, Local Health Boards are directed to produce Integrated Medium Terms Plans (IMTPS) as set out in the NHS Planning Framework.

As part of this Act, as set out in section 175 and 176 and amended by section 2 of the NHS Finance (Wales) Act 2014, the Health Board has a statutory duty to break even against the resource limit set by Welsh Government (WG) over a 3 year period.

As part of the preparation of the 3-year IMTP a 3 year Financial Plan should be prepared which should reflect the financial impact of the decisions and service developments contained within the plan.

Over the last few years, due to the underlying financial position of the Health Board, Welsh Government have stipulated that an Annual Plan is to be prepared and submitted. The Integrated Medium-Term Plan (IMTP) is the key planning document for the Health Board, setting out the milestones and actions we are taking in the next 1 to 3 years in order to progress our Strategy. It should be based on the health needs of our population, delivering quality services, ensuring equitable and timely access, and the steps we will take to deliver our vision for a Healthier Mid and West Wales.

It is the ambition of the Health Board to produce an approvable IMTP in the future; this is predicated on the Health Board being able to demonstrate financial balance and financial sustainability. Without a plan for financial balance (over the three year period) it is not possible to have an approvable IMTP. In this case the Health Board would have to produce a Three Year/Annual Plan, as we have done over the last few years.

It is anticipated that financial balance can only be achieved with additional WG support and that this will likely be required, to some degree, up to the point that the Health Board can reduce the number of acute hospital sites.

Key to securing this support will be:

- realistic but ambitious plans which meet the Ministerial priorities (not only financial);
- WG's confidence in the Health Board's ability to deliver on these plans;
- demonstrable alignment across service, finance, and workforce plans.

There is no expectation that the Health Board will in a position to produce an IMTP for the 2023-2026 planning cycle. This will be reviewed each year.

This document has been prepared to set out the principles to be followed in completing the Welsh Government requirement for a financial plan submission in a stipulated format and the Health Board's requirement to prepare a financial plan and set delegated budgets.

WG have yet to issue a confirmed timeline for the Plan submission, however the working assumption adopted by the organisation is that the draft Financial Plan will be presented to Board for approval in December 2022.

Introduction

WELSH GOVERNMENT

Planning guidance is issued annually by Welsh Government and provides a set of financial templates that require completion and submission. However, the guidance contains no detail around how and where to go to obtain the financial information and detail to inform the plan. The Planning Guidance is issued to the NHS in the form of [Welsh Health Circular](#).

HEALTH BOARD

The UHB will prepare an IMTP which incorporates the statutory planning requirements. The plan must reflect longer-term planning and delivery objectives and should be continually reviewed based on latest WG policy and local priority requirements. The plan should be balanced over the 3 years of the plan and based on a reasonable expectation of future allocations, service developments, cost pressures and savings plans.

The Chief Executive submits to the Board the Annual 3 year rolling IMTP which will set out the UHB's response to delivering the priorities for the year and expectations for future years, as outlined in applicable national guidance from WG, within the allocation.

It is the responsibility of the UHB under the joint guidance of the Director of Finance and the Director of Strategic Development and Operational Planning to produce a financial plan as part of the IMTP. The plan should ensure:

- That the UHB expenditure does not exceed its resource limit over the period of the plan.
- The UHB does not exceed its notified cash limit.

The expenditure plans set out in the UHB's Financial Plan should ensure that the performance targets agreed with Welsh Government can be met.

The plan should demonstrate that the UHB is exercising good stewardship in its use of public funds and in particular demonstrate the principles of:

- Probity and Value for Money

WG FUNDING ALLOCATION

The main part of the UHB's income is via the Revenue Resource Allocation (spending limit) from WG.

The UHB receives both Resource Limited and Non Cash Limited income from WG. In the case of Non-Cash Limited allocations the UHB acts purely as an agent for the financial transactions, the budgetary responsibility for management of the Non Cash allocations resting with WG.

The UHB receives its Resource Limited Allocation from the WG under a number of headings some of which are ring fenced or have other restrictions placed upon them. Principal among these are the General Medical Services (GMS) and Dental Services Allocations. The UHB will ensure that all expenditure recorded against these allocations complies with the regulations set down in the GMS and Dental contracts.

The UHB is required to have controls and procedures in place to ensure that it collects all the income due to it.

In the case where individual budget holders have bid for and received specific funding, for example WG grants, it is the responsibility of the budget holder to inform the Finance Department that this income is due to the UHB.

Introduction

The main allocation letter is issued to the Health Board by Welsh Government – currently in December - and this details the Health Board's recurring allocations. These are also issued as Welsh Health Circulars.

The Corporate Reporting team will:

- Compare the allocations from the previous year's letter to review additions and omissions and generate a schedule of these;
- Review what new allocations need to be created as Reserves for the new year;
- Reconcile the future year recurrent allocations included in the ledger with the recurrent baseline issued by WG. Agree which of the reconciling items should be included in the Plan;
- Review non-recurring allocations that span more than one year and therefore a funding allocation is expected in the new year;
- Review the treatment of the Integrated Care Fund allocation within the WG baseline allocation letter as some of the allocation may be in the allocation letter and some may be held centrally.

Steering Group Framework

STEERING GROUP FRAMEWORK

Finance Steering Group Framework

The Health Board's Planning Team will be responsible for the co-ordination of the Annual Plan production linking closely with the Finance and Workforce teams to reflect the organisation's service plans and objectives for the next three years.

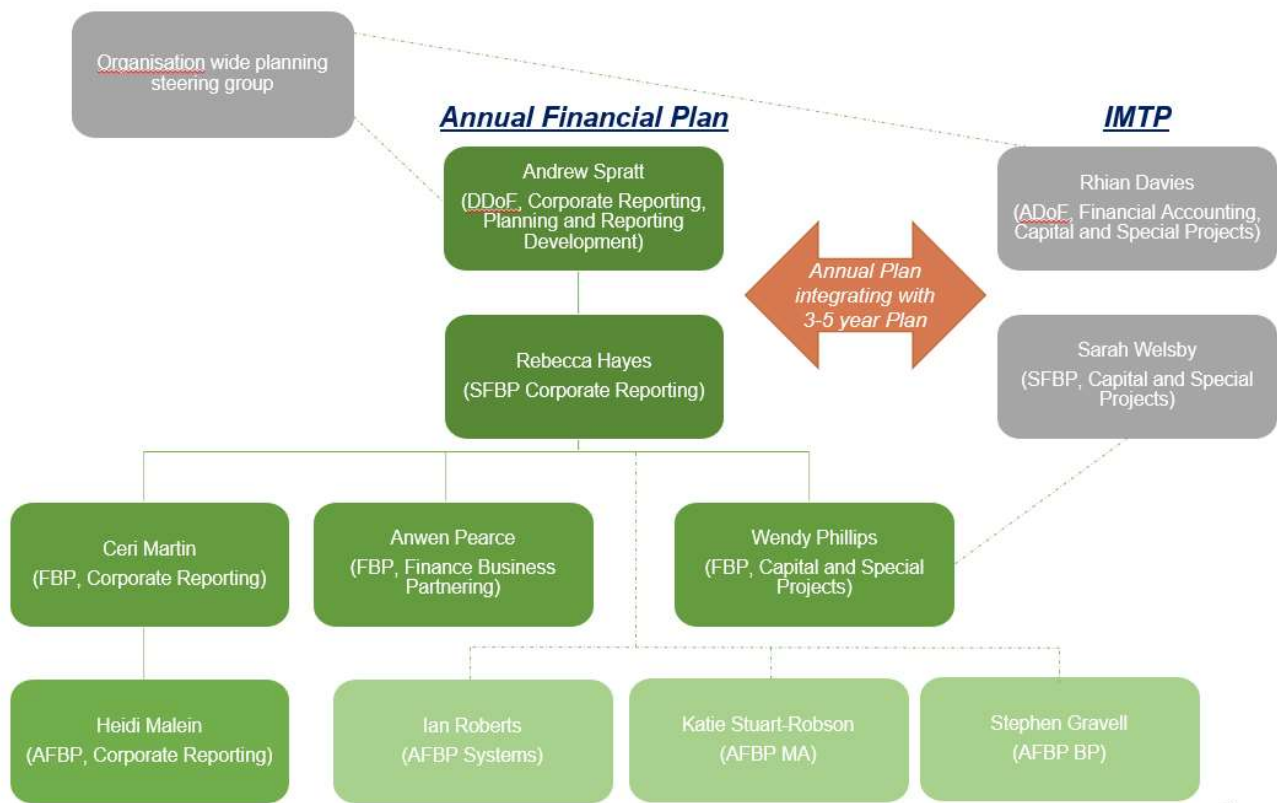
The Year 1 Planning process will be led by the Corporate Reporting team, as the Accountable team, with any financial information relating to Year 2 onwards falling under the remit of the Major Projects and Capital Team.

To facilitate the process and avoid duplication or omission -

A Steering Group will include membership and responsibilities:

- SFBP Corporate Reporting driving the strategic direction of the Year 1 planning and budget setting process, setting the corporate agenda (Chair)
- FBP Corporate Reporting leading the Year 1 planning and budget setting process, deploying corporate instructions, and actively contributing to the business planning process (Deputy Chair)
- AFBP Corporate Reporting manages the finance timetables and supports the constructive challenge across all teams of processes, procedures and information in an independent, unbiased & transparent manner (also Secretariat)
- FBP 'core' FBP team (including Contracting and CHC); responsible for consulting with FBP peers, highlighting potential issues and reporting on progress against deliverables allocated to FBP teams; ensures the timetable is aligned to the delivery of any in-year budget setting objectives required in tandem with the planning process
- FBP Capital and Special Projects responsible for advising and agreeing a deliverable timetable from the IMTP perspective, ensuring consistent assumptions and methodologies are applied in the IMTP in line with the Year 1 Plan and ensuring all communications to other teams are discussed and agreed through the Steering Group
- AFBP Systems (optional) responsible for advising and agreeing a deliverable timetable from a Systems perspective, highlighting potential issues and reporting on progress against deliverables allocated to team; provides expert and specialist advice on the systems utilised or referenced during the planning and budget setting process; supports trouble-shooting from a systems perspective;
- AFBP Management Accounts (optional) responsible for advising and agreeing a deliverable timetable from a Management Accounts perspective, highlighting potential issues and reporting on progress against deliverables allocated to team; provides expert and specialist advice on the management of ledger budgets;
- Others may be invited to join the Steering Group on an ad hoc advisory basis as appropriate.

Steering Group Framework



NB. Attendance at Steering Group meetings is required – if the member listed above is unable to attend then an appropriate deputy should attend. The IMTP ADoF and SFBP may attend the Steering Group meetings as deemed appropriate.

The Steering Group will agree and deliver the communications and engagement strategy to the wider Finance team. The Group will meet weekly from September 20YY until the completion of the draft Financial Plan in December/January 20YY.

Local groups should be set up as appropriate by Steering Group members with their local teams to ensure that the representatives are able to update the Steering Group as to progress against deliverables and any issues that need to be escalated. The Local groups should set their own agendas and processes in order to facilitate their deliverables and any proposals that require decision at the Steering Group.

Financial Planning Assumptions

FINANCIAL PLANNING ASSUMPTIONS

Transformation

Underpinning the UHB's Medium / Long term strategy is the "Health & Care Strategy – A Healthier Mid and West Wales." The vision for the strategy is for a new urgent and planned care hospital, refurbishment of two of our existing hospitals along with significant community infrastructure investment which includes the repurposing of two of our existing hospitals.

There is an aspiration to minimise the need for patients and staff to attend hospital, but for those who do, to have the shortest clinically appropriate length of stay. It means implementing an ambitious and innovative programme of whole system change shifting from our current emphasis on hospitals to a focus on working in partnership with people and communities to keep people well in or close to their own homes.

The timeline for these transformational changes are outside the scope of the three year IMTP cycle, however some of the pathway changes are being accelerated to assist in the delivery of a sustainable financial position.

The Planning and Major Projects Team will:-

- Review submissions made as a part of the Year2/3 wider planning process and;
- Highlight any areas where services / pathway changes deviate from the UHB's longer term strategy

NATIONAL FINANCIAL POSITION DRIVERS

In the absence of the National Finance Agreement work the following is a suggested places where some of the required information may be obtained.

The Corporate Reporting team are responsible for identifying the latest HMRC legislation and WHC that will need to be updated in the Master Budget Control spreadsheet or in the planning assumptions. However, all SFBPs should communicate to Corporate Reporting, through the BAU weekly meetings, any national changes that they have been made aware of if it is likely to have a financial implication for the planning process. The FBP for Corporate Tax will also review in conjunction with the Corporate Reporting FBP the latest relevant HMRC legislation bi-annually.

Pay awards

Normally issued as separate Welsh Health Circulars for Agenda for Change (A4C) and Medical & Dental Staff. The current assumption is Pay Awards are fully funded from WG and does not form part of the Health Board's allocations. If the actual A4C pay award is known, budgets will be adjusted to reflect this. In the absence of a formal all Wales Agenda for Change pay agreement; the default assumption will be a 3% uplift in budget for those staff employed on Agenda for Change terms and conditions.

For Medical and Dental staff, the impact of the pay award, if known, will be calculated; if this is not known, the default assumption will be a 3% uplift in budget. The Commitment and Distinction Awards impact will also be calculated based on the Month 9 eligible medical staff as confirmed by Payroll to the Corporate Reporting team. Once the actual M&D pay award is known, budgets will be adjusted to reflect this.

Minimum & Living Wage

Review of financial press for articles, this is not normally an issue for internal Health Board staff as the Agenda for Change rates are higher than the living wage rates, but the rates can impact on

Financial Planning Assumptions

some of the agreements that we have with other non-NHS providers for CHC or third sector partners who deliver services for us

[National Minimum Wage and National Living Wage rates - GOV.UK](#)

Tax Changes

National changes normally advised through Chancellor Budget statement.

Welsh Government have their own tax raising powers as well and could raise taxes in some areas over and above Treasury.

National Insurance Changes

Review of financial press for articles especially following a Chancellor Budget statement, gov.uk web pages.

[National Insurance rates and categories - GOV.UK](#)

Pension Contribution Changes

Review of financial press for articles, NHS Employers web page

[Employer news | NHSBSA](#)

Other Legislative Changes

Legislation in other areas could be in the form of Health and Safety legislation, Nurse Staffing Act – these will be subject to the Investments Process and will require an approved SBAR to be provided in order to be included in the Financial Plan.

Non Pay

As a general indicator of cost increases the Health Board can use the LFR 3 Return which is prepared as part of the Annual Accounts process as a basis for this exercise. The movement in the Consumer Price Index for the last 12 months can then be used to estimate the inflationary increases that may impact on costs.

[Inflation and price indices - Office for National Statistics](#)

SLA and LTA Nationally Agreed Inflationary Increases

Central calculation of % increase on LTA contract value undertaken – proposal from FBP responsible for Contracting, verified by Corporate Reporting.

Demographic Growth Estimates

Using population growth/changes estimate the impact on costs of changes in demography.

Planning principles: National Drivers

- Review pay circulars if available, modelling the impact based on specific Month payroll information.
- No incremental changes will be factored in on the basis that the 'churn' rate is cost neutral (i.e. the on-going impact of leavers and starters net to £nil). By exception, if it can be proven that a service has at least two financial years without leavers and existing staff are insufficiently funded due to their pay point then a case may be presented to the Deputy Director of Finance (Corporate) for consideration of incremental funding. This must be a

Financial Planning Assumptions

holistic Directorate case, having considered first whether the pressure can be consumed within existing budgets.

- Medical and Dental: reconciliation exercise will be carried out between ESR (NHS Financial Cost Analysis report) based on Month 8 and the Master Budget Control spreadsheet based on Month 8 comparing sessions, pay point and other contractual remuneration (including commitment awards but excluding Deanery posts which are assessed separately) and pensions, however it is assumed that this will be broadly cost neutral on the basis that historical right-sizing exercises have been completed. The pay point in the Master Budget Control spreadsheet will be matched to that in ESR with any non-matches being treated as a vacancy. A record of vacancies will be collated as a result of this exercise at a cost centre-subjective level of detail (i.e. to be distinctly identifiable vs posts at the bottom of the scale).
- A4C: reconciliation exercise will be carried out between ESR (NHS Financial Cost Analysis report) based on Month 9 and the Master Budget Control spreadsheet based on Month 9 comparing WTE, pay point and pensions, however it is assumed that this will be broadly cost neutral on the basis that historical right-sizing exercises have been completed and incremental bands being collapsed under A4C terms. The pay point in the Master Budget Control spreadsheet will be matched to that in ESR with any non-matches being treated as a vacancy. A record of vacancies will be collated as a result of this exercise at a cost centre-subjective level of detail (i.e. to be distinctly identifiable vs posts at the bottom of the scale).
- All vacancies funded at bottom of the scale. Pension funding will be provided for all vacancies.
- All recurring A4C budgets will be set for substantive NHS posts, no recurrent budgets for bank, agency or variable pay (see Appendix 1 for Medical and Dental).
- A variable pay budget (to address the premium over and above vacancies) will remain in Reserves which will be available to draw down in line with the current Budgeting Principles to Directorates each year on a non-recurrent basis. The level of this reserve will be assessed and any addition to it will be subject to the Investments Process.
- If no pay circular is available assume 3% increase for Medical & Dental, 3% for A4C and Very Senior Managers (VSM)
- Use Pay budgeting model to estimate impact of changes to Employer NI and Pensions contributions.
- Identify legislative changes or Approved Investment information from DoF/ DDoF/ Directorates/ Other teams which need to be included in the IMTP.
- Calculation of % increase in SLAs.
- Non Pay & Inflation Calculation.
- The FBP for Medicines Management is responsible for assessing the impact of Prescribing price inflation and Secondary Care Drug horizon scanning (new drugs only) in partnership with the Pharmacy Leads. The FBPs for affected Directorates will be given the opportunity to review and challenge these assumptions through service supported evidence based meetings including the Pharmacy Leads. The assumptions, drug names, conditions, profile assumptions and sub-Directorates must be captured. If a decision is required of the Steering Group, a Paper articulating an appraisal of several options and a recommendation is required from the FBP for Medicines Management.
- The FBP for CHC is responsible for assessing the expected impact of CHC price inflation in line with the anticipated % uplift negotiated with each Local Authority.
- National programmes are defined as programmes of work set nationally that the Health Board has a requirement (either through CEO agreement or national policy edict) to contribute a specific sum towards, as set by the national leading body. All teams should provide details and evidence of such programmes.

Financial Planning Assumptions

LOCAL FINANCIAL POSITION DRIVERS

Financial Position Drivers within Directorates

A key principle is that local cost pressures, outside of the Inflationary Macro elements listed above, will not be assessed with a view to making a financial provision within the Planning cycle. All investments outside of the Inflationary Macro elements will be subject to the Investments Process.

However, a high level assessment of the material operational drivers of each local financial position (risks and opportunities) will be provided by finance teams (following engagement with service leads and Workforce leads) based on the rolling 23-month forecast produced in Month 6 (both £ and WTE); budget being the recurrent budget only from the Master Budget Control spreadsheet. There should be a clear articulation of any step up/down from the current year forecast. The summary must not make reference to prior year savings targets, but instead articulate the resultant Risks, if applicable. The summary should outline the key underlying assumptions, e.g. growth in activity, level of WTE vacancies etc.

Any COVID-19 schemes or Exceptional items proposed to continue into future years will need clear operational justification in respect of both value and WTE for quality and patient impacts.

There is no requirement to distinguish between recurrent and non-recurrent drivers (unless this is of significance to highlight). The 23-month rolling forecast principles/instructions to teams are as follows:

All Inflationary Macro items (listed below) and Investments that have not yet been approved, are not to be factored in for the expenditure or budgets into the Directorate forecast – Directorates are only to forecast actuals against the budgets that are within the Directorate recurrent base for Year 2.

Inflationary Macro Items:

- *LTA inflation;*
- *CHC/FNC inflation;*
- *Utility inflation;*
- *CPI inflation;*
- *SLA inflation;*
- *Income inflation*
- *Pay modelling (3% Pay Awards);*
- *Primary Care Prescribing price inflation;*
- *Secondary Care Drugs horizon scanning (new drugs only).*

Supporting business cases are required for each of the Macro items from the relevant lead team. Where relevant teams will be required to distinguish between Core and Exceptional inflation.

All investment decisions will adhere to Investment process, which is a monthly iterative process which will span within and outside of the annual planning cycles. The Investment SBAR will need to be inclusive of the long term financial appraisal and articulate clear delivery metrics to measure.

For clarity, this will include:

- Revenue consequences of capital schemes;
- Capital consequences of revenue schemes
- Statutory changes (e.g. Nurse Staffing Act);
- CHC growth;
- Secondary Care Drugs or Prescribing growth;
- Welsh Risk Pool contributions;
- WHSSC and EASC Annual Investment contribution;

Financial Planning Assumptions

- COVID-19 response/other Exceptional items continuation proposals (i.e. where a COVID-19 response is proposed to be adopted as 'business as usual').
- Consequences of new leases under IFR16

SBARs, for National Investments (All Wales) not documented in the in-year Investment tracker, are required to be submitted to the Corporate Reporting team.

This over-arching process should also be used as a vehicle to assess areas identified for Disinvestment following review of outcomes or service design changes.

Savings

Savings will need to be linked to the Opportunities framework process. [Please refer to separate Savings Reporting Process and Principles document.](#)

Any residual unidentified target for Year 2 and future years will be held in HB Financing Directorate in the first instance and only issued to Directorates as savings plans are agreed (Green/Amber only) or alternative methodologies are agreed by the Executive Team in principle.

Reserves

Review of recurrent reserves, assessing what is committed for future years, ensuring clarity over Directorate or Corporate ownership. The FBP owning each Reserve item will be required to provide cost classifications and phasing planning assumptions.

New allocations in the allocation letter will need to be created in reserves for future years. An assessment of "recurrent non-recurrent" WG allocations will need to be completed and agreed with WG as to whether such funding can be assumed in the Plan.

Where Directorates are unable to provide an appropriate cost centre-subjective for new funding in relation to new developments cost drivers/benefits then that funding will be held in Reserves. Any new funding issued to Directorates will not be released from Reserves/allocated without an appropriate and final cost centre-subjective. "Holding" code combinations cannot be used for new funding.

The Corporate Reporting team will:

- Ensure that appropriate Reserves are carried forward from one year to the next
- Ensure that appropriate Reserves are created from the allocation letter
- Ensure new Reserves are created for agreed developments and cost pressures
- Resolve recurrent gaps created in year ("negative reserves")

SAVING PLANS / OPPORTUNITIES

The exact saving required for 2023/24 and future years is yet to be confirmed and quantified but there will be a savings requirement in the region of £15m per year based on high level modelling. Rather than awaiting confirmation of the exact requirement, which will be communicated later in the planning process, Directorates are expected to work on the assumption that there will be a 'housekeeping' efficiency target of 1.5% of budget, plus the need to support and deliver Strategic savings plans which are likely to span pathways in many cases; many of these are already logged on the Opportunities framework, and it is the expectation that Directorates begin to work up plans at the earliest opportunity. For the efficiency target Directorates should work to the following milestones:

- **50%:** 50% Amber, 0% Green by 30th November;
- **75%:** 50% Amber, 25% Green by 17th December;
- **100%:** 50% Amber, 50% Green by 31st January;

Financial Planning Assumptions

- **100%:** 25% Amber, 75% Green by 15th March.

It is not acceptable that the savings target is treated as a financial 'balancing figure' with each Plan; the identification and planning of savings needs to be completed in unison with Strategic Investments and Strategic decisions in line with the Roadmap to Financial Sustainability.

- An Opportunities framework will be shared with Business Partners that will identify potential opportunities for the Directorates to explore.
- A value based approach will be used to identify savings opportunity – ensuring that the opportunities to make allocative and technical gains from a service delivery perspective are explored.
- Transformation – working with operational leads and the relevant FBP's to accelerate elements of the HB's medium-term strategy.

Budget reductions can only be made for cash releasing savings, and therefore cost avoidance schemes should not be transacted in the ledger as budget reductions, but potentially as re-assignment of budgets to the most appropriate cost centre-subjective.

Savings Tables for the IMTP return mirror the WG Monitoring Return requirement.

Savings Plans should be developed to a level of detail that enable them to be classified:

- Continuing Care & Funded Nursing Care
- Commissioned Services
- Medicines Management (Primary & Secondary Care)
- Non Pay
- Pay
- Primary care

They also need to identify

- Saving Type
 - Cash-releasing
 - Cost Avoidance
 - Income Generation
- Recurrent or Non recurrent
- Part year impact in the year of introduction and following year full year impact

All savings plans (of Green and Amber RAG rating) should be logged on the Savings Tracker in line with the [Savings Reporting Principles and Process document](#). A savings plan can only be logged on the tracker by its owner (i.e., Savings plans identified by one Directorate but affecting budgets in another should be logged by the latter, as the accountable individual). In the case of those saving schemes where the savings appear in another Directorate's budget there needs to be agreement between the two directorates as to who owns the scheme and how it will be delivered. Agreement will then be needed as to who is most appropriate to be the lead directorate for the scheme.

TIMETABLE

The timetable will include actions to deliver:

- Planning for the next financial year;
- Specific holistic budget setting/cleansing tasks;
- Planning for the Medium term and Transformation Strategy; and
- The Master Budget Control spreadsheet systems/ Pay budget modelling cycles (NB the 'normal' budget management tasks are included in the Month End timetable; this timetable includes the timeframes where the Master Budget Control spreadsheet is unavailable to the

Financial Planning Assumptions

FBP teams, which will need to be considered when planning the delivery of tasks. The Timetable will also reflect the timeframes for the new Pay budget modelling once implementation is completed).

This document supplements the Timetable, and the documents should be read in conjunction with one another. Both are iterative documents that will require refining and refreshing as the planning cycle progresses, due to the impact of HB decisions that could take place during the planning cycle.

The timetable classifies each task into one of the following action types:

- Macro-analysis (holistic, HB-wide assessments);
- Micro-analysis (local, specific and potentially specialist assessments);
- Savings (relating to the HB's cost reduction opportunities);
- Funding (allocation assessments growth);
- Training (training activities to facilitate the delivery of the actions);
- Principles (activities relating to scoping and agreeing principles that will impact activities);
- Review (independent review of another team's assessment);
- Review/Paper (independent review and documentation of another team's assessment);
- Comms (communications required externally from Finance);
- Systems (central uploads/adjustments made to the Master Budget Control spreadsheet).

The primary activities may have a number of secondary activities. Retaining the link between the primary and secondary will allow the users to pivot the timetable to varying levels of detail and therefore tailor for different audiences as appropriate.

Each action is assigned a Team, and Accountable individual (lead to ensure appropriate actions are taken by the Responsible individual) and a Responsible individual (lead to deliver on action). These fields must be populated with a role (e.g. SFBP) rather than a named person.

A deadline and task duration has been agreed through the Steering Group planning meetings; any deviation from the set deadlines as the planning cycle progresses can therefore be amended with the understanding of the time needed to deliver the action. This is to build in flexibility to align with any changes communicated from WG.

DECISION MAKING PROCESS

A bi-monthly update report on the progress of the Financial Planning process will be presented to the Sustainable Resources Committee and the Board. The papers will be of an 'inform' nature, and not require formal approval until the Plan is finalised.

Feedback will be collated from these meetings and refinements made as appropriate.

The Corporate Reporting team will collate the draft Financial Plan, reviewing supporting working papers and assumptions and providing constructive challenge ahead of the DoF initial review. The initial DoF review comments and constructive challenges will be communicated to the relevant teams, and further refinements made in response. A revised consolidation will be prepared by the Corporate Reporting team.

The relevant service leads and FBP teams will present their Financial Sustainability Risks and Opportunities (being the key operational drivers explanation) to the relevant operational Lead Executive(s), Planning representative and the DoF for discussion and further constructive challenge. Guidance templates will be provided by Corporate Reporting and the Planning & Major Projects team, having liaised with the HB's Planning team. These sessions will not result in the allocation of any funding; any new funding would need to be applied for through the Investment process which is not restricted to the annual planning cycle but is a monthly iterative process.

Financial Planning Assumptions

The draft Financial Plan will be presented to the Sustainable Resources Committee and shared with the FDU for feedback, which will be communicated to the FBP teams. This draft will include a schedule of decisions required by Executive Team.

Funding decisions will be made by the Executive Team, including the impact of those funding decisions on the level of savings requirement for the organisation. The decisions taken will be communicated to the FBP teams.

In preparation for the budget base upload (which will provide the opening budgetary ledger position), a template will be populated with:

- All new macro-economic investments approved within the Plan;
- All new national investments approved within the Plan;
- All new local investments approved within the Plan;
- Any recurrent Reserves that are within the central holding code from the current financial year (i.e. recurrent reserves that have only been utilised non-recurrently in-year);
- Any cost neutral budget realignments (between cost centres and/or subjectives or re-profiling) with the same Level 4 Directorate.

The Finance owners are to provide the Cost Centre and Subjective details along with the phasing by period to enable this to be transacted into the ledger to form the base budgets in a transparent way.

Preparation of IMTP Tables (Minimum Data Set (MDS)) and Narrative

The Corporate Reporting team will engage with the Finance Delivery Unit and WG Planning colleagues from the outset and ensure that this Principles document and key assumptions are agreed.

Draft Annual Plan tables and Draft Enabling Plan must be submitted to the Finance Delivery Unit for feedback prior to the final and formal submission to WG.

