

**PWYLLGOR ARCHWILIO A SICRWYDD RISG
AUDIT AND RISK ASSURANCE COMMITTEE**

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| DYDDIAD Y CYFARFOD: DATE OF MEETING: | 11 February 2025 |
| TEITL YR ADRODDIAD: TITLE OF REPORT: | Audit Wales Structured Assessment 2024 Management Response |
| CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR: | Professor Philip Kloer, Chief Executive Officer |
| SWYDDOG ADRODD: REPORTING OFFICER: | Joanne Wilson, Director of Corporate Governance/Board Secretary |

**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 Audit and Risk Assurance Committee (ARAC) is asked to take assurance from the management response (Appendix 1) to the recommendations identified by Audit Wales (AW) in their [Structured Assessment 2024](#) (SA24) report.

Cefndir / Background

The structured assessment work undertaken by Wales Audit Office enables the Auditor General to discharge his statutory requirement under section 61 of the Public Audit (Wales) Act 2014 to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

The key focus of the Structured Assessment 2024, attached, was on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on Board transparency, cohesion, and effectiveness, corporate systems of assurance, corporate approach to planning, and corporate approach to financial management. An update on progress against recommendations identified in previous structured assessment reports has also been included in the document.

The 2024 Structured Assessment has been considered and discussed in depth at the Audit and Risk Assurance Committee held on 10 December 2024.

Asesiad / Assessment

AW provided three recommendations in the SA24 report, in relation to:

- R1 Improving Together Framework – Director of Finance
- R2 Quality Improvement Strategic Framework – Director of Nursing, Quality and Patient Experience
- R3 Well-being Objectives and strategy refresh – Director of Public Health

The Health Board's management response, at Appendix 1, has been developed in response to these new recommendations.

AW also provided an update in this report on the Health Board's progress in addressing outstanding recommendations identified in previous structured assessment reports. These are provided in Appendix 2 (SA22) and Appendix 3 (SA23).

Progress on implementation of the new recommendations, and the recommendations that remain open from previous Structured Assessments (outlined on page 30-32 of [Structured Assessment 2024](#)), will be monitored by ARAC throughout 2025/26.

Argymhelliad / Recommendation

The Audit and Risk Assurance Committee is asked to consider whether the management response provides assurance that the recommendations within the Structured Assessment 2024 report, and the outstanding recommendations from Structured Assessments 2022 and 2023, will be addressed appropriately.

| Amcanion: (rhaid cwblhau) Objectives: (must be completed) | |
|--|---|
| Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor: | 3.3 In carrying out this work the Committee will primarily utilise the work of Internal Audit, Clinical Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of good governance, risk management and internal control, together with indicators of their effectiveness. |
| Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score: | N/A |
| Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com) | 7. All apply |
| Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com) | 6. All Apply |
| Amcanion Strategol y BIP: UHB Strategic Objectives: | Not Applicable |
| Amcanion Cynllunio Planning Objectives | Not Applicable |

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|---|--------------------|
| 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: | Structured Assessment 2024 report |
| Rhestr Termau: Glossary of Terms: | Included in report |
| Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg Parties / Committees consulted prior to Audit and Risk Assurance Committee: | All relevant Executive Directors have been asked to contribute to the management response. |

| Effaith: (rhaid cwblhau) Impact: (must be completed) | |
|---|-------------------------------------|
| Ariannol / Gwerth am Arian: Financial / Service: | No direct impacts from this report. |
| Ansawdd / Gofal Claf: Quality / Patient Care: | No direct impacts from this report. |
| Gweithlu: Workforce: | No direct impacts from this report. |
| Risg: Risk: | No direct impacts from this report. |
| Cyfreithiol: Legal: | No direct impacts from this report. |
| Enw Da: Reputational: | No direct impacts from this report. |
| Gyfrinachedd: Privacy: | No direct impacts from this report. |
| Cydraddoldeb: Equality: | No direct impacts from this report. |

Structured Assessment 2024 – Hywel Dda University Health Board

Audit year: 2024

Date issued: November 2024

Document reference: 4432A2024

This document has been prepared as part of work performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

| | |
|---|----|
| Summary report | |
| About this report | 4 |
| Key findings | 5 |
| Recommendations | 6 |
| Detailed report | |
| Board transparency, effectiveness, and cohesion | 8 |
| Corporate systems of assurance | 14 |
| Corporate approach to planning | 19 |
| Corporate approach to managing financial resources | 22 |
| Appendices | |
| Appendix 1 – Audit methods | 28 |
| Appendix 2 – Progress made on previous-year recommendations | 30 |
| Appendix 3 – Management response to audit recommendations | 34 |

Summary report

About this report

- 1 This report sets out the findings from the Auditor General's 2024 structured assessment work at Hywel Dda University Health Board (the Health Board). Our structured assessment work is designed to help discharge the Auditor General's statutory requirement under section 61 of the Public Audit (Wales) Act 2004 to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources. Our review of the Health Board's corporate approach to setting or reviewing well-being objectives in accordance with the sustainable development principle is being undertaken to help discharge the Auditor General's duties under section 15 of the Well-being of Future Generations (Wales) Act 2015.
- 2 Our 2024 structured assessment work took place at a time when NHS bodies were continuing to respond to a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. More than ever, therefore, NHS bodies and their Boards need to have sound corporate governance arrangements that can provide assurance to themselves, the public, and key stakeholders that the necessary action is being taken to deliver high-quality, safe and responsive services, and that public money is being spent wisely.
- 3 The key focus of our work has been on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on:
 - board transparency, cohesion, and effectiveness;
 - corporate systems of assurance;
 - corporate approach to planning; and
 - corporate approach to financial management.
- 4 We have not reviewed the Health Board's operational arrangements as part of this work. We reported a separate [review of the Health Board's operational governance arrangements](#) in July 2024. In that review, we found that the Health Board's current operations structure is complex resulting in blurred lines of accountability, and governance arrangements within directorates are inconsistent. Whilst the Health Board is progressing its new operations structure, presenting opportunities to improve governance arrangements, delays in rolling out the new structure is causing instability within directorate leadership teams.
- 5 Our work has been informed by our previous structured assessment work, which has been developed and refined over several years. It has also been informed by:
 - model Standing Orders, Reservation and Delegation of Powers;
 - model Standing Financial Instructions;
 - relevant Welsh Government health circulars and guidance;

- the Good Governance Guide for NHS Wales Boards (Second Edition); and
 - other relevant good practice guides.
- 6 In January 2024, Welsh Government escalated the whole Health Board to targeted intervention¹. This covers all six domains of the [NHS Wales escalation and oversight framework](#), these are: 'quality of care', 'governance', 'leadership, capability and culture', 'performance and outcomes', 'fragile services' and 'finance, strategy and planning'. The escalation status reflects the scale of the Health Board's challenges and lack of sustained progress in addressing them. In response to its escalation status, the Health Board has established a set of initiatives and governance arrangements to oversee and manage the escalation process and address the challenges at pace. This includes new Executive Team governance arrangements², developing a targeted intervention monitoring framework to monitor progress on the 56 de-escalation criteria, introducing an internal escalation framework, delivering key initiatives through focused 100-day cycles of work, progressing the programme of clinical services plans to address fragile services and a set of financial improvement initiatives
- 7 We undertook our work between April 2024 and November 2024. The methods we used to deliver our work are summarised in **Appendix 1**. Our work was conducted in accordance with the auditing standards set by the International Organisation of Supreme Audit Institutions.
- 8 We also provide an update in this report on the Health Board's progress in addressing outstanding recommendations identified in previous structured assessment reports in **Appendix 2**.

Key findings

- 9 Overall, we found that **the Health Board's corporate arrangements continue to operate effectively, despite a period of significant change, with a small number of areas that could be further improved. Whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to get onto a more sustainable footing.**

¹ Under the Joint Escalation and Intervention Arrangements, Welsh Government officials meet Audit Wales and Healthcare Inspectorate Wales at least twice a year to discuss the performance of each health body. There are five escalation levels: routine arrangements, area of concern, enhanced monitoring, targeted intervention, and special measures. In November 2024, the Welsh Government confirmed that the Health Board would remain in targeted intervention.

² There are three executive level groups which report into the Formal Executive Team. These are: 'Integrated Quality, Finance and Performance Delivery', 'A Healthier Mid and West Wales' and 'Value and Sustainability' groups. A 'Targeted Intervention Co-ordination Group' co-ordinates and manages the Health Board's response to Targeted Intervention.

