

# Annual Planning

## Final Internal Audit Report

2024/25

Hywel Dda University Health Board



Reasonable Assurance

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### Review Reference

#### Fieldwork

#### Executive Sign Off

#### Audit Committee

#### Executive Lead

#### Audit Team

HDU-2425-03

March – April 2025

30 April 2025

May 2025

Lee Davies, Director of Strategy and Planning

James Johns, Head of Internal Audit

Sophie Corbett, Deputy Head of Internal Audit

# Executive Summary

## Purpose

The overall objective of the audit was to review the processes and assumptions used for developing the Annual Plan noting how finance, activity and workforce elements are included.

## Overview

A robust planning process was implemented for the development of the Hywel Dda Annual Plan for 2025/26. The Annual Plan accurately reconciled to Welsh Government requirements set out in the *NHS Wales Technical Planning Guidance 2025-28* document including the triangulation of critical enablers, such as finance and workforce, in addition to the alignment with Ministerial Priorities, organisational Planning Objectives and Targeted Intervention actions.

Clear governance and reporting arrangements had been embedded that resulted in engagement with stakeholders throughout the annual plan development process. The Annual Plan 2025/26 was shared and approved by the Health Board prior to its timely submission to Welsh Government in March 2025.

A review of assumptions listed in the Annual Plan 2025/26 identified a number used to identify future/potential saving schemes as part of the financial plan. Delivery of the Ministerial Priorities, Targeted Intervention actions and Planning Objectives is dependent on the Health Board having an appropriate financial plan.

There is an underlying deficit of £51.1m carried over from 2024/25 with systems and processes identifying a projected total of £44.4m savings schemes, £19m of which is recurrent savings. Of the £44.4m savings, £38.1m are identified as a 'Red' or 'Pipeline and Planning Assumption' schemes. In addition, of the £19m recurrent savings, £12.8m are noted as a 'Red' or 'Pipeline and Planning Assumption' schemes. The conversion of these assumptions into deliverable schemes represents a significant risk for the Health Board in meeting its in-year savings requirements and highlighting the need for the earlier identification through the planning process, of a higher percentage of green schemes. We have concluded **reasonable** assurance on this area.

Full details of matters arising are detailed within the Findings & Agreed Action Plan.

## Scope & Assurance Summary

Objectives <sup>1</sup>	Related Findings	Assurance
1 The development of the Annual Plan, with submissions from directorates and services, includes appropriate assumption including finance and workforce data, clear and measurable targets, critical enablers and actions towards delivery of ministerial priorities	-	<b>Reasonable</b>
2 Appropriate governance arrangements are in place, which provide effective oversight of the planning process, ensuring the Annual Plan is subject to scrutiny and review through engagement with stakeholders prior to submission to Welsh Government	-	<b>Substantial</b>

<sup>1</sup> The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

# Findings & Agreed Action Plan

**Objective 1:** The development of the Annual Plan, with submissions from directorates and services, includes appropriate assumption including finance and workforce data, clear and measurable targets, critical enablers and actions towards delivery of ministerial priorities

**Reasonable**

## Overview / Summary of Observations

The *NHS Finance (Wales) Act 2014* outlines the Health Board's statutory duties including the development of an Integrated Medium-Term Plan (IMTP). On the 14 February 2025, an Accountable Officer letter was submitted by the Health Board to Welsh Government (WG) notifying its intention to submit an annual plan, set within a three-year context, for 2025/26 due to its financial deficit. This has resulted in the Health Board breaching its statutory duties. A letter was received from WG on the 25 February 2025 acknowledging the Hywel Dda's position.

The Planning Department produced a proposed approach for the development of the Annual Plan 2025/26. The document set out the organisation's initial assumptions and key principles, such as continuation of the Targeted Intervention (TI) principles, alignment to the Clinical Services Plans, demand and capacity plans, volume and mix growth modelling. The proposed approach was submitted and approved by the Health Board in November 2024.

A review of the Annual Plan 2025/26 and supporting directorate and service submissions confirmed that critical enabling actions, including digital innovations, workforce developments, financial sustainability and ways of working had been embedded to triangulate projects and schemes.

The Annual Plan 2025/26 aligns with the Ministerial Priorities requirements set out in the *NHS Wales Technical Planning Guidance 2025-28* document, in addition to the organisational Planning Objectives and Targeted Intervention actions. Key legislation, strategic plans and frameworks were also evident including the *Well-being of Future Generations (Wales) Act 2015*, *A Healthier Mid and West Wales* plan and *National Clinical Framework*.

The annual plan development process required all directorates and services to outline key areas of delivery for 2025/26. A planning minimum dataset (MDS) was also completed that outlined projected key performance figures for 2025/26 to support plans and schemes including the identification of milestones and actions.