Based on the tables issued to date from WG, it is expected that the prescriptive templates will be provided by WG:

- All Revenue Finance tabs completed by Corporate Reporting Team
- All Capital Finance tabs completed by Major Projects Team
- All Programme Financial aspects completed by the relevant FBP team in partnership with the Service Leads
- All other tables are completed by the Workforce, Planning and Performance Teams (external to Finance), however this will be done in an engaged and collaborative manner to ensure the best triangulation possible

These will be completed to reflect the agreed Financial Plan in the necessary format.

Issue of Accountability Letters and budget schedules

The Accountability Letter issued in the previous year will need to be reviewed/amended as fitting for the new year. A deadline for the return of the signed letter to the Chief Executive, DoF, relevant Finance Business Partners and the Corporate Reporting team will be set out in the letter.

The Appendices will include both the recurrent and non-recurrent budget extracted from the new Budgeting model for each area being communicated with, and a clear explanation of the basis of the budget, acknowledging that there will be budget changes affecting the following financial year after the accountability letters are issued. The Appendices will be in a user-friendly excel format (example extract below).

Financial Planning Assumptions

Hywel Dda University Health Board

Prophix Budget Book Summary 2020/21

PLANNED CARE

Row Labels	Sum of Budget	Sum of WTE Contracted
PLANNED CARE	101,745,596	1,234.36
ENDOSCOPY, BOWEL SCREENING, PAIN AND UROLOGY	7,187,545	110.99
BOWEL SCREENING	(144,604)	4.48
BOWEL SCREENING	(144,604)	4.48
(0854) HDHB Bowel Screening	(144,604)	4.48
ENDOSCOPY	3,807,188	61.67
ENDOSCOPY	3,807,188	61.67
(0004) CAR - Endoscopy	2,023,389	30.97
(0570) BGH - Endoscopy	548,766	10.40
(0708) WGH - Endoscopy	1,235,033	20.30
PAIN	759,569	14.69
PAIN	759,569	14.69
(0698) Pain Therapy-General	759,569	14.69
UROLOGY	2,765,392	30.15
UROLOGY	2,765,392	30.15
(0008) GGH - Urology	2,707,788	28.23
(0670) WGH - Urology Medical Staffing	47,158	1.83
(0809) WGH - Urodynamics	10,446	0.09
GENERAL SURGERY, BREAST CARE AND ENT	13,804,230	165.44
AUDIOLOGY	1,540,579	23.88
AUDIOLOGY	1,540,579	23.88
(0024) HDHB Audiology	1,540,579	23.88

The Corporate Reporting team are responsible for ensuring that the Appendices match the figures quoted in the letters.

The Accountability letters are issued in the name of the DoF and CEO and therefore the final content will be reviewed and authorised by the DoF and CEO.

Corporate Reporting will maintain a log of the letters issued, date issued, to whom, SFBP link, date returned signed, date of any clarifying questions received and date of response. The Corporate Reporting team will seek the assistance of SFBP colleagues to ensure that Directorates return their signed letters in a timely manner and escalate as necessary through the Health Board's Accountability processes (e.g. Improving Together); to facilitate this Corporate Reporting will provide a bi-weekly schedule of those letters not yet returned signed.

Appendix 1: Base Pay Budget Setting for Medical and Dental posts

Appendix 1: Base Pay Budget Setting for Medical and Dental posts

Key Principles

A detailed review of medical and dental pay will be undertaken which will need to be completed and actioned in the new Pay budgeting model in line with the financial plan timetable.

The aim of the review is to undertake the Base Pay Budget setting of medical and dental budgets to ensure budgets accurately reflect the current (albeit at a specific point in time) costs of actual staff in post and current vacancies. This exercise will also provide a detailed database of all medical staffing including all current **recurring** sessional commitments and allowances which should be linked to service delivery.

This exercise will need to be **session neutral** (i.e. there will be a financial implication, but no change to the number of sessions that is needed to deliver a service); the treatment of any surpluses/deficits against the funded recurring M&D pay position is detailed below.

Corporate Reporting will need to take an ESR cut off period in order to ensure that the detailed review is completed and the new Pay budgeting model updated to reflect the base pay budget setting exercise by no later than the **30th December**. Month 8 will be taken as the ESR cut off period for medical and dental staffing in order to ensure sufficient time is available to undertake the detailed micro-analysis required. Detailed payslip information may be required to populate all pay costs for each individual doctor.

Where the actual recurrent number of sessions for a particular Cost Centre Combination is higher than budget, the number of sessions included as part of the base pay budget setting exercise will remain as budget. The costing of this cohort will be based on recurrent staff at the higher spine points and/ or allowances being matched first with the staff at the lowest spine point and/ or allowances costed last up to the value of the budgeted number of sessions (i.e. if a particular Cost Centre/ Subjective combination has a budget of 50 sessions but actually have 55 recurrent sessions covered, the most expensive 50 sessions will be costed as part of the base pay budget setting process).

Pay awards/National uplifts/Incremental uplifts for the Financial Plan – these will be calculated centrally based on the Master Budget Control spreadsheet rollover position and is a separate and independent deliverable to the above work-stream. This accepts that the figures included in the Financial Plan will be inaccurate insofar as this costing will be completed ahead of the above exercise (due to necessity of the timetable). A review will be conducted following conclusion of the above exercise to compare the budget adjustments required based on staff in post at Month 8 (i.e. as above) and those included in the Financial Plan based on modelling.

Given that this right-sizing exercise has been completed in the previous two financial years the financial impact is not expected to be material at a global Health Board level, however this may be significant between Directorates or Services; any surplus available funding will be re-distributed to meet shortfalls between Directorates in the first instance; in this scenario a proposal of distribution options will be prepared for decision at the Steering Group.

Any global shortfall will be included for funding decision with all other macro-pay inflationary items; any global surplus will be transferred, on a recurrent basis, centrally to Reserves.

Appendix 1: Base Pay Budget Setting for Medical and Dental posts

Medical and Dental post information:-

The base pay budget setting exercise will capture the following information:-

- Cost centre/Subjective
- Name/Employee number
- Site
- WTE
- Consultants :-
 - No of basic sessions and cost £
 - Commitment/Distinction award (Centrally funded and managed)
 - No and cost of Additional sessions contracted
 - Additional programme activity
 - Management sessions
 - Other

Please note any additional sessions should be **recurring** commitments only and exclude any ad-hoc sessions to cover sickness, annual leave etc.

- Out of Hours intensity payments
- Link to service provision.

There needs to be a sub analysis of the total number of medical sessions split between Direct Clinical sessions and other sessions (SPA's (Supporting Professional Activities, being non direct clinical sessions, which are included in job plans), admin etc). The direct clinical sessions should link directly to the service provision for that specialty i.e., number of outpatient/theatre/ward rounds sessions undertaken on a weekly basis by consultant team. This information should be available from Consultants job plans and is useful in terms of modelling the impact of any future service changes.

- SAS and Middle grades (Specialty doctors)
 - No of basic sessions and cost £
 - Additional sessions (recurring) and cost £
 - On- call availability supplement %
- Junior Doctors/Medical trainee's
 - Basic pay
 - Banding Supplement
- All deanery funded posts and medical training posts should be included and identified as such in the Master Budget Control spreadsheet (using Intrepid numbers). The over-arching principle is that if the post is not funded, then it is part of the recurrent establishment, and if it is funded, is not part of the recurrent establishment. Funding for deanery posts is monitored centrally and funding instructions issued to each Directorate as required to reflect deanery funding changes. This will continue and there will be no change to this process. For those part funded posts which form part of the recurring medical rota these posts will need to be reflected in the recurring establishment requirement. It is accepted that there will be gains and losses in respect of deanery posts within Directorates but it is important that these changes are tracked by individual Directorates.

Please note that the automatic calculation in the costing template for superannuation contributions will replicate the % uplift currently included in the new Pay budgeting model to ensure consistency.

Appendix 1: Base Pay Budget Setting for Medical and Dental posts

Application:

All monies should be distributed to the correct Pay cost column first – i.e., re-attributed to 'On Call'

Review each element of Enhancement and Ad-Hoc, cost centre by cost centre

Income streams which fund a pay position, should have a negative budget in the income stream and a positive budget in the expenditure side. Both then should have nil variance in the actual month

New funding in year one should be budgeted to match the funding requested. In subsequent years it will fall as part of the normal pay process.

Commitment and Distinction Awards and Deanery Posts – **MA/FBP must not make any changes to these fields at any time.** These are maintained by the Corporate Reporting team (Commitment Awards are reviewed annually in line with the right sizing exercise based on latest file held by Payroll, as provided by the Medical Staffing team. Deanery posts are reviewed approximately bi-annually as Deanery funding is confirmed, typically November and July).

The Pay budgeting model should be continually updated for the current name of the medic – this is because items such as the commitment awards are based on the named medic and not the post. The number of changes month on month are not expected to be significant, and therefore would form part of the monthly update and reconciliation process delivered by Management Accounts.

No enhancement percentage can be applied to Medical staff.

No ad hoc adjustments can be applied to Medical staff.

Vacancies – if the post is currently vacant then the post should be set at the starting point of the scale. The vacancy should be based on the number of sessions for the rota gap being recruited to, including any on-call arrangements (i.e. the service requirement). This should not, however, include an unapproved additional sessions which should be identified and reflected in the 'local financial position drivers' exercise above. **All vacant posts must be clearly identified and recorded through this exercise.**

The total costs identified by cost centre can be compared to the budget to determine the overall deficit /spare funding available.

Any variations will be allocated to Ad Hoc 3 (step1) Surplus funds will be reallocated to Central Reserve on a recurrent basis (step 2) and then reissued out to Directorates on a non-recurrent basis, in line with the agreed methodology (step 3).

As above, monies should **not** be used to create additional establishments above core staffing.

Any significant deficits will need to be discussed with the appropriate SDM and proposals to reduce the funded establishment agreed. Reduction of funding for current vacancies will need to be considered. Depending on the significance of the impact on the service, this may require Executive authorisation/support in order to facilitate a change in partnership with FBPs.

Income streams which fund a medical & dental pay position should have a negative budget in the income stream and a positive budget in the expenditure side and there should be nil variance in the actual month.

In order to manage the ongoing review of establishments by Service leads after the commencement of the right sizing exercise, Finance Business Partners will be required to liaise with the Management Accounts team and provide the following information to the Corporate Reporting team by 1st March 20XX:

Appendix 1: Base Pay Budget Setting for Medical and Dental posts

- A list, in a prescribed template agreed by the Corporate Reporting team, of all recurrent, revenue neutral pay budget changes posted in Oracle in M9, M10 and M11.
- A list, in a prescribed template agreed by the Corporate Reporting team, of all approved skill mix pay budget changes by cost centre which were costed revenue neutral prior to the right sizing exercise and the budget change has been posted into Oracle in M9, M10 and M11.
- A list, in a prescribed template agreed by the Corporate Reporting team, of all approved skill mix pay budget changes by cost centre which have been costed revenue neutral prior to the right sizing exercise and the budget change is pending transaction into Oracle. This must be supported by documented evidence of approval.

The Corporate Reporting Team, after review and sign off by the Steering Group/ Steering Group sub group will:

- Include the recurrent, revenue neutral pay budget changes posted in Oracle in M9, M10 and M11 into the Base Pay budget.
- Include and fund (if applicable) in the Base Pay budget, the approved skill mix pay budget changes by cost centre which were revenue neutral prior to the right sizing exercise and the budget change has been posted in Oracle in M9, M10 and M11,
- Include and fund (if applicable) in the Base Pay budget, the approved skill mix pay budget changes by cost centre which have been costed revenue neutral prior to the right sizing exercise and the budget change is pending transaction into Oracle.

Any skill mix budget changes in M12 should be revenue neutral on the basis of the communicated right sized pay budget.

Key outcomes

1. WTE to accurately reflect costed establishment at current pay rates.
2. Evidence that the outcome of the exercise was session neutral to each cost centre-subjective combination through reconciliation.
3. Ad Hoc column in Pay budgeting model to be 'nil'.
4. Other contractual payments (excluding Commitment Awards) to reflect funded Rota establishment.
5. Clear audit trail of vacancies by cost centre-subjective.

Appendix 2: Base Pay Budget Setting for A4C posts

Appendix 2: Base Pay Budget Setting for A4C posts

An exercise will be completed annually for the Agenda for Change (A4C) staffing cohort to ensure that the detail by post reflected the individual in post, (i.e. contracted WTE, Pay Scale, Pay Point, Pension Y/N), so that the Master Budget Control spreadsheet matches ESR (NHS Financial Cost Analysis report) at a set point in time leaving vacancies clearly identified in Pay budgeting model or supporting schedules as a cost centre-subjective level.

Key principles

- Establishment to be fully costed for directly employed Health Board A4C WTE.
- Ad Hoc pay costs: no costs to be entered into ad hoc column.
 - Pay Protection costs cannot be budgeted for. Costs already budgeted must be added to budgets elsewhere in pay or non-pay as needed.
 - Trainee costs should be fully costed at the band they fill. Non recurrent benefits identified for the basic pay are to be included in savings/cost mitigation planning.
 - Other Ad Hoc justifications will be treated / approved on a case by case basis and will be documented accordingly.
- Enhancements: must be supported by physical data/rotas with a full explanation as to how the enhancement is calculated. See Appendix A below.
- If the post is currently vacant, the post should be set at point 1 of scale with pension set as 'Yes' and an audit trail of the vacant post maintained.
- All monies identified as surplus will be adjusted from the directorate.
- Any identified shortfall in budget will be funded.

Where the actual recurrent WTE for a particular Cost Centre Combination is higher than budget, the WTE included as part of the rightsizing will remain as budget. The costing of this cohort will be based on recurrent staff at the higher spine points and/ or allowances being matched first with the staff at the lowest spine point and/ or allowances costed last up to the value of the budgeted WTE (i.e. if a particular Cost Centre/ Subjective combination has a budget of 6.5 WTE but actually have 10 recurrent WTE in post, the most expensive 6.5 WTE will be costed as part of the rightsizing process).

Application

Review each element of Enhancement and Ad-Hoc, cost centre by cost centre.

All variations will be allocated to Ah Hoc 3 (step1) Surplus funds will be reallocated to Central Reserve on a recurrent basis (step 2) and then reissued out to Directorates on a non-recurrent basis, in line with the agreed methodology (step 3). A proposal for the use of any surplus arising within a shortage specialty to fund a variable pay requirement will need to be provided and signed off by the Planning Steering Group

Monies should **not** be used to create additional establishments above core staffing.

Income streams which fund a pay position, should have a negative budget in the income stream and a positive budget in the expenditure side. Both then should have nil variance in the actual month.

Appendix 2: Base Pay Budget Setting for A4C posts

In order to manage the ongoing review of establishments by Service leads after the commencement of the right sizing exercise, Finance Business Partners will be required to liaise with the Management Accounts team and provide the following information to the Corporate Reporting team by 1st March 20XX:

- A list, in a prescribed template agreed by the Corporate Reporting team, of all recurrent, revenue neutral pay budget changes posted in Oracle in M10 and M11.
- A list, in a prescribed template agreed by the Corporate Reporting team, of all approved skill mix pay budget changes by cost centre which were costed revenue neutral prior to the right sizing exercise and the budget change has been posted into Oracle in M10 and M11.
- A list, in a prescribed template agreed by the Corporate Reporting team, of all approved skill mix pay budget changes by cost centre which have been costed revenue neutral prior to the right sizing exercise and the budget change is pending transaction into Oracle. This must be supported by documented evidence of approval.

The Corporate Reporting Team, after review and sign off by the Steering Group/ Steering Group sub group will:

- Include the recurrent, revenue neutral pay budget changes posted in Oracle in M10 and M11 into the Base Pay budget.
- Include and fund (if applicable) in the Base Pay budget, the approved skill mix pay budget changes by cost centre which were revenue neutral prior to the right sizing exercise and the budget change has been posted in Oracle in M10 and M11,
- Include and fund (if applicable) in the Base Pay budget, the approved skill mix pay budget changes by cost centre which have been costed revenue neutral prior to the right sizing exercise and the budget change is pending transaction into Oracle.

Any skill mix budget changes in M12 should be revenue neutral based on the communicated right sized pay budget.

Key outcomes

1. WTE to accurately reflect costed establishment at current pay rates.
2. Evidence that the outcome of the exercise was WTE neutral to each Cost centre-subjective level through reconciliation.
3. Ad Hoc Column in the Master Budget Control spreadsheet to be 'nil'. Where this is believed to be not possible, values will be discussed on a case-by-case basis with a decision made by the Steering group.
4. Enhancements to be reviewed for outliers.
5. Clear audit trail of vacancies by cost centre-subjective.

Forecasting Process and Principles

Contents

Introduction	2
Governance	3
Data and Timetable Management	3
In-Month Financial Performance	4
End of Year (EoY) Forecast Financial Performance	5
Scrutiny of the overall Health Board Forecast.....	6
Internal	6
External	6
General Principles and Assumptions	6
Local Directorate Level Forecasts	6
National Financial Position Drivers	8
Local Financial Position Drivers	8
Savings.....	9
Risks and Opportunities.....	9
Reserves	9
Health Board wide Forecast Consolidation	9
Principles	9
Methodology	10

Forecasting Process and Principles

Introduction

The Health Board prepares an in-year forecast on a monthly basis at both a Directorate and Health Board wide level. It spans a rolling 23-month period, with focus given to the current financial year in the first instance, to ensure early warning signs are highlighted by Directorates at the earliest possible moment.

The fundamental purpose of the rolling 23-month forecast is to ensure that all quantitative and qualitative measures are monitored continuously by Directorate areas, and that early indications are given to the Health Board for any material deviations that should be escalated, and appropriate mitigating actions planned thereafter.

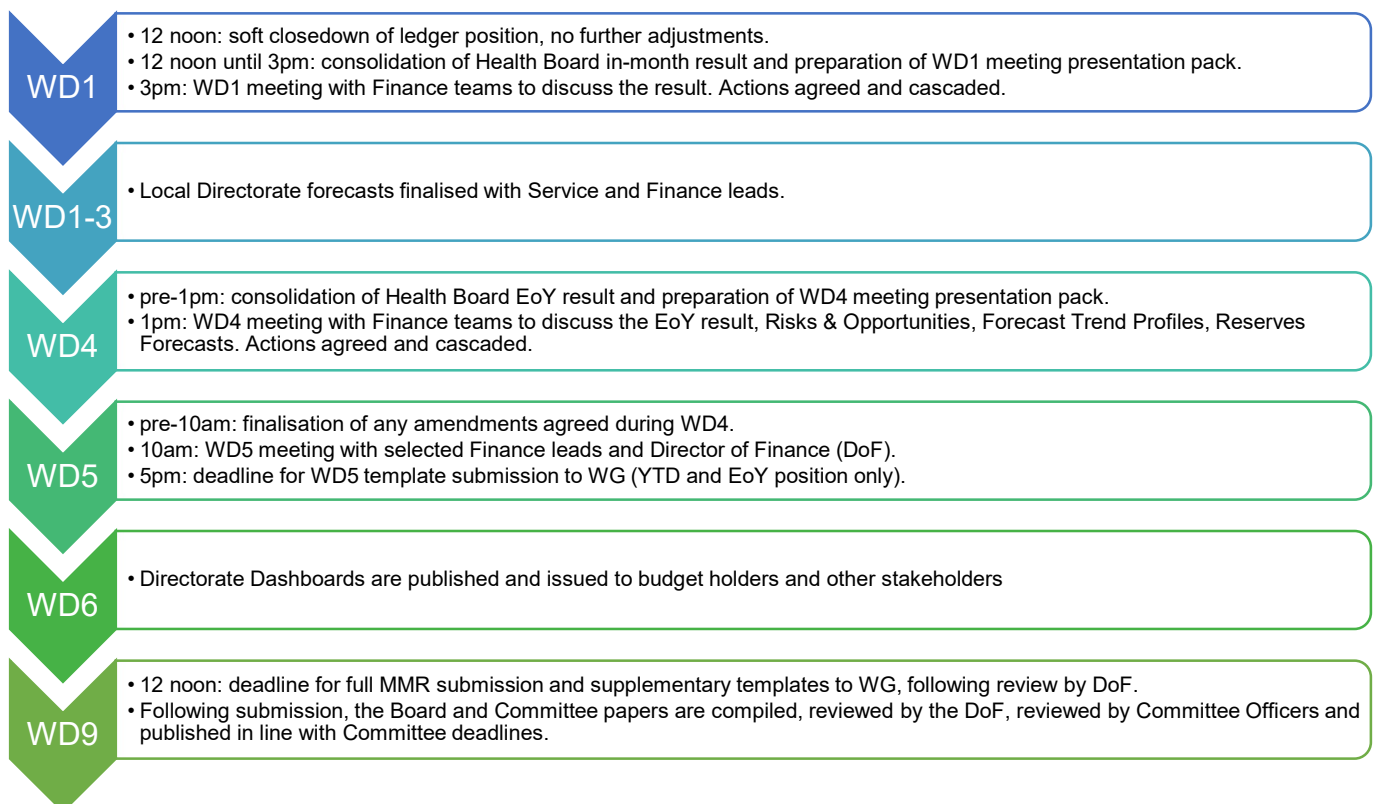
There are 3 elements to the overall forecast: Revenue, Capital and Cash. This document focuses on Revenue forecasting but does include high level references to Capital and Cash where relevant.

This informs:

- **Monthly Monitoring Return to Welsh Government (WG):** specific WG defined template; tracks the Health Board's financial performance against its Plan; requires articulation of key operational drivers of any deviations to both the Plan and month on month forecast by expenditure category and profiled by month; includes specific performance reporting of savings delivery against Plan; includes reporting of the Underlying Deficit; requires cashflow forecast profiled by month; requires Capital forecast profiled by month tracking year to date (YTD) and end of year (EoY) performance against WG capital resource limit. WG and the Finance Delivery Unit (FDU) scrutinise and benchmark against other organisations in NHS Wales. WG consolidate all NHS Wales organisations' forecasts to inform All-Wales decision-making, UK Treasury requests and performance against available funding.
- **Reporting to the Executive Team:** provides assurance or highlights risks relating to financial performance on a weekly basis at a high level; requires articulation of key operational drivers of any deviations to week on week forecast. Please note that this weekly reporting is not part of the formal monthly process described in this document; it is intended to capture only material known movements during the month which are directional.
- **Reporting to the Board and its Committees:** provides assurance or highlights risks relating to financial performance, suitable for both Board members and the Public; requires articulation of key operational drivers of any deviations to both the Plan and month on month forecast; informs decision making.
- **Cash and Treasure Management:** revenue forecast partly informs cash forecast, to inform the level of cash drawn down from WG each month and to ensure that the Health Board remains within its revenue cash limit.
- **Directorate level performance reporting and management:** forms part of formal monthly reporting of Directorate performance to inform budget holder decision making; continuous discussion topic during year between varying levels of budget holders, service leads and finance business partners.

Forecasting Process and Principles

A high level timeline for the monthly forecasting cycle is shown below for context; further detail is provided throughout this document.



Governance

Data and Timetable Management

There is a month end timetable, which begins on Working Day (WD) –12 and ends on Working Day 21. The Timetable Management Group manage any amendments to the standard timetable to meet the needs of the function and to appropriately respond to issues raised through the Performance Group and Timetable Management Group. As the month end cycle progresses all task owners are required to log on the timetable the time tasks are completed and if there are any delays in the completion of a task (RAG rated) along with a RAG rating for accuracy. The Timetable Management Group review this to identify any patterns in late completion of tasks, which may lead to a need for a change in deadline or resourcing or identify a training need. From WD-3 until the morning of WD1 the group meet briefly to discuss any issues caused by any delayed processes and whether these will have a knock on impact to others and problem solve as needed to ensure the ultimate timely delivery of soft close.

The Timetable Management Group have a representative from each team (sub-portfolio) within the Finance function who are responsible for presenting the collective opinion of their respective teams

Forecasting Process and Principles

and for contributing to and ratifying decisions of the Group. The decisions made by the Group are then cascaded by the representative to their respective teams as an 'inform' rather than inviting a re-opening of the debate that led to the Group's decision (wherever possible).

The critical deadline for the soft closedown of the month end ledger position is noon on WD1, at which point no team is permitted to amend the ledger. There will be no delay to this deadline unless there has been a systematic and critical failure so material that the financial position would lack meaning. If teams miss deadlines that are not deemed to be business critical by the Timetable Management Group during WD-3 until WD1 then a list of proposed adjustments is compiled; these must be deemed material by the requesting team and Management Accounts or the adjustments would be deferred to the following month. The list of proposed adjustments is presented during the WD1 meeting for ratification, however the financial position of each affected Directorate is manually adjusted within the "Comparisons" spreadsheet as if the adjustment had been transacted; this facilitates a more meaningful discussion.

The "Comparisons" spreadsheet is used as a high level summary of the total variance by Level 4 Directorate profiled by month to the end of the year. The in-month actuals are populated automatically from a ledger report data set (SCNE report from Oracle); this total is then split between Core and COVID-19 using the "Matrix" (which is a spreadsheet based reporting tool which presents ledger datasets in a number of ways using slicers) to provide the data within COVID-19 cost centres (all COVID-19 expenditure is recorded on dedicated COVID-19 cost centres).

The deadline for the completion of Local Directorate forecasts is 5pm on WD3, including population of the "Comparisons" spreadsheet.

In-Month Financial Performance

Between soft closedown and the WD1 meeting the Corporate Reporting team review the in-month financial position and summarise at a Directorate level the key drivers of variance to budget and key drivers of deviations from the prior month's forecast. Typically, this will be presented with a 'waterfall' graph supported by tables with key narrative explanations for each set of drivers, with c.6-9 Directorates selected each month based on a threshold that accounts for c.80% of the overall position. This ensures that the focus is placed on the material drivers each month, rather than discussing every Directorate every month without prioritisation. Narrative for each driver is limited to 550 characters to ensure that explanations are succinct and describe the material operational drivers; management accounting type explanations are discouraged as the focus should be on the operational drivers which have a financial impact, for example patient activity data and drug price increases etc.

During the WD1 meeting a summary of all remaining Reserves is presented, showing the Description, Finance Owner, Annual Budget, and Remaining Budget; this is a pre-cursor for the WD4 meeting where all Owners will be asked to justify any balances to remain in Reserves or to agree the timing of the draw down.

In-month and YTD savings delivery is reported at a high level, split between Recurrent and Non-Recurrent and by RAG (Amber/Green). Any material deviations from Plan or prior month forecast are discussed by exception.

As the year progresses, Control Totals may have been issued to Directorates at a specific point in the year depending on financial performance. If this is the case, then a summary of in-month deviations to Control Total by Directorate is presented and key drivers discussed during the meeting.

The meeting is used to ratify any WD1 adjustments that are required based on those items deemed material to the Directorate or Health Board position. These adjustments will be due to ledger entries

Forecasting Process and Principles

that were held due to missing the relevant timetable deadline or adjustments to correct errors or judgements identified during the discussions in the WD1 meeting. An Action Log is compiled during the meeting and shared (with Owners and deadlines) immediately following the meeting. These Actions are reviewed at the start of the WD4 meeting and also in the following month's meeting to ensure closure within a timely manner.

The presentation pack (updated following the meeting as required) is shared with the DoF for sharing with the Executive Team on WD1. This ensures that the key drivers of the financial position and any deviations are highlighted in the timeliest manner possible to inform decision making at the earliest opportunity.

Between WD1 – WD3, the Finance Business Partners discuss the financial position with the service leads as appropriate, so that they are aware of the financial position of the Directorate. This is especially important where there has been a material deviation from the in-month forecast which will require amendment for the full year forecast, or action to understand / address material movements.

End of Year (EoY) Forecast Financial Performance

Between the finalisation of Local Directorate Forecasts on WD3 and the WD4 meeting, the Corporate Reporting team apply the same process described within the In-Month section above to the EoY financial position.

In addition to this, the profiled monthly consolidated position of the Local Core and COVID-19 forecasts and Reserves are reconciled with the "Comparisons" spreadsheet by Directorate and expenditure type. The trends are presented using multiple lenses during the WD4 meeting: Budget, Actual/Forecast, Variance which allows scrutiny of any unusual or potentially erroneous assumptions/failure to comply with the Principles above. For example, as with Reserves, significant increases in Pay expenditure forecast for the latter part of the year may suggest unrealistic (not "Definite") recruitment plans are being assumed inappropriately. The trends are analysed ahead of the meeting by the Corporate Reporting team for specific queries to be clarified during the meeting with the Finance Owner and also queries may be raised by any party live during the meeting.

During the WD4/5 meeting all Owners of Reserves will be asked to justify any balances to remain in Reserves or to agree the timing of the draw down. The meeting will also be used to agree the treatment of any Reserves with identified slippage in terms of a release either into the Owner Directorate position or into the Health Board Financing Central Directorate (this may be determined by political sensitivity) or the slippage may be used to offset specific overspends. The profile of the forecast utilisation of Reserves is challenged if it appears inappropriate or unrealistic, for example forecasting an annual budget will all be spent in Month 12 without clear rationale or a Pay Reserve for a full year being fully committed when part way through the year without clear rationale of alternative expenditure options.

Risks and Opportunities (RAG rated Highly Likely and Likely only) are presented, with items >£200k individually listed and items <£200k grouped together in one line. These are discussed with each Finance Owner to gain an understanding of the assumptions and rationale to justify the RAG rating and the expected timescales and factors that would lead to a conclusion in terms of manifestation or avoidance. These inform the Risks and Opportunities reported in the MMR.

As the year progresses, Control Totals may have been issued to Directorates at a specific point in the year depending on financial performance. If this is the case, then a summary of EoY deviations to Control Total by Directorate is presented and key drivers discussed during the meeting.