- We considered whether the Health Board's Board conducts its business, appropriately, effectively, and transparently. We found that whilst managing a period of significant change, the Board and its committees continue to work well, maintaining a clear focus on public transparency, good governance, continuous improvement and hearing from patients and staff.
- We considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services. We found that the Health Board continues to have appropriate arrangements for corporate oversight of risk, performance, tracking recommendations, and the quality and safety of services. The performance management framework however needs to be updated to reflect current performance arrangements, and more frequent updates on the implementation of the Quality Improvement Strategic Framework should be provided.
- We considered whether the Health Board has a sound corporate approach to producing strategies and corporate plans and overseeing their delivery. We found that development and delivery of the Health Board's plans continue to be supported by appropriate oversight, underpinned by a pragmatic approach to addressing planning team capacity issues. There is scope to review well-being objectives as part of a planned long-term strategy refresh.
- We considered whether the Health Board has a sound corporate approach to managing its financial resources. We found that whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to improve its financial position and to develop a roadmap to ensure financial sustainability. There remains a clear approach for financial planning and managing and monitoring the financial position, but there is a need to strengthen the approach to delivering cost savings opportunities.

Recommendations

- 10 **Exhibit 1** details the recommendations arising from our work. The Health Board's response to our recommendations is summarised in **Appendix 3**. [Appendix 3 will be completed once the report and management response have been considered by the relevant committee]

Exhibit 1: 2024 recommendations

Recommendations

Improving Together Framework

- R1 The Health Board should update its Improving Together Framework documentation, ensuring it adequately reflects current performance management and internal escalation arrangements. In updating the framework, the Health Board should also ensure documentation includes arrangements:
- deescalating and supporting directorates at the highest level of escalation for extended periods; and
 - coordinating support for directorates escalated over several domains (**see paragraph 53**).
-

Quality Improvement Strategic Framework

- R2 The Quality, Safety and Experience Committee should receive, at least annual, a standalone update on Quality Improvement activities, including the Health Board's progress in implementing the Quality Improvement Strategic Framework (2023-2026), a roundup of improvement initiatives and the impact they are having to date (**see paragraph 60**).
-

Well-being objectives and strategy refresh

- R3 To ensure the sustainable development principle is central to its long-term vision, the Health Board should review its well-being objectives as part of its planned long-term strategy refresh (**see paragraph 69**).

Detailed report

Board transparency, effectiveness, and cohesion

- 11 We considered whether the Health Board's Board conducts its business appropriately, effectively, and transparently.
- 12 We found that **whilst managing a period of significant change, the Board and its committees continue to work well, maintaining a clear focus on public transparency, good governance, continuous improvement and hearing from patients and staff.**

Public transparency of Board business

- 13 We considered whether the Board promotes and demonstrates a commitment to public transparency of board and committee business. We were specifically looking for evidence of Board and committee:
 - meetings that are accessible to the public;
 - papers being made publicly available in advance of meetings; and
 - business and decision-making being conducted transparently.
- 14 We found that **the Health Board continues to maintain a strong commitment to public transparency.**
- 15 As in previous years, the Board maintains its strong commitment to public transparency, with well publicised Board meetings, which members of the public can observe in-person, virtually or via a recording published on the Health Board's website. The Health Board continues to reserve private Board and committee sessions, for the most sensitive matters, with private Board agendas and a high-level summary of discussions published online. As recommended last year (see **Appendix 2 R1 2023**), committee update reports to the Board include a high-level update on matters discussed at private committee sessions.
- 16 Board and committee papers continue to be published on the Health Board's website a week before meetings, with late papers kept to a minimum. Last year, we noted that as recommended in 2022, the Health Board published its unconfirmed Board and committee minutes on its website soon after the meeting. However, this year the practice has not been consistently applied due to capacity constraints. It is important the Health Board publishes unconfirmed minutes shortly after meetings to maintain public transparency of business, especially as it has decided not to livestream or record its committee meetings. We continue to observe open and honest discussions at Board and committee meetings, with an improved focus on high-risk matters aided by the introduction of the Triple-A (Alert, Advise and Assure) process (see **paragraph 25**).

Arrangements to support the conduct of Board business

- 17 We considered whether there are proper and transparent arrangements in place to support the effective conduct of Board and committee business. We were specifically looking for evidence of a formal, up-to-date, and publicly available:
- Reservation and Delegation of Powers and Scheme of Delegation in place, which clearly sets out accountabilities;
 - Standing Orders (SOs) and Standing Financial Instructions (SFIs) in place, along with evidence of compliance; and
 - policies and procedures in place to promote and ensure probity and propriety.
- 18 We found that **the Health Board has maintained robust arrangements to support the effective conduct of Board and committee business.**
- 19 The Health Board continues to review its Standing Orders, Scheme of Reservation and Delegation, and Standing Financial Instructions at least annually to ensure they reflect current arrangements. The Board, following scrutiny by the Audit and Risk Assurance Committee (ARAC), last approved amendments to its Standing Orders in May 2024 to reflect the establishment of the Joint Commissioning Committee³. The Standing Financial Instructions were also reviewed and remained unchanged. Up-to-date versions of these documents are available on the Health Board's website.
- 20 In March 2024, the Board approved some initial changes to responsibilities delegated to the Interim Executive Medical Director and Executive Director of Allied Health Professions and Health Science roles, but the updated Scheme of Delegation was not updated on the Health Board's website. As part of this year's main review of the Scheme of Delegation, the Health Board took the opportunity to compare the responsibilities set out within the Scheme of Delegation with the duties outlined in Executive Director's job descriptions. This exercise exposed several gaps in responsibilities within both the job descriptions and Scheme of Delegation. In October 2024, ARAC received the updated Scheme of Delegation for approval, which addresses these gaps. The Board is due to approve the final version in November 2024. As recommended in our [Review of Operational Governance](#) the Health Board will need to review its updated Scheme of Delegation as the new operations structure is rolled out.
- 21 Since last year, the Health Board has introduced an electronic system to manage declarations of gifts, hospitality and sponsorship. In compliance with its Standing Orders, ARAC continues to receive the annual report on the Adequacy of Arrangements for Declaring, Registering and Handling of Interests, Gifts, and Hospitality. We continue to observe compliance with Declarations of interest, which

³ In April 2024, the NHS Wales Joint Commissioning Committee replaced the Emergency Ambulance Services Committee (EASC), the Welsh Health Specialised Services Committee (WHSSC) and the National Collaborative Commissioning Unit (NCCU).

remains a standing item on all Board and committee agendas. Up to date versions of Board Member and staff registers of interests are available on the Health Board's website. There are clear processes for ensuring policies are reviewed and kept updated. Directorates are held to account on policy management through Directorate Improving Together sessions, and policy management is part of the governance domain of the internal escalation framework. Individual committees routinely receive updates on policies within their remit, which include an overview of out-of-date policies and requests for policy approval and extensions.

Effectiveness of Board and committee meetings

- 22 We considered whether Board and committee meetings are conducted appropriately and effectively. We were specifically looking for evidence of:
- an appropriate, integrated, and well-functioning committee structure in place, which is aligned to key strategic priorities and risks, reflects relevant guidance, and helps discharge statutory requirements;
 - Board and committee agendas and work programmes covering all aspects of their respective Terms of Reference as well being shaped on an ongoing basis by the Board Assurance Framework;
 - well-chaired Board and committee meetings that follow agreed processes, with members observing meeting etiquette and providing a good balance of scrutiny, support, and challenge; and
 - committees receiving and acting on required assurances and providing timely and appropriate assurances to the Board.
- 23 We found that **Board and committee meetings continue to be conducted appropriately and effectively, with strengthened arrangements to escalate high-risk matters to the Board. Preparations to establish a joint committee with Swansea Bay University Health Board are progressing well.**
- 24 The Board and its committees continue to work effectively, with up-to-date Terms of Reference (TOR) and work programmes. During the summer of 2024, relevant committee TORs were updated to reflect oversight responsibilities in line with the Health Board's targeted intervention monitoring framework and to reflect oversight responsibilities for corporate and directorate risks, instead of strategic risks for which the Board maintains oversight.
- 25 The Health Board is currently reviewing its committee structure and arrangements, which have remained largely unchanged for several years. Any changes are likely to be implemented in April 2025, although a wholesale restructure is not anticipated. From our observations, Board and committee meetings continue to be well chaired and administered, with good support from the Corporate Governance Team. There is good Executive Member representation at committee meetings, and it is positive that operational officers routinely attend to present papers. Independent members continue to provide good challenge and remain open when they are not assured by the information presented. As highlighted in **paragraph 16**,

in April 2024 the Health Board introduced its Triple-A (Alert, Advise, Assure) process to strengthen its Board assurance and escalation process. Whilst still embedding, the new process seems to bring clarity to discussions, enables independent members to take assurance based on the information provided and focuses discussions on high-risk matters. It has also strengthened escalation arrangements to the Board, as committee assurance papers report on matters to 'Alert', 'Advise' or 'Assure' the Board. Those we interviewed spoke positively about the new process. The internal escalation framework, which supports targeted intervention, also uses similar assurance ratings⁴.

