

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

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| DYDDIAD Y CYFARFOD: DATE OF MEETING: | 15 August 2023 |
| TEITL YR ADRODDIAD: TITLE OF REPORT: | Savings Governance Review and Management Response |
| CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR: | Joanne Wilson, Director of Corporate Governance/Board Secretary |
| SWYDDOG ADRODD: REPORTING OFFICER: | Charlotte Wilmshurst, Assistant Director of Assurance and Risk |

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Sicrwydd/For Assurance

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

Following a discussion at the Audit and Risk Assurance Committee (ARAC) on 20 June 2023, it was agreed to provide ARAC with the high level findings from the Savings Schemes Governance Review undertaken by the Director of Corporate Governance, alongside the Internal Audit (IA) Report on Strategic Change Programme Governance Review.

Cefndir / Background

At the Public Board meeting on 30 March 2023, the Director of Corporate Governance was asked to undertake a review into the governance of the savings schemes to deliver the £19.5m savings as outlined in the Health Board's Annual Plan 2023/24. The findings of the review have been shared in full with the Executive Team, the Health Board Chair, Vice Chair and the Chairs of ARAC and the Sustainable Resources Committee (SRC).

In June 2023, ARAC also received the IA Strategic Change Programme Governance Report which provided limited assurance following a high-level review of the governance arrangements in place to ensure that identified schemes in the financial year 2022/23 are achievable and managed as formal strategic change programmes with appropriate assurance reporting mechanisms in place. Six strategic programmes of change had been identified to address a multitude of challenges faced by the Health Board and drive improvement in quality, performance and finance. The full IA Report, including the management response, is available on the following link to our website: [Internal Audit Strategic Change Programme Governance Report](#). An update on progress against the recommendations will be presented to ARAC on 17 October 2023.

Asesiad / Assessment

The Savings Schemes Governance Review was undertaken to ascertain whether appropriate governance was in place to deliver £19.5m savings identified within the Annual Plan, and focused on the following areas:

1. The leadership arrangements in place.

2. The governance and reporting arrangements in place to support the programme and delivery of the savings.
3. The project management and finance business partnering support in place to support delivery of the programme.
4. The agreed savings target and whether it will be cash releasing.

The review included a desktop review of relevant documentation and meeting papers, along with interviews with key individuals, for example executive and operational leads for identified savings plans for 2023/24. The report concluded that:

- The governance arrangements for the delivery of savings plans needs to be strengthened for the Board and its stakeholders to have confidence in the Health Board's ability to deliver savings and for the Board to be able to seek assurance and hold individuals to account for delivering their savings.
- Savings opportunities do not appear to be developed in conjunction with services to become agreed and deliverable savings targets.
- There is no consistency in governance, project management and support arrangements.

In summary, the Board has been placed in a challenging position in relation to both financial and savings plan for the current financial year. The management response, which will be added to the Central Tracker, is at Appendix 1.

The [IA Report on the Strategic Change Programme Governance](#) also reported very similar themes:

1. *Objective 1: Opportunities for transformational change are subject to proper scrutiny and appraisal to ensure they are realistic and achievable before approval and recognition as formal programmes* - There was little evidence presented during the review to demonstrate that the six strategic programmes of change had been subject to proper scrutiny and approval before recognition as formal programmes. Whilst there is evidence of the opportunities framework being discussed at Board Seminar and Executive Team, it was not clear how these opportunities translated into the strategic programmes reported to the Sustainable Resources Committee in November 2022.
2. *Objective 2: Approved strategic change programmes are governed and managed as such* - Whilst executive, operational and finance leads were identified for all six programmes, there was inconsistency in operational leadership and limited project management support from the Transformation Programme Office, with an over-reliance on operational staff to deliver programmes alongside core roles. There was no evidence of formal project plans for any of the six programmes, although for the three key strategic programmes there was some evidence of project aims, objectives and metrics and the governance arrangements in place to monitor these.
3. *Objective 3: There is a framework in place for monitoring delivery of strategic programmes of change and reporting assurance to the Board* - Arrangements are in place for reporting assurance over the strategic programmes of change to the Board via the Sustainable Resources Committee. However, there is opportunity to improve the quality and consistency of reporting once the fundamental programme governance issues identified under objectives 1 & 2 have been addressed.

To conclude, the findings of the IA review are consistent with the findings of the Director of Corporate Governance/Board Secretary's review of the governance arrangements in place for the Health Board's savings schemes.