The meeting is used to ratify any WD4 adjustments to the EoY position and/or Risks and Opportunities that are required based on those items deemed material to the Directorate or Health Board position

Forecasting Process and Principles

ahead of the WD5 meeting. These adjustments will be a correction of errors or judgements identified during the discussions in the WD4 meeting. An Action Log is compiled during the meeting and shared (with Owners and deadlines) immediately following the meeting. These Actions are reviewed at the in the following month's meeting to ensure closure within a timely manner.

The WD5 meeting repeats the content of the WD4 meeting, with attendance and scrutiny by the DoF. A recap of the In-Month position is presented alongside the EoY slides. The presentation pack is shared with the DoF for sharing with the Executive Team on WD5 following the meeting. This ensures that the key drivers of the financial position and any deviations are highlighted in the timeliest manner possible to inform decision making at the earliest opportunity.

On WD6 the Directorate Dashboards are published and shared with the relevant budget holders and stakeholders. This is communicated with a covering note to explain the key drivers of the Health Board's financial position and any overarching actions required of budget holders. This allows budget holders to interrogate the YTD and forecast position for their Directorate and may also be referred to during business meetings and Directorate Improving Together meetings.

Scrutiny of the overall Health Board Forecast

Internal

The Corporate Reporting team is responsible for compiling the required papers, presentations and supporting SBARs, including gaining approval from the DoF, within the timescales agreed with the relevant Committee Officer to ensure that the governance/terms of reference for that Committee is adhered to. The Chair of the relevant Committee and Committee Members will review the content of the reports prior to the meeting and have an opportunity to seek clarity or challenge any of the direct or related content with the Senior Reporting Officer or DoF as appropriate. This will include Independent Members, who have a responsibility to provide independent scrutiny and challenge.

External

The Corporate Reporting team meet monthly (and semi-informally) with the Finance Delivery Unit (FDU) following submission of the MMR report. This is an opportunity for both teams to clarify understanding and agree any changes to content that may be helpful. It is also an opportunity for the FDU to provide an independent analysis and scrutiny of the Health Board's YTD financial performance and EoY forecast, which is a source of constructive challenge and continuous improvement.

The WG team that scrutinise the MMR provide a formal 'Reply Letter' each month to the Health Board, which provides a number of actions that are required to be addressed in the following month's MMR submission. These actions are split into two sections: those relating to concerns regarding the Health Board's financial performance, including seeking clarity of underlying assumptions where these were not clear within the narrative and those relating to concerns over the accuracy of the completion of the MMR tables or supporting narrative. A formal response to each action point must be provided within the following month's MMR submission.

The Board and its Committees are public forums, and as such the papers are published on the Health Board'

General Principles and Assumptions

Local Directorate Level Forecasts

A standard forecasting template is populated monthly by the Management Accounting (MA) team based on the full year budget and YTD actual income/expenditure by Level 4 Directorate, with Variance being a calculated field. This is split at a high level between Pay, Non-Pay and Income, with

Forecasting Process and Principles

each being sub-categorised by staff group, non-pay group and income group based on the Level 4 Subjective hierarchy. There is also a 'free text' section within each to record any 'one off' items which are classified by sub-category using pre-defined drop downs identical to the standard ones above. This transparently records items that are not included in a simple extrapolation of current run rates.

Each Directorate can determine locally what the most appropriate method of run rate extrapolation is by sub-category (e.g. YTD average, in-month only etc) as different assumptions will be applicable in different local situations. Overlaid to the simple extrapolation is business intelligence regarding phasing of expenditure, for example due to seasonality or number of days in each month.

There is no requirement to distinguish between recurrent and non-recurrent drivers (unless this is of significance to highlight).

During the month, and particularly during WD1 – WD3, the Finance Business Partners will work with Directorate colleagues to inform the forecast movement for known changes, which is determined by the principles below. This approach enables the Organisation to recognise the gap between aspirational planned delivery and achievability based on likelihood of success

Directorate forecasts are based on items considered to be **Definite** as defined below. The other RAG Rating classifications instead are recorded as Risks and Opportunities (also see below section).

RAG Rating	Definition
Definite	This must be an absolute, therefore, this means a WTE/Drug/Consumable/Contract will > 95% be enacted with a clear go live/commencement date. Anything, that may or is highly likely to materialise needs to be allocated to highly likely and not definite. Equally, the same principle needs to be adopted in terms of opportunities, we need to ensure these are built in where there is absolute certainty. Conversely, where we do not have absolute confidence, this needs to be classified as highly likely in the Opportunities.
Highly Likely	<p>These are where we intend to go out to recruitment, but no offers have made nor accepted by the candidate. The logic and rationale is around the recruitment challenges. We frequently advertise roles, but despite best endeavours we are unsuccessful in recruiting to the vacancy. Therefore, it is prudent to include this in the Highly Likely risk, this ensures that there is a clear intention, however, it is subject to a successful recruitment campaign (including a start date).</p> <p>As stated above, where we have an intention to increase a service provision and/or resource but it is highly likely we will not secure the capacity? The inverse of the above is a Highly Likely opportunity. For example, we may need to contract with a Third Party, but the market and/or service provision is saturated, ergo we will not be able to secure the provision, consequently, we are unlikely to incur the expenditure and thus it is a highly likely financial opportunity.</p> <p>The same principle would be applied where we are likely to get a rebate or cost reduction. In this example, where the total quantum is unknown, a best estimate of the expected benefit should be added to Highly likely until such time as the information rebate/cost reduction formula and date is known. This will support any increase/decrease in the expected opportunity, as it is a best estimate/proxy.</p>

Forecasting Process and Principles

Likely	A likely opportunity/risk where a 50:50% chance that the cost / benefit will be realised. For example, it could be we are seeking a service provision whereby we are unable to ascertain whether the capacity actually exists. Therefore, whilst the intention and aspiration is to run/contract the service and to incur the expenditure, it is heavily predicated on understanding the market place and whether we are able to secure the capacity. A good example may be the Third Sector, Where we require a service that we have an allocation/flex in the budget to enter into a contract. However, the Third Sector may require a period of time to ramp up and/or despite best efforts, cannot undertake the service yet. Equally, there may be a PYE but we will have flexibility against the FYE budget/allocation. In essence, this is where we need to undertake further due diligence to understand whether it is going to be a risk and/or opportunity based on market and other responses.
Highly Unlikely	A highly unlikely opportunity or risk is one where our confidence level is extremely low (30%>). This includes examples where we have been out multiple times to recruit to a specific role. Further, it may include an opportunity to exit a cost (break clause) but we are highly unlikely to invoke the aforementioned contractual clause. In essence, whether it is an opportunity or risk, it is very remote and as such, highly unlikely to materialise.

National Financial Position Drivers

Pay awards

These are normally issued as separate Welsh Health Circulars for Agenda for Change (A4C) and Medical & Dental Staff. The current assumption is Pay Awards are fully funded from WG and once a Pay Award is confirmed that WG funding will be received based on YTD Actual costs incurred (pro-rated to a full year effect). The impact of this on Directorate budgets would be £nil on a YTD basis (as budgets are issued to match YTD costs) and any future impact should be factored into Directorate forecasts based on the analysis provided by the Corporate Reporting team (as budgets for future months are issued based on budgeted establishment, which tends to be in excess of actual costs incurred).

Other

Other National drivers such as the impact of applying new Legislation, in-year price inflation etc should be assessed by each FBP team in relation to their Directorates. Should there be an in-year driver that is considered to be more appropriately assessed at a Health Board wide level or holistically on behalf of Directorate FBPs (for example the Nurse Staffing Act or consequences of new leases under IFR16) then this would be led and communicated for inclusion in Directorate forecasts by either Corporate Reporting, Major Projects or Management Accounting.

Local Financial Position Drivers

Examples of local operational drivers assessed by the service leads in conjunction with Finance Business Partners are:

- Activity levels;
- Price inflation;
- Established Workforce recruitment/attrition/sickness levels;
- Variable Pay resource availability and utilisation;
- In-year new investment or disinvestment decisions;
- Performance against savings delivery;
- Revenue consequences of capital schemes;
- Capital consequences of revenue schemes

Forecasting Process and Principles

- CHC package and/or client reductions or growth;
- Secondary Care Drugs (existing drugs) growth;
- New Secondary Care Drugs being utilised/previous ones discontinued;
- Primary Care Prescribing volume growth;
- Welsh Risk Pool contributions.

Savings

Please refer to the [separate Savings Reporting Process and Principles document](#). Green and Amber rated savings schemes are transacted from the relevant budgets upon identification. This means that the Directorate forecasts take account of any excess delivery/under-delivery as the Actual income/expenditure reported is against the reduced budget having transacted the saving. If these are material deviations from scheme plans, then the key driver narrative should highlight this.

Risks and Opportunities

Items that do not meet the criteria for inclusion in the Local Directorate forecasts are recorded within the Risks and Opportunities log within the “Comparisons” spreadsheet as part of the month end cycle by WD3. The impact of these are quantified, and described at a high level by Directorate, and with likelihood rated as either: Highly Unlikely, Likely or Highly Likely.

Reserves

Reserves are budgets held in a specific cost centre within the Level 4 ‘Directorate Health Board Financing’ on behalf of all Directorates. The source of these budgets may be through additional Revenue Resource Limit (RRL) from WG allocations or through decisions made (typically through the annual planning cycle but also in-year) to reallocate existing core budgets.

It is a key principle that budgets will not be held in Reserves during the year, and that these budgets need to be allocated to the appropriate Directorate as soon as possible; and by no later than 2 months of recognition. Therefore, any remaining balances in Reserves are monitored as a minimum through the monthly reporting cycle. Finance and Service Owners are identified on recognition of a new Reserve, and these Owners are held to account for the timely transfer of budgets from Reserves into Directorates. There are specific groups of Reserves where budgets are considered more appropriate to be held centrally until further information/actual data is available ([please refer to the Budgeting Process and Principles document for more information](#)).

Within the “Comparisons” spreadsheet there is a Reserves log which all Owners are required to populate with the forecast utilisation of any remaining centrally held Reserve balances by item and by expenditure profile ahead of the WD4; if slippage is expected then this is recorded in this spreadsheet. There are automated checks within the spreadsheet to ensure that the forecast combined with slippage matches the remaining balance in Reserves.

Reserves do not form part of Local Directorate forecasts until the budget is transferred from Reserves into the appropriate Directorate. This prevents any duplication of accounting upon consolidation to the Health Board position.

Health Board wide Forecast Consolidation

Principles

The Health Board wide forecast is a consolidation comprising of:

- Local Directorate forecasts (currently separate forecasts are produced for each Directorate for the Core position and COVID-19 position; this will no longer apply outside of the specific

Forecasting Process and Principles

COVID-19 programmes (Surveillance, Vaccinations, PPE and Nosocomial) from 2023/24 onwards);

- Reserves forecasts;
- DEL/AME budgets within the ledger (which are reflective of the latest Capital forecast);
- Health Board wide overlays to maintain a consistent reported position each month until such a time (if applicable in any given year) that a formal change to the Health Board's formal forecast to WG is amended by way of the submission of an Accountable Officer letter from the Chief Executive and Director of Finance to WG.

Methodology

The above component parts are consolidated by grouping the categories of expenditure used in Local Directorate forecasts into the expenditure types required within the MMR. This is imperfect for future months as there is a complex mapping mechanism within Oracle that treats specific cost centre-subjective combinations in an alternative way within Oracle (SCNE) reports (which are fully aligned to the MMR categories) which differ to the Level 4 Subjective Hierarchy within the ledger and therefore within Local Directorate forecasting templates. The material areas relate to Primary Care Prescribing and Primary Care, for which more detailed mapping of Local Directorate forecasts is required to align as far as possible given that Local Directorate forecasts are produced at a Directorate level rather than a cost centre and subjective level (there would be limited merit in this in terms of the materiality vs. time consumption). Reserves are also split by expenditure group, which may also be imperfect if plans for the budget are under development. Actual information in the YTD reported position are accurate as the SCNE reports are used to complete all Actual information within the MMR.

Once the consolidated position is compiled, an assessment of the holistic 'reasonableness' of the Health Board wide EoY forecast is completed, predominantly considering historical trends and known and accepted trajectory changes following the WD4/5 meetings. Risks and Opportunities are also considered, in terms of over-arching judgement for inclusion/exclusion. Health Board wide overlays are then applied to present as credible and balanced view of the EoY forecast as possible, making as few overlays as possible.

The profile of the reported position to WG will always mirror that of the "Comparisons" spreadsheet, which is achieved by adjusting the profile of the Revenue Resource Limit (RRL).

HYWEL DDA UNIVERSITY HEALTH BOARD

Opportunities Framework Process and Principles

Contents

Introduction	2
Opportunities Framework.....	2
Fit with other Process and Principles Documents	4
Sources	5
Frequency	5

HYWEL DDA UNIVERSITY HEALTH BOARD

Opportunities Framework Process and Principles

Introduction

As part of the Finance Function's support to the Health Board, there are three specific responsibilities where the Opportunities Framework Process will contribute to the accountability for and stewardship of resources, namely:

- Maximise and secure all resources due to the Health Board.
- Support the effective allocation of these resources.
- Monitor the appropriate and efficient use of these resources.

In this regard the Health Board's Business Intelligence and Value Team, within the Finance function, will be responsible for collating, summarising and sharing such data, particularly where said data contains a financial measure. This can include data submitted from other areas of the Health Board, for sharing via the construction of summarised reports, presentations and other products, periodically updated with refreshed data as it becomes available.

A specific aim of the Opportunities Framework is to describe relative financial performance in an operational and clinical context, through connection or triangulation of data with activity and quality metrics. It must however be noted that such analysis depends upon the routine availability and quality of operational data, thereby limiting the scope and coverage of the Health Board to areas where such data is made available.

Estimates of waste in healthcare vary by study but the OECD¹ for example suggested that 15 to 30% of healthcare activities could be viewed as wasteful in some way. In trying to identify some of this waste, varying forms of analysis have been undertaken and this Framework relies largely upon analysing published comparative studies, to filter from an overall wastage to specific variations, where possible then directing these to internal pathways, conditions or teams for their consideration. For example whether warranted or unwarranted variation has been highlighted is largely a clinical rather than managerial decision. From this analysis, conversion to formal process improvement or savings exploration could be considered by the clinical and operational teams.

Opportunities Framework

The opportunities framework process was introduced in 2020, alongside work generated by the Business Intelligence and Value (finance) Team it considers external data sources, including but not limited to:

- NHS Benchmarking Network;
- Finance Delivery Unit and their VAULT;
- reference cost data
- Efficiency Group established by NHS Wales Directors of Finance and, via this link, outputs from the NHS Wales Utilisation of Resources Group
- relevant research from health research organisations such as King's Fund, Nuffield Trust, IPPR, NIHCRC etc
- relevant published research papers from eg BMJ, clinical journals and consultancies
- NHS England good practice guides, GiRFT review outcomes etc
- CHKS.

¹

[Tackling Wasteful Spending on Health, OECD, 2017](#)

HYWEL DDA UNIVERSITY HEALTH BOARD

Opportunities Framework Process and Principles

Then, having identified potential waste and variation in comparison to others, such data is then passed into the organisation. This can and should be a two-way process, as within each operational team such data is considered and triangulated, alongside each individual's or team's own insights, plans and practical knowledge. As the diagram below outlines.

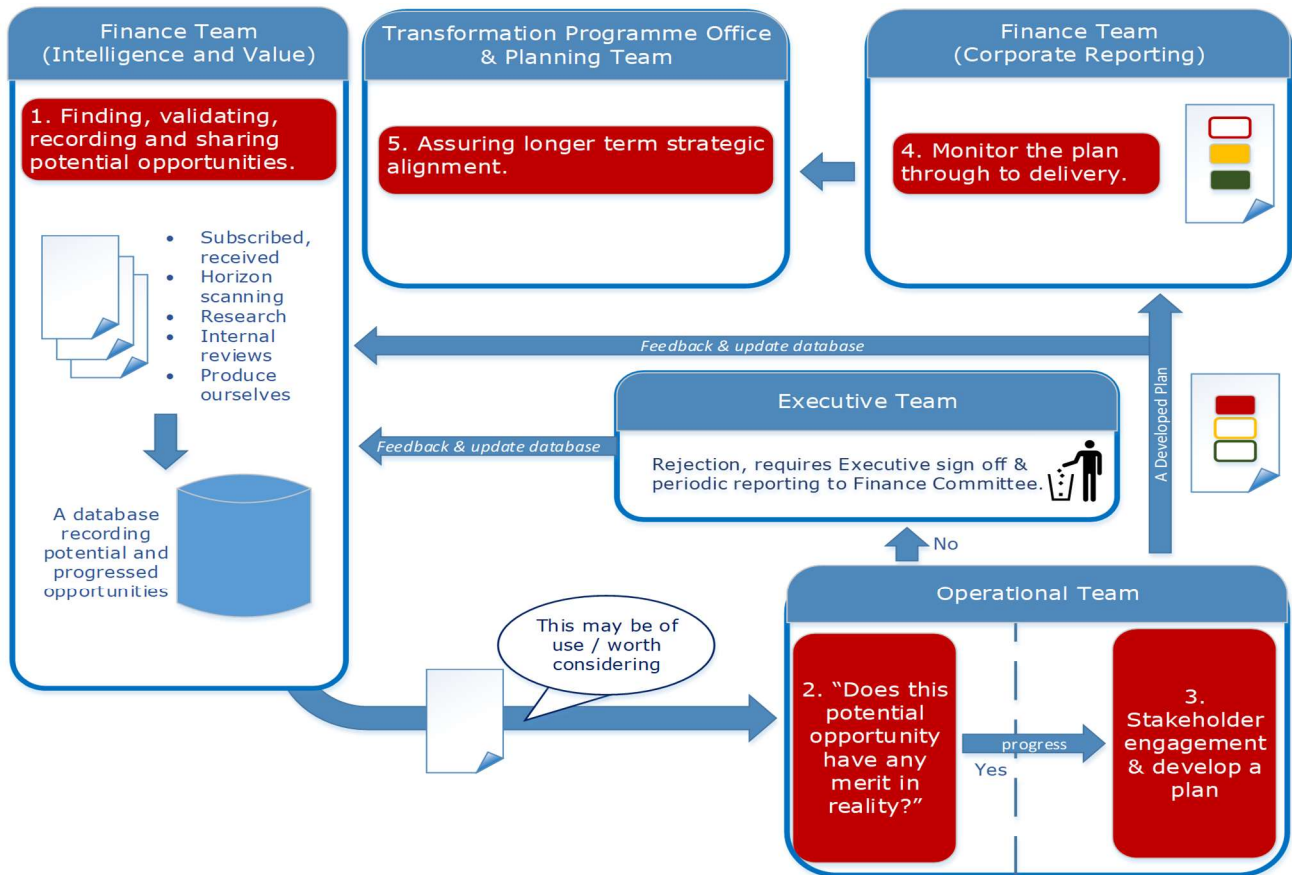


Figure 1: Opportunities Framework diagram

Feedback may remove some entries or data sources over time, be that proven error in representation, expiry of a data source or a change in the underlying analysis. For example a variation would automatically be removed when the variation ceases or becomes positive, whether achieved through conscious operational action or otherwise. The underlying measure and monitoring would also remain fluid due to the actions of other parties, given that comparator organisations would also be expected to periodically alter their data and thereby relative position. However, it should be noted that most of the variation uncovered through detailed high-level analysis of the Health Board's variation compared to other Health Boards does not change over time, since it relates to the configuration of service delivery, demography or other largely fixed factors. For example, it is well known and understood that the cost per attendance at the four emergency departments and MIU are significantly higher than elsewhere. This is due to innate inefficiency and unavoidable costs caused by providing care from four district general hospitals, as opposed to potentially more economic delivery in theory if services could consolidate onto fewer sites.

Most recently, the deterioration in the Health Board's financial performance, coupled with the impact of the pandemic on every area of the Health Board's performance, acted as a trigger to review and revise the high-level strategic intelligence. With this in mind, the process was adapted, adding strategic prompts or challenges, in recognition that re-allocation and more transformational actions would be required to meet such a significant challenge. These will also be maintained and

HYWEL DDA UNIVERSITY HEALTH BOARD

Opportunities Framework Process and Principles

added to over time, but it is expected that these fundamental configuration issues will not be able to be ameliorated until the delivery of the Healthier Mid and West Wales Strategy is underway.

Fit with other Process and Principles Documents

Figure 2 below illustrating that the scope of this document, and thereby the Business Intelligence and Value Team is limited to this first 'discover' phase. Thereafter having an advisory role to explain the quality, sourcing and advise upon appropriate use of such intelligence data, with financial responsibilities for production and monitoring of savings plans moving to other areas of the function, as described by the respective Process and Principles Documents.

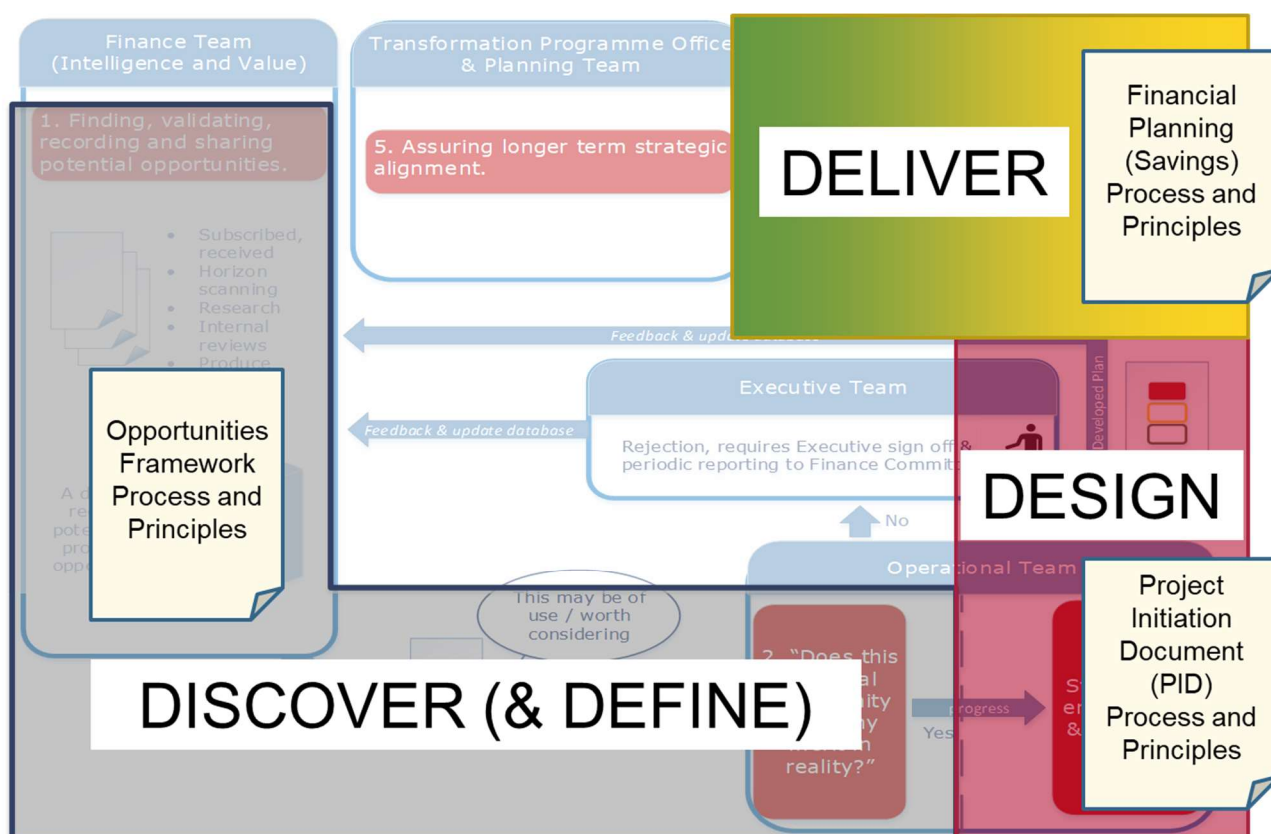


Figure 2: Opportunities Framework diagram, overlain with 3D process and the appropriate financial Process and Principles document for each phase

This process is also consistent with the Health Board's phased 3D (discover, design and deliver) improvement approach. Figure 2 overlaying the Opportunities Framework diagram with a broad illustration of phases in the 3D approach. As noted, the figure also cross-referencing the most appropriate financial guidance, as a potential opportunity, or element thereof, inspires a specific and measurable change a formal PID would be expected, which would in turn generate an opening entry to the formal savings schedule and ongoing monitoring of delivery through that process.

In moving from opportunities to generating a specific savings plan a consideration of key planning priorities and an articulation of key assumptions, achievability and acceptability are expected. Particularly important when moving from contained and largely technical efficiency opportunities within an accountable officer's own sphere of control to those more allocative and transformational opportunities that may span multiple accountabilities. The process recognising that in many

HYWEL DDA UNIVERSITY HEALTH BOARD

Opportunities Framework Process and Principles

instances, whilst accountability and empowerment reside with individuals and teams, support from enablers may be required, particularly for those latter more complex allocative or transformational changes, examples include:

- External to the Health Board: the Value in Health programme, Bevan Commission, Delivery Unit, Safe Care Partnership, ARCH and the 6 Goals Programme.
- Internal support includes the Transformation Programme Office, Improving Together, Value Based Healthcare and the Enabling Quality Improvement in Practice (EQIIP) programme.

Sources

Specific products that the Business Intelligence and Value team contribute to or utilise to meet these internal and external data requirements, include:

Reference Costs, Programme Budgeting and Time-Driven Activity-Based Costing (TDABC)

The analysis undertaken by the team includes detailed investigations into how we allocate resources across different illness categories; how our costs compare to other health boards (at specialty, site, procedure and other levels); and also through supporting detailed pathway costing exercises. Considering the Health Board as both a population-based commissioner of services, as well as the efficiency of its service provision.

NHS Benchmarking Network (NHSBN)

Whilst the Health Board remains a member, and dependent upon participation, annual projects include: Intermediate Care, Urgent & Emergency Care & SDEC, Pharmacy & Meds Optimisation, Community Services, Frailty, Mental Health, Operating Theatres and Outpatients.

CHKS,

Providers of healthcare intelligence to members and again dependent upon participation to fully realise comparative value of data. CHKS detailed scorecards and cost and activity comparisons lead to strategic intelligence that includes “top ten” NHS trust performance comparisons as well as comparisons of all-Wales cost and activity measures.

Estates and Facilities Performance Management System (EFPMS)

A collection of estates and facilities data established by Welsh Government to improve the management of NHS estate in Wales.

Medicines Management

In collaboration with local and national pharmacy programme and the All-Wales Medicines Strategy Group

The Value, Allocation, Utilisation & Learning Toolkit (VAULT)

A product of Financial Planning & Delivery (NHS Wales Executive) on behalf of NHS Wales, having four key strands: Population Health, Technical Efficiency, System Insights, Value-Based Healthcare (VBHC).

Frequency

Files are available electronically and accessible to the Finance Function via a central and secure folder location, to allow for ease of updating and also ensuring the latest version is visible.

Updates are dependent upon underlying data refresh cycles and may include sources from a single point in time study but will be dated to show their reference period(s). Refresh for a new source would be expected within a period of up to three months, from such publication, to allow for analysis,

HYWEL DDA UNIVERSITY HEALTH BOARD

Opportunities Framework Process and Principles

validation and presentation. The table below giving a broad indication of publication and thereby update frequency.

Area	Frequency data updated
Benchmarking	
NHS BN	As per NHS BN timetable - typically quarters 3 & 4
	Supplemented by an annual overview, typically quarter 1 of following year
CHKS	Live data with peer comparators; occasional WG led annual review tends to be received quarter 1 of following year
Reference Cost returns and associated intelligence	Annually from December through quarter 4
Most expensive patients (Hywel Dda)	December
VAULT	periodic, will be reviewed quarterly
Locality analysis tool (Hywel Dda)	A fixed point analysis, future requirements will be met through PRIA*
Demographic and other support data	
ONS and other demographic data	Various (Census release, annual, other ad hoc products)
Stats Wales	Various (annual releases and other ad hoc products)
Information Services and Performance (IRIS and local PowerBI)	Live and periodic, as required
Lightfoot SFN	Live
GMS expenditure	Monthly
Adhoc	
Health think tanks and other reports	Ad hoc
Public Health Wales	Ad hoc
Efficiency DoF Sub-Group	Ad hoc
Strategic Financial Intelligence DoF Sub-Group (SFIG)	Ad hoc

* PRIA - Population Resource Intelligence Atlas, being produced via SFIG and Financial Planning & Delivery (NHS Wales Executive)

Figure 3: sources and publication schedules

As outlined above, the scale of the financial challenge facing the health board means that the greatest impact will be seen from transformational programmes of change. Areas such as urgent and emergency care require a wholesale shift of resources away from a high cost / low value hospital model of care, which traditional sources of business and financial intelligence capture routinely, to typically higher value but less data rich areas of healthcare. Nevertheless, the Value and BI team endeavour to create bespoke intelligence products to identify and track suitable performance and financial measures specific to each programme.

HYWEL DDA UNIVERSITY HEALTH BOARD

Project Initiation Document (PID)

Contents

PROJECT OVERVIEW2

 Project overview.....2

 Project description.....2

 Project scope2

 Project drivers2

PROJECT TEAM3

PROJECT MONITORING4

 Key benefits4

 Project milestones / tasks.....4

 Project monitoring arrangements.....4

SAVINGS, RISKS AND PROJECT SUPPORT5

 Savings.....5

 Risks.....5

 Project support5

SIGN OFF AND APPROVAL6

 Project lead sign off6

 Senior finance business partner sign off6

 Directorate lead sign off.....6

 Executive lead sign off.....6

ADDITIONAL INFORMATION7

 Current year financial savings7

 Future years financial savings7

 Top 5 performance measures / KPIs7

Project overview

PROJECT OVERVIEW

Project overview

Project title	
Directorate	Please select from drop-down list.
Executive sponsor	Please select from drop-down list.
Project sponsor	
Project start date	Please select project start date.
Project end date	Please select project end date.