- 26 Following a pause, the new Chair recommenced the committee chair's meetings in October 2024. In the interim independent members had other opportunities to meet and cross refer matters, for example through monthly meetings with the Interim Chief Executive and at Board Seminars.
- 27 To strengthen regional working, in March 2024, the Cabinet Secretary for Health and Social Care indicated her intention to issue a ministerial directive to the Health Board to establish a formal joint committee with Swansea Bay University Health Board⁵. Preparations for the joint committee are progressing well and in October 2024 a joint Board to Board meeting took place to discuss working arrangements. The inaugural joint committee meeting is due to take place in January 2025 and the terms of reference will be agreed by the Board in January 2025. Over the course of the year, the Board has received regular updates on the joint committee's development.

Quality and timeliness of Board and committee papers

- 28 We considered whether the Board and committees receive timely, high-quality information that supports effective scrutiny, assurance, and decision making. We were specifically looking for evidence of:
- clear and timely Board and committee papers that contain the necessary / appropriate level of information needed for effective decision making, scrutiny, and assurance.
- 29 We found that **the Board and its committees receive good quality, timely papers, which the Health Board is continuing to strengthen as part of ongoing improvement.**
- 30 The Health Board continues to use the SBAR⁶ cover reports, which are clear, well written and when appropriate incorporate the Triple-A format, which strengthens the clarity of papers and assurance. The Health Board also maintains its use of

⁴ The internal escalation framework uses three escalation levels: level 1 (reasonable assurance, level 2 (limited assurance) and level 3 (no assurance).

⁵ <https://www.gov.wales/written-statement-establishing-joint-committee-swanseabay-and-hywel-dda>

⁶ Situation, Background, Assessment, Recommendation.

interactive data tools and dashboards to support information highlighted in cover reports. However, at times ARAC has received too much information on the targeted intervention monitoring framework, which can draw independent members into discussions outside of their remit. ARAC's role is to receive assurance on the systems and processes to oversee delivery of the framework, and on progress towards de-escalation by taking assurance from other committees. However, ARAC receives a very detailed progress report at each meeting which draws independent members into discussion about performance. Also, in each cycle of committee meetings, ARAC is the first, so it is difficult for it to take assurance from other committees as they are yet to take place. The Health Board has recognised that this is an issue, and work is currently underway with the nominated targeted intervention officer to address this.

- 31 To support ongoing improvement, independent members provided feedback on the quality of papers through the 2023-24 Board effectiveness review process (**see paragraph 42**). As a result of the feedback, the Health Board is reviewing report writing and presenting guidance, exploring alternative formats to the SBAR template and exploring systems to help assure and inform committees of areas which need a more in-depth review. There were no issues raised about the timeliness of papers.

Board commitment to hearing from patients/service users and staff

- 32 We considered whether the Board promotes and demonstrates a commitment to hearing from patients/service users and staff. We were specifically looking for evidence of:
- the Board using a range of suitable approaches to hear from a diversity of patients/service users, the public and staff.
- 33 We found that **the Board continues to hear from a range of patients and staff and has enhanced arrangements for patient safety walkabouts.**
- 34 At each meeting, the Board continues to receive the Improving Patient Experience Report which includes a series of links to patient experience recordings/soundbites and written comments. Together, these illustrate positive and negative aspects of patient and service user experience. To set the tone of the meeting, from November 2024 the Board will start each meeting with a patient or staff story. Relevant committees continue to receive staff and patient stories such as the Quality, Safety and Experience Committee (QSEC) and People and Organisational Development Committee (PODCC). Following feedback from the committee effectiveness review, there is also provision in the Health and Safety Committee's 2024-25 work plan to receive relevant patient stories. However, as of September 2024 the committee is yet to hear a story, the Health Board reported that it is unlikely to take this forward. In recent months the Health Board has had to make some difficult decisions, for example undertaking a managed dispersal at St

David's GP Practice in Pembrokeshire, and in-patient beds in Tregaron Community Hospital in Ceredigion. Reports received by the Board show the Health Board's commitment to hearing from the public and stakeholders to inform its decisions. In both cases, the Health Board invited feedback from the public and stakeholders using a variety of methods such as in-person drop-in events, postal and online surveys and via email and phone.

- 35 Board members continue to take part in regular patient safety walkabouts. Since last year, the Health Board has taken steps to clarify the process for Board members (**Appendix 2 R2 2023**). This includes refreshing a briefing document outlining the process and purpose of patient safety walkabouts, offering a briefing session to Board members as part of inductions and on-going development, and including a six-monthly update in the Quality Assurance Report received by QSEC.
- 36 The Health Board has an evolving 'Speaking Up' Process which allows staff to raise concerns confidentially. PODCC receives periodic updates and assurance on its continued development. The Health Board also continues to have active staff networks and advisory groups such as for BAME, LGBTQ+ and armed forces groups, which also routinely provide updates to PODCC.

Board cohesiveness and commitment to continuous improvement

- 37 We considered whether the Board is stable and cohesive and demonstrates a commitment to continuous improvement. We were specifically looking for evidence of:
- a stable and cohesive Board with a cadre of senior leaders who have the appropriate capacity, skills, and experience;
 - the Board and its committees regularly reviewing their effectiveness and using the findings to inform and support continuous improvement; and
 - a relevant programme of Board development, support, and training in place.
- 38 We found that **the Board is managing a significant period of change well and is taking positive steps to ensure it remains cohesive and effective through Board development opportunities and arrangements for continuous improvement.**
- 39 The Health Board is going through a significant period of change. The new Vice-Chair and Chair joined the organisation in February and June 2024 respectively. In February 2024, the Chief Executive left, and the Executive Medical Director/Deputy Chief Executive was appointed as Interim Chief Executive, and the Executive Director of Workforce and OD took on the role of Interim Deputy Chief Executive. The Deputy Medical Director was appointed as Interim Executive Medical Director. The Interim Chief Executive was subsequently appointed substantively in October 2024 with immediate effect, which will now mean that the process for appointing a substantive Executive Medical Director can commence. Since December 2023, the Executive Director of Nursing, Quality and Patient Experience post has also been

covered on an interim basis. Additionally, in the latter part of 2023, the Health Board welcomed new Executive Directors for Public Health, and Allied Health Professions and Health Science.

- 40 The level of changes, coupled with the challenges facing the Health Board has the potential to de-stabilise the Board, but it has taken a pro-active approach to building cohesion and resilience. Since March 2024, the Board has been taking part in a programme of organisational development (OD) sessions as part of its wider programme of development, which have been received positively by those we interviewed. Additionally, the Health Board is also now implementing its new operational structure following a period of consultation and engagement with staff (**Appendix 2 R2 2022**).
- 41 The Board has maintained its robust approach to learning, development, and continuous improvement, including a programme of Board Development activities, which include the OD sessions. This year, part of the new Chair and Vice-Chair's induction programmes have been extended to all Board members through a series of optional 'lunch and learns' These refresher sessions cover topics such as patient safety walkarounds, finance, patient service and complaints, risk and estates/capital projects.
- 42 Arrangements for reviewing the Board's effectiveness remain strong. The process continues to draw on internal and external sources of assurance, which include committee self-assessment surveys and facilitated workshops, and the Board's annual self-review against a maturity matrix. For 2023-24, given its escalation status, the Board reduced its maturity rating from Level 4⁷ last year to Level 2⁸. This shows the Board has a mature and open approach to reviewing its effectiveness. After each Board and committee meeting, there continues to be dedicated time for independent members to reflect on the meeting. This process was formalised last year to allow ongoing review of committee effectiveness, which the Health Board is reporting works well.