The Executive Team has established a Core Delivery Group to ensure that the agreed recommendations from both reviews are taken forward at pace; to ensure that a formal process, with standard documentation and project support, to convert opportunities into quantifiable savings plans is developed and enacted, to allow sufficient time for realistic savings plans to be developed with services and approved by the Board as part of the Annual Plan. The Group will also oversee delivery of saving schemes, ensuring that any concerns escalated are considered. Core to the Health Board's ability to deliver its savings plans, will be the development of a positive culture in respect of the accountability, ownership and delivery of saving schemes, where lessons are learnt together.

Argymhelliad / Recommendation

The Audit & Risk Assurance Committee is asked to **CONSIDER** the recommendations of the internal review and **NOTE** that the Executive Team has responded to the findings of both the Savings Schemes Governance Review undertaken by the Director of Corporate Governance, and the IA Report on Strategic Change Programme Governance Review.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

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| Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor: | 2.4.1 Review the establishment and maintenance of an effective system of good governance, risk management and internal control across the whole of the organisation's activities, both clinical and non-clinical 2.4.2 Seek assurance that the systems for financial reporting to Board, including those of budgetary control, are effective, and that financial systems processes and controls are operating |
| Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score: | Not Applicable |
| Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com) | Not Applicable |
| Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com) | 1. Leadership |
| Amcanion Strategol y BIP: UHB Strategic Objectives: | Not Applicable |
| Amcanion Cynllunio Planning Objectives | Not Applicable |
| Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022 | 10. Not Applicable |

| Gwybodaeth Ychwanegol: Further Information: | |
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| Ar sail tystiolaeth: Evidence Base: | Board and Committee Papers Internal Audit (IA) Report on Strategic Change Programme Governance Review |
| Rhestr Termau: Glossary of Terms: | Contained within the body of the report |
| Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg Parties / Committees consulted prior to Audit and Risk Assurance Committee: | Executive Team Health Board Chair and Vice Chair ARAC Chair SRC Chair |

| Effaith: (rhaid cwblhau) Impact: (must be completed) | |
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| Ariannol / Gwerth am Arian: Financial / Service: | Reflected in the report |
| Ansawdd / Gofal Claf: Quality / Patient Care: | Not Applicable |
| Gweithlu: Workforce: | Not Applicable |
| Risg: Risk: | Reflected in the report |
| Cyfreithiol: Legal: | Not Applicable |
| Enw Da: Reputational: | Reflected in the report |
| Gyfrinachedd: Privacy: | Not Applicable |
| Cydraddoldeb: Equality: | Not Applicable |

Appendix 1 – Management Response to the Savings Schemes Governance Review undertaken by the Director of Corporate Governance

| Rec no | Recommendation | Recommendation Owner | Management Response | By When | Progress as at 31/07/23 |
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| 1 | A formal process to convert opportunities into savings plans whereby identified opportunities are considered, agreed with Executive and operational leads before any savings targets are shared with the Board needs to be developed. Sufficient time needs be built in to undertake this process which needs to be agreed by the Board. This needs to be undertaken much earlier to allow time for realistic savings plans to be considered by Board as part of the Annual Plan. | Executive Director of Finance | <p>Savings should never be a once per year activity, but it is agreed that an annual consideration arises from planning processes. Without increasing organisational burden, the remit of the Directorate Improving Together framework and Core Delivery Group should automatically encompass conversations of in year and recurrent opportunities, then allowing direct discussion with / or escalation to Executive leaders as required. This action is also summarised within the outstanding Targeted Intervention Master Themes.</p> <p>An exercise to refresh the medium term financial outlook is underway and is reporting into Executive structure at regular points. This will include options for the Board on future trajectories, including financial breakeven. Having</p> | <p>Complete</p> <p>Medium Term financial plan by 31/03/24</p> | <p>As part of the annual planning process, the refreshed Opportunities Framework was presented to Executive Team at December 2022 and February 2023 meetings, February included a longlist of potential choices for the Health Board, presented to and formally rejected or agreed for further consideration, via a nominated lead.</p> <p>In year the minimum savings requirement is £19.5m, as agreed via annual plan. Whilst progress made operational plans incomplete at this point and routinely</p> |