Project description

Brief Description of the project including objectives, proposed changes, impact on other service areas/projects and outcomes

Project scope

What is the project scope? What's included/excluded?

Project drivers

What are the drivers/rational for the project? E.g. Evidence base, National/Local strategy, Finance etc.

Project team

PROJECT TEAM

Please list all members of the project team.

ID	Name	Role	Comments
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			

PROJECT MONITORING

What are the Key Performance Indicators (KPIs) / improvement measurements, i.e. What will be measured to demonstrate the impact or success of the project?

Key benefits

Key Benefit	KPI / improvement measurement	Baseline	Target (e.g. % reduction or £ saved)	Target date
e.g Reduced LOS	Discharges before 12pm	10%	30%	Please select
				Please select
				Please select
				Please select

Project milestones / tasks

Milestone/task	By when	Responsible person
	Please select	
	Please select	
	Please select	
	Please select	

Project monitoring arrangements

Please tick all that apply....

- ☐ Gantt chart for project
- ☐ Project team weekly meetings
- ☐ Project team monthly meetings
- ☐ Establishment of project Board
- ☐ Project Board monthly meetings
- ☐ Monthly progress reports
- ☐ Mid-term progress reports
- ☐ End of project report
- ☐ Independent or external review/monitoring
- ☐ Holding To Account (HTA) process
- ☐ Dashboard with key project data
- ☐ Other (please give details)

SAVINGS, RISKS AND PROJECT SUPPORT

Savings

Savings for current year:	
Full year effect savings*	
Service Area	
Expenditure Category	
Recurring / non-recurring	Please select from drop-down list
Savings definition	Please select from drop-down list
Date savings effective from	

* FYE savings reflect the actual savings anticipated for the year from when the project starts – so if a project did not start until 1st January, it would only deliver 3 months of savings in the current year.

** More information on savings totals will need to be provided in section 7 (additional information).

Risks

	Description	Impact	Mitigation
1.			
2.			
3.			
4.			
5.			

Project support

Support 1	Please select from drop-down list
Support 2	Please select from drop-down list
Support 3	Please select from drop-down list

SIGN OFF AND APPROVAL

Project lead sign off

Name	
Position	
Signed	
Date	

Senior finance business partner sign off

Name	
Position	
Signed	
Date	

Directorate lead sign off

Name	
Position	
Signed	
Date	

Executive lead sign off

Name	
Position	
Signed	
Date	

Savings, risks and project support

ADDITIONAL INFORMATION

Current year financial savings

£'000K	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Total
Current Year (Y1)													

Future years financial savings

Populate the table below with proposed savings (if applicable) for subsequent years. If there are no further savings beyond Y1, there is no need to populate this table. Y2 and Y3 savings should be the cumulative total (i.e. if £100K will be saved in Y1, and a further £100K in Y2, then enter £100K in the Y1 row and £200K in Y2).

£'000K	Q1	Q2	Q3	Q4	Total
Y1 Savings					£0
Y2 Savings					£0
Y3 Savings					£0
All Savings					£0

Top 5 performance measures / KPIs

Measure	Best in class	Target	Tolerance	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
E.g. Lgth of Sty	50	70	10%	110	105	99	102	90	85	78	77	75	71	70	68

Savings, risks and project support

** Note.... The first row of the table is an example. If length of stay were identified as a KPI, from left to right the table can be explained as follows:

- **Best in class:** This could be the length of stay for the best performing health board in Wales, identified through benchmarking.
- **Target:** This is the target the project is trying to achieve. I.e., if the best in class is 50 days and we're currently at 110 days, perhaps a realistic target could be 70 days.
- **Tolerance:** This is the range within which performance will be determined. I.e., if the target is 70 and the tolerance is 10% then anywhere from 63 to 77 (+/- 10%) is the amber range.
- **Performance:** The remaining columns are to record performance against the KPI month to month. In the example, in months 1-7 the target is being missed (red), in months 8-10 performance is within 10% of the target (amber) and in months 11 and 12 performance is at or ahead of the target (green).

HYWEL DDA UNIVERSITY HEALTH BOARD

Savings Reporting Process and Principles

Contents

INTRODUCTION 2

 FDU RAG Rating Definitions 2

 FDU Saving Classification Definitions..... 2

 Local Process..... 3

 RAG Definition 3

 Governance 3

Appendix 1 6

Savings Reporting Process and Principles

INTRODUCTION

In 2019/20 the Finance Delivery Unit (FDU) provided a Framework to enable an All-Wales approach to the consistent reporting and monitoring of savings, with greater confidence in forecasts. The key principles are:

- Plans consist of identified savings, not notional targets;
- There is a clear risk assessment with consistent definitions;
- Plans reconcile to the general ledger;
- There is a strong escalation and de-escalation process; and
- Plans are formally documented and follow a set governance process for adoption, typically in a Project Implementation Document (PID) ([see separate Project Initiation Document for local application of this point](#))

This enables:

- Opportunity for comparison and shared learning;
- Set targets where there is the greatest potential;
- Plans for the benefit of the organisation as a whole;
- Plans to be made now – no need to know final 20YY/YY budget – all valid schemes should be pursued;
- Savings plans align to organisational strategy;
- Weekly progress reporting to Welsh Government;
- FYE of PY schemes incorporated at budget setting phase.

FDU RAG Rating Definitions

Please refer to Appendix 1. Please note that the 'Black' RAG rating referred to below is a local rating and is not recognised by WG or the FDU; these would be referred to as Opportunities.

FDU Saving Classification Definitions

Classification	Definition
Cash Releasing Saving – Pay	Workforce cost reduction. Service provided as same/better quality for a lower cost through new ways of working.
Cash Releasing Saving – Non-Pay	Non-Pay cost reduction. Service provided as same/better quality for a lower cost through new ways of working.
Cost Avoidance	Cost reduction by eliminating or preventing future costs arising. Measures may involve some expenditure but at a lower level than predicted future costs.
Income Generation	Increased contribution generated. Can be used for improving services. Typically providing more output from the same cost base, or charging for services provided.
Accountancy Gain	Technical in nature, relating to changes in the balance sheet position, or changes in actual expenditure in comparison to previous year's estimates or provisions.

The Sub-classification is between **Recurrent** (Saving will continue in future years) and **Non-Recurrent** (saving will only occur in year as a one off).

Savings Reporting Process and Principles

Local Process

In addition to the guidance set by the Finance Delivery Unit (above), the below sets out the local process for reporting savings. The aim is to improve consistency and gain tighter governance around the reporting and delivery of savings schemes and to make sure that the ledger reconciles to the Plans on the tracker.

RAG Definition

- Black Schemes are ideas not yet recognised by the organisation
- Red Schemes are ideas recognised by the organisation without Plans
- Amber Schemes are recognised by the organisation with a robust Plan where timing of delivery is uncertain
- Green Schemes are recognised by the organisation with a robust Plan and the timing of delivery is certain

Green and Amber schemes will be transacted as budget reduction in the relevant Directorate(s) and subjective(s).

Black and Red schemes will not be transacted until such a time as they reach Amber and Green status.

All Recurrent saving schemes must have a full year effect value (FYE). This is typically greater than the in-year value (for example where the schemes are not profiled FLAT from the first of April).

- Columns for 'Date to Green' and 'Date to Amber' fields will form part of the Use of Resources discussion to track any variation in the timing of upgrading a scheme to Amber or Green.
- The 'FYE forecast' field is to capture the impact of revised forecast FYE. This is required field on the Welsh Government monitoring return.
- The savings tracker should be a live working document that is updated based on developments **during** each month, not just at month end. Updates should, as a minimum, be completed weekly by Noon (12:00) on Fridays. These will then form part of the weekly Executive Team dashboard published each Monday.

Governance

The savings tracker spreadsheet has been locked, meaning no edits are possible, with the exception of the Actual and Forecast columns for the current and future months.

If any changes are needed to the savings tracker, then a request will need to be made by submitting the standard template (more detail below).

An operational owner, and Executive Lead, will be defined within the Project Initiation Document, and included in the savings tracker. It is this owner that will assume the full responsibility for the saving schemes delivery, and all associated actions to implement it.

Specific guidance is provided below. If there is a scenario not covered by the below, then please discuss this with the Corporate Reporting team.

- No changes to **Plan** values or profile are permitted for Green and Amber schemes;
- Red/Black schemes may be amended at the point they are classified as Amber or Green – this is via the standard template.

Savings Reporting Process and Principles

- Any downgrade of an Amber or Green scheme to Red status will require sign off during the Directorate Improving Together process – if agreed, this is via the standard template.
- New schemes may still be added – this is via the standard template. The ledger must be updated at the same time to match the tracker for Green and Amber schemes.
- If a Directorate wish to change a Recurrent scheme to Non-Recurrent it will require sign off during the Directorate Improving Together meeting process. If approved the ledger will need to be amended – via the standard template.
- No schemes can be deleted – if a scheme is no longer expected to deliver any value, then the forecast values are changed to £nil. Any removal of previously reported Actual savings delivery will need to be reversed with a negative entry in the current month as prior months cannot be amended.
- If it is being reported that a scheme has actual delivery, then that scheme must have a RAG rating of Green or Amber.
- The forecast delivery should be regularly reviewed and be based on collective (finance and service) professional judgement and an evidence base/justification.

To ensure that the ledger is kept in line with the tracker, FBP's will need to request that Management Accounts (MA) prepares the journal and forwards the Savings Request Approval template to the Corporate Reporting team for approval before the MA team can process the journal. The MA team will need to request that a journal is posted by the Corporate Reporting team. The Corporate Reporting team will review and validate that the entry is in line with the guidelines before posting.

The standard template has 2 tabs:

- the first is the same as the Reserves request form, so should be familiar; this is to record the cost centre, subjective and profiling. The budget journal needs to reflect the changes on the Savings tracker (second tab) if applicable. It must be ensured that proper narrative is included to allow an understanding of the purpose of the savings scheme to which it relates as applicable.
- the second mirrors the savings tracker spreadsheet and all relevant fields will need to be completed subject to the above guidance.

The Corporate Reporting Team's role is:

Reconciliation and Control

- Reconcile live savings tracker to financial ledger;
- Gatekeeper for changes to RAG and Status and ledger adjustments in-year;
- Profile and monitor any 'gap' in identified schemes;
- Maintain and communicate best practice and internal guidance on standard practice;
- Weekly and month-end archive to maintain audit trail.

On-going validation/challenge

- Review as overall sense-check of tracker data, identifying potential errors;
- High level challenge of apparent inconsistencies in RAG and delivery or forecast;
- Identify/implement adjustments to tracker, e.g. new fields as required to fulfil needs of users.

External and Internal Reporting

- Annual reporting to Welsh Government, scheme by scheme, within the Financial Plan submission (within MDS template), to include all RAGs
- Monthly reporting to Welsh Government, scheme by scheme (Green and Amber only);
- Weekly progress tracker to Executive Team;
- Bi-monthly (alternate) reporting to Sustainable Resources Committee and Board.

Savings Reporting Process and Principles

- Monthly reporting for Directorate Improving Together meetings (completed by MA Team).

Appendix 1

RAG Rating	Project Plan/brief	Accountable Lead	Financial & Activity Calculations	Financial Phasing	Financial Code	Certainty of delivery	MMR Report
Red Pipeline	Evidence of an opportunity. Requires work up of a full project plan.	Lead to be identified.	Calculation of savings to be fully quantified. Full project plan to be confirmed to allow complete financial assessment.	Milestones of project and rationale for financial saving to be confirmed. Calculation of savings and significant factors to be completed. Financial savings to be confirmed.	To be confirmed.	<50%	0% Financial Value
Amber	Clear components of project plan in place. Elements not fully confirmed/addressed.	Appropriate lead accountable for delivery of the project in place. Project approved and supported by relevant stakeholders.	Financial assessment factors all known financial implications. Financial calculation reflects confirmed deliverable value. Financial calculation reflects actual savings identified not a target.	Financial saving phasing in line with confirmed plans and milestones.	Financial code identified and transacted.	50-75%	100% of identified deliverable value
Green	Complete/appropriate to complexity project plan in place. Clear timescales, milestones, enablers. Risk assessed.	Appropriate lead accountable for delivery of the project in place. Project approved and supported by relevant stakeholders.	Complete project brief provides clear base for financial assessment. Financial assessment includes any required facilitating expenditure, capital or revenue. Financial calculation reflects actual savings identified not a target.	Financial saving phasing in line with confirmed plans and milestones. Timing identified within the project plan.	Financial code identified and transacted.	>75%	100% of identified deliverable value

HYWEL DDA UNIVERSITY HEALTH BOARD

DRAFT – Investment Case Process and Principles

Contents

Introduction	2
Definitions and General Principles	2
Investment Definition	2
Scope	2
Principles	3
Criteria and Application	4
Governance	6
Current Enablers and Platforms	6
PACE	6
Terms of Reference	6
Performance/ Project Reporting	6
Approval Process	6
Review Process	7
Scoring Criteria and Decision Log	8
Appendix.....	9
Template for Use of Resources: Investment Case Executive Summary Briefing	9

Introduction

The Health Board planning process is intended to provide the requested clarity and expectations for Business Cases, inclusive of the following components: Investments, Service Developments and Savings Schemes. The approach to planning must provide the requisite assurance to the Board, Welsh Government and other stakeholders in a business as usual environment to demonstrate value for money and fundamental financial management.

Investment cases will need to be considered by the Health Board, within the appropriate governance arrangements, throughout any given year, and may not neatly align to the timelines of investment appraisal timetables into the planning cycle. It is important that investment decisions can be made throughout the year to prevent undue delay in service improvements and/or financial benefits, whilst recognising that such decisions must align to the Health Board's Strategy and supporting Planning Objectives.

Definitions and General Principles

Investment Definition

An investment is defined as:

"A project to deliver a change in the organisation requiring a financial investment exceeding a Budget Holder's existing delegated authority".

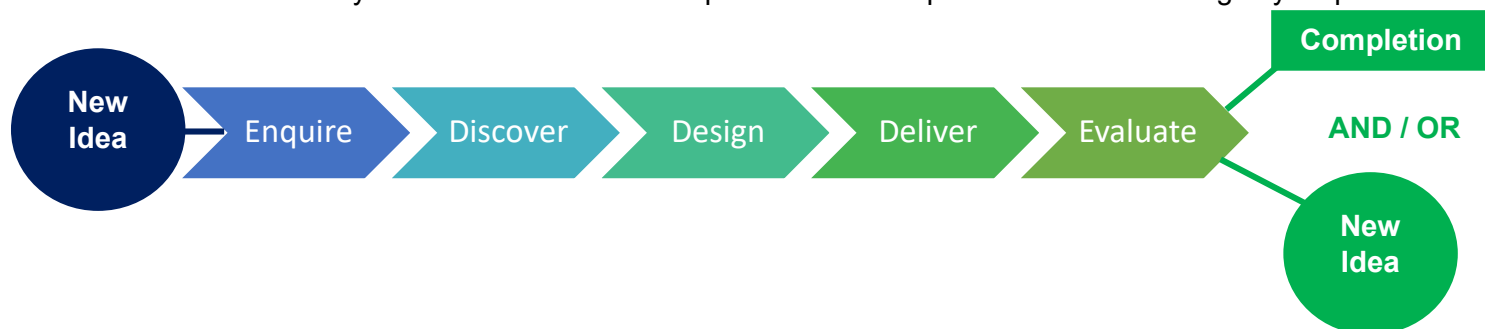
A decision is therefore required to assess the Investment Case from a Value perspective, to ensure that the organisation is prioritising activities that represent the best outcomes for the population.

It should be noted that a cost pressure does not constitute an investment and should be managed directly by the accountable officer as delegated by the Chief Executive Officer and set out within the Accountability Letter process at the start of each financial year. A cost pressure can be defined as:

"Cost increases experienced within the day to day running of an organisations activity that require ongoing management action to contain, to ensure they do not manifest on a continuing basis. These can include, but are not limited to, price inflation, activity and capacity increases and patient, staff and procurement mix effects etc."

Scope

An investment lifecycle – from an Idea to Completion can be expressed in the following key steps:



The intention of each approach is to clearly, concisely and unequivocally set out a baseline activity, design assumptions, anticipated impact and an evaluation of the actual delivery against the planned

HYWEL DDA UNIVERSITY HEALTH BOARD

DRAFT – Investment Case Process and Principles

or expected delivery. Some projects may be linear, with a clear driver (e.g. Planning Objective) and an end point (e.g. new building). Projects / programmes may end at any stage gate of the lifecycle above (e.g. Enquire – already taking place, Discover – lack of clinical evidence to support change, Design – lack of budget and low return value, Deliver – change in legislation), but evaluation would take place each time. Other projects may be iterative, following a 'Plan, Do, Study, Act' iterative design process before reaching completion.

Principles

The key principles to be robustly implemented within the investments lifecycle are:

- Clear process for development and approval of an investment;
- Transparency on any investment choices with clear alignment to the organisation's strategic plans and benefits;
- Clearly defined milestones for investments and benefits;
- Benefits routinely tracked with corrective action if trajectory not met;
- Business cases not delivering to plan escalated with potential consequence that investment ceases or is unwound;
- Post implementation reviews take place on a systematic basis.

HYWEL DDA UNIVERSITY HEALTH BOARD

DRAFT – Investment Case Process and Principles

Criteria and Application

	Stand-alone activities: Task list activities, Task and Finish Groups, Quality/Service Improvements, Small Projects		Portfolio/Programme: Series of linked Quality/Service Improvements and Projects managed through a Programme or Portfolio of Programmes	
	Small	Medium	Large	System
	Changes with a specific focus on a team or site which can be managed by a person or small group with authority to make changes (i.e. Quality Improvements, development of apps)	Changes which have a specific focus and can be managed through a single piece of work (i.e. pilot projects, responding to urgent needs)	Changes which affect the way a Directorate or Service works (i.e. Transformation Programme)	Changes which affect the way the Organisation works (i.e. PBC for new Hospital and redesign of DGH sites)
Category	Characteristics			
Hours required An estimation of the hours required to deliver the change	8-80 hours	80-160 hours	More than 160 hours	More than 160 hours
Investment The level of capital and revenue investment needed to deliver the change (if applicable)	Up to £1,000 for the lifespan of the project.	£1,000-£50,000 for the lifespan of the project.	£50,000-£300,000 per year for the project.	More than £300,000 per year for the project.
Net Saving Value The value of savings to be made by the change over a year (if applicable)	Less than £100,000.	Less than £100,000.	More than £100,000.	More than £100,000.
Strategic Alignment Alignment to the Strategic or Planning Objectives, etc.	Aligns to performance metrics for the service, strategy for the Directorate/service, etc.	Aligns to performance metrics for the service, strategy for the Directorate/service. May be an enabler for a Planning Objective with no specific link.	Aligns to performance metrics for the service, strategy for the Directorate/service, at least one Planning Objective, a focused area within local/regional strategy, etc.	Aligns to Strategic Objectives, multiple Planning Objectives, external strategies at a range of levels (local/regional/national).
Benefit Scoping Areas to include as a minimum when benefit mapping	Within area change is taking place.	Within area change is taking place and areas covered by Task and Finish group membership if they are from other areas.	Within areas change is taking place and areas covered by the Steering Group membership, including external partner areas.	Across all areas affected by the change inc. external partners and external stakeholders who may not form part of Work-streams or Programme Board.

HYWEL DDA UNIVERSITY HEALTH BOARD

DRAFT – Investment Case Process and Principles

	Stand-alone activities: Task list activities, Task and Finish Groups, Quality/Service Improvements, Small Projects		Portfolio/Programme: Series of linked Quality/Service Improvements and Projects managed through a Programme or Portfolio of Programmes	
	Small	Medium	Large	System
	Changes with a specific focus on a team or site which can be managed by a person or small group with authority to make changes (i.e. Quality Improvements, development of apps)	Changes which have a specific focus and can be managed through a single piece of work (i.e. pilot projects, responding to urgent needs)	Changes which affect the way a Directorate or Service works (i.e. Transformation Programme)	Changes which affect the way the Organisation works (i.e. PBC for new Hospital and redesign of DGH sites)
Category	Characteristics			
Delivery Person or group delivering change activity	Person with delegated authority (e.g. Senior Manager, Service Manager, Head of Service, etc).	Task and Finish group chaired by person who authorised the change activity. May be supported by Working groups.	Steering Group chaired by authorising Sponsor or someone with their delegated authority. Supported by Working groups.	Work-streams chaired by appropriate lead.
Programme Governance Group receiving updates on change activity progress, etc.	n/a	n/a	Oversight Group (may have existing name if using existing governance arrangements.	Programme Group.
Authorisation Individual or group who are able to authorise the change activity	Person with delegated authority (e.g. Senior Manager, Service Manager, Head of Service, etc).	Person with responsibility for the service/Directorate that the change will take place (e.g. General Manager, Assistant Director, County Director, etc).	Where existing governance structure is not suitable due to its function and role, a bespoke Oversight Group with Executive Sponsor(s) for the related Planning Objective(s) will authorise the change activity.	Executive Team via Executive Sponsor.
Assurance Group For business case sign off or assurance as appropriate	n/a	n/a	Executive Team via Executive Sponsor.	SDODG for assurance, SRC for assurance on financial aspects, Board for final approval (if required).

DRAFT – Investment Case Process and Principles

Governance

Current Enablers and Platforms

PACE

The introduction of the Project Administration Communication Environment (PACE) enables and supports the management of projects across the Health Board. The PACE tool can be used to help standardise the way in which projects are monitored and reported across the organisation and provide users with standardised project documents. PACE offers several features to support the life cycle and reporting of a programme/project, such as Project/Programme alignment to strategic/planning objectives, logging Benefits, financial information etc.

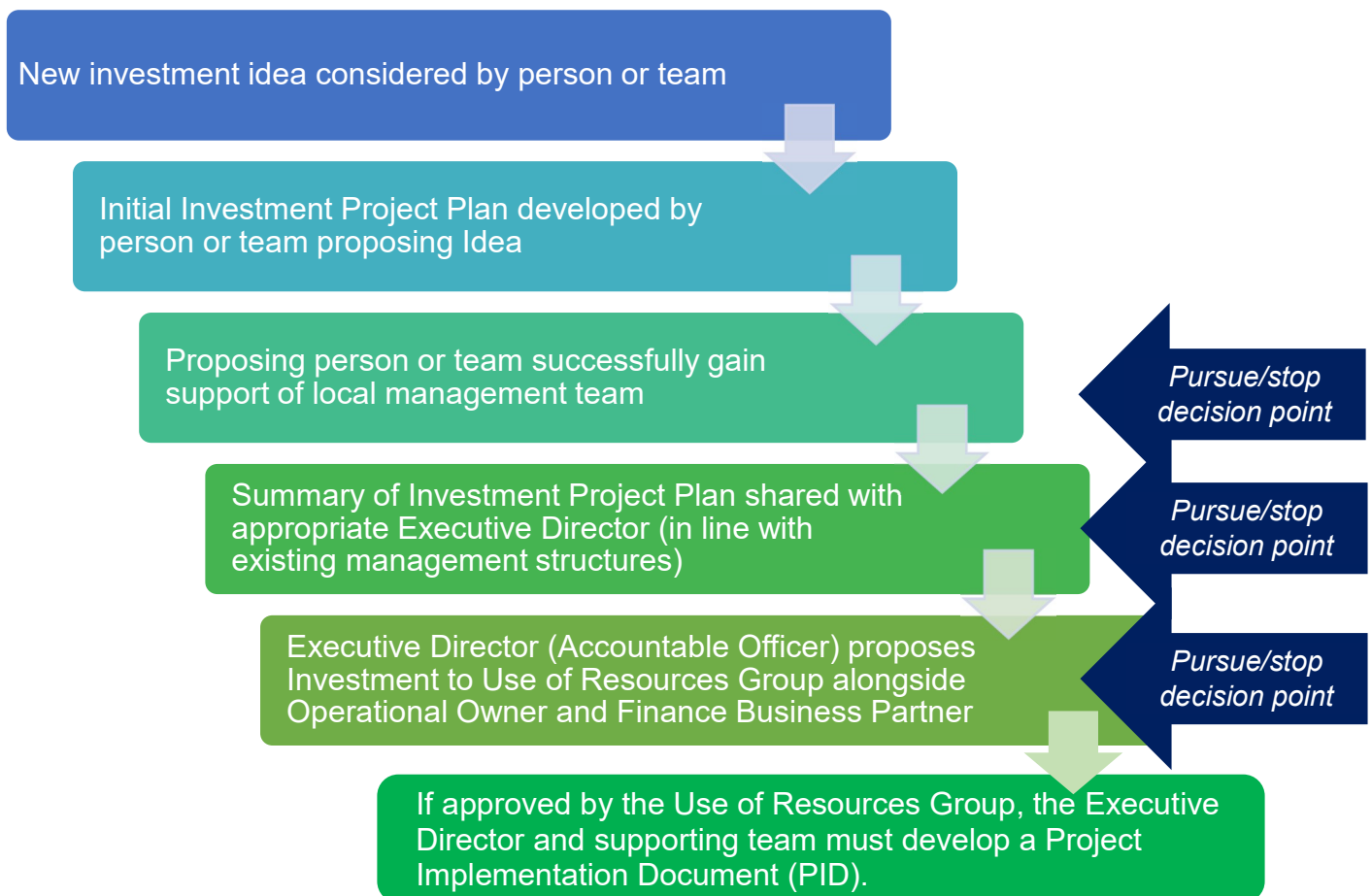
Terms of Reference

A suite of Terms of Reference Documents have been developed with the Corporate Governance team and aligned to project sizing. These are supported with brief self-guided training and allow for people to use consistent governance documents across services.

Performance/ Project Reporting

An Executive Dashboard as well as a series of other dashboards have been developed to allow Executive Directors to receive at a glance reporting against Planning Objectives and Goals across directorates. This also allows a level of drill down to project level. This also includes resource modelling to understand demand and capacity to support projects.

Approval Process (where there is a net resource investment proposed)



HYWEL DDA UNIVERSITY HEALTH BOARD

DRAFT – Investment Case Process and Principles

Please refer to separate guidance document for [Project Implementation Document \(PID\)](#) template.

All investment cases must be taken through the above process; if an investment circumvents this process and is taken directly to an approving Committee, such as the Board, this point should be clearly noted on the supporting SBAR and then this governance process must be retrospectively applied to ensure that appropriate scrutiny is provided and that all appropriate parties are aware of the investment case.

If, during this retrospective approval process, there are found to be material omissions or unsatisfactory assurance from the evidence base presented, the Use of Resources Group can pause the investment subject to sufficient assurance being provided at a later date. Should sufficient assurance not be provided then the Use of Resources Group can make a recommendation to the relevant approving Committee to unwind the investment decision.

The Use of Resources Group will determine which decision category the Investment Case meets:

A	Rejected	<ul style="list-style-type: none">• The investment is deemed to have insufficient benefits or is not aligned to the Strategic and/or Planning Objectives of the Organisation at this time.
B	Approved subject to external funding	<ul style="list-style-type: none">• The investment will be supported, but only if a successful funding bid is secured from an external source (such as Welsh Government).
C	Approved subject to self-funding	<ul style="list-style-type: none">• The investment will be supported, but only if the Executive Lead can evidence a source of funding from within existing envelopes within their delegated authority; this funding must be formally repurposed for the Investment.
D	Approved at risk to the Organisation	<ul style="list-style-type: none">• The investment will be supported without an existing or new external funding source. The terms of the invest-to-save will be agreed at this point or the cost will be embedded in the following year's financial Planning cycle.

All investment cases documentation, including the completed PID must be provided to the Corporate Reporting and Planning team within the Finance Department, via the following email, (Corporate-Reporting.HDD@wales.nhs.uk) for logging purposes to provide the background to in-year financial management decision making.

Review Process

It is the responsibility of the Accountable Officer, being the relevant Executive Lead, to monitor the delivery of the investment against the criteria set out in the PID. This may include delivery of financial or non-financial KPIs against a defined baseline, which should be measured in line with the milestones documented in the PID. For all new investment cases, an initial review must be conducted within three months of a project implementation date, and various internal and external stakeholders could ask for the review assessment at short notice.

Any delays in the original delivery timelines should be reported to the Use of Resources Group periodically by the Operational Lead; investment cases falling into the below categories as per the Criteria are subject to the following reporting periods:

HYWEL DDA UNIVERSITY HEALTH BOARD

DRAFT – Investment Case Process and Principles

- Small: as a minimum, every four months;
- Medium: as a minimum, every quarter;
- Large: as a minimum, every month;
- System: as a minimum, bi-weekly.

If an investment is failing to deliver the expected outcomes in line with the delivery trajectory documented in the PID then the Use of Resources Group can propose to unwind approval of any investment; any disinvestment decisions that are defined as Large or System will be reported to the appropriate Committee (for example, Sustainable Resources Committee).