Corporate systems of assurance

- 43 We considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services.
- 44 We found that **the Health Board continues to have appropriate arrangements for corporate oversight of risk, performance, tracking recommendations, and the quality and safety of services. The performance management framework however needs to be updated to reflect current performance arrangements,**

⁷ Level 4 is defined as 'we have well developed plans and processes and can demonstrate sustainable improvement throughout the service'.

⁸ Level 2 is defined as 'we are aware of the improvements that need to be made and have prioritised them but are not yet able to demonstrate meaningful action'.

and more frequent updates on the implementation of the Quality Improvement Strategic Framework should be provided.

Corporate approach to overseeing strategic and corporate risks

- 45 We considered whether the Health Board has a sound corporate approach to identifying, overseeing, and scrutinising strategic and corporate risks. We were specifically looking for evidence of:
- an up-to-date and publicly available Board Assurance Framework (BAF) in place, which brings together all the relevant information on the risks to achieving the organisation's strategic priorities / objectives; and
 - the Board actively owning, reviewing, updating, and using the BAF to oversee, scrutinise, and address strategic risks.
 - an appropriate and up-to-date risk management framework in place, which is underpinned by clear policies, procedures, and roles and responsibilities; and
 - the Board providing effective oversight and scrutiny of the effectiveness of the risk management system and corporate risks.
- 46 We found that **the Board continues to have a mature approach to overseeing strategic and corporate risks and risk management arrangements.**
- 47 The Board continues to review its Board Assurance Framework (BAF) at every other meeting. The strategic risks set out in the BAF remain integrated with the Health Board's strategic and planning objectives and are aligned to an appropriate committee for scrutiny and oversight. This ensures that Board and committee business is informed by the Health Board's strategic risks.
- 48 The Health Board has an up-to-date risk appetite statement, which was approved by the Board in January 2024. The Health Board does not have a single risk appetite, instead agreeing an appropriate appetite across a range of its business areas. This is a pragmatic approach given the range of activities within the Health Board's remit.
- 49 The Health Board's revised Risk Management Strategy was approved by the Board in March 2024, which is supported by an up-to-date risk management framework and procedure. The strategy sets three key risk management objectives for delivery over 18 months which are being progressed. These are:
- implement and embed the refreshed risk appetite statements;
 - support the strengthening of operational risk management arrangements;
 - and
 - understand how established risk management processes currently contribute to the overall health of the Health Board.
- 50 The Board and its committees maintain robust oversight of the Corporate Risk Register, which the Board continues to receive at every other meeting. Committees

routinely scrutinise corporate risks assigned to them, providing assurance to the Board through committee assurance reports. ARAC continues to receive the Risk Assurance Report, which provides assurance on the effectiveness of the Risk Management Framework, and progress on implementing the Risk Management Strategy. The report maintains good analysis of risk management across the organisation, including risk themes and issues. Since August 2024, the frequency of the Risk Assurance Report has increased from six-monthly to every other meeting, to reflect the Health Board's escalation status. The report now also includes a high-level summary of each directorate's escalation status in relation to their risk management process. In July 2024, there were four directorates at the highest level of escalation (level 3), these being the operational, facilities, planned care, and women and children's directorates. In May 2024, the Chair of ARAC issued a letter to the Executive Team to highlight concerns about overdue risks and audits.

Corporate approach to overseeing organisational performance

- 51 We considered whether the Health Board has a sound corporate approach to identifying, overseeing, and scrutinising organisational performance. We were specifically looking for evidence of:
- an appropriate, comprehensive, and up-to-date performance management framework in place, underpinned by clear roles and responsibilities; and
 - the Board and committees providing effective oversight and scrutiny of organisational performance.
- 52 We found that **Board and corporate oversight of organisational performance has been strengthened, however there is a need to update the performance management framework to ensure it reflects current arrangements.**
- 53 The Health Board has updated its performance management arrangements since the Board approved its Improving Together Framework in March 2023. For example, as highlighted in **paragraph 6**, it has introduced an internal escalation framework to help progress its targeted intervention monitoring framework. This assesses directorates each month, using a score between 1 and 3, against the six domains of the NHS Wales escalation and oversight framework. Directorate Improving Together sessions (**Appendix 2 R3 2022**) are now held twice yearly, with more frequent meetings held to support directorates at the highest level of escalation (level 3) for any of the domains. The updated, escalation arrangements are positive, however the Health Board should update its Improving Together Framework documentation to ensure it adequately reflects current arrangements. As part of work to update the framework, the Health Board should also ensure it reflects de-escalation conditions and support for directorates at the highest level of escalation for extended periods, and co-ordinated support for directorates escalated over several domains (**Recommendation 1**).

- 54 Last year we recommended the Health Board develop a mechanism for periodically providing assurance that its performance management arrangements are working as intended (**Appendix 2 R3 2023**). In the latter part of 2024-25, Internal Audit plan on reviewing performance management arrangements, including recent changes such as the internal escalation arrangements.
- 55 The Board and its committees continue to have good oversight of organisational performance, through the Integrated Performance Assurance Report (IPAR), received by the Board at each meeting. Since July 2024, the IPAR provides an overview of each directorate's escalation status against the internal escalation framework. The cover report accompanying the IPAR is well written and has recently adopted the 'Triple A' format, making it easier to identify and focus on high-risk areas. The detailed IPAR report continues to be clear about the key challenges and actions taken for each metric.

Corporate approach to overseeing the quality and safety of services

- 56 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising the quality and safety of services. We were specifically looking for evidence of:
- the Board providing effective oversight and scrutiny of the effectiveness of the quality governance framework;
 - clear organisational structures and lines of accountability in place for clinical/quality governance; and
 - the Board and relevant committee providing effective oversight and scrutiny of the quality and safety of services.
- 57 We found that **whilst there is appropriate corporate oversight and scrutiny of the quality and safety of services, there is a need for more regular updates on the implementation of the Quality Improvement Strategic Framework.**
- 58 The Health Board continues to embed the duties set out in the Health and Social Care (Quality and Engagement) Act (2020). In compliance with the duties, it published its annual report setting out how it met the duties of quality and candour during 2023-24. The report was presented at the Annual General Meeting held in September 2024 and published on the Health Board's website.
- 59 The Quality, Safety, and Experience Committee (QSEC) maintains oversight of the quality and safety of services. It routinely receives deep-dives and service specific reports, for example related to oncology services and stroke service access times. The committee is also supported by a sub-committee structure receiving assurance reports from the Operational Quality, Safety and Experience and the Listening and Learning sub-committees. It also continues to receive the Quality and Safety Assurance Report at each meeting, which gives an overview of key quality and

safety information and metrics⁹. Key quality metrics have now been aligned to the targeted intervention monitoring framework and internal escalation framework, with oversight for both incorporated into the committee's workplan.

60 Last year we reported that in March 2023 the Board approved the revised Quality Improvement Strategic Framework (2023-2026). The Quality and Safety Assurance Report provides updates on quality improvement initiatives, with the level of detail varying each meeting. There is an opportunity to provide an annual, standalone update on Quality Improvement activities, including progress on implementing the Quality Improvement Strategic Framework, a roundup of improvement initiatives and the impact they are having to date. (**Recommendation 2**).

Corporate approach to tracking recommendations

61 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising systems for tracking progress to address audit and review recommendations. We were specifically looking for evidence of:

- appropriate and effective systems in place for tracking responses to audit and other review recommendations in a timely manner.

62 We found that **the Health Board has maintained robust arrangements for tracking audit and review recommendations, with internal escalation arrangements used to strengthen operational audit tracking arrangements.**

63 ARAC continues to receive robust assurance on the Health Board's audit tracking arrangements. The committee now receives the Audit Tracker at every other meeting, providing a comprehensive summary of the status of recommendations and thematic analysis. Since October 2024, the Audit Tracker also provides a high-level summary of each directorate's escalation status on the governance domain, which includes managing audit and inspection recommendations.