The MDS identified detailed funding assumptions, revenue and cost pressures facing the Health Board, whilst budget allocations for 2025/26 received a 1.77% uplift from WG on core allocations and ring-fenced funding. A £51.1m underlying deficit from 2024/25 was highlighted taking into account non-recurrent factors and macro-economic pressures, such as higher price inflation for prescribing and growth in patient demand.

Savings schemes noted a projected 'In Year' savings total of £44.4m, of which £19m are recurrent savings. Of the £44.4m savings, only £6.2m has been identified as either a 'Green' or 'Amber' scheme with £38.1m noted as a 'Red' scheme or 'Pipeline and Planning Assumption'. Of the £19m recurrent savings, only £6.2m has been identified as either a 'Green' or 'Amber' scheme with £12.8m noted as a 'Red' scheme or 'Pipeline and Planning Assumption'. This represents a significant risk for the Health Board to meet the target control total of £31.5m for 2025/26 and continues to impact on the organisation being unable to submit a financially balanced IMTP and thus breaching statutory duties.

No finding has been raised in this report due to a risk entry already recorded on the Board Assurance Framework principal risk register (Risk Ref. 1199) highlighting the organisation's inability to achieve financial sustainability, whilst the Director of Strategy and Planning indicated at the Health Board meeting in January 2025 that the organisation has taken a balanced approach to sustained improvement with the intention of producing an IMTP from 2027/28 onwards. For this reason, we have concluded reasonable assurance for this objective.

**Objective 2:** Appropriate governance arrangements are in place, which provide effective oversight of the planning process, ensuring the Annual Plan is subject to scrutiny and review through engagement with stakeholders prior to submission to Welsh Government

**Substantial**

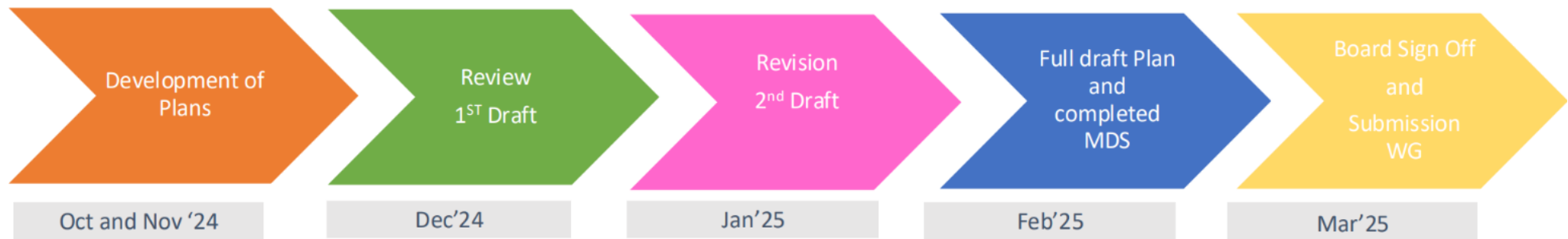
### Overview / Summary of Observations

Governance and reporting arrangements were outlined in the Health Board-approved development approach of the Annual Plan 2025/26.

A series of internal workshops commenced in October 2024 that brought together service leads, Finance and Workforce to identify short-term pressures, long-term ambitions, risks and opportunities whilst peer-to-peer engagement was also implemented (used as part of the TI approach) to ensure the alignment of strategic goals and Ministerial Priorities.

Directorates and services submitted their iterative draft plans to the Planning Team in November and December 2024 with subsequent workshops taking place to refine plans, with the Planning Team providing summarised feedback and improvements following each session.






A review of papers and reports confirmed engagement with stakeholders through progress updates of the Annual Plan to the public Health Board meetings, Board seminar discussions, Stakeholder Reference Group and regular reporting to the statutory committees in line with the timetable set out in the planning approach document – see below.



A draft copy of the Annual Plan 2025/26 was submitted to the Health Board meeting on 30 January 2025 with a final version submitted to the Health Board on 27 March 2025. Meeting minutes confirmed the Health Board had approved the document and submission to WG. The Health Board formally submitted the Annual Plan 2025/26 to WG on the 31 March 2025 complying with deadline requirements.

# Appendix A

## Assurance Opinion

	<b>Substantial</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>Unsatisfactory</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Advisory</b>	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

## Prioritisation of Findings

Priority	Explanation
<b>High</b>	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
<b>Medium</b>	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

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## Public Sector Internal Audit Standards

Audit work undertaken by NHS Wales Audit and Assurance Services conforms with the International Standards for the Professional Practice of Internal Auditing and associated Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