Scoring Criteria and Decision Log

The Use of Resources Group are responsible for evidencing the bases of scoring an investment case, and for recording the scrutiny of key elements by completing the following in support of all decisions against the Scoring Criteria:

Scoring Criteria (score each box with 1-5, with 1 being low and 5 being high)				
	Importance	Impact	Level of Risk	Level of Reward
Strategic Fit				
Likelihood of Delivery				
Quality & Safety				
Payback period				
Criteria Scores				
Total Score (sum all scores to give a grand total)				

Decision Log	
Name of Project	
Project Executive Lead	
Date Case received for scrutiny	
Is the Case aligned to Strategy and/or Planning Objectives (list applicable)	
Has funding source evidence been provided	
If the Case requires the agreement of other parties, has this been evidenced	
Does the Case have a realistic benefits realisation plan	
Does the Case have a realistic Workforce plan	
Date Case scrutiny concluded	
Decision Category (A-E)	
Score against Criteria	

Appendix

Template for Use of Resources: Investment Case Executive Summary Briefing

Use of Resources: Investment Case Executive Summary Briefing

Project Overview			
Project Title		Key Project objectives, including proposed changes, impact on other service areas/projects and outcomes; include start date	
Accountable Officer			
Operational Lead			
Finance Business Partner			
Key drivers/rational for the project (ref. Strategic and/or Planning Objectives if applicable)		Financial investment required (if applicable) – list £ for all applicable years (split Revenue and Capital)	£
Proposed funding source		Type (based on Investment Criteria)	

Key Benefit	KPI / Improvement measurement	Baseline	Target	Target Date

Key Project Milestones by task	Milestone date

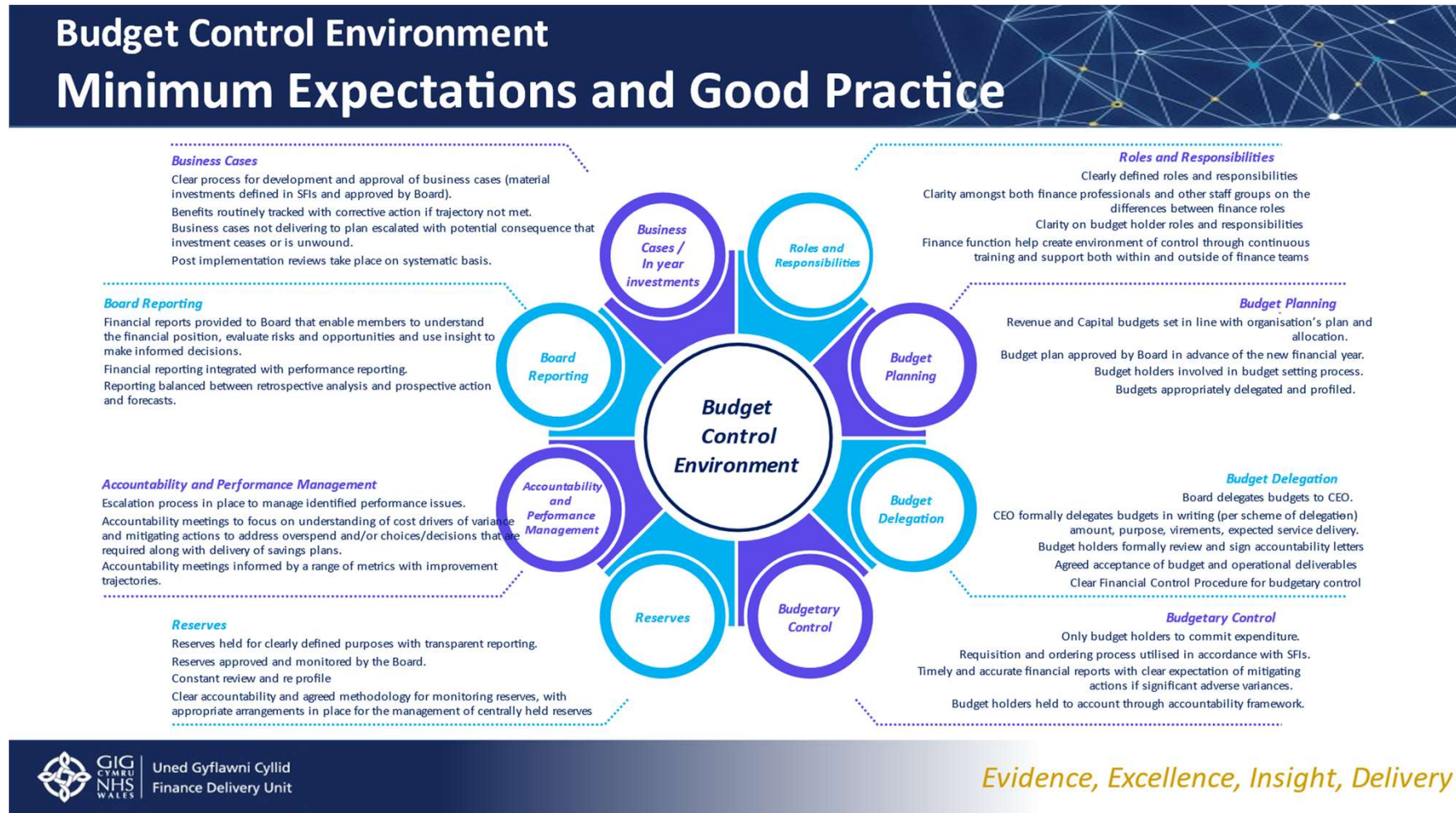
Financial savings	
Date savings effective from	
Savings for current year	£
Savings for a full year	£
Expenditure/Income category	
Recurrent / Non-Recurrent?	
Savings definition	Please select from drop-down list

Key Risks to delivery	Impact	Mitigation

FDU BEST PRACTICE

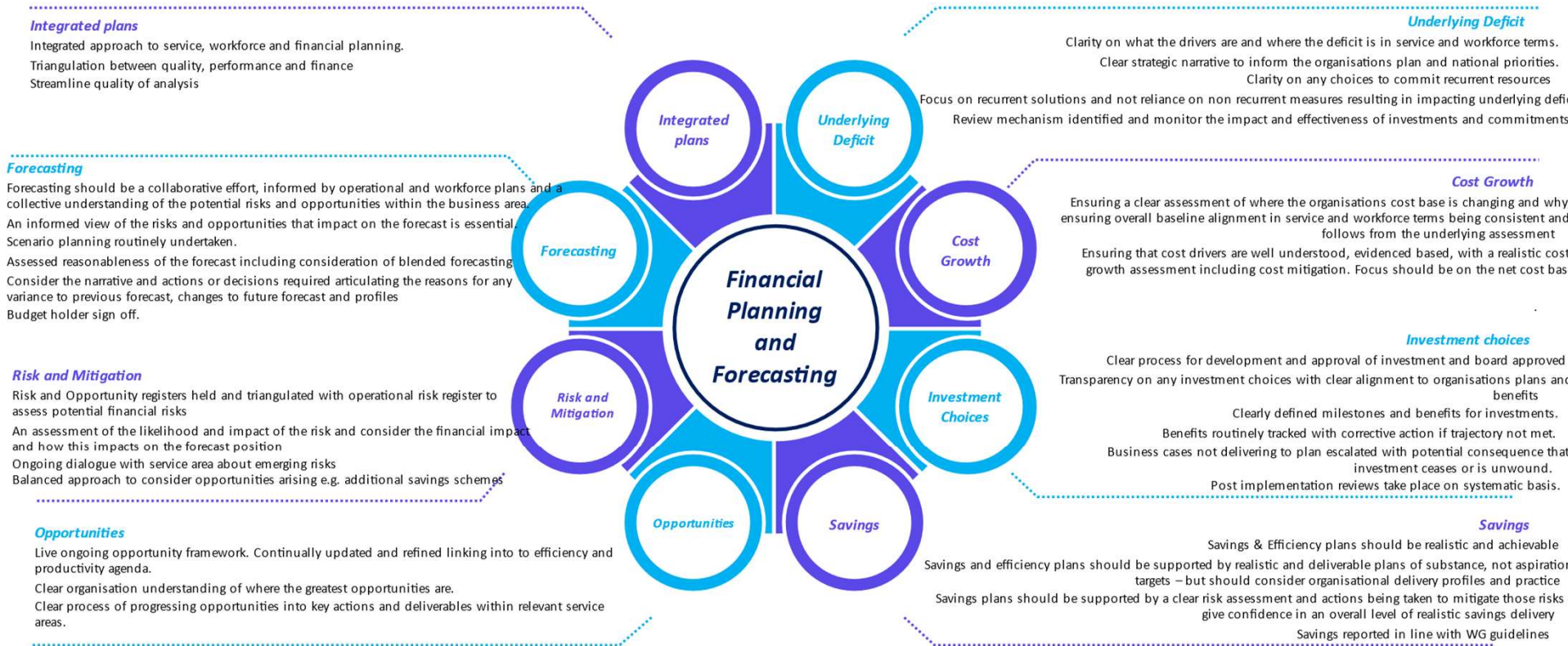
Below are the slides presented to the DoF meeting in May 2022:

BUDGETARY CONTROL



Financial Planning and Forecasting

Minimum Expectations and Good Practice



ASSESSMENT OF HYWEL DDA CONTROLS AGAINST FDU BEST PRACTICE GUIDANCE

This document assesses the content of the Hywel Dda procedure documents against the best practice document issues by the Finance Delivery Unit in 2022.

BUDGET CONTROL ENVIRONMENT

#	FDU Best Practice	Hywel Dda Findings	File Ref	Conclusion	Recommendation	Hywel Dda Response
Business Cases						
1	Clear process for development and approval of business cases (material investments defined in SFIs and approved by Board).	Not discussed in budgetary controls documentation		Improvement point	Discussion around Business Cases to be included within procedures.	Completed - incorporated into an Investment Principles document, scrutinised through Executive Director Use of Resources Group.
2	Benefits routinely tracked with corrective action if trajectory not met.	Not discussed in budgetary controls documentation		Improvement point	As above	Complete - incorporated into an Investment Principles document, scrutinised by lead Executive Director.
3	Business cases not delivering to plan escalated with potential consequence that investment ceases or is unwound.	Not discussed in budgetary controls documentation		Improvement point	As above	Complete - incorporated into an Investment Principles document, scrutinised by lead Executive Director.
4	Post implementation reviews take place on systematic basis.	Not discussed in budgetary controls documentation		Improvement point	As above	Complete - incorporated into an Investment Principles document, scrutinised by lead Executive Director.
Roles and Responsibilities						
1	Clearly defined roles and responsibilities	Section 5 of Budgetary Control procedure document clearly set out roles and responsibilities	1b	Satisfactory		
2	Clarity amongst both finance professionals and other staff groups on the differences between finance roles	Director of Finance, Budget Holders and FBP roles clearly defined	1b	Satisfactory		
3	Clarity on budget holder roles and responsibilities	Budget holder responsibilities clearly defined	1b	Satisfactory		
4	Finance function help create environment of control through continuous training and support both within and outside of finance teams	Section 16 discusses training available to budget holders, suggesting an open training and support environment both within and outside teams.	1b	Satisfactory		
Budget Planning						
1	Revenue and Capital budgets set in line with organisation's plan and allocation.	Budgetary Control procedure states that the budget needs to be in line with the aims and objectives of the IMTP, and within the limits of available funds. See 6.2.	1b	Satisfactory		
2	Budget plan approved by Board in advance of the new financial year.	Procedure states that the DoF will prepare budgets for approval by the board prior to the start of the financial year. See 6.2.	1b	Satisfactory		
3	Budget holders involved in budget setting process.	6.2 states that the budget will be prepared following discussion with budget holders.	1b	Satisfactory		
4	Budgets appropriately delegated and profiled.	Delegation clearly discussed, see section 7 and 8. Procedure document doesn't appear to discuss the profiling of budgets however this is covered within the Budgeting Processes and Principles document.	1a and 1b	Satisfactory		
Budget Delegation						
1	Board delegates budgets to CEO.	Stated within section 7.	1b	Satisfactory		
2	CEO formally delegates budgets in writing (per scheme of delegation) – amount, purpose, virements, expected service delivery	Discussed in section 8. CEO does delegate budget in writing. The template letter has been provided. The letter could more clearly set out the purpose of the allocated budget.	1b	Improvement point	A greater emphasis could be placed on the purpose of the budgets being delegated, to ensure clear accountability around where the money is spent.	In-progress - to be incorporated into the 2024/45 Accountability Letter linked to delivering ministerial priorities, as a minimum, over other services.
3	Budget holders formally review and sign accountability letters	Appendix showing template letter clearly asks for a signed copy to be sent back by a set deadline	1b	Satisfactory		
4	Agreed acceptance of budget and operational deliverables	Discussed within budget letter	1b	Satisfactory		
5	Clear Financial Control Procedure for budgetary control	Section within the delegation letter from the CEO discussing financial control principles	1b	Satisfactory		
Budgetary Control						
1	Only budget holders to commit expenditure.	Section 7 states that only nominated budget holder can commit expenditure against their cost centre.	1b	Satisfactory		

2	Requisition and ordering process utilised in accordance with SFIs.	The requisition and ordering process is not covered within the budgetary control procedure, and another procedure has not been linked.		Improvement point	The process for requisitions and ordering is not discussed within the documents, and a link to another procedure document not provided. This should be covered to ensure correct processes are followed around the purchasing of goods, with PO's raised and approved prior to expenditure being committed.	Complete - documents linked under the Health Board policies and procedures intranet. (https://nhs.wales365.sharepoint.com/sites/HDD_Corporate_Governance/SitePages/Financial%20procedures/1054%20-%20Purchase%20to%20Pay%20Financial%20Procedure.aspx)
3	Timely and accurate financial reports with clear expectation of mitigating actions if significant adverse variances.	DoF to issue financial reports on a 'timely basis', per section 10. Doesn't explicitly state how often reports are provided, but should be monthly. Suggested improvement. Procedure discusses what will happen if adverse variances arise. See section 11.	1b	Improvement point	State within the procedure document how often reports will be provided to budget holders.	In-progress - will be updated in the Budgetary Control Procedure. It is however already included in the formal Accountability Letter issued from the Accountable Officer to Executive Directors and made explicit that, as a minimum, monthly finance performance reviews are to be undertaken.
4	Budget holders held to account through accountability framework	Clear performance management framework discussed for budget holders to be held to account	1b	Satisfactory		
Reserves						
1	Reserves held for clearly defined purposes with transparent reporting.	Clear discussion in the overarching budgetary control document as well as the more detailed procedure document. However limited discussion around reserves reporting.	1a & 1b	Improvement point	More detail should be provided around the reporting of reserve balances.	Complete - formal reviews evidenced as part of the Working Day 1 (In-Month) and Working Day 4 (End of Year) process as referenced in the principles document.
2	Reserves approved and monitored by the Board.	Not stated, only in section 13 it states that they will be reviewed monthly by DoF.	1b	Improvement point	The monitoring and approval of reserves should be discussed within the procedure document.	Complete - updated in Budgeting Process and Principles document.
3	Constant review and re profile	Confirmed within section 13 that reserves will be reviewed monthly by DoF.	1b	Satisfactory		
4	Clear accountability and agreed methodology for monitoring reserves, with appropriate arrangements in place for the management of centrally held reserves	Centrally held reserves clearly defined within the overarching document. More detail needed around the monitoring of reserves, as previously raised.	1a & 1b	Improvement point	See Reserves point 2 above.	Complete - updated in Budgeting Process and Principles document.
Accountability and Performance Management						
1	Escalation process in place to manage identified performance issues.	Performance management section sets out this process, see section 11.	1b	Satisfactory		
2	Accountability meetings to focus on understanding of cost drivers of variance and mitigating actions to address overspend and/or choices/decisions that are required along with delivery of savings plans.	Accountability meeting not explicitly stated however template for recovery meeting is included in appendix 2, but there is a process around overspends/choices/decisions and the delivery of savings. See section 11 and section 14.	1b	Satisfactory		
3	Accountability meetings informed by a range of metrics with improvement trajectories.	Not explicitly stated		Improvement point	Include within the recovery meeting discussion consideration around the range of metrics used with improvement trajectories.	In-progress - referenced within the Accountability Letters issued from the Accountable Officer to Executive Directors, but will also be defined within the FBP Framework approach with budget holders as raised as part of an Internal Audit recommendation.

FINANCIAL PLANNING AND FORECASTING

#	FDU Best Practice	Hywel Dda Findings	File Ref	Conclusion	Recommendation	Hywel Dda Response
Integrated Plans						
1	Integrated approach to service, workforce and financial planning	Health board planning team responsible for coordination of annual plan production linking with finance and workforce teams. Clear split of MDS preparation, with the Workforce, Planning & Performance teams responsible for completing the non-financial elements.	2	Satisfactory		

2	Triangulation between quality, performance and finance	The financial planning document clearly sets out the UHB's medium/long term strategy for 'Health & Care Strategy - A Healthier Mid and West Wales' as well as the requirement to achieve a balanced financial position.	2	Satisfactory		
3	Streamline quality of analysis	Clear timetable, responsibilities and final preparation of MDS and budget. No issues noted.	2	Satisfactory		
Underlying Deficit						
1	Clarity on what the drivers are and where the deficit is in service and workforce terms	Underlying deficit not discussed within document		Improvement point	Greater emphasis needs to be placed within the planning process around gaining an understanding of the components of the ULD, the choices made, and identifying solutions.	Complete - covered as part of the signed-off deficit drivers explanation which was running in parallel to this review. Future financial years will require a similar approach, and detail will be added to the principles document to mirror the approach as evidenced through the Deficit Drivers work from 17 March 2023 TI meeting.
2	Clear strategic narrative to inform the organisations plan and national priorities	Underlying deficit not discussed within document		Improvement point	See above	See above.
3	Clarity on any choices to commit recurrent resources	Underlying deficit not discussed within document		Improvement point	See above	See above.
4	Focus on recurrent solutions and not reliance on non recurrent measures resulting in impacting underlying deficit	Underlying deficit not discussed within document		Improvement point	See above	See above.
5	Review mechanism identified and monitor the impact and effectiveness of investments and commitments	Underlying deficit not discussed within document		Improvement point	See above	See above.
Cost Growth						
1	Ensuring a clear assessment of where the organisations cost base is changing and why, ensuring overall baseline alignment in service and workforce terms being consistent and follows from the underlying assessment	Clear discussion around both the national and local position drivers within the procedure document.	2	Satisfactory		
2	Ensuring that cost drivers are well understood, evidenced based, with a realistic cost growth assessment including cost mitigation. Focus should be on the net cost base .	As above	2	Satisfactory		
Investment Choices						
1	Clear process for development and approval of investment and board approved	The financial planning process document discusses investments process, but not seen this firsthand.	2	Query	Andrew Spratt to share after 23 March 2023	In-progress - with updates confirmed within the Accountability Letters issued from the Accountable Officer to Executive Directors, and principles document being updated to provide further detail on the criteria that has now been agreed as part of our Planning approach.
2	Transparency on any investment choices with clear alignment to organisations plans and benefits			Query	Andrew Spratt to share after 23 March 2023	See above.
3	Clearly defined milestones and benefits for investments.			Query	Andrew Spratt to share after 23 March 2023	See above.
4	Benefits routinely tracked with corrective action if trajectory not met.			Query	Andrew Spratt to share after 23 March 2023	See above.
5	Business cases not delivering to plan escalated with potential consequence that investment ceases or is unwound.			Query	Andrew Spratt to share after 23 March 2023	See above.
6	Post implementation reviews take place on systematic basis			Query	Andrew Spratt to share after 23 March 2023	See above.
Savings						
1	Savings & Efficiency plans should be realistic and achievable	The financial planning process document states that savings in the region of £15m per year are estimated to be required. This is considered achievable for HD, and could potentially be seen as a conservative estimate.	2	Satisfactory		
2	Savings and efficiency plans should be supported by realistic and deliverable plans of substance, not aspirational targets – but should consider organisational delivery profiles and practice	Savings reporting document clearly states what the RAG ratings mean based on FDU guidance. The financial planning process clearly states that it's not acceptable for the savings target to be treated as a financial balancing figure, and the identification should be in line with investments and strategic decisions.	2 & 3	Satisfactory		

3	Savings plans should be supported by a clear risk assessment and actions being taken to mitigate those risks to give confidence in an overall level of realistic savings delivery	Very limited discussion around the incorporation of a risk assessment within the savings process. This appears to be an area for improvement.		Improvement point	The savings process should consider incorporating the use of a risk assessment to ensure these risks are addressed and savings delivered to their full forecasted value.	Complete - risk assessment forms a core supporting component of the project initiation document process and is expected for all schemes.
4	Savings reported in line with WG guidelines	Clear reference to FDU framework around the All-Wales approach to the reporting of savings.	3	Satisfactory		
Opportunities						
1	Live ongoing opportunity framework. Continually updated and refined linking into to efficiency and productivity agenda.	The financial planning document references to the opportunities framework process document here. The opportunity framework policy states that files are available electronically in a central location for easy accessibility across the finance function. Refreshes for new sources expected in three months. Clear link to discussions around driving transformational change where possible.	4	Satisfactory		
2	Clear organisation understanding of where the greatest opportunities are.	A list of sources is included within the document as areas the organisation may find some opportunities, but also clearly states that it is not limited to these sources.	4	Satisfactory		
3	Clear process of progressing opportunities into key actions and deliverables within relevant service areas.	Discussion around moving these to specific savings plan through the 3D (Define, design and deliver) approach. Clear diagram setting out the process to follow around identifying, developing and delivering an opportunity.	4	Satisfactory		
Risk & Mitigation						
1	Risk and Opportunity registers held and triangulated with operational risk register to assess potential financial risks	Risk register or triangulation to operational risk register not discussed		Improvement point	The health board should consider implementing a risk and opportunity register and triangulating against the operational risk register.	No further action - this is supported via the Corporate Risk Register and financial risks and opportunities are also already incorporated into the Working Day cycles and reporting to Executive Team each month, as described in the Forecasting Process and Principles document.
2	An assessment of the likelihood and impact of the risk and consider the financial impact and how this impacts on the forecast position	Likelihood and impact of risks/opportunities not discussed		Improvement point	Risk and opportunity register should score based on likelihood/impact.	As above.
3	Ongoing dialogue with service area about emerging risks	Service leads and FBP teams will present risks and opportunities to operational lead executives, planning representatives and DOF for discussion and challenge. Also regular dialogue between FBP and directorate colleagues as part of forecasting processes	2 & 5	Satisfactory		
4	Balanced approach to consider opportunities arising e.g. additional savings schemes	Covered within the opportunities framework.	4	Satisfactory		
Forecasting						
1	Forecasting should be a collaborative effort, informed by operational and workforce plans and a collective understanding of the potential risks and opportunities within the business area.	The procedure discusses working with directorate leads to determine the best run-rate extrapolation, and to inform the forecast with known changes. Also discusses national and local financial position drivers. Items that do not meet the criteria for inclusion (i.e. definite items) are included as risks/opportunities.	5	Satisfactory		
2	An informed view of the risks and opportunities that impact on the forecast is essential.	Directorate forecasts only include definite items (i.e. >95% be enacted). Any others are reflected as risks/opportunities working with directorate leads.	5	Satisfactory		
3	Scenario planning routinely undertaken.	Indirectly discussed, however could be more clearly set out around exploring different scenarios and how this would impact on the overall forecast for the health board.	5	Improvement point	Consideration should be given around scenario planning, identifying 3-4 different scenarios and considering key factors/external factors, and building these into forecasts to stress-test the health board strategy.	Consideration being given to whether this could feature in the prioritised workplan.
4	Assessed reasonableness of the forecast including consideration of blended forecasting	On a monthly basis, FBP work with directorate colleagues to inform forecast movements for known changes.	5	Satisfactory		

5	Consider the narrative and actions or decisions required articulating the reasons for any variance to previous forecast, changes to future forecast and profiles	Procedure sets out the in-month financial performance process, including providing narratives for any key drivers of variance. Future forecast updates also made between FBP and directorate leads.	5	Satisfactory		
6	Budget holder sign off.	Not explicitly stated, however directorate leads are involved in setting directorate forecasts.	5	Improvement point	Consideration given regarding the formal sign-off of forecasts by budget holders/directorate leads.	No further action - already incorporated into the Financial Planning Process and Principles, supported by the evidenced via Accountability Letters issued from the Accountable Officer to Executive Directors. Outstanding sign-offs are escalated to Executive Team and Sustainable Resources Committee.

ASSESSMENT OF HYWEL DDA CONTROLS AGAINST HFMA GUIDANCE

This document assesses the content of the Hywel Dda procedure documents against the 'Improving NHS financial sustainability' document issued by HFMA in April 2022.

#	HFMA Guidance	Hywel Dda Findings	File Ref	Conclusion	Recommendation	Hywel Dda Response
Business and financial plan						
A1	Are the assumptions behind business and financial planning, and elements within them, clear and consistently applied, both within the organisation and across the system?	Yes - underpinned by the medium/long term strategy around a Healthier Mid and West Wales.	2	Satisfactory		
A2	Is there a co-ordinating process and timetable for business planning to pull together the various strands (for example, workforce, operational, capital, digital, efficiency, quality, environmental sustainability)? Does this process and timetable continue into the financial year as a continuous review process, and not wait for central guidance?	Yes - discussion around a clear timetable is included, with actions to deliver planning for the next financial year, specific budget setting tasks and planning for the medium term.	2	Satisfactory		
A3	Are plans subject to review throughout the year and rolling forecasts updated where necessary?	Draft financial plan presented to Sustainable Resource Committee (SRC) and FDU. Forecasts reviewed monthly between directorates and FBP leads	2 & 5	Satisfactory		
A4	Is there a quality assurance process in place to ensure the internal consistency of the various strands of business planning (for example, workforce, operational, capital, digital, efficiency, quality, environmental sustainability)?	Yes, through involvement of the Sustainable Resource Committee, as well as collaborative working between FBP teams and service leads.	2	Satisfactory		
A5	Are financial plans subject to challenge/ sense/ quality check, for instance reviewed against historical run rates of expenditure or expectations from initial planning, and differences satisfactorily explained?	Financial plans are challenged through the Sustainable Resource Committee for feedback, as well as the FDU.	2	Satisfactory		
A6	Have initial/ first draft business and financial plans been developed in collaboration with the ICB/ ICP to ensure that system plans, and partner expectations are consistent?	NA - these are England specific, but draft plans are shared with the FDU and WG.		Satisfactory		
A7	Is there a robust and clearly defined process for business case consideration? Is this readily available and used?	Business cases not explicitly discussed. Previously recommended.		Improvement point	See business case point raised within FDU assessment.	Complete - as per Business Case comments.
A8	Has there been an equitable process for the consideration, prioritisation, and approval of cost pressures?	Specific consideration around new cost pressures included both within the financial planning process and forecast documents.	2 & 5	Satisfactory		
A9	Has there been a robust process for the development of cost improvement/ waste reduction plans?	Yes - included within the opportunities framework	4	Satisfactory		
A10	Is there appropriate governance in place for the review and approval of significant transformation or change programmes? Is there clear evidence this has been used?	Yes - included within the opportunities framework	4	Satisfactory		
A11	Has there been a robust process for the targeting of productivity improvements?	Yes - included within the opportunities framework	4	Satisfactory		
A12	Has the board been made aware of any of the 'tough decisions' made by the executive?	Draft financial plan presented to Sustainable Resource Committee sets out the schedule of decisions required by executive team.	2	Satisfactory		
Budget setting						
B1	Where the system has set the organisation a financial target, which may differ from the budget determined by the organisation, has the board accepted the control total as achievable and committed to deliver against it?	Yes, section 5.1 states that the board has accepted responsibility to meet its financial duty as set out in the NHS (Wales) Act 2014.	1b	Satisfactory		
B2	Where the organisation has undertaken scenario planning, has it assessed the risks to achieving the budget and/ or financial target? Are these scenarios monitored throughout the year? Are actions taken as a result?	NA - no scenario planning explicitly stated within the procedure document.		Improvement point	See 'Assessment against FDU' tab for details on the recommendation here.	No further action - risks and opportunities incorporated into Forecasting Process and Principles and considering given to prioritisation of scenario planning.
B3	Have financial budgets been agreed and signed off by all budget holders/ managers? Does sign-off also include confirmation that the budget accurately reflects: • agreed operational targets • the underlying resources, in terms of staff as well as supplies and services, needed to deliver those targets?	Budgets delegated to budget holders, with assumptions around the level of service to be provided, and letter signed by budget holder with agreed budget. See section 7.	1b	Satisfactory		