64 Since the start of 2024, the Health Board has used the Audit Management and Tracking (AMaT) system to manage its recommendations. The system allows directorates to highlight barriers to fully implementing recommendations. Where directorates are at the highest level of the internal escalation (level 3) for governance¹⁰, the Audit Tracker provides further analysis including barriers to progress and actions for improvement. The updated report ensures ARAC maintains assurance on tracking mechanisms, but also provides assurance that the internal escalation arrangements are supporting improvements to operational

⁹ The Quality and Safety Assurance Report includes information and metrics related to related to patient safety incidents including nationally reported patient safety incidents, Duty of Candour, Infection, prevention and control, Inspections and peer reviews including activity of Healthcare Inspectorate Wales (HIW), Welsh Health Circulars, Walkarounds and NHS Wales Nurse Staff (Wales) Act.

¹⁰ In October 2024, the directorates at level 3 for governance were the operations, planned care, women and children, and mental health and learning disabilities directorates.

audit tracking arrangements. In October 2024 there were eight overdue Audit Wales recommendations reported to ARAC.

Corporate approach to planning

- 65 We considered whether the Health Board has a sound corporate approach to producing strategies and corporate plans and overseeing their delivery.
- 66 We found that **development and delivery of the Health Board’s plans continue to be supported by appropriate oversight, underpinned by a pragmatic approach to addressing planning team capacity issues. There is scope to review well-being objectives as part of a planned long-term strategy refresh.**

Corporate approach to producing strategies and plans

- 67 We considered whether the Health Board has a sound corporate approach to producing, overseeing, and scrutinising the development of strategies and corporate plans. We were specifically looking for evidence of:
- a clear Board approved vision, appropriate objectives and a long-term strategy in place which are future-focused, rooted in population health, and informed by a detailed and comprehensive analysis of needs, opportunities, challenges, and risks;
 - a sound corporate approach to setting and reviewing well-being objectives in accordance with the sustainable development principle¹¹;
 - the long-term strategy underpinned by an appropriate Board approved long-term clinical strategy;
 - appropriate and effective corporate arrangements in place for developing and producing the Integrated Medium-Term Plan (IMTP), and other corporate plans; and
 - the Board appropriately scrutinising the IMTP and other corporate plans prior to their approval.
- 68 We found that **there continues to be appropriate corporate arrangements in place to support the development of plans, underpinned by a pragmatic approach to overcome planning team capacity issues. While the Health Board remains focused on its long-term strategy, plans to refresh it provide an opportunity to align its well-being objectives.**
- 69 The Health Board continues to have a focus on its long-term strategy ‘A Healthier Mid and West Wales’, which was launched in 2018, however it has indicated its

¹¹ Under The Well-being of Future Generations (Wales) Act 2015, the Health Board is required to set and publish well-being objectives that are designed to maximise its contribution to achieving each of the well-being goals. Further information is available [here](#).

intention to refresh it next year. It has also indicated plans to review its well-being objectives, which were last refreshed in 2019. To ensure the strategic and well-being objectives are aligned, the Health Board should review its well-being objectives as part of its long-term strategy refresh (**Recommendation 3**). There have been significant changes at Board level since 'A Healthier Mid and West Wales' was developed, in refreshing the strategy, there is an opportunity for the new Board to develop a set of design principles to help set the context of the long-term strategy.

- 70 Last year we reported that the Health Board had started to develop a Clinical Services Plan specifically to look at nine fragile services, which is now one of the planning objectives in the 2024-25 Annual Plan. There has been good progress since last year's structured assessment. In January 2024, the Board received the issues paper (phase 1) for the Clinical Services Plan Programme and the Board agreed for all nine services, excluding primary and community services to move to phase 2 (options appraisal) of the programme. Primary Care has become a separate piece of work focusing on developing a Primary Care and Community Services Strategy. The options appraisal and an update on the strategic direction will be presented to Board in November 2024. The Board receives routine updates on the Clinical Services Plan Programme.
- 71 The Health Board was unable to produce a Welsh Government approved Integrated Medium-Term Plan (IMTP) for 2024-27 due to its planned financial deficit. Therefore, it developed an Annual Plan for 2024-25. In January 2024, the Board received a paper detailing the Health Board's approach to developing the 2024-25 Annual Plan. Whilst the approach remained largely unchanged, directorates were asked to work to a set of design principles related to resource management, plan integration, workforce realities, demand and capacity and ministerial priorities. In addition, the Health Board established a Planning Steering Group which coordinated the plan's development on behalf of the Executive Team, with SDODC maintaining oversight of the plan's development. Whilst independent members are engaged at key points of the Annual Plan's development, we received feedback questioning whether independent members could be more involved from the outset.
- 72 In March 2024, the Annual Plan was approved by the Board for onward submission to Welsh Government. Welsh Government have received the Annual Plan and set accountability conditions related to:
- delivering and improving on the deficit plan, further de-risking the financial plan to ensure the savings plan is delivered in-year, maximising opportunities for efficiency and productivity, and reviewing and addressing areas where the organisation is an outlier on cost growth; and
 - progressing regional solutions and developing a clinical services plan.
- 73 Whilst there is still limited planning capacity within the corporate planning team, the Health Board reported that it is using resources from various directorates to mitigate these constraints (**Appendix 2 R1 2021**). In addition, where practical, the

Health Board has integrated the Annual Plan and targeted intervention monitoring framework, which ensures limited capacity is used wisely. Whilst it would be feasible to have Business Partners aligned to the Clinical Care Groups¹² in the new operational structure, the Health Board would prefer to keep business partnering arrangements flexible, which will also ensure greater resilience within the planning team (**Appendix 2 R2 2021**). The new operational structure includes a Director of Operational Performance and Delivery, which will ensure good links between the Clinical Care Groups and the corporate planning team.

Corporate approach to overseeing the delivery of strategies and plans

- 74 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising the implementation and delivery of corporate plans. We were specifically looking for evidence of:
- corporate plans, including the IMTP, containing clear strategic priorities/objectives and SMART¹³ milestones, targets, and outcomes that aid monitoring and reporting; and
 - the Board appropriately monitoring the implementation and delivery of corporate plans, including the IMTP.
- 75 We found that **planning oversight arrangements remain robust, supported by focused and further streamlined planning objectives designed to progress strategic change programmes.**
- 76 Since last year, the Health Board has further streamlined its planning objectives. Its 2024-25 Annual Plan articulates 10 focused change programmes or planning objectives, which seek to address one or more of the following criteria: ministerial priority, statutory duty, service/estate fragility and/or is a critical enabler. Each planning objective also comes under one of three themes, which align to the Executive Team governance structure sub-groups. These are value and sustainability, quality and performance and A Healthier Mid and West Wales. These themes highlight the Health Board's focus on both current challenges, whilst planning for sustainable services in the medium- and longer-term. Each planning objective has a clearly articulated aim/expected outcome (**Appendix 2 R4 2022**), and the Annual Plan has a clear delivery plan with quarterly milestones and actions.
- 77 As reported in previous years, the process for monitoring strategic and planning objectives is robust. The Board continues to receive updates on the Annual Plan's

¹² The new operations structure is designed around four clinical care groups, these are: Mental Health and Learning Disabilities Clinical Care Group, Community and Integrated Medicines Clinical Care Group, Planned and Specialist Care Clinical Care Group and Allied Health and Health Sciences Clinical Care Group.

¹³ Specific, measurable, achievable, relevant, and time-bound

delivery at each meeting, through update reports, committee assurance reports, the BAF and IPAR. However, whilst all planning objectives are aligned to one of the strategic objectives (**Appendix 2 R4 2023**), there are two strategic objectives¹⁴ which none of the planning objectives align with. The Health Board acknowledges this and provides updates to the Board on all six strategic objectives via its BAF reports. Each year, the Board also receives an annual report outlining progress in meeting its eight well-being objectives. The 2023-24 report will be presented to the Board in November 2024.

- 78 Committees maintain good oversight of the delivery of planning objectives, through regular progress reports and deep dives, which are clearly mapped out in committee workplans. Due to each committee's remit, some have more planning objectives to oversee than others¹⁵, although this is reflected in respective work programmes and is proportionate to the scale and scope of each of the planning objectives.
- 79 In previous years, we highlighted that delivery of wider corporate strategies and plans are monitored through the planning objectives, but a lack of standalone delivery plans made it difficult for the Board and its committees to gauge overall progress. Whilst this is still the case, the planning objectives are now individual change programmes, for example digital plan, estates plan, workforce stabilisation, financial recovery and route map, and clinical services plan, which ensure committees have routine progress updates on individual change programmes/planning objectives (**Appendix 2 R5 2022**).