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| | | | <p>selected a trajectory an underlying annual and cumulative savings requirements, before further cost pressures, will be clearly spelt out.</p> <p>Three processes and principles have been refreshed and signed off with Welsh Government representatives as part of their Targeted Intervention approach and already address this recommendation. They cover the identification and approval of opportunities (Opportunities Framework), once considered how these are then formalised (Project Initiation Document) and then the process to declare, assess and monitor these savings plans, including their place in routine monthly and weekly updates (Financial Planning [Savings]).</p> | Process(es) complete | <p>communicated and escalated via Executive Team. Process outline shared with and approved by Executive Team June 2023.</p> <p>Complete</p> |
| 2 | The process for identification of savings needs to commence much earlier in the financial year which would remove the | Executive Director of Finance | 30 September 2023 | The next management response, sets out a proposed timeline to remedy | |

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| | concerns regarding these being based on the month 10 position and provider greater assurance to the Board when considering the Annual Plan. | | | this recommendation. | |
| 3 | An agreed process for developing and agreeing savings plans/targets with standardised reporting and clear governance on how changes to plans are agreed and reported needs to be put in place including guidance on the maintenance of a robust evidence bank and audit trail of documentation to be reintroduced. | Executive Director of Strategy and Planning | <p>The intention is to adopt a continuous planning cycle within the Health Board. However, the immediate proposal ahead of 24/25 would be:</p> <p>1. Initial Planning Considerations for Operational and Savings (September - October 2023):</p> <p>Action - Begin early discussions with operational, finance and workforce teams to identify potential opportunities.</p> <p>Action - Initiate the process of savings identification for the 2024/25 financial year and agree the quantum required.</p> <p>2. Drafting Stage (November - December 2023)</p> | 30 September 2023 | <p>The forum will need to be agreed and ratified, and the role of the Core Delivery Group clarified. However, it would seem prudent to utilise any repurposed Planning Steering Group. The rationale for using said forum, is that any savings plan is not materially different, in part or full, from the development of any operational plan, as the process and steps are often one and the same.</p> <p>Equally, it is submitted that any savings plan should be developed in conjunction with operational plans to remove any ambiguity or risk of contradiction. For example, the delivery of a savings scheme for one directorate</p> |

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| | | <p>Action - Carry out a financial assessment to identify potential savings and the preliminary financial gap.</p> <p>Action - Produce the first draft of the savings plan, including the appropriate data sources and monitoring proposal.</p> <p>3. Refinement Stage (January - February 2024)</p> <p>Action- Refine the financial and operational plans, based on feedback from the executive team, the board, and other key stakeholders. This should involve multiple rounds of review and revision.</p> <p>Action - Finalise the annual plan, incorporating the identified savings and operational plans to address the financial gap.</p> <p>4. Final Review (Early to Mid-March 2024)</p> | <p>can have ramifications and consequences for another (unintentionally). Developing plans in a synchronous and convergent manner will verify the correct alignment and assumptions throughout.</p> |
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Action - Conduct a final review and sign-off of the plan with the executive team and the board, making last-minute adjustments as required.

Action - Secure the final approval from the board.

5. Submission (By 31st March 2024)

Action-Submit the approved annual plan by the deadline.

6. Post-Submission (After 24 March 2024)

Action- Communicate the ratified plan to all stakeholders and commence its execution.

Action- Monitor progress against the plan on a regular basis, making adjustments including remedial actions as necessary.