B4	Is there a clear process for the approval of revenue budgets?	Yes - budget set by DoF and submitted for approval and delegation to the board.	1b	Satisfactory		
B5	Has the board formally agreed the organisation's budget for the year, along with the main assumptions behind it?	Yes - as above.	1b	Satisfactory		
B6	Is there a process / opportunity for review of the budget as the year progresses, including formal opportunities to revise budgets and provide updated forecasts if necessary?	See section 9. DoF will specify any changes needed in report to the board. Process around virements also discussed in section 12.	1b	Satisfactory		
B7	Is there a process / opportunity for virements within budgets to be undertaken during the year?	Yes - virements discussed in section 12	1b	Satisfactory		
B8	Has a capital budget been set and appropriately delegated to budget holders / managers?	Yes - forecasting document states that these are prepared for revenue, capital and cash. Unsure about delegation, not stated?		Improvement point	Discussion around setting of capital budgets may be beneficial.	No further action - not covered in revenue principles as covered within specific Capital principles.
B9	Is there a clear, robust process for the approval of capital schemes?	As above		Improvement point	As above	No further action - not covered in revenue principles as covered within specific Capital principles.
B10	Are the revenue expenditure implications of capital expenditure reflected in revenue budgets?	As above		Improvement point	As above	No further action - not covered in revenue principles as covered within specific Capital principles.
B11	Are budgets profiled to reflect the expected pattern of expenditure each month?	Budgeting process and principles document clearly states budget profiling process.	1a	Satisfactory		
B12	Are cash flow forecasts consistent with budgets?	Forecasting process states that the revenue forecast informs the cash flow forecast.		Satisfactory		
B13	Is there a formal process in place to agree the authorised establishment?	Unable to evidence within documentation.		Improvement point	Include consideration around process for agreeing authorised establishment.	No further action - all elements of the Planning Process and Principles update Pay/Establishment and are cascaded through the approved budget and Accountability Letters issued from the Accountable Officer to Executive Directors. Evidence is available that demonstrates how all items are transacted, and if pay related, update the establishments in line with the Budgeting Process and Principles document.
B14	Is there a high-level outline budget for the next three to five years?	It is a requirement to produce an IMTP as agreed with WG.		Satisfactory		
Budget reporting and monitoring						
C1	Is there a clear month-end reporting timetable, including the production of reports to budget managers?	Financial reports to the board, and reports issues from DoF to budget holders on a timely basis. A report produced each month for the finance committee and directorates setting out YTD budget performance	1b	Satisfactory		
C2	Do budget reports provide detailed analysis of expenditure on a month-by-month basis (run rates over a period of time)? Does the report provide sufficient information to identify the reason for variances?	Procedure sets out that financial reports provide showing performance against budget and an assessment of outturn. Development of lead indicators, which are reviewed and discussions also held with finance staff vs budget holders. Without seeing a report, we're unable to provide full assurance that reports contain sufficient detail but procedure documents provide indication that they meet required thresholds.	1b	Satisfactory		
C3	Do budget managers receive their budget reports in a timely manner for them to review and correct for any errors and omissions, before they are used to review financial performance?	Provided on a timely basis per procedure.	1b	Satisfactory		
C4	Do budget managers formally review their budget performance each month and develop remedial actions plans that are followed up?	Yes - budget performance discussed at least monthly.	1b	Satisfactory		
C5	Do budget reports provide clear insight for clinical and operational teams?	Unable to confirm without seeing report, however procedure document indicates required detail provided.	1b	Satisfactory		
C6	Do budget managers have clear instructions on what actions they need to take in managing any overspends and are aware that they are expected to manage within in their resource allocation?	Yes, section 13 sets out the performance management aspect around overspends.	1b	Satisfactory		

C7	Do budget managers understand what actions they should take if they are underspending against budget?	See section 13, where budget variances are discussed	1b	Satisfactory		
C8	Is there a system in place to look, corporately, for early warning signs that go across budgets?	Not explicitly stated, however a number of reports are ran by the DoF.	1b	Improvement point	The procedure document should state the processes followed within the finance function to identify budget issues at an early stage.	Complete - the Forecasting process provides a comprehensive assessment across all quantitative and qualitative measures to highlight early warning signs at the earliest time, evidenced via the 23month rolling forecast. The introductory wording in the Forecasting Process and Principles document has been updated to make this more explicit as the overarching purpose of the process.
Forecasting						
D1	Is there a clear month-end reporting timetable for the creation of forecasts and production of reports to budget managers?	Financial reports issues to budget holders on a timely basis, with budget performance discussed between managers and immediate reports at least monthly. Forecasting template completed monthly by management accounting team.	1b and 5	Satisfactory		
D2	Do forecasts include analysis of the underlying recurrent costs (run rate) as well as non-recurrent expenditure?	The forecasting document states no requirement to distinguish between recurrent and non-recurrent drivers. However also states that directorates determine locally the run rate extrapolation method by sub-category.	5	Satisfactory		
D3	In the production of forecasts, are managers provided with central instructions and assumptions that they use?	Yes - general assumptions used are included in procedure document.	5	Satisfactory		
D4	Is the use of any central contingency, where used, transparent?	Discussion around reserves within procedure document	5	Satisfactory		
D5	Are financial forecasts triangulated with activity, workforce, and other forecasts?	Yes - clear emphasis on alignment across service, finance and workforce plans	2	Satisfactory		
D6	Do forecasts, both at budget level and organisational level, include cash flow as well as income and expenditure?	Yes - overall forecast consists of revenue, capital and cash.	5	Satisfactory		
D7	Are the financial forecasts generated for internal management purposes consistent with forecasts reported to the ICB / ICP and NHSE&I?	Not applicable - however reference to MMR reporting monthly to WG incorporated into process	5	Satisfactory		
D8	Do budget managers formally review their forecasts each month and develop remedial actions plans that are followed up?	Yes - forecasting template completed monthly by management accountant. Finance business partners work with directorate colleagues to inform forecasts	5	Satisfactory		
Cost improvement plans						
E1	Is the development of CIPs part of the budget setting and delivery process?	Yes, clear discussion around savings within budget setting process. See section 14.	1b	Satisfactory		
E2	Is there a 'top-down' process for identifying CIPs?	Yes - opportunities framework highlights that this is a two-way process.	4	Satisfactory		
E3	Is there a 'bottom-up' process for identifying CIPs?	Yes - opportunities framework highlights that this is a two-way process.	4	Satisfactory		
E4	Are the organisation's CIP plans consistent with, and in line with, plans at ICB/ ICP level, including system saving opportunities?	NA - this is England specific.		NA		
E5	Is the process for identifying and managing CIPs a continuous one?	Yes - files are available centrally with new sources updated every three months to allow identification of new opportunities	4	Satisfactory		
E6	Is there a programme/ project management approach adopted for the identification and delivery of CIPs?	Yes - all follow the opportunities framework and the 3D process	4	Satisfactory		
E7	Are CIPs subject to some form of scrutiny/ challenge to ensure that they are deliverable in the timescale and to the size envisaged?	Finance team monitor the savings plan through to delivery. The corporate reporting team are responsible for the ongoing validation and challenge of savings schemes	3 & 4	Satisfactory		
E8	Are CIP proposals subject to a review of their impact on clinical/ quality areas (such as quality impact assessments - QIAs), as well as finance, to make decisions on an overall value for money basis?	Yes - PID document requires discussion around impact on other service areas and overall outcomes.	6	Satisfactory		

E9	Is there a process to monitor the delivery of CIPs and escalate where material delays or an inability to deliver becomes apparent, including a set of KPIs to monitor delivery?	Finance team monitor the savings plan through to delivery. The corporate reporting team are responsible for the ongoing validation and challenge of savings schemes	3 & 4	Satisfactory		
E10	Is ownership of the delivery of CIPs clear, particularly with regards to clinical engagement?	Documentation could be updated to make it clear where ownership lies around savings delivery		Improvement point	Documentation could be updated to make it clear where ownership lies around savings delivery	Complete - Savings Process and Principles document updated to explicitly state that each savings scheme does have an owner, which has to be input at the point of scheme creation, and who has full responsibility for managing the delivery. This will also be reviewed in line with the Delivery Framework TI action to ensure a consistent approach is taken.
E11	Where there are unidentified CIPs, is this clearly noted and a plan in place to narrow the gap through further reviews?	Opportunities framework is continuously monitored.	4	Satisfactory		
Board reporting						
F1	Has the board agreed the format of the financial reports that it receives, and compared this to alternatives/ examples of good practice (for instance use of statistical process control charts or other forms of presentation)?			Query	Covered in best practice guidance, however would not be within the content of procedure documents provided for review.	Out of scope for the current set of TI deliverables.
F2	Where a scorecard/ dashboard is produced, can board members drill down easily into detail?			Query		As above.
F3	Has all data/ information included in board reports been subject to validation so that the board can act with confidence on the information provided?			Query		As above.
F4	Is the written commentary within board reports succinct and designed to provide insight and prioritise the board's decisions?			Query		As above.
F5	Is the board aware of the cost-benefit of management time spent in preparing board information and has it agreed a proportionate requirement?			Query		As above.
F6	Are financial risks explicitly captured in the corporate risk register discussed and action plans developed?			Query		As above.
Financial governance						
G1	Are standing orders, standing financial instructions, schemes of delegation and associated governance documentation up to date and formally approved?			Query		Out of scope for the current set of TI deliverables.
G2	Are standing orders, standing financial instructions, schemes of delegation and associated governance documentation readily available to all staff?			Query		As above.
G3	Have all staff received relevant training in the requirements of financial governance?			Query		As above.
G4	Is there a programme of independent assurance that financial governance arrangements are being complied with?			Query		As above.
G5	Are there a suite of appropriate policies and procedures in place that support the financial governance documentation?			Query		As above.
Culture, training and development						
H1	Is there a clear 'tone from the top' that promotes the importance of sound financial management and the importance of achieving financial targets?			Query		Out of scope for the current set of TI deliverables.
H2	Is there evidence that the 'tone from the top' is demonstrated from actions of the executive and board, consistent with that tone?			Query		As above.
H3	Have all staff received relevant training in financial management, both in the requirements of standing orders, financial instructions/ procedures, as well as the wider communication of the role of finance in organisational success?			Query		As above.
H4	Is there a system of training in financial management available across the organisation for non-financial staff that promotes the culture of financial control?			Query		As above.
H5	Do financial staff have training that is focused on the development of future skills, as well as current competencies?			Query		As above.

H6	Are financial governance requirements of roles considered, where relevant, in individuals' annual performance reviews and personal development plans?			Query		As above.
H7	Are financial governance requirements included in new starter packs/ on-boarding processes?			Query		As above.
H8	Is budget management included in the objectives and performance review of all budget holders?			Query		As above.

Hywel Dda University Health Board



**Diagnostic Conclusions,
Finance business partnering.
Final version.**

Adrian Willmott, Arcus Consulting.

May 2023

With thanks to.....

Service / Business

Anthony Tracey	Director, Digital
Janice Cole-Williams	General Manager, Withybush General Hospital
Keith Jones	Director, Acute Services
Lee Davies	Executive Director, Strategy & Planning
Leighton Phillips	Director, Research, Innovation & Value
Lisa Gostling	Executive Director, Workforce & OD
Mandy Rayani	Executive Director of Nursing, Quality & Patient Experience
Peter Skitt	County Director, Ceredigion
Rhian Bond	Assistant Director of Primary Care
Rob Elliot	Director, Estates, Facilities & Capital Management
Sharon Daniel	Assistant Director of Nursing

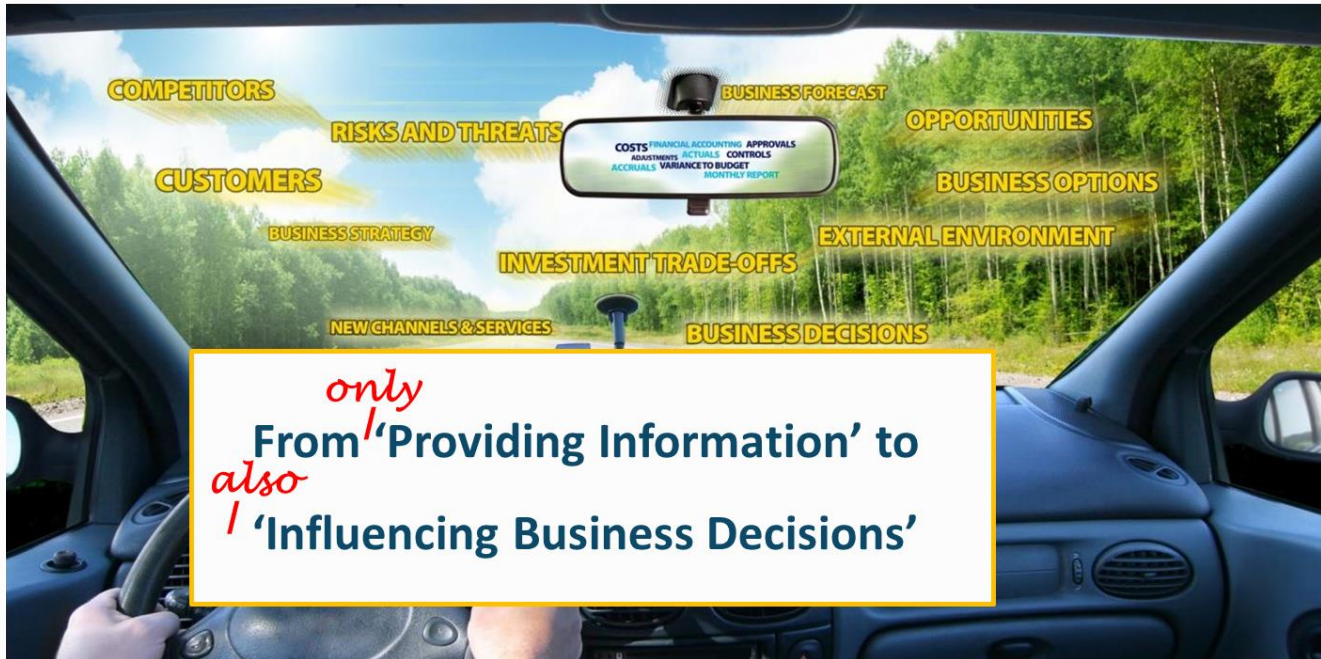
Finance

Alison Wride	FBP, Pathology, Oncology, Women & Children
Andrew Lewis	Senior FBP, Pembrokeshire Health System & Primary Care
Andrew Spratt	Deputy Director of Finance
Chris Williams	Senior FBP, Value & Business Intelligence
Daniel Binding	Senior FBP, Planned Care & Commissioning
Huw Thomas	Executive Director of Finance, Digital & Performance
Katie Stuart-Robson	Assistant Finance Business Partner – Management Accounting
Sharon Roberts	FBP, Planned Care



- 1. Diagnostic of finance partnering in Hywel Dda**
- 2. Summary of Recommended Roles**
- 3. Role Definitions**

There's a reason the windscreen is bigger than the rear view mirror!



Arcus Rule of Thumb:

"A good finance business partner should be able to deliver 20-30 times their cost in value per year"



What is good finance business partnering?

“

One of the most important things is for Finance to be more proactive and bring issues and opportunities, with insight, to us without waiting to be asked for some analysis.

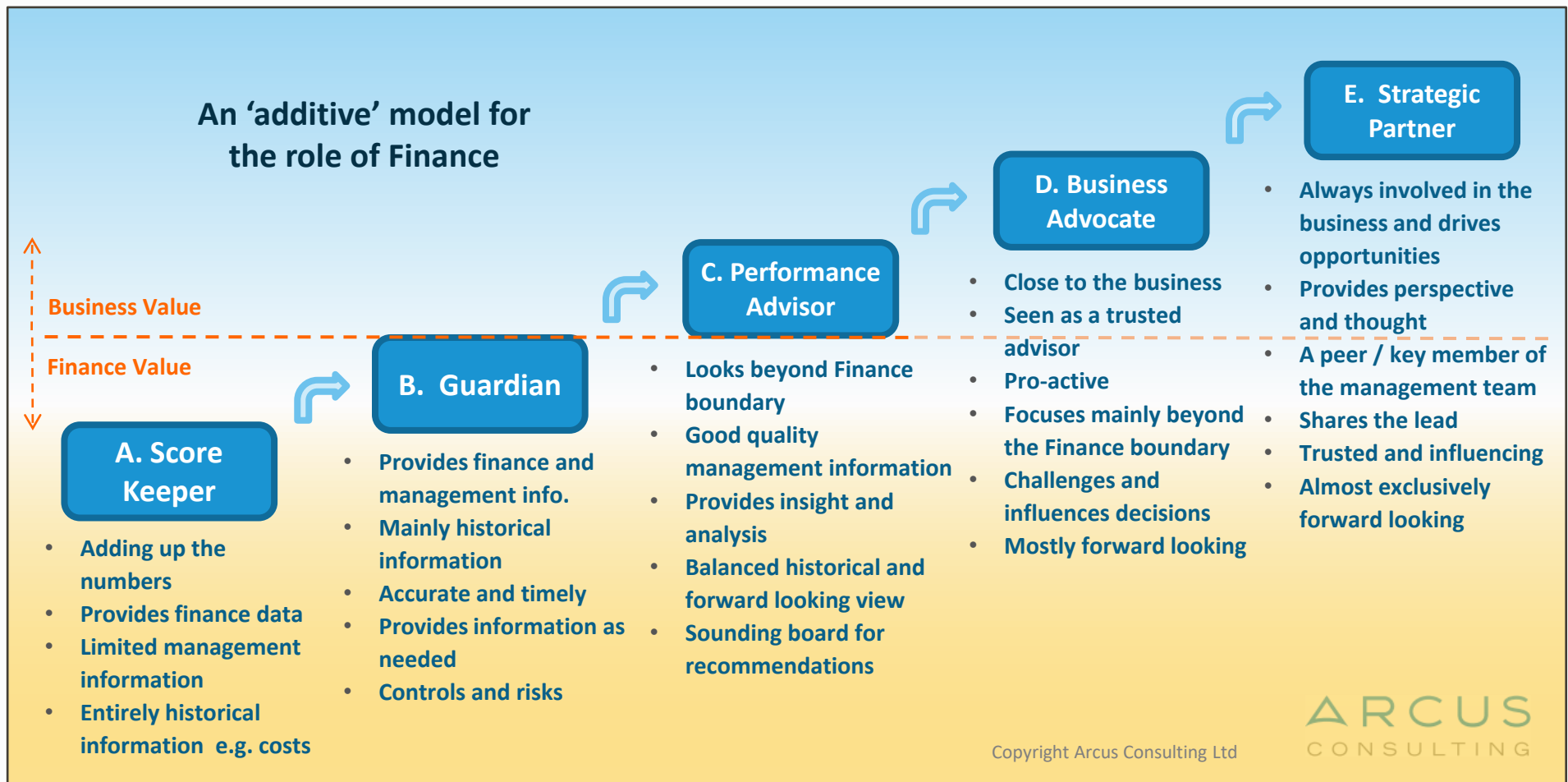
I need someone who understand the business, my priorities, and how they impact finances. Someone who walks along with me.

I need access to a strategic partner, but they always seem to have other priorities, usually within Finance.

”

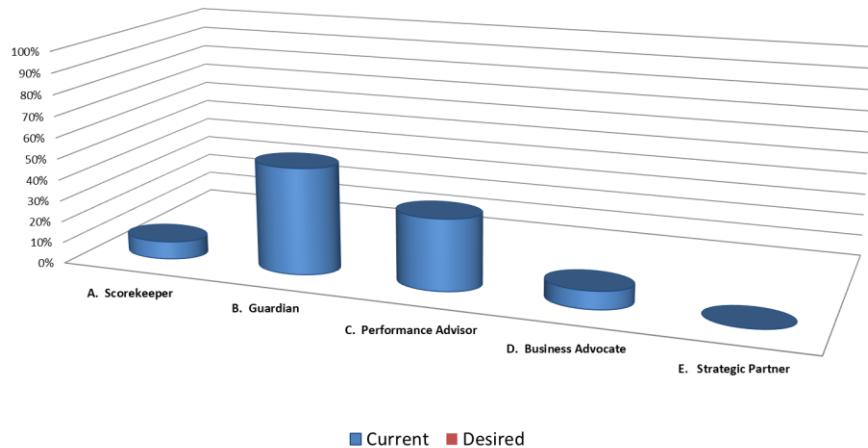
According to one of your service leaders.

What role does Finance play in the service / business?



Current Role of Finance – Service / Business Leaders View

Current Role of Finance
Service / Business Leaders View



Current Business Perceptions

- Half of your service / business leaders perceive today's role as 'B' Guardian.
- With a range of 'A' through to 'D', it suggests a high level of inconsistency across the Board.

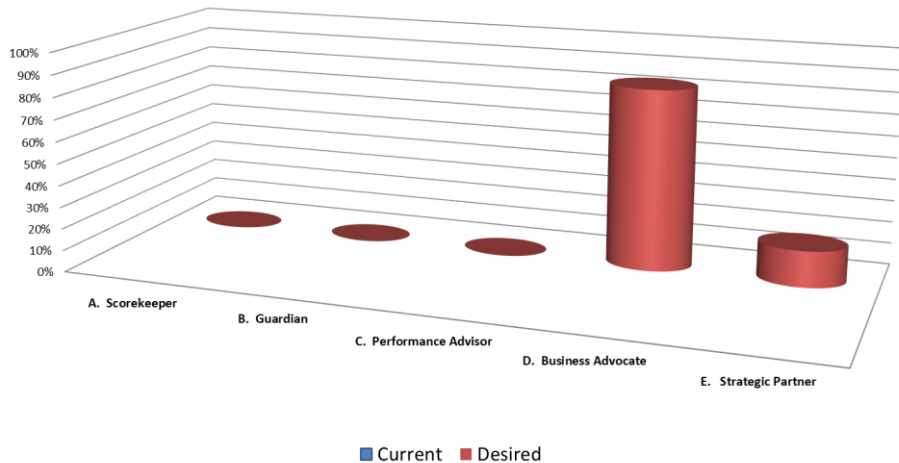
“

- In practice, many of the business partners provide a good management accounting reporting service!
- Finance provides lots of information, but it's not presented to drive decisions. We must decide what it means and what to do.
- Finance shut up shop for a week each month and two weeks at year end. That should not apply to Senior Business Partners?
- Our business partners are helpful, but we always have to chase them. It takes 3 or 4 weeks for any sort of analysis response.
- Finance are on the periphery, not integrated into the team. We have regular virtual discussions, but they're not seeing the system on the ground.
- Business partnering has improved. We're starting to see little bits of C.
- My Senior BP is excellent, but they have too many distractions, especially from Finance. Over-loaded with multiple roles.
- Our BP is fully integrated in our management team and comes to all our meetings
- I feed everything about finance through my Senior BP. But have they become a bottleneck?
- A lot of turnover in Finance, so Health knowledge is insufficient. I've had 3 business partners in the last 4 years.
- When did anyone last run a session on how to manage a Nurses budget? They're not experts in spreadsheets or Finance.

”

Desired Role of Finance – Financial Management

Desired Role of Finance
Service / Business Leaders View

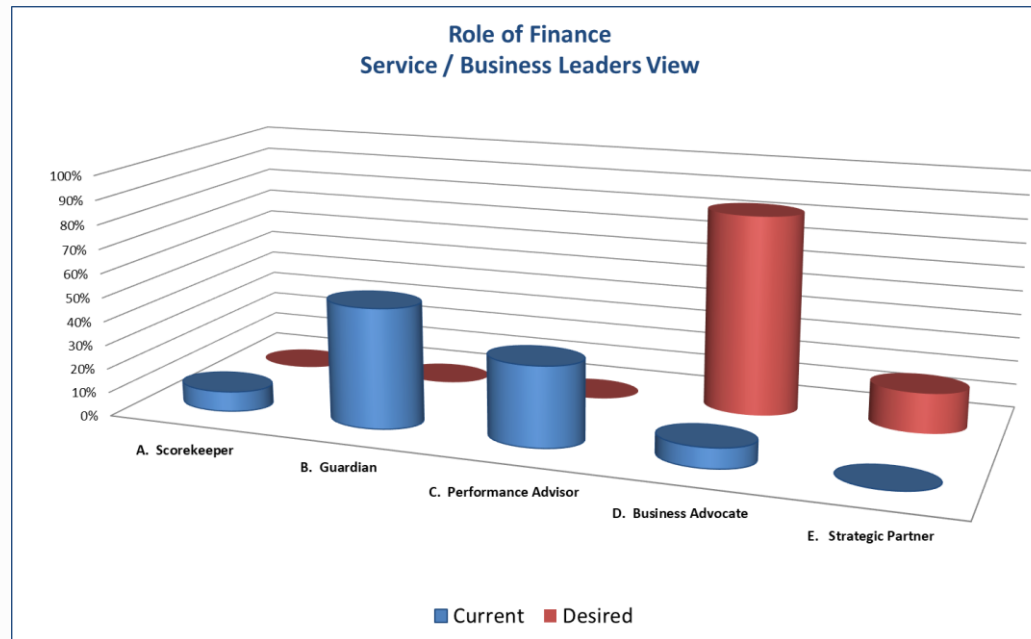


Desired Business Perceptions

- A strong desire across the Board for Finance to step up and provide the role of 'D' Business Advocate - strong business partnering, close to the service, challenging and influencing decisions
- A number of service / business leaders have experienced this in other organisations, including elsewhere in the NHS.

- More strategic involvement, we value your opinion and input
- Don't just provide your finance input, leaving us to work out what do with it. Be involved in decision making.
- Get out of the detail. We trust you. Focus on the big picture. Look beyond 1-year.
- Senior BPs to challenge more and work on the bigger things
- Work within the team to shape options and make trade-offs from the view of Patients, Service, Workforce and Finance.
- Work on the Cross-Directorate issues to add a lot of value.
- Business Partners needs to be part of the management team within the directorate they work.
- Have more of a presence with the team. Why do all three BPs need to disappear for month end?
- Could do with a lot more of getting to root causes.
- More engagement with the counties and not just the sites
- Be present on-site more, not just on Teams. You'll pick up more, build trust and spot big opportunities to add value.
- For our own budget B & C are fine. But I want so much more from Finance which I've seen elsewhere. I need at least D.
- It worked well in my last organisation, with the GM, Finance and Workforce working together on the most pressing issues

The change from 'B' to 'D' is not trivial



B. Guardian

- Provides finance and management info.
- Mainly historical information
- Accurate and timely
- Provides information as needed
- Controls and risks

D. Business Advocate

- Close to the business
- Seen as a trusted advisor
- Pro-active
- Focuses mainly beyond the Finance boundary
- Challenges and influences decisions
- Mostly forward looking

Service / business perception of the quality of core processes



- The core underpinning processes of reporting, budgeting and forecasting are above 'Threshold'. Continued incremental focus will move them to above 'Target'
- 'Business Performance Management' is the first level of adding value to the service / business, but disappointingly sits between Poor and Okay
- 'Decision Support' is a more advanced process and sits just below the 'Threshold' level. The most common response was "It's okay when asked, but it's never pro-active from Finance."
- Strategic longer-term planning is not seen as a strength of Finance from within the Service Directorates.

What would it take to get nearer to 5?



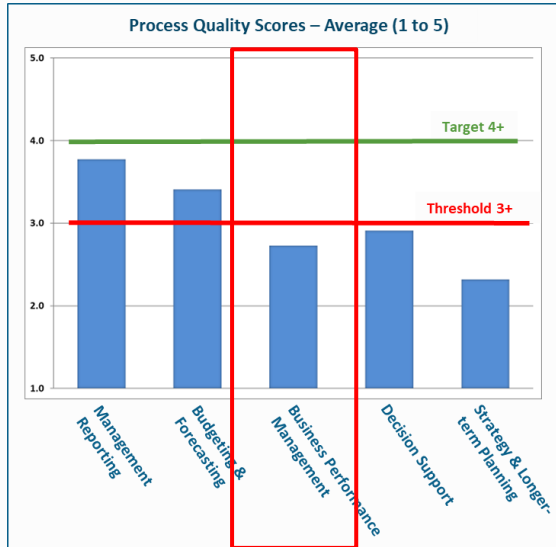
Management Reporting:

- Too much detail
- Painful to access
- Dialogue, not just a dashboard
- Translate the finances into language I understand.
- I don't need to see the ins and outs of a ledger!
- Trends over time, such as year to year
- The basics are not sorted out such as team allocations to the wrong cost centre
- Use more pictures – I'm a pictures person
- Visually simpler. We're not finance people!

Budgeting & Forecasting

- It lacks regular conversations, with clarity about the assumptions
- Stabilising the headcount in the budget
- Forecasting has been too conservative and based on run-rate, rather than looking ahead properly with operational assumptions of what will happen going forward
- Budget needs more focus. Tends to just roll-forward a lot, instead of bottom-up budgeting
- Consistency of approach across Finance e.g. what are the assumptions?

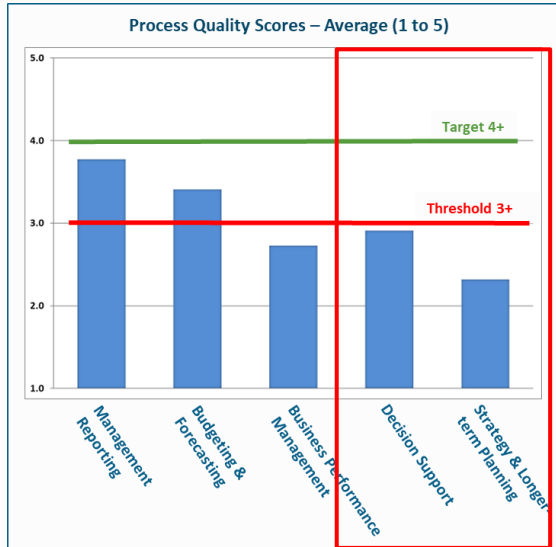
What would it take to get nearer to 5?



Business Performance Management

- It just doesn't happen
- Short on performance recommendations. Suggest actions
- We need intelligent insight, not just more data
- Bring insight about the drivers
- It's better than it was. Finance should get closer still to the service.
- Starting to happen, but a long way to go. This should be the start and the main part of the conversation
- Just a few points, rather than bombarding us
- Pull out the one or two issues that really matter and focus the discussion here.
- We're completely missing any options of how we might tackle issues
- Don't overwhelm me with data. Tell me if I've got a problem and importantly Why I've got a problem.
- Give me some options of what I might be able to do to change direction, if we're veering off course
- You get no answer for two weeks with month end

What would it take to get nearer to 5?