Corporate approach to managing financial resources

- 80 We considered whether the Health Board has a sound corporate approach to managing its financial resources.
- 81 We found that **whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to improve its financial position and to develop a roadmap to ensure financial sustainability. There remains a clear approach for financial planning and managing and monitoring the financial position, but there is a need to strengthen the approach to delivering cost savings opportunities.**

¹⁴ No planning objectives align to Strategic Objective 2 'working together to be the best we can be' and Strategic Objective 3 'striving to deliver and develop excellent services'.

¹⁵ The following committees are responsible for overseeing planning objectives: Strategic Development and Operational Delivery Committee oversees seven planning objectives, Sustainable Resources Committee oversees two planning objectives, and the People, Organisational Development and Culture oversees one planning objective.

Financial objectives

- 82 We considered whether the Health Board has a sound corporate approach to meeting its key financial objectives. We were specifically looking for evidence of the organisation:
- meeting its financial objectives and duties for 2023-24, and the rolling three-year period of 2021-22 to 2023-24; and
 - being on course to meet its objectives and duties in 2024-25.
- 83 We found that **the Health Board did not achieve its revenue financial duties for 2023-24 and with an ongoing challenging financial position, will not achieve them in 2024-25 but the Health Board is taking positive steps to improve its financial position.**
- 84 The Health Board did not achieve its revenue financial objectives and duties for 2023-24. It reported a year-end deficit of £68.8 million against its revenue resource limit, and did not meet the target control deficit of £44.8 million set by Welsh Government. It also reported a cumulative deficit of £149.9 million for the three-year rolling period 2021-24, breaching its duty to break even. As in previous years, the Health Board reported a small surplus of £33,000 against its 2023-24 capital resource limit, meeting both in-year and rolling three-year financial duties against its capital resource limit¹⁶. It is likely to meet its capital financial duties for 2024-25.
- 85 The 2024-25 Financial Plan sets out a forecast deficit of £64.0 million against its revenue resource limit, which does not meet the Welsh Government's control target of £44.8 million and the Health Board's revenue financial duties for 2024-25. To meet its Financial Plan, the Health Board has set an ambitious £32.4 million savings target and profiled a deficit of no more than £5.3 million for each month. At Month 7 (2024-25), the Health Board is reporting an underspend against the £5.3 million monthly profiled deficit (£4.3 million). It is also reporting to be on track to achieving its year-end deficit plan. This is an improvement from Month 4 when the gap was £10.7 million, and the average monthly deficit was £5.7 million.
- 86 In September 2024, the Board held an Extraordinary Board Seminar to discuss mitigating actions to close the £4 million gap to achieving the deficit plan. The Health Board has taken positive steps to improve its position, which include:
- focusing on recurrent savings and delivery in-year;
 - converting planned saving schemes into deliverable plans;
 - greater 'grip and control' through the internal escalation framework;
 - monitoring and oversight through the Executive Team Governance structure;
 - reviewing clinical and non-clinical variable pay; and
 - exploring service change opportunities.

¹⁶ We are currently conducting a separate review of the Health Board's arrangements for prioritising its capital investments.

Corporate approach to financial planning

- 87 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising financial planning. We were specifically looking for evidence of:
- clear and robust corporate financial planning arrangements in place;
 - the Board appropriately scrutinising financial plans prior to their approval;
 - sustainable, realistic, and accurately costed savings and cost improvement plans in place which are designed to support financial sustainability and service transformation; and
 - the Board appropriately scrutinising savings and cost improvement plans prior to their approval.
- 88 We found that **the Health Board has maintained a clear financial planning process and is taking steps to become financially stable, although progress is behind schedule and there is an urgent need to strengthen its approach to delivering sustainable cost savings opportunities.**
- 89 The Health Board continues to have a clear process for developing its annual financial plan, which is integrated with its Annual Plan development process (**see paragraph 66**). The Health Board maintains its top-down and bottom-up approach, with the corporate team identifying strategic opportunities and directorates supported by finance business partners, identifying operational savings opportunities. Governance and performance management processes, such as the Directorate Improving Together sessions and the Executive Integrated Quality, Performance and Finance Delivery Group, support the process. There continues to be appropriate Board engagement on the plan's development, with oversight provided by SRC and discussion at Board seminars. In October 2024, SRC received a paper outlining the financial plan principles and approach for developing the annual financial plan for 2025-26.
- 90 Whilst the Health Board has not yet developed a long-term financial plan (**Appendix 2 R6 2022**), it has developed a two-year financial route map to achieve Welsh Government's £44.8 million deficit control target by the end of 2025-26. This is one of the Health Board's planning objectives/change programmes. Given financial performance in recent years, achieving this would represent a significant step towards financial control and sustainability. SRC has oversight of the planning objective related to financial recovery and route map. An update provided at the October 2024 committee meeting stated that this planning objective was behind target.
- 91 In 2023-24, the Health Board did not achieve its £19.5 million savings target, delivering £14 million at year end. The Health Board also did not achieve the additional £11.3 million savings requirement set by Welsh Government to deliver the revised £44.8 million control target. The Health Board had not updated its total savings target to reflect this additional requirement. Our 2024 [Review of Cost Savings Arrangements](#), found that the Health Board did not meet its financial

targets for 2023-24 and its track record on delivering recurrent savings is poor. Given the Health Board's challenging financial position for 2024-25, it urgently needs to address its cost drivers and strengthen its overall arrangements for delivering and monitoring sustainable cost savings opportunities to prevent its financial position from deteriorating further. As at Month 7 2024-25, the Health Board had identified £30.5 million of its £32.4 million savings target, leaving a gap of £1.9 million. However, of the £30.5 million savings identified less than half are recurrent (£14.2 million). Performance against savings targets continue to be scrutinised by SRC and reported to the Board.

Corporate approach to financial management

- 92 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising financial management. We were specifically looking for evidence of:
- effective controls in place that ensure compliance with Standing Financial Instructions and Schemes of Reservation and Delegation;
 - the Board maintaining appropriate oversight of arrangements and performance relating to single tender actions, special payments, losses, and counter-fraud;
 - effective financial management arrangements in place which enable the Board to understand cost drivers and how they impact on the delivery of strategic objectives; and
 - the organisation's financial statements for 2023-24 were submitted on time, contained no material misstatements, and received a clean audit opinion.
- 93 We found that **the Health Board continues to have appropriate arrangements in place to oversee and scrutinise financial management and controls, which have been further strengthened through arrangements to support targeted intervention.**
- 94 ARAC continues to receive a comprehensive Financial Assurance Report at each meeting. This allows the committee to scrutinise financial controls related to single tender actions, losses and special payments, under and overpayment of salaries and procurement compliance. Like other assurance reports, the Financial Assurance Report has also adopted the Triple-A format, clearly highlighting areas needing most attention. For example, the report received by ARAC in October 2024, 'alerts' members to losses exceeding £5,000, which need to be approved by the Committee. ARAC also maintains good oversight of counter-fraud activity. SRC continues to maintain ongoing oversight of financial control procedures, with an annual statement of financial procedures reported to ARAC for assurance.
- 95 Our 2024 Review of Cost Savings Arrangements, found that the Health Board broadly understands its cost drivers, and has taken positive steps to strengthen budget management at an operational level. Our report recognises that the Health Board has undertaken some proactive analysis to develop a better understanding

of the areas that are driving cost across directorates. The Financial Report, received by the Board and SRC, includes a clear analysis of both in-month and year to date operational cost drivers. All corporate and operational directorates have received and accepted accountability letters, which set out their annual budgetary requirements. For 2025-26, the Health Board aims to bring forward the timelines for issuing accountability letters.

- 96 There is a clear focus on delivering the deficit plan and the Health Board has strengthened financial monitoring and control. Several groups continue to monitor the financial position including Directorate Improving Together sessions and the internal escalation framework. The Financial Control sub-group oversees control measures focused on recruitment, training and procurement. The sub-group reports to the Executive Team via its Value and Sustainability Group, which is chaired by the Executive Director of Workforce and OD/Interim Deputy CEO.
- 97 The Health Board submitted its draft 2023-24 Financial Statements within the required timescales, and they were received by ARAC and the Board in July 2024. We issued an unqualified true and fair audit opinion, except for a qualified regularity opinion because the Health Board did not meet its revenue resource allocation over the three-year period.