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| 4 | Ensuring access to support for scheme leads including operational planning, finance, governance and project management. This will vary dependent on value of the scheme. | Executive Director of Strategy and Planning | <p>In recognition of recommendation 4, we agree that comprehensive support for scheme leads is crucial for the successful implementation of our plans. This includes operational planning, financial management, governance, and project management support, all of which are critical components of any effective savings plan.</p> <p>In response, we will take the following actions:</p> <p>1. Resource Allocation (Starting immediately and ongoing)</p> <p>Action - Assess the needs of each scheme lead, taking into account the value and complexity of their respective schemes. This will help us allocate resources and support effectively and efficiently.</p> <p>2. Support Structure Development (September - October 2023)</p> <p>Action - Develop a robust support structure that provides scheme</p> | 30 September 2023 | <p>The Director of Strategy and Planning can analyse and make clear recommendations from the respective projects teams as to what resource is needed. However, there are two key points to highlight:</p> <ol style="list-style-type: none"> 1. Not all of the resources needing to be deployed are at the discretion or within the gift of the Director of Strategy and Planning 2. The current Operational Planning team only has 2.5WTE members. Whilst this is not the only team under the Director of Strategy and Planning, it is important to note the potential limitations of the Operational Planning team. <p>Notwithstanding the above points, the process and timelines set out within the management response would</p> |
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| | | <p>leads with access to expertise in operational planning, finance, governance, and project management. This includes establishing clear communication lines and creating a comprehensive repository of resources and guidance.</p> <p>3. Support Implementation (November 2023 - March 2024)</p> <p>Action - Implement the support structure and monitor its effectiveness throughout the planning and execution phases of the savings scheme, ensuring triangulation and assumptions are stress tested. This will involve regular check-ins with scheme leads and adjustments to the support provided as necessary.</p> <p>4. Continuous Review and Improvement (After March 2024 and ongoing)</p> <p>Action - Review the support provided regularly to ensure it continues to meet the needs of</p> | | <p>remedy the recommendation.</p> |
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| | | | <p>scheme leads and contributes effectively to the success of the savings scheme. This will involve gathering feedback from scheme leads and using this to inform improvements to the support structure.</p> <p>We are committed to ensuring our scheme leads have the resources and support they need to be successful, and we believe these actions will help us achieve that goal.</p> | | |
| 5 | <p>Documented programme documentation setting out executive and operational leads responsibilities, a clear scope with defined baseline, parameters and clear milestones/trajectories, actions, risks, and agreed savings target with identified cash releasing amount, signed off by executive lead and finance needs to be developed.</p> | <p>Executive Director of Strategy and Planning</p> | <p>For noting in the response: This response, can be supported by the formal documentation described for point 1.</p> <p>Furthermore, to accompany the Project Initiation Documentation; there is also the project management software PACE for the overall operational management of the savings scheme. These two project support documents when executed in accordance with</p> | <p>30 September 2023</p> | <p>The processes and documentation are already in place. There may need to be a rapid assessment of bringing these respective documents into one place and to ensure there is no need for teams to duplicate documents. However, this should not be an overly onerous exercise.</p> |

Master Action C (Amalgamation of TI key deliverables) creates not only a very clear and robust process but ensures that:

1. There is a clear Work Breakdown Structure – setting out the sequencing and interoperability of the project/programme and the owners of each task; resulting in absolute clarity of roles and responsibilities and timelines.

2. The Project Documentation has clear Demand and Capacity analysis, including a baseline assessment, milestones and trajectories with triangulation across planning, finance and workforce.

Finally, all of the above are part of the thematic alignment (within Targeted Intervention) with an Action Plan setting out clear actions and sub-actions, which it is submitted will provide the delivery vehicle to address this recommendation.

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| | | | Finally, there will be the triangulation within the MDS for each saving scheme. By identifying a clear baseline, the activity planning assumptions will be triangulated, within the financial and workforce MDS tabs. | | |
| 6 | There needs to be a clear and consistent reporting into Executive Team, ensuring any concerns are escalated promptly with mitigation plans, and all schemes are reviewed in full as opposed to focusing on one element of one scheme this will however be dependent of the value of the scheme. | Executive Director of Finance | Savings progress and risks are shared via weekly and monthly packs to Executive Team. This includes a clear description of progress, and a risk adjusted latest forecast performance against all savings schemes verses their original plan, as well as against the targets set by directorate. | Complete | Complete |
| 7 | Developing a positive culture in respect of accountability, ownership and delivery of saving schemes, where lessons are learnt together to improve the Health Board's ability to deliver planned savings. | Executive Director of Finance | <p>The cultural aspects of this recommendation have applicability beyond the savings element alone, as a holistic responsibility for managers and leaders across the Health Board.</p> <p>In implementing a recent external review of financial management (ARCUS) releasing and focusing</p> | <p>Ongoing for 2023/24 31 March 2024</p> <p>31 March 2024</p> | <p>Clear progress being made with Executive accountability sign off for 2023/24. With onward delegation at the discretion of each Executive lead.</p> <p>Finance education programmes are being refreshed and will include</p> |

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| | | | time for business partners is integral and will include such communication and support. | | expectations and responsibilities for savings. |
| 8 | The Board should have clear and detailed saving plans presented within the Annual Plan, which can then be monitored throughout the financial year by SRC and to Board. Any changes to saving schemes should be included within these reports with clear narrative if there any changes to the level of savings identified, changes in leadership and any other changes. | Executive Director of Finance | As described in responses to recommendations 1 and 6. Specifically here this relates to the Financial Planning [Savings] process which incorporates all of the elements noted and are then reported through the noted weekly and monthly cycles. | Complete | Process in place, the organisational response to in year and preparation for future years are ongoing as part of the routine business of the organisation, as facilitated by the Planning directorate through the planning cycle. |