Business Decision Support:

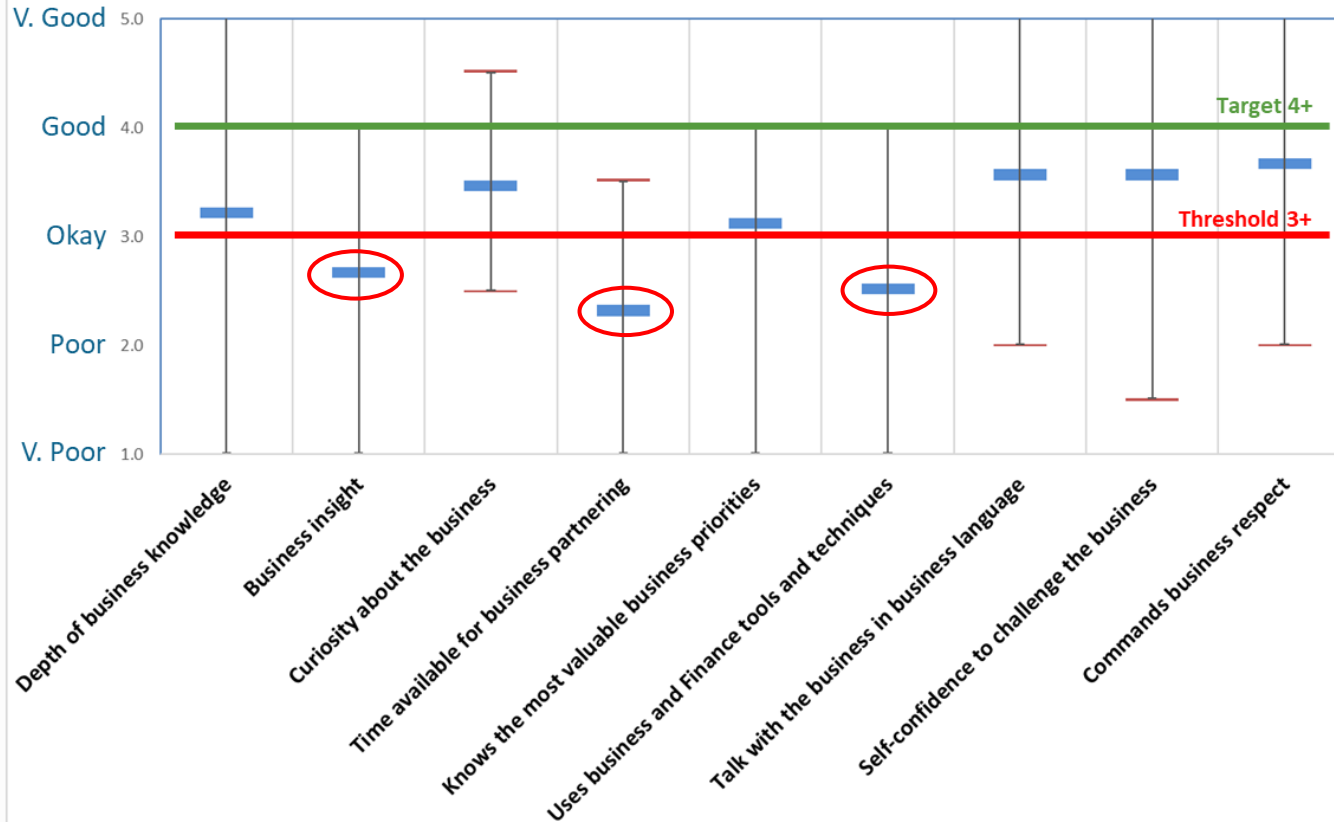
- We just get a financial articulation. Add in what it means to operations or the service or patients
- I simply don't get Decision Support from Finance. They focus on reporting and variances against budget. Please start doing this!
- If I ask for it, I get something. Be more pro-active. Bring things to us.
- It's there eventually, but the response time is so slow that it's often too late to contribute to decision making
- Bring Operations Planning and Finance together. I only get a one-sided view.
- Service and operational teams could do more to ask the questions.

Strategy & Longer-term Planning:

- I've never talked with finance about workforce strategy
- It's never occurred to me to ask for this!
- Generally, the horizon is in-year or just beyond. We don't normally get 5-year views from Finance, considering population or demographics for example.
- Good at Exec level, but at the operational level they have no headspace.
- Do more scenario analysis e.g. hospital options
- Good at explaining history and constraints. But look at the bigger picture e.g. can we move money around?

Service / Business perception of partnering characteristics

Finance Business Partnering Characteristics
Average and Range Scores (1 to 5)



Time. Finance not seen as available for business partnering. Are we too busy reporting and forecasting, or choosing not to prioritise business partnering?

Not using **Business Information and Tools** to explain drivers and root causes to provide more useful **business insight**.

Range of perceived characteristics is of concern:

- five of the nine characteristics have scores of 1 (Very Poor)
- Seven characteristics have ranges of 3 or more (75% range).

This suggests a lack of clarity of roles and skills needed for business partnering. Or the wrong people in some roles.

Where does Finance spend its time today?

Activity	Arcus Benchmarks	Total Time	Business Partnering	Management Accounting	
Management Reporting	10-15%	40%	32%	50%	Core
Budgeting and Forecasting	15-20%	15%	18%	11%	
Business Performance Management	20-25%	13%	18%	5%	Value Adding
Business Decision Support	25-30%	12%	16%	7%	
Strategy and Long Term Planning	15-20%	2%	3%	0%	Strategic Value
Other 'Business Partnering'	5% max	2%	1%	3%	
Transaction Accounting and Specialist Finance	2% max	8%	3%	15%	
Other Finance	5% max	8%	8%	9%	

Note: Time above excludes Value & Business Intelligence Team

Where does Finance spend its time today?

Activity	Arcus Benchmarks	Total Time	Business Partnering	Management Accounting
Management Reporting	10-15%	40%	32%	50%
Budgeting and Forecasting	15-20%	15%	18%	11%
Business Performance Management	20-25%	13%	18%	5%
Business Decision Support	25-30%	12%	16%	7%
Strategy and Long Term Planning	15-20%	2%	3%	0%
Other 'Business Partnering'	5% max	2%	1%	3%
Transaction Accounting and Specialist Finance	2% max	8%	3%	15%
Other Finance	5% max	8%	8%	9%

1. The team spends three times more on the 'core' process of Management Reporting versus our benchmark - 40% versus 10-15%.

2. Business Performance Management is the first level of adding business value, where time spent is low and almost needs to double.

3. Business Decision Support is a more advanced level of adding business value. Time spent is very low and needs to more than double

4. High proportion of time spent on non-business finance work, especially:

- Transaction Accounting for the Management Accounting team**
- Line Management / finance meetings for Business Partnering & Management Accounting Teams

Notes: Time above excludes Value Team

** Especially Customer Billing, General Accounting and External Reporting

How does time vary by Band?

Activity	Band 4	Band 5	Band 7	Band 8A	Band 8C
Management Reporting	59%	52%	38%	32%	26%
Budgeting and Forecasting	16%	7%	10%	19%	19%
Business Performance Management	1%	2%	20%	19%	14%
Business Decision Support	10%	6%	5%	18%	16%
Strategy and Long Term Planning	0%	0%	0%	5%	1%
Other 'Business Partnering'	0%	2%	5%	1%	2%
Transaction Accounting and Specialist Finance	14%	24%	17%	4%	5%
Other Finance	0%	7%	14%	2%	15%

1. All roles are involved in the 'core' processes of reporting and forecasting. 'Everyone is doing a little bit everything'

2. Limited specialisation between the three business partnering roles.

3. In fact Senior Business Partners and Business Partners consume:

- a) One-quarter to one-third of their time just on Management Reporting
- b) About half of their time on reporting, budgeting and forecasting ('Finance Services')

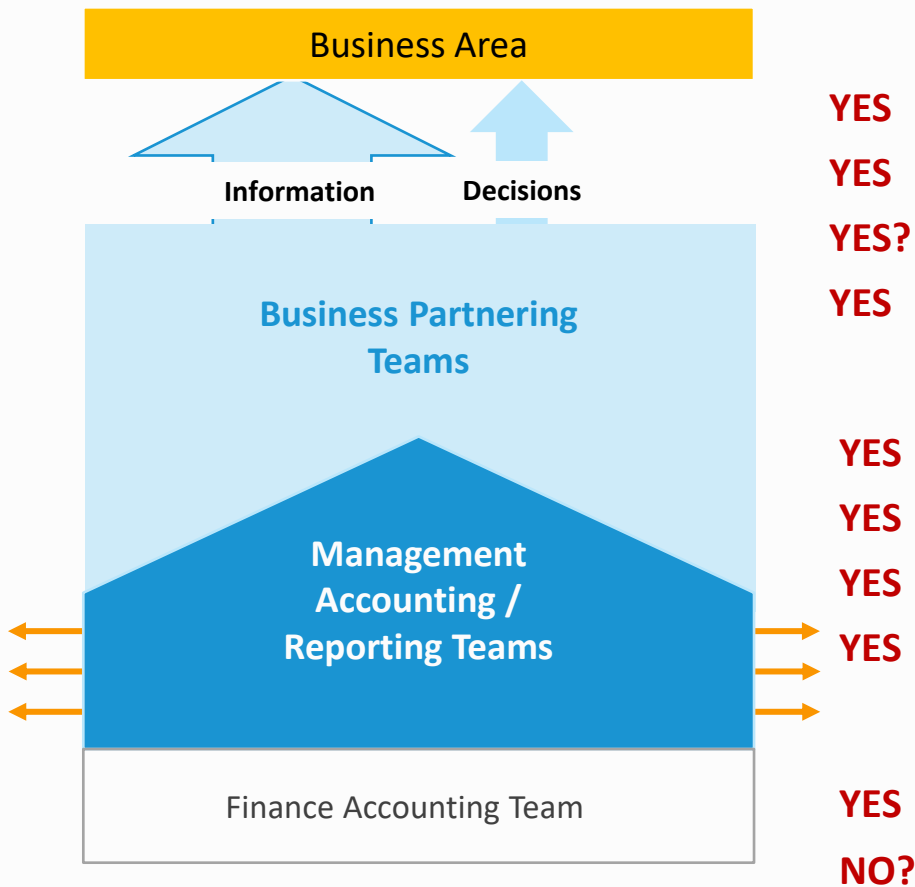
Where should a good business partner spend their time?

Activity	Band 8A	Band 8C	Arcus BP Benchmarks
Management Reporting	32%	26%	5%
Budgeting and Forecasting	19%	19%	10%
Business Performance Management	19%	14%	15%
Business Decision Support	18%	16%	45%
Strategy and Long Term Planning	5%	1%	25%
Other 'Business Partnering'	1%	2%	-
Transaction Accounting and Specialist Finance	4%	5%	-
Other Finance			-

1. Good business partners should spend no more than 15% on core processes. E.g. for budgeting and forecasting focus on conversations with the service about operational assumptions and stretching plans.

2. BPs should spend the bulk of time on the Strategic activities of Business Decision Support and Longer-term strategic planning (refer to later role definitions).

What often goes wrong with business partnering?



Business Partners

1. Dragged into number checking, or won't let go
2. Become the 'numbers person' at management teams
3. Become bottlenecks, up and down
4. Re-brand existing (traditional) accountants

Management Accountants / Reporting Teams

5. Work at lower levels, often in silos
6. Lose business knowledge, especially strategic issues
7. Help budget holders to 'get their numbers right'.
8. BPs 'lose trust' in the numbers

Overall:

9. 'First-class, second-class' culture emerges
10. Shadow Finance organisations emerge

Summary of Key Issues

Role of Finance. Finance is not seen as a true business partnering organisation. Half of service / business leaders perceive today's role as 'B Guardian' (risk and controls), and 80% see it as 'B' or 'C'.

The Need. Strong desire across the Board for more strategic advice, challenge and business partnering support i.e. 'D Business Advocate'. But few people ask Finance for this today, mostly experiencing the more classic reporting role.

Hywel Dda Opportunity. With a tighter funding situation, continued high demand, plus Targeted Intervention, the opportunity for more strategic business partnering to improve performance and payback on investments is big.

Purpose. The first priority today is to feed Finance, not the Service. Finance processes are heavily geared up to feeding senior, 'central' Finance people with regular reporting and forecasting updates, especially Days 1, 4 and 5 reviews.

Time. 55% of total time is spent on 'Core' work of reporting, budgeting and forecasting, versus our benchmarks of 25-35%. This limits time available for more value-adding partnering. The Service perceives this lack of time.

Controllers not Business Partners. Many people in Bands 8C and 8A operate as 'Business Controllers' not Business Partners, with many Band 7s acting as experienced management accountants, providing a reporting role.

Clarity of Roles. Limited distinction in practice between the three business partnering roles - everyone does a bit of everything. Most Snr BPs overloaded with multiple roles. This all limits the ability to prioritise 'Initiatives' to drive business value

Prioritise Value. Great business partners should prioritise 70% of their time on Business Decision Support and Strategy/ Longer-term Planning (versus 17-23% today for Bands 8C and 8A), and de-prioritise their time on Reporting and Forecasting to a target of 15% (versus 45-51% today).

Single Point of Contact (SPOC). Senior BPs and BPs have become positioned as a SPOC for all things Finance. Most queries and data requests come to them and end with them. The Management Accounting team have become the SPOC for other functions e.g. payroll or workforce data queries.

Management Accounting has delivered standardisation, templates and upgraded Excel skills. But few business partners use their standard outputs. Most create their own reports and tailored narrative. Few seem to support making this team work, preferring their own dedicated teams.

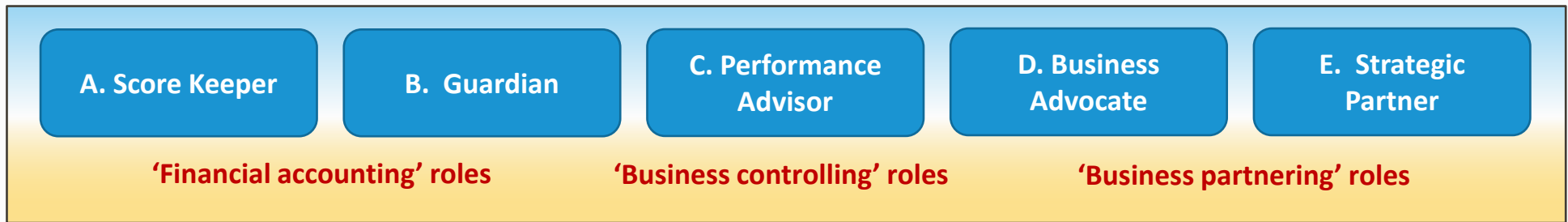
Business Partners. A high proportion of people have 'Business Partner' in their title, with really only one career path aim; to get to Senior FBP.

Value Intelligence Team appears to have a strong analytical capability but is largely disconnected from the business partnering teams, and the decision-support 'Initiatives'.



- 1. Diagnostic of finance partnering in Hywel Dda**
- 2. Summary of Recommended Roles**
- 3. Role Definitions**

What does it take to shift to 'D Business Advocate'?



Good Practice:

- **View A to E as a 'Finance Organisation Chain'**
- **Ruthless specialisation and clarity of roles**
 - Business Partners for D/E - business decisions and actions
 - 'Business Controllers' for C delivering high quality, business information
 - 'Financial Accounting' for A/B
- **Prioritise work by business value impact**
- **(Re-)appoint / recruit for future capability, with career paths**
- **Invest in skills development ... to work together**

Two Finance roles to be played at KEY service team tables



'Valuable' Service Leadership Teams

Business Controller

- Accountable for the numbers
- Business quality information & insight
- Presents results, forecasts and issues
- Liberates time and 'role' of the FBP

Regular Finance Services Focused
– 75% plus time

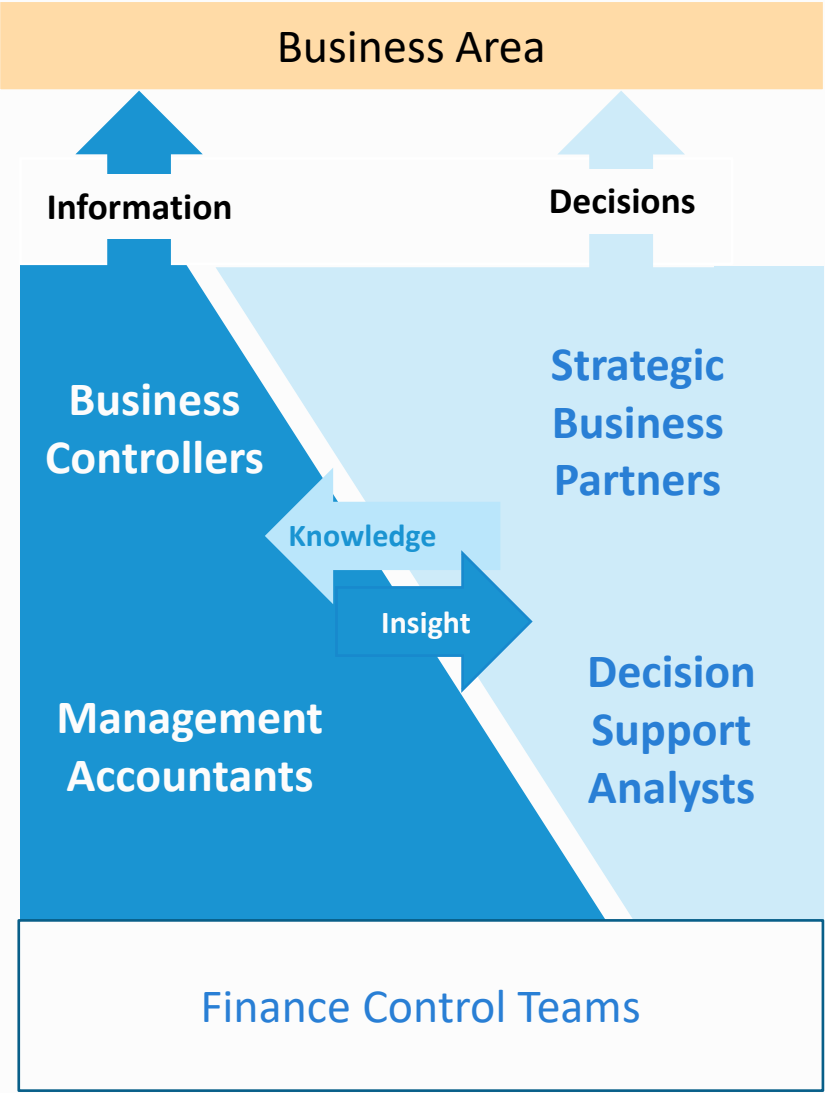
Finance Business Partner

- 'Co-Pilot' to a service team
- Business decisions and initiatives
- Challenge and stretch plans
- Peer of a service team

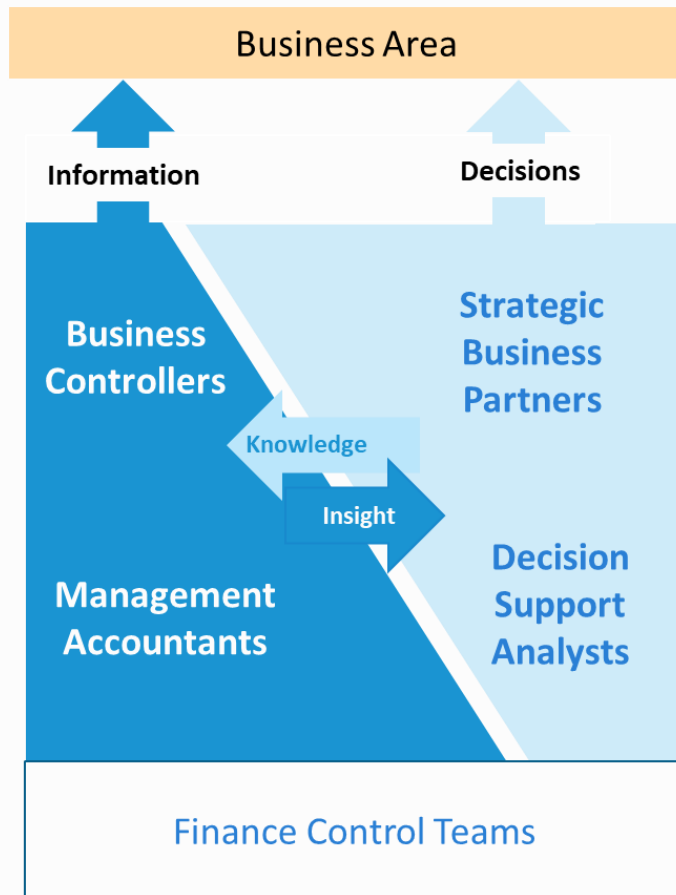
Valuable Initiatives Focused
– 75% plus time

Business Controller role is the key that unlocks more valuable finance business partnering

We recommend four distinct roles for Hywel Dda



Business Partners and Decision Support Analysts in practice



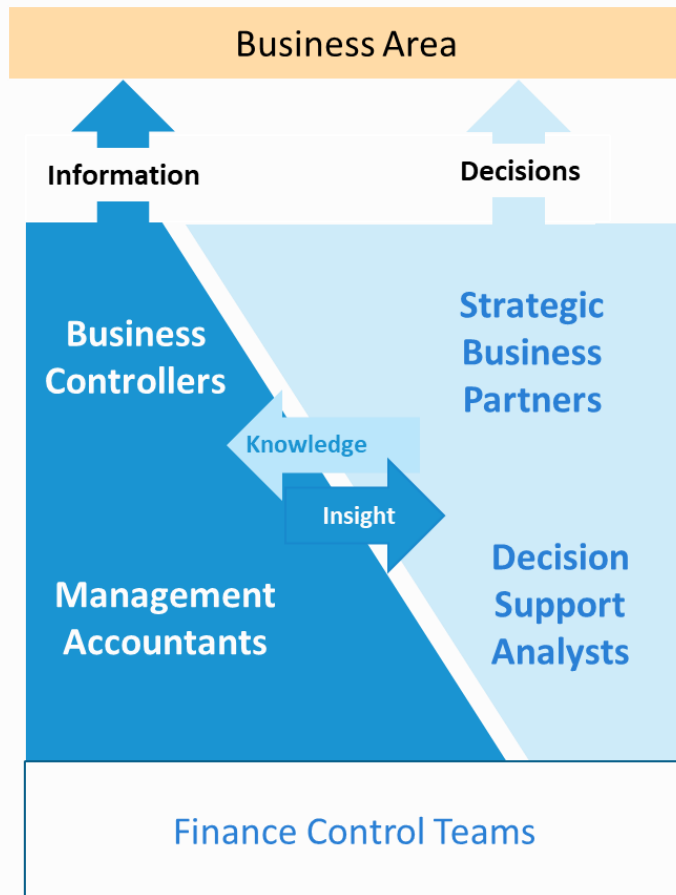
Strategic Finance Business Partner

- Part of a service management team acting as a 'co-pilot' e.g. Acute Services, Workforce, County, OR assigned to a significant Board business issue that cuts across directorates (agile partnering)
- **Focused on driving decisions and actions, not producing information**
- Challenge and stretch plans
- **Accountable for initiatives and ad-hoc analysis**, based on business value
- **Appointed based on capability**, not finance skills: drive, curiosity and inquisitiveness; able to build business relationships
- Not involved in the provision of regular reporting and forecasting
- **Without competent Business Controllers, Business Partners default to Business Controller activities.**

Decision Support Analyst

- **'Analytical engine' behind finance business partners**
- Data inquisitive analysis to generate new insights for the business
- **Decision support projects ruthlessly prioritised based on value**
- **Not involved in the regular cycles of finance services** e.g. reporting
- Work with other parts of Finance and externally to leverage all available data, such as patient numbers, demographics, waiting times etc., irrespective of who produced it
- **Ideally a small team with a mix of skills** including finance, statistical analysis and business analysis (ideally inside finance, or distributed).

Business Controllers & Management Accountants in practice



Business Controller

- Ensures financial reports and information are **business-useful** to the Executive, Directorates or Departments
- Digs behind the results to **explain WHAT, WHY and WHAT-IF**
- Include relevant performance information from other areas
- **'Presents' the business performance results** and updated budgets, forecasts etc, including corrective options and actions
- Drives regular finance processes
- **Liberates time and 'role' of the strategic finance business partner**
- **Aligned to one or more business areas**, with a good working knowledge of these areas
- Works closely with BPs, management accounting and control teams

Reporting / Management Accountants

- **Produce regular information** for reporting, budgeting, forecasting etc, with the service area in mind
- See their role as getting management information right plus providing analysis, trends etc to support the Business Controller
- Aim to spend less time 'hand-holding' budget holders to get their numbers right and **more time on providing analysis and insight** from regular finance information to drive action

Finance can't change this on their own, it needs co-ownership with the Service

Conditions for Success in the Service:

- Genuine desire and **permission from the service** that more strategic business partnering is needed to add value, up and down the service-side organisation
- In a more constrained funding world, the service needs to **include performance management trade-offs in more situations**, whilst recognising the NHS is clinically-led.
- To **fully support the two goals for Finance**, and therefore the two separate roles:
 - a) **Business Controller** to carefully manage the regular performance information, forecasting, budgeting etc
 - b) **Strategic Business Partner** to drive significant value in the service, through initiatives and decision support, and not involved in the regular information provision role

Practical Changes needed on the Service side:

- **Presence.** More integration with more management teams to include Finance in more service business issues, not just reviewing budgets
- **Structure.** Operations management teams generally meet at least weekly covering resourcing, quality, safety etc. But typically, Finance is only involved monthly for a budget review. To make this work needs a **restructuring of meetings and agendas to include Finance** in more management issues, particularly resourcing topics, and to meet more frequently. Finance doesn't need to be involved in all matters, but it needs a shared agreement of where and when this should happen.
- **Value Optimisation.** To include Finance earlier in resourcing, operational changes and investment situations to help to shape and influence alternative options. Performance outcomes need to be considered more often, in addition to clinical and service outcomes.

Some leaders already understand that the Service also needs to change

“

Operational teams have been in survival mode with their heads down for the last couple of years, so have not been asking business partners to do any of this ...

... beginning to look up and think about improvements now. The Service and Finance need to go on a journey together.

During the pandemic, teams were asked to ‘act first, we’ll fund and ask questions later’. Funding is much smaller and slower now, but clinicians are slow to change behaviour.

With funding shortfalls, we should focus on opportunities to help with ‘Big Themes’, not just more forecasting or cost cutting.

For business decision support, the Service and operational teams could do more to ask the questions they need answered, not just queries about data.

I’ve had a light-bulb moment during this conversation. I need to invite our finance business partners to our weekly management team meeting to get them involved in bigger questions. Not just running through the monthly budget numbers!

Are we using Finance information strategically to shape options, or just checking the finance consequences of our decisions?

I realise I need to explain to my Senior BP what’s in my head!

”

If you had more strategic business partnering capacity, where would you focus?

Selective Examples

Patient Pathways. Better modelling for pathways - admission, avoidance, flow-through, discharges, and managing demand for a frail population. These will be issues for quite a while. Surely Finance can look for improvements and add more value if they really understand how it works?

Workforce Capacity is our biggest issue, especially in remote west Wales.

- Quality issue with agency staff plus extra costs.
- Nurse stabilisation of our workforce programmes; overseas nurses and apprenticeships.
- Medical workforce e.g. cost and quality of locums
- We have a 10-year workforce plan, including recruitment, development, training. We need a Finance plan too e.g. how to fund, invest etc.
- What are the strategic benefits of apprenticeships, or training, in a constrained financial world?

Transforming Emergency Care. BPs work at each site today dealing with numbers of beds or opening a ward. We need insight across the Health Board. Cross-directorate issues are the Board's biggest issues.

Contracted GP Practices versus Managed Practices.

Always assumed to cost more. But does it really if you take all costs into account? Are there other benefits of having some managed practices?

New Primary Care Strategy. Needs a finance challenge much earlier in the process e.g. contractor versus employed costs, property etc.

Smarter Working with Estates. Changing the ways of working rather than just lots of small cuts to budgets e.g. Advanced Cleaning programmes, Cook-freeze catering, Symbiotics software for scheduling porters, From canteens to vending machines.

Digital. Potential Outsourcing partner. Shifts from capital to revenue. Outsourcing knowledge in Finance?

Finance Training for our management teams on high level finance, or how to run a nurse's budget? Get out and go to the ward.

Modelling Options.

- Recruitment of Nurses and Doctors. What can Finance bring to the party? E.g. costs of using agency, costing rotas and rosters, external benchmarking such as other boards, HFMA
- Cost per case. What do different routes or service changes give us for efficiency and effectiveness?

Conclusions

- Good progress has been made in recent years in establishing business partnering roles alongside management accounting and core processing teams, as well as implementing a rigorous forecasting process and getting closer to the service.
- The service wants a 'D' Business Advocate role, which gives Finance a strong remit for improvements.
- You are likely to 'get stuck' at 'C' Performance Advisor at best, and unlikely to progress to 'D' without further changes, especially prioritising Initiatives for Strategic FBPs over reporting, specialisation of roles, (re-)appointing people based on capability needs for each role, and acknowledging whether people play business partnering or controller roles today.