Board oversight of financial performance

- 98 We considered whether the Board appropriately oversees and scrutinises financial performance. We were specifically looking for evidence of the Board:
- receiving accurate, transparent, and timely reports on financial performance, as well as the key financial challenges, risks, and mitigating actions; and
 - appropriately scrutinising the ongoing assessments of the organisation's financial position.
- 99 We found that **the Health Board maintains good arrangements for monitoring and scrutinising its financial position, with greater scrutiny on issues contributing to the financial challenges.**
- 100 The Board and SRC continue to receive a detailed Finance Report at each meeting. As with other assurance reports, since July 2024, the cover report has adopted the Triple-A format making it easier to understand the key risks and challenges. The report continues to make good use of charts and dashboards, providing an overview of revenue and forecast position, savings performance and key cost drivers contributing to overspends. However, our [2024 Review of Cost Savings Arrangements](#), found that some recipients of the Finance Report found it complicated and difficult to understand. We recommended that the Health Board address this by supporting Board members to deepen their financial literacy skills to help them better understand the content of the reports. The Health Board is addressing this recommendation through its Board Development Programme and by holding separate training sessions for independent members. Enhanced understanding will strengthen oversight and scrutiny. Financial performance is also

presented in BAF, IPAR and targeted intervention reports, which are presented to the Board and appropriate committees.

- 101 As highlighted in **paragraph 94** ARAC also continues to receive assurance on financial controls, through the comprehensive Financial Assurance Report. SRC maintains oversight of the capital programme, receiving a report covering the All-Wales Capital Programme, performance against the capital resource limit and capital financial management¹⁷. SRC continues to provide a good level of scrutiny of financial reports, with scrutiny appropriately focusing on the issues causing the financial challenges and appropriate operational and executive officers attending to contribute to discussions (**Appendix 2 R5 2023**).

¹⁷ We are currently conducting a separate review of the Health Board's arrangements for prioritising its capital investments.

Appendix 1

Audit methods

Exhibit 2 sets out the methods we used to deliver this work. Our evidence is limited to the information drawn from the methods below.

Exhibit 2: audit methods

| Element of audit approach | Description |
|---------------------------|--|
| Observations | <p>We observed Board meetings as well as meetings of the following committees:</p> <ul style="list-style-type: none">• Audit and Risk Assurance Committee;• Strategic Development & Operational Delivery Committee;• Health & Safety Committee;• Quality, Safety & Experience Committee;• People, OD and Culture Committee; and• Sustainable Resources Committee. |
| Documents | <p>We reviewed a range of documents, including:</p> <ul style="list-style-type: none">• Board and Committee Terms of Reference, work programmes, agendas, papers, and minutes;• key governance documents, including Schemes of Delegation, Standing Orders, Standing Financial Instructions, Registers of Interest, and Registers of Gifts and Hospitality;• key organisational strategies and plans, including the Annual Plan;• key risk management documents, including the Board Assurance Framework and Corporate Risk Register; |

| Element of audit approach | Description |
|---------------------------|--|
| | <ul style="list-style-type: none"> • key reports relating to organisational performance and finances; • Annual Report, including the Annual Governance Statement; • relevant policies and procedures; and • reports prepared by Internal Audit, Healthcare Inspectorate Wales, the Local Counter-Fraud Service, and other relevant external bodies. |
| Interviews | <p>We interviewed the following Senior Officers and Independent Members:</p> <ul style="list-style-type: none"> • Board Chair; • Interim Chief Executive; • Executive Director of Finance; • Executive Director of Strategy and Planning; • Executive Director of Public Health; • Board Secretary / Director of Corporate Governance; <p>We also held a group interview with the chairs of the following committees</p> <ul style="list-style-type: none"> • Audit and Risk Assurance Committee; • Sustainable Resources Committee; • Strategic Development & Operational Delivery Committee; and • Quality, Safety & Experience Committee. |

Appendix 2

Progress made on previous-year recommendations

Exhibit 3 below sets out the progress made by the Health Board in implementing recommendations from previous structured assessment reports

| Recommendation | Description of progress |
|---|--|
| <p>Enhancing public transparency</p> <p>R1 We found that Public Board papers include a high-level summary of private Board meetings. To further enhance transparency, this arrangement should be extended to private committee meetings through individual committee assurance reports received by the Board (2023).</p> | <p>Complete – see paragraph 15.</p> |
| <p>Board member patient safety walkabout</p> <p>R2 Board members conduct regular Patient Safety walkabouts, supported by a member of the patient safety team who takes notes, with a clear process to provide feedback to visited services and monitor actions points. However, those we interviewed were unclear about what happened after the visit. The Health Board should clarify the Patient Safety Walkabout process with new Independent Members (2023).</p> | <p>Complete – see paragraph 35.</p> |

| Recommendation | Description of progress |
|---|---|
| <p>Performance management arrangement assurance</p> <p>R3 Given the Health Board is under the Welsh Government’s Enhanced Monitoring arrangements for some service areas, there is scope to demonstrate the effectiveness of the Improving Together Framework. The Health Board should develop a mechanism for periodically providing assurance that its performance management arrangements are working as intended (2023).</p> | <p>In progress – see paragraph 54.</p> |
| <p>Aligning planning and strategic objectives</p> <p>R4 The Health Board has taken steps to better articulate its planning objectives in its 2023-24 Annual Plan, by streamlining the planning objectives and setting them against eight strategic planning goals and four domains. However, the domains and strategic planning goals do not explicitly align to the Health Board’s six overarching strategic objectives, as detailed in its Board Assurance Framework (BAF) and Integrated Performance Assurance Report (IPAR) dashboards. As part of the next planning cycle, the Health Board should more explicitly set out how each of its planning objectives link to its strategic objectives (2023).</p> | <p>Complete – see paragraph 77.</p> |
| <p>Financial scrutiny</p> <p>R5 Whilst there is a good level of scrutiny on the financial position within the Sustainable Resources Committee, the scrutiny has predominantly been focused on the Director of Finance. Whilst this has improved in recent meetings with members of the Core Delivery Group and the Financial Control Group now in attendance, the Health Board needs to do more to ensure scrutiny by Independent Members is appropriately focused across all members of the executive team (2023).</p> | <p>Complete – see paragraph 101.</p> |
| <p>Operational structure</p> <p>R2 While some changes have been made, the operational structure still poses risks to confused and inconsistent governance structures. Given the scale and complexity of the challenges and risks</p> | <p>In progress – see paragraph 40.</p> |

| Recommendation | Description of progress |
|---|---|
| <p>facing the Health Board, it is important that planned work to revise the operational structures and associated governance arrangements progresses as a matter of urgency (2022).</p> | |
| <p>Operational performance management arrangements</p> <p>R3 While performance arrangements exist at an operational level, there is scope to bring these together into a holistic review of performance. Alongside the rollout of its Improving Together Framework, the Health Board should revisit its performance management arrangements to ensure that there is a joined-up approach at an operational level (2022).</p> | <p>Complete – see paragraph 53</p> |
| <p>Expected outcomes</p> <p>R4 The Health Board has not set out expected outcomes for all its planning objectives set out in its Annual Plan. In revising its planning objectives for 2023-2026, the Health Board needs to clearly articulate the expected outcomes for its streamlined set of planning objectives (2022).</p> | <p>Complete – see paragraph 76.</p> |
| <p>Implementation plans to support strategies</p> <p>R5 Implementation plans to support corporate enabling strategies did not always exist or include clear milestones, targets, and outcomes. The Health Board needs to ensure:</p> <ul style="list-style-type: none"> • existing implementation plans include clear milestones, targets, and outcomes; and • implementation plans are developed for enabling strategies that currently do not have one. Alongside the monitoring of relevant individual planning objectives, this will enable periodic review of overall progress of delivery of the enabling strategies (2022). | <p>Complete – see paragraph 79.</p> |
| <p>Financial sustainability plan</p> <p>R6 The Health Board’s longer-term financial recovery plan has not been updated to reflect the financial challenges being experienced in 2022-23. The Health Board needs to update its longer-term</p> | <p>In progress – see paragraph 90.</p> |

| Recommendation | Description of progress |
|--|--|
| <p>financial recovery plan for 2023 onwards, ensuring that its improvement opportunities are reflected (2022).</p> | |
| <p>Alignment of plans</p> <p>R1 Planners are not involved in all planning processes and must rely on others to make sure that plans align. The Health Board should determine individual responsibilities for ensuring that key planning processes are effectively linked (2021).</p> | <p>Complete – see paragraph 73.</p> |
| <p>Planning capacity</p> <p>R2 The planning team has adopted a ‘business partnering’ approach to support the development of the quarterly operational plans, which has worked well but there has been over-reliance on one individual within the planning team due to capacity constraints. The Health Board should review its planning capacity to ensure that resilience is built into the team, and the expertise and knowledge needed to support the planning process are developed across all team members (2021).</p> | <p>Complete – see paragraph 73.</p> |

Appendix 3

Management response to audit recommendations

[Appendix 3 will be completed once the report and management response have been considered by the relevant committee.]

