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Audit Wales

Structured Assessment 2020 – Betsi Cadwaladr University Health Board

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Summary report

About this report

1 This report sets out the findings from the Auditor General's 2020 structured assessment work at Betsi Cadwaladr University Health Board (the Health Board). The work has been undertaken to help discharge the Auditor General's 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.

2 This year's structured assessment work took place at a time when NHS bodies were responding to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. On 13 March 2020, the Minister for Health, Social Services issued a framework of actions to help prepare the system for the expected surge in COVID-19 cases. The framework included the cessation of non-urgent planned activity and the relaxation of targets and monitoring arrangements across the health and care system. Emergency funding arrangements were also introduced to facilitate the wide range of actions needed to respond urgently to the COVID-19 pandemic.

3 Shorter planning cycles were agreed for 2020-21 supported by quarterly guidance setting out key considerations for the planning of the next phase of the pandemic, for maintaining delivery of essential services, and a movement towards the gradual reinstatement of routine services.

4 Our work[1] was designed in the context of the ongoing response to the pandemic to ensure a suitably pragmatic approach to help the Auditor General discharge his statutory responsibilities whilst minimising the impact on NHS bodies as they continue to respond to the next phase of the COVID-19 pandemic. The key focus of the work is on the corporate arrangements for ensuring that resources are used efficiently, effectively and economically. Auditors also paid attention to progress made to address previous recommendations[2] where these related to important aspects of organisational governance and financial management especially in the current circumstances.

5 The report groups our findings under three themes:

- governance arrangements;
- managing financial resources; and
- operational planning: to support the continued response to the pandemic balanced against the provision of other essential services.

[1] The conduct of our work was coordinated with Internal Audit's rapid governance review which includes further testing of key controls noted in this this report.

[2] Previous recommendations can be found in our 2019 report.

Key messages

6 The Health Board has maintained a good overall focus on governance, risk and quality during its response to the first phase of the pandemic. Whilst the Health Board's existing resilience plans didn't sufficiently meet the scale and complexity of the challenge posed by pandemic, the Board recognised these limitations early and took necessary action. This included introduction of command and control structures and workstreams, and a Cabinet which consisted of three independent and three executive board members to support decision making and oversight. Throughout this time we have seen improvement in partnership working and stronger stakeholder communications, particularly in relation to the response to the pandemic. The Board has taken steps to conduct its business with transparency through webcasting its meetings and our observations of Board and committee meetings show that they are generally conducted well. However, the Board will need to ensure it that its approach to scrutiny balances the challenges which are necessary with what is also needed to foster cohesive and collective leadership and direction amongst Board members.

7 The Health Board's senior management provided good leadership in response to the pandemic. However, given the challenging environment will continue, there is a need to ensure a resilient and cohesive executive team to effectively respond. The Health Board is continuing to review its governance arrangements with a focus on strengthening risk and quality assurance arrangements and is also maintaining its focus on quality and safety of services during the pandemic.

8 The overall financial position remains exceedingly challenging. In 2019-20, the Health Board did not meet its financial duties and had a £38.7 million year-end deficit despite slightly over-delivering against its £35 million savings target. For 2020-21 the Health Board originally forecast a £40 million deficit, but there are significant risks that could lead to further deterioration. These risks include non-delivery of savings and additional unfunded COVID-19 costs. The Health Board has continued to improve financial management arrangements and controls and has responded to most recommendations made as a result of recent externally commissioned financial reviews. Key financial controls set out in standing financial instructions, scheme of reservation and delegation and standing orders operated unchanged throughout the pandemic. But this meant that there was no realignment of financial authority to the command and control structure, and the Health Board should reflect on this should similar incident management arrangements be required in future. There are appropriate arrangements to monitor financial expenditure and financial compliance, however, for further reassurance, the Health Board is undertaking additional work led by a 'Financial Governance Cell' to review compliance during this period.

9 Short-term planning approaches are helping to respond to immediate and complex challenges created by the pandemic, but performance recovery will need a longer-term and more strategic approach. During the pandemic the organisation