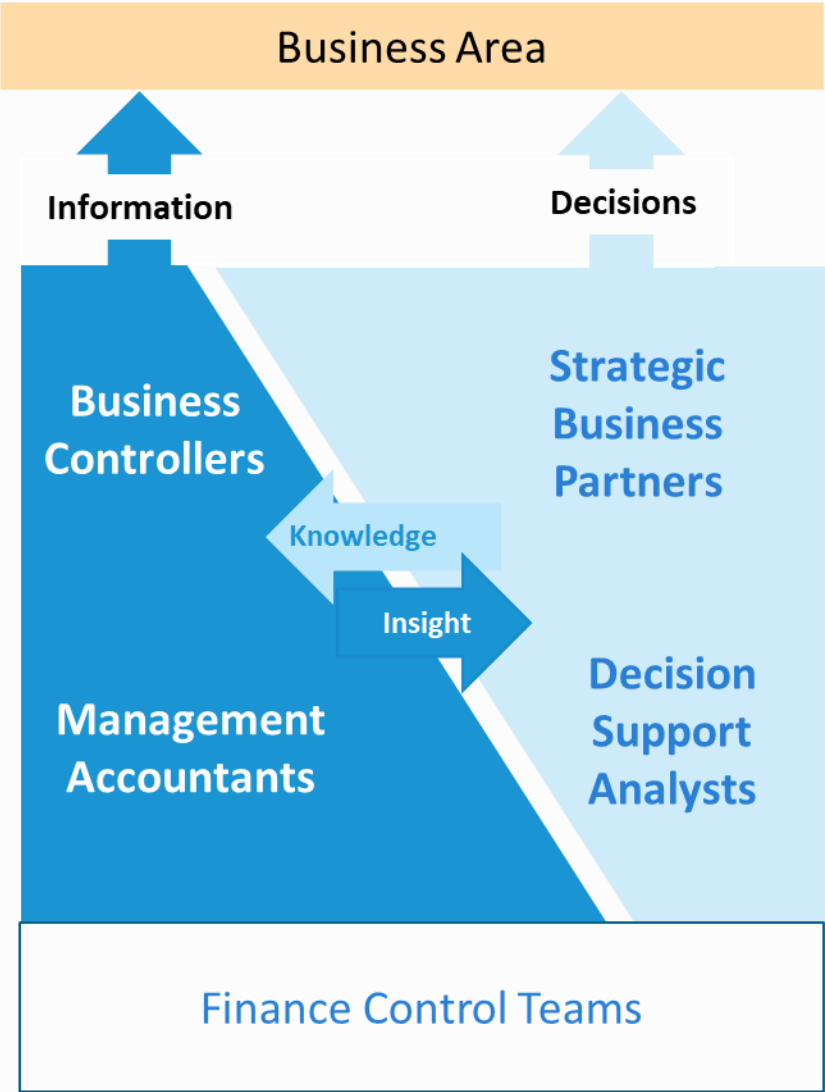
Summary of Arcus Recommendations

1. **Set a clear vision**, outcome, roles, careers and 2-year roadmap for the Role of Finance to be a strong 'D' Business Advocate. Provoke a robust debate across the organisation, including the Exec, about the future Role of Finance.
2. **Everywhere needs a good Business Controller** who is responsible for all of the regular finance information for one or more areas – probably Band 8A. But not everywhere needs a strategic business partner.
3. We recommend you:
 - a. Make it crystal clear what a good '**Business Controller**' role really is, irrespective of what you call the role, (goals, skills levels, where to spend time etc). (Re-)appoint people into these roles and ensure they genuinely have the right skills. The aim should be for a top-end C performance in each area.
 - b. (Re-)appoint and spin-out **Strategic Business Partners** responsible for Initiatives, but NOT the regular finance information, with the goal of 'delivering' 20 times their own costs each year. Option of Aligned versus Agile.
 - c. Appoint a small team of '**Decision Support Analysts**' with people allocated to work on the most valuable issues and Initiatives across the Board. Are there capabilities and candidates in the Value & BI Team?
4. **Reporting / Management Accounting** options to consider e.g. bringing together Band 7s, 6s and 5s as a 'Reporting & Forecasting Team', with efficiency in lower ranks and good service knowledge in more senior levels. Potentially move Band 4 Admin roles to the Core Processing Team?
5. **Service Management teams** to work together with Finance to make the Controller and Strategic Partner roles work in practice in each area, and to identify the topics and meeting structures for Finance to get more strategically involved in driving business value.



- 1. Diagnostic of finance partnering in Hywel Dda**
- 2. Summary of Recommended Roles**
- 3. Role Definitions**

We recommend four distinct roles for Hywel Dda



Business Controller - responsibilities & characteristics

Responsibilities

- Reviews business performance, identifies performance issues and provides business insight - the 'what and the why', as well as the impact on the business
- Attends business performance reviews 'to present and validate the numbers'
- Works with the service, business partners and management accounting teams to provide information that combines financial and operational data for the business to improve performance and deliver plans.
- Ensures information and reporting are business-relevant and business-useful to the service areas.
- Conducts or oversees business analysis on performance and trends
- Ensures information is delivered to agreed quality and time.
- Provides business understanding where needed to management accounting reporting teams
- Supports team development where appropriate of the management accounting team members

Background & Personal Characteristics

- Likely a qualified accountant
- Ability to build sound business relationships as well as solid finance relationships with management accounting teams and BPs
- As experience develops, will build relationships to help support insightful analysis of business performance
- Level of business interest and curiosity
- Ability to get out of the detail and focus on the bigger picture
- Ability to work independently and as part of a virtual team
- Good communicator
- At senior level has experience & credibility to challenge the business.
- Works effectively as a part-time member of a business management team
- Good level of social intelligence
- Good networker

Role profile – Business Controller

Primary Goal: Excellence in performance management, management reporting, budgeting & forecasting. Delivering the plan - supporting business performance through performance reporting, analysis, option development & recommendations

Key Responsibilities

Management Reporting:

- Design, preparation and review of performance management reports – Decision Driven Reporting
- Data compliance (definitions, accuracy and timeliness) for required management reporting

Budgeting & Forecasting:

- Communication of timescales and agreed planning assumptions
- Preparation of planning models
- Consolidation of plans and forecasts

Performance Management & Improvement:

- Analytical support to drive business performance – **what and why**
- Identify **‘what-if’** actions to optimise business performance
- Action tracking and benefits realisation

Other Key Activities:

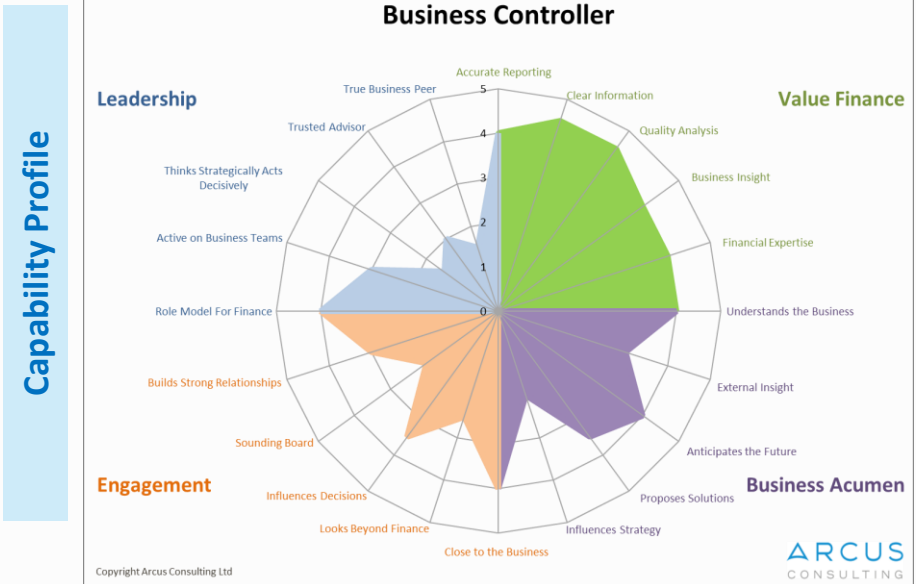
- Fully support aligned service area
- Develop junior team members
- Support governance and development of function
- Support to improve key processes

Key Relationships

- Service leader & management team
- Strong relationships with BPs
- Management accounting teams
- Other Business Controllers
- Network of strong, working relationships across the service and across finance

Measures

- Quality of business information and insight to drive corrective performance actions where needed (measured by the service)
- Ability to free up time for business partners to drive initiatives



Target Activity Focus

Activities	Business Controller	Overall Finance Target
Management Reporting	20%	10-15%
Budgeting & Forecasting	25%	15-20%
Performance Management & Improvement	45%	20-25%
Business Analysis & Decision Support	10%	25-30%
Strategy & LT Planning		15-20%

Management Accounting - responsibilities & characteristics

Responsibilities

- Works closely with Business Controllers to ensure delivery of on-time, accurate management reporting, budgets and forecasts
- Combines financial and non-financial measures, key operational metrics etc to create business-insightful reporting
- Ensures consolidated reporting as required and develops cross-Board themes
- Provides quality financial analysis in support of individual investment decisions, including a rapid response to ad hoc queries to support service decision making
- Prepares historical and forward looking information for budgets, forecasts and planning, including clear information on assumptions made in producing previous forecasts
- Engagement across the Finance community, establishing good relationships between the business partners and business controllers
- Builds strong relationships with owners of non-financial data

Background & Personal Characteristics

- Ideally teams will comprise a mix of entry-level staff with limited experience plus people with more experience and a good service knowledge
- Ability to build sound relationships both inside and outside Finance
- Team player with desire to build line management experience
- As experience develops, will build relationships to help support insightful analysis of service performance
- Level of business interest and curiosity
- Viewed as a career stepping stone to becoming a Business Controller or business partnering roles (decision support analyst or business partner).

Role Profile - Management Accountant

Primary Goal: Deliver an efficient, business-insightful reporting, budgeting and forecasting service

Key Responsibilities

Management Reporting:

- Produce standardised management reporting that drives business insight to the requirements of the relevant Business Controller
- Carry out standard “information sense-checks” on outputs
- Implement changes in reporting processes to improve insight, increase efficiency, reduce costs and accelerate reporting

Budgeting & Forecasting:

- Execute planning models and produce forecast, using standardised templates agreed with Business Controllers, and produce reports
- Implement changes in forecasting processes to increase efficiency, reduce costs and accelerate output

Performance Management & Improvement:

- Analyse results by calculating and explaining variances
- Support business partners by producing whatever standardised reports/analyses are agreed will be useful

Note: Financial accounting activities are undertaken by Transactional Control teams e.g. accruals, adjustments, journals

Key Rel.

- Business Controllers
- Providers of non-financial information
- Key service management

Capability Profile

Management Accountant

The radar chart displays scores for a Management Accountant across 16 competencies. The scale ranges from 0 to 5. The chart is divided into four quadrants: Leadership (top-left, blue), Value Finance (top-right, green), Business Acumen (bottom-right, purple), and Engagement (bottom-left, orange). The highest scores are in the Value Finance quadrant, particularly in 'Accurate Reporting' (5), 'Clear Information' (4.5), 'Quality Analysis' (4), and 'Business Insight' (4). Scores are lower in the Leadership and Engagement quadrants, with 'True Business Peer' at 1 and 'Looks Beyond Finance' at 0.5.

Competency	Score
Accurate Reporting	5
Clear Information	4.5
Quality Analysis	4
Business Insight	4
Financial Expertise	4
Understands the Business	3
External Insight	2
Anticipates the Future	1.5
Proposes Solutions	1
Influences Strategy	1
Close to the Business	0.5
Looks Beyond Finance	0.5
Influences Decisions	0.5
Sounding Board	0.5
Builds Strong Relationships	0.5
Role Model For Finance	0.5
Active on Business Teams	0.5
Thinks Strategically Acts Decisively	0.5
Trusted Advisor	1
True Business Peer	1

Copyright Arcus Consulting Ltd

Target Activity Focus

Activities	Management Accountant	Overall Finance Target
Management Reporting	60%	10-15%
Budgeting & Forecasting	20%	15-20%
Performance Management & Improvement	20%	20-25%
Business Analysis & Decision Support		25-30%
Strategy & LT Planning		15-20%

Critical Success factors – Business Controller / Management Accounting roles

- Clarity of purpose, with supporting performance measures:
 - Combining financial and operational data, with business knowledge to deliver business insight
 - Quality of information output – reporting the ‘what’ and the ‘why’
 - Ability to free-up Strategic Business Partner time away from regular reporting cycles and month-end processes
 - Remit to challenge business reporting requirements, continually reviewing Decision-Driven Reporting Requirements
- Information provided by Business Controllers drives corrective business performance actions
- Credible Business Controllers with strong service knowledge i.e. able to attend business performance reviews as ‘the person who knows the numbers’
- Strong and effective links into owners of operational service data and reporting teams, as well as other Finance teams e.g. Transactional Control
- Delivers process efficiency, with a continuous improvement mind set
- Balances tailored service provision with cost control & ‘behind the scenes’ synergy
- Ability to manage resource peaks and troughs e.g. month end and through budgeting process

Strategic Business Partner - responsibilities & characteristics

Responsibilities

- Key responsibility to identify, prioritise and deliver initiatives to drive business performance and to ensure critical business decisions are made and implemented
- Objectives and performance measures tied to the relevant business head's objectives
- Expectation to spend more time 'looking forward' and 'looking outwards', than 'looking back'
- Drives and owns the Initiative Value Map for the relevant business area
- Aim is to become the Co-Pilot on the relevant business management team, involved in the key decisions and initiatives
- Look to Business Controllers as the primary source of information and analysis for past business performance - the 'what and why'.
- Drives decisions through with service leadership teams with 'options and recommendations'
- Looks to the Decision Support team for information and analysis for ad hoc decision support, such as operational improvements, service and performance improvements, capital investments etc.
- Not involved in the production or provision of regular information for reporting, budgets or forecasts

Background & Personal Characteristics

- Passionate about the service. Continually seeks to know more and improve performance
- Very high level of business curiosity and engagement
- Interested in spending time in the service with business colleagues
- Highly numerate and analytical; excellent judgement; good experience
- Excellent at constructively challenging, influencing and persuading senior service colleagues - acting as a 'sparring partner' to the service head and management team
- Excellent networking skills - a skilled 'resource investigator' to bring in external ideas and expertise
- Has experience & credibility with service leaders
- Good communicator
- Good finance knowledge, potentially a qualified accountant but possibly good MBA, ex-consultant or numerate business person
- Excellent level of social intelligence
- Strategic thinker

Role profile – Strategic Finance Business Partner

Primary Goal: Deliver value creation for the service and drive the strategic direction of the service area

Key Responsibilities

Management Reporting:

- Supporting BC to deliver decision-driven information

Budgeting & Forecasting:

- Supporting business with with key operational assumptions in budgets.
- Ensuring stretched targets

Performance Management & Improvement:

- Challenging and influencing business decisions and strategy as a key member of the relevant management team
- Ensuring decisions and corrective actions for business performance issues, and tracking benefits

Decision Support & Business Analysis

- Creation of Initiative Value Map for the service area
- Focus on Initiatives, not Finance Services
- Definition of ad-hoc analysis requirements; resourcing through Decision Support Analyst team
- Generation, validation or sign off of business cases and management of selected strategic improvement projects

Strategy & Long-term planning

- Supporting the service with strategic options and decisions
- Owner of the rolling Initiative Value Map; content, portfolio, delivery, results, benefits, resourcing, review with management team

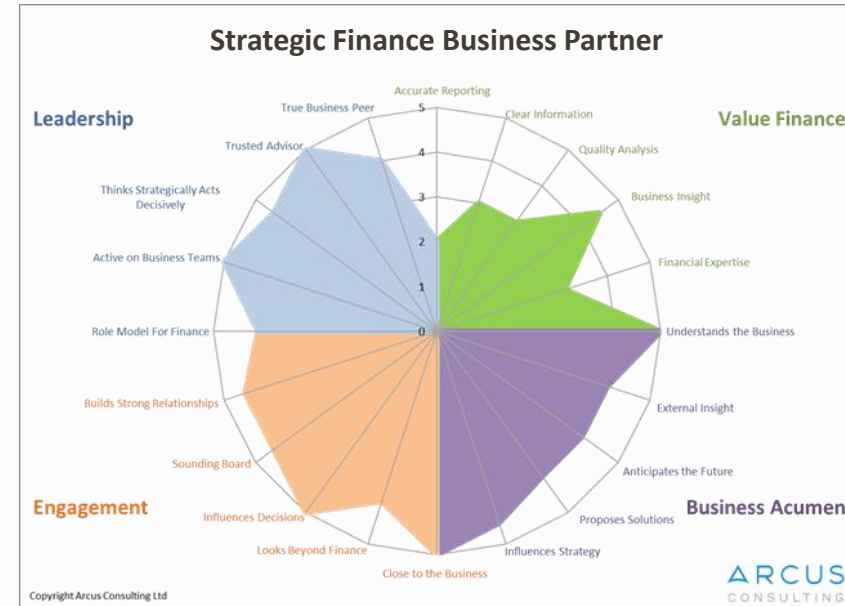
Key Relationships

- Key service / business leaders and management team
- All Finance Business Partners
- Decision Support analytics team
- Business Controllers & management reporting teams
- External: significant suppliers, Finance in other boards, sector bodies etc

Measures

- Performance targets & objectives of the service area
- Specific link to delivery of service leaders' targets and objectives
- Effective decision making to drive business performance

Capability Profile



Target Activity Focus

Activities	Business Partner	Overall Finance Target
Management Reporting	5%	10-15%
Budgeting & Forecasting	10%	15-20%
Performance Management & Improvement	15%	20-25%
Business Analysis & Decision Support	45%	25-30%
Strategy & LT Planning	25%	15-20%

Role profile – Finance Business Partner - Same focus on strategic initiatives, less experience

Primary Goal: Deliver value creation for the service and drive the strategic direction of the service area

Key Responsibilities

Management Reporting:

- Supporting BC to deliver decision-driven information

Budgeting & Forecasting:

- Supporting business with with key operational assumptions in budgets. Ensuring stretched targets

Performance Management & Improvement:

- Challenging and influencing business decisions and strategy as a key member of the relevant management team
- Ensuring decisions and corrective actions for business performance issues, and tracking benefits

Decision Support & Business Analysis

- Creation of Initiative Value Map for the service area
- Focus on Initiatives, not Finance Services
- Definition of ad-hoc analysis requirements; resourcing through Decision Support Analyst team
- Generation, validation or sign off of business cases and management of selected strategic improvement projects

Strategy & Long-term planning

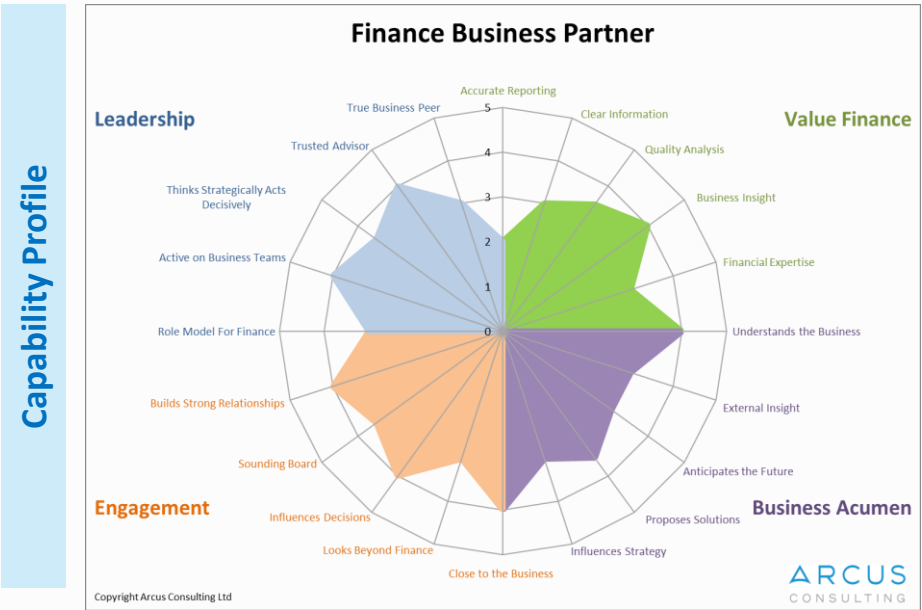
- Supporting the service with strategic options and decisions
- Owner of the rolling Initiative Value Map; content, portfolio, delivery, results, benefits, resourcing, review with management team

Key Relationships

- Key service / business leaders and management team
- All Finance Business Partners
- Decision Support analytics team
- Business Controllers & management reporting teams
- External: significant suppliers, Finance in other boards, sector bodies etc

Measures

- Performance targets & objectives of the service area
- Specific link to delivery of service leaders' targets and objectives
- Effective decision making to drive business performance



Activities	Business Partner	Overall Finance Target
Management Reporting	5%	10-15%
Budgeting & Forecasting	10%	15-20%
Performance Management & Improvement	15%	20-25%
Business Analysis & Decision Support	45%	25-30%
Strategy & LT Planning	25%	15-20%

Decision Support Analysts - responsibilities & characteristics

Responsibilities

- Part of a flexible resource pool capable of deploying against key business questions / initiatives as required by Business Partnering teams
- To formulate business decision trees to ensure analysis is value adding and fit for purpose
- To manage stakeholders in relevant decision roles
- To conduct timely and accurate analysis and to synthesise data to support business hypothesis testing
- To be 'data inquisitive' to generate new insights for the business and to translate analysis into business language
- To develop core analytical methods and tools for use across Finance and to share best practice techniques across the organisation

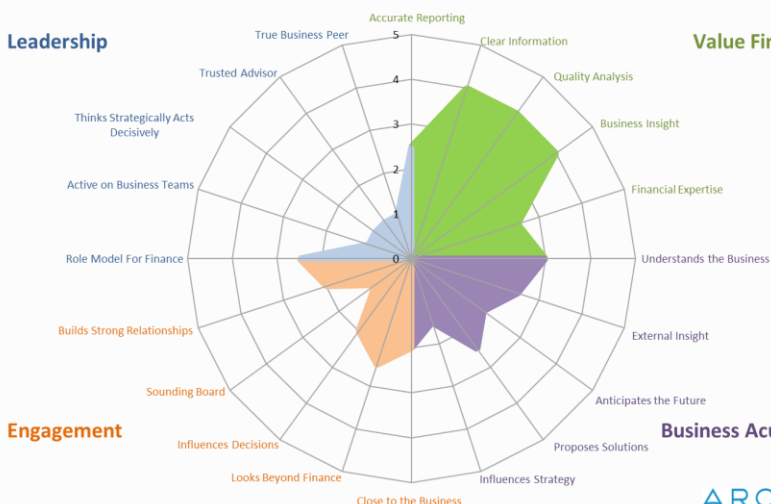
Background & Personal Characteristics

- Business analyst or part-qualified or newly qualified accountant; potentially business graduate or experienced business consultant
- Highly numerate and analytical problem solver combined with good business nous
- Significant level of business curiosity and tenacity
- Prioritises iterative business decision making over precision and data accuracy.
- Good understanding of data limitations and levels of materiality
- Good communicator
- Highly organised, self-starter. Able to work remotely as part of a business team
- Experience ideally should include some business knowledge e.g. project environments, consulting, data analysis projects etc.

Role profile - Decision Support Analyst

Primary Goal: Support business decisions through modelling, analysis and synthesis of key business data and trends through to the generation of options and recommendations

Key Responsibilities	<p>Decision Support Development:</p> <ul style="list-style-type: none">Development of analytics tools and capabilitiesKnowledge sharing across the Decision Support team <p>Business Value Priorities:</p> <ul style="list-style-type: none">Ensuring clarity of business decision drivers and decision treesTranslating analysis into meaningful business insightBringing in external insight and data from demographics, suppliers, other Boards, and other sectorsDevelopment of business options and implications through to recommendationsEngagement and stakeholder management with Finance and business teams to ensure analysis is fit to drive effective decisions <p>Responsibilities:</p> <ul style="list-style-type: none">Delivery of accurate and timely analysis to support business decision timescalesSupport the decision making processTeam participation & leading analysis
	<p>Key Relationships</p> <ul style="list-style-type: none">BP teamsDecision Support teamsService contacts – specific to analysis conductedBusiness Controllers / management accounting teams
	<p>Measures</p> <ul style="list-style-type: none">Development of Decision Support functionTimeliness, quality and service-relevance of analysisEngagement with Finance and service to drive initiatives

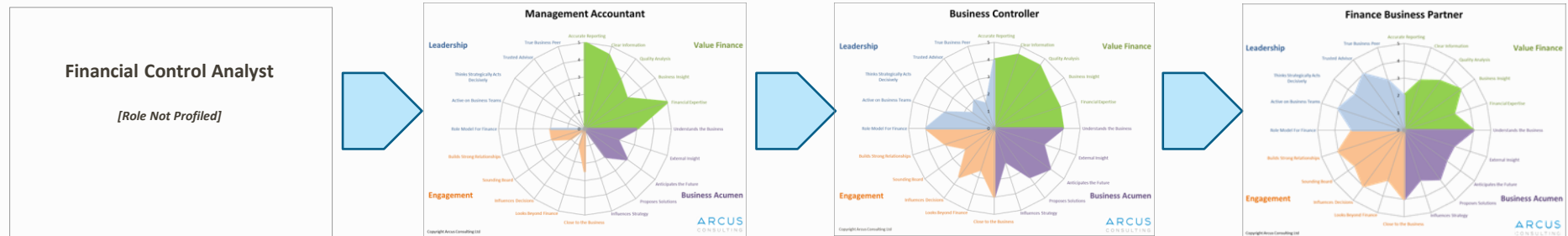
Capability Profile	<p>Decision Support Analyst</p>  <p>Copyright Arcus Consulting Ltd</p>																		
	<table><tr><th>Activities</th><th>DS Analyst</th><th>Overall Finance Target</th></tr><tr><td>Management Reporting</td><td>0%</td><td>10-15%</td></tr><tr><td>Budgeting & Forecasting</td><td>0%</td><td>15-20%</td></tr><tr><td>Performance Management & Improvement</td><td>20%</td><td>20-25%</td></tr><tr><td>Business Analysis & Decision Support</td><td>50%</td><td>25-30%</td></tr><tr><td>Strategy & LT Planning</td><td>30%</td><td>15-20%</td></tr></table>		Activities	DS Analyst	Overall Finance Target	Management Reporting	0%	10-15%	Budgeting & Forecasting	0%	15-20%	Performance Management & Improvement	20%	20-25%	Business Analysis & Decision Support	50%	25-30%	Strategy & LT Planning	30%
Activities	DS Analyst	Overall Finance Target																	
Management Reporting	0%	10-15%																	
Budgeting & Forecasting	0%	15-20%																	
Performance Management & Improvement	20%	20-25%																	
Business Analysis & Decision Support	50%	25-30%																	
Strategy & LT Planning	30%	15-20%																	

Critical Success factors – Business Partnering / Decision Support roles

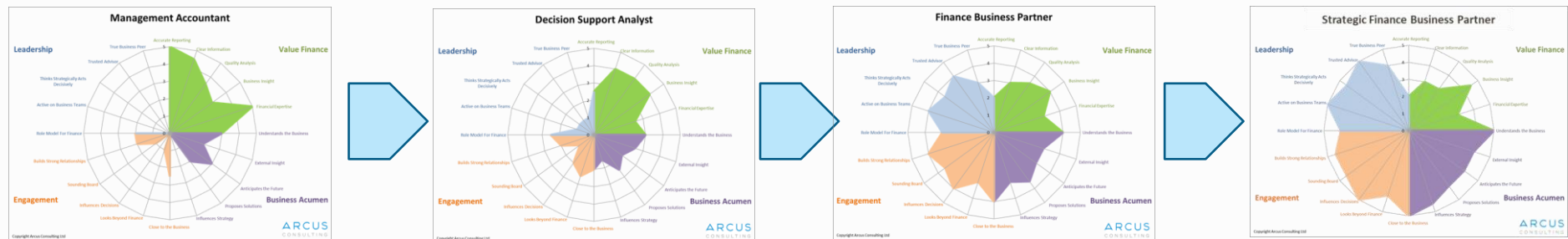
- Passionate & curious about the service
- Business nous – understanding how the service works and key levers
- Credible and able to effectively influence & challenge
- Ability to look beyond Finance – both externally and forward looking
- Current and updated Initiative Value Maps
- High performing Business Controllers with credibility to interact with the service on current performance and help free-up Business Partner time
- Business Partners & Decision Support Analysts sharing knowledge across Finance teams
- An effective network, sharing best-practice and experience
- Shared business partnering ‘toolkit’ e.g. initiative value prioritisation method, analysis methods and approaches, tools etc.
- A development mind set – helping Business Partners, Decisions Support Analysts and Business Controllers develop knowledge, skills and capabilities

Indicative pan-Board finance career paths

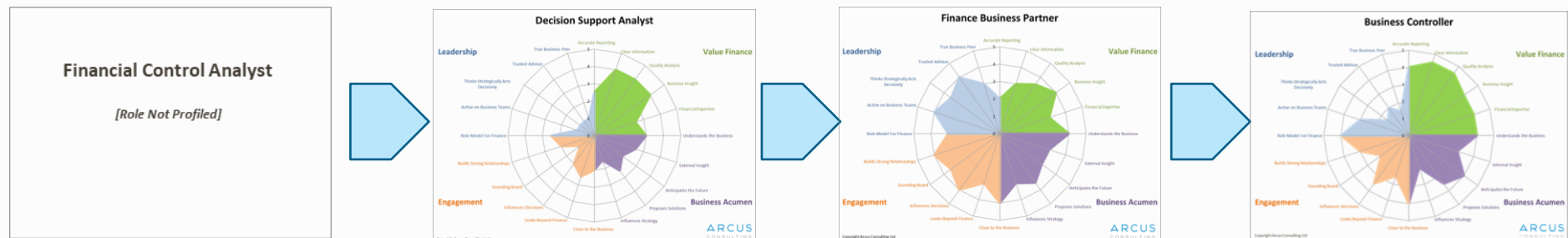
Example 1: Financial Control Analyst to Finance Business Partner



Example 2: Management Accountant to Strategic Business Partner



Example 3: Financial Control Analyst to Business Controller



This shows 3 indicative career path routes. There are a number of other paths, especially if all pan-Finance roles were considered.

Hywel Dda University Health Board



**Diagnostic Conclusions,
Finance business partnering.
Final version.**

Adrian Willmott, Arcus Consulting.

May 2023