Exhibit 4: Hywel Dda University Health Board's response to our audit recommendations

| Recommendation | Management response Please set out here relevant commentary on the planned actions in response to the recommendations | Completion date Please set out by when the planned actions will be complete | Responsible officer (title) |
|---|---|---|------------------------------------|
| Improving Together Framework R1 The Health Board should update its Improving Together Framework documentation, ensuring it adequately reflects current performance management and internal escalation arrangements. In updating the framework, the Health Board should also ensure documentation includes arrangements: <ul style="list-style-type: none">• deescalating and supporting directorates at the highest level of escalation for extended periods; and | | | |

| Recommendation | Management response Please set out here relevant commentary on the planned actions in response to the recommendations | Completion date Please set out by when the planned actions will be complete | Responsible officer (title) |
|---|---|---|------------------------------------|
| <ul style="list-style-type: none"> coordinating support for directorates escalated over several domains (see paragraph 53). | | | |
| Quality Improvement Strategic Framework R2 The Quality, Safety and Experience Committee should receive, at least annual, a standalone update on Quality Improvement activities, including the Health Board’s progress in implementing the Quality Improvement Strategic Framework (2023-2026), a roundup of improvement initiatives and the impact they are having to date (see paragraph 60). | | | |
| Well-being objectives and strategy refresh R3 To ensure the sustainable development principle is central to its long-term vision, the Health Board should review its well-being objectives as part of its planned long-term strategy refresh (see paragraph 69). | | | |



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Management response form

Report title: Structured Assessment 2024 – Hywel Dda University Health Board

Completion date: November 2024

| Ref | Recommendation | Management response Please set out here relevant commentary on the planned actions in response to the recommendations | Completion date Please set out by when the planned actions will be complete | Responsible officer (title) |
|-----|--|---|--|-------------------------------|
| R1 | <p>The Health Board should update its Improving Together Framework documentation, ensuring it adequately reflects current performance management and internal escalation arrangements. In updating the framework, the Health Board should also ensure documentation includes arrangements:</p> <ul style="list-style-type: none">deescalating and supporting directorates at the highest level of escalation for extended periods; andcoordinating support for directorates escalated over several domains (see paragraph 53). | <p>The Improving Together Framework will be updated to address the points raised in this recommendation. Timeline for completion:</p> <ul style="list-style-type: none">February 2025 - full draft submitted to Strategic Development and Operational Delivery Committee for considerationMarch 2025 – final draft submitted to Board for approval | 31 March 2025 | Executive Director of Finance |

| Ref | Recommendation | Management response Please set out here relevant commentary on the planned actions in response to the recommendations | Completion date Please set out by when the planned actions will be complete | Responsible officer (title) |
|-----|--|---|---|---|
| R2 | The Quality, Safety and Experience Committee should receive, at least annual, a standalone update on Quality Improvement activities, including the Health Board's progress in implementing the Quality Improvement Strategic Framework (2023-2026), a roundup of improvement initiatives and the impact they are having to date (see paragraph 60). | A standalone annual report on Quality Improvement Activities will be added to the work plan for the Quality Safety and Experience Committee for 2025/26 | 30 April 2025 | Executive Director of Nursing, Quality and Patient Experience |
| R3 | To ensure the sustainable development principle is central to its long-term vision, the Health Board should review its well-being objectives as part of its planned long-term strategy refresh (see paragraph 69). | The well-being objectives will be reviewed as part of the long-term strategy refresh | 31 March 2026 | Executive Director of Public Health |

Management response

Report title: Structured Assessment 2022

Completion date: January 2023

Document reference: 3273A2022

| Ref | Recommendation | Management response | Completion date | Responsible officer | Progress as at 31 January 2025 |
|-----|--|---|---|------------------------|---|
| R2 | <p>Operational structure</p> <p>While some changes have been made, the operational structure still poses risks to confused and inconsistent governance structures. Given the scale and complexity of the challenges and risks facing the Health Board, it is important that planned work to revise the operational structures and associated governance arrangements progresses as a matter of urgency.</p> | <p>Work begun to review the operational structure in September 2022. A series of workshops have been held with the senior operational leadership team, and discussions with the executive Team. Sessions with the senior clinical leaders are planned for Q1 2023. The intention is to develop a proposal by Q2 2023 that can be agreed and implemented across the Health Board, that addresses the inconsistency identified. Ahead of this, the operational governance meeting structure will be revised in Q1 2023, which will support the actions being taken around R3.</p> | <p>December 2023</p> <p>September 2024</p> <p>June 2025</p> | Director of Operations | <p>In progress – Appointments have been made to all but two of the Clinical Care Group (CCG) triumvirate posts, with the 2 x Associate Medical Director posts outstanding. During February further progress will be made in filling the remaining service group general manager roles and heads of nursing roles at Service Group Level (the level below the CCG's). Given the rigorous nature of the recruitment process, it could be June 2025 before everyone is in place.</p> |

| Ref | Recommendation | Management response | Completion date | Responsible officer | Progress as at 31 January 2025 |
|-----|---|--|--|----------------------------|--|
| | | | | | <p>The CCG Service Directors will all be in place in February 2025, which will enable the alignment of services to start as part of the transition to the CCG care group model and associated arrangements ahead of starting in that new format from the 1 April 2025 with people arriving as they serve their notice periods.</p> <p>Standardised governance arrangements will be in place for April 2025, alongside a leadership and organisational development plan to support implementation of the new structure.</p> |
| R6 | <p>Financial sustainability plan The Health Board's longer-term financial recovery plan has not been updated to reflect the financial challenges being experienced in 2022-23. The Health Board needs to</p> | <p>The 2023/24 planning cycle is underway which will, with Board approval, reflect the challenges that have been experienced during 2022/23. Opportunities have been clearly articulated, and the planning</p> | <p>31 March 2023 2023 for the short term financial recovery plan.</p> | <p>Director of Finance</p> | <p><i>In progress – A report outlining the Health Board's strategic approach, and progress in developing a financial recovery plan set within the wider planning</i></p> |

| Ref | Recommendation | Management response | Completion date | Responsible officer | Progress as at 31 January 2025 |
|-----|--|---|--|---------------------|--|
| | <p>update its longer-term financial recovery plan for 2023 onwards, ensuring that its improvement opportunities are reflected.</p> | <p>cycle will be the vehicle for teams across the Health Board to deliver sustainable plans in the areas highlighted as opportunities, as well as undertaking their delegated financial responsibilities to review and deliver all efficiency and benchmarking opportunities.</p> <p>With the unprecedented demand challenges that have been experienced, the financial overspends have resulted in a significant deterioration to our deficit. The recovery plan will need to be cognisant of the impact which these demand challenges are having across our system.</p> | <p>31 March 2024 for the long-term strategy.</p> <p>31 March 2025</p> | | <p><i>cycle, was provided to the Board in January 2025. Further reports will be presented to the Sustainable Resources Committee in February, with the final plan presented to the Board for approval in March 2025.</i></p> |

Organisational response

Report title: Structured Assessment 2023

Completion date: December 2023

Document reference: 3950A2023

| Ref | Recommendation | Organisational response | Completion date | Responsible officer (title) | Progress as at 31 January 2025 |
|-----|---|---|-----------------|-------------------------------|--|
| R3 | <p>Performance management arrangement assurance</p> <p>Given the Health Board is under Welsh Government's Enhanced Monitoring arrangements for some service areas, there is scope to demonstrate the effectiveness of the Improving Together Framework. The Health Board should develop a mechanism for periodically providing assurance that its performance management arrangements are working as intended.</p> | <p>We will commission an annual review of the effectiveness of the Improving Together Framework from Internal Audit. We will ask for the first review to be undertaken during Q1 2024/25.</p> | 30 June 2024 | Executive Director of Finance | Completed - Internal Audit workplan confirmed for Q3 2024/25. The final report will be presented to ARAC in April 2025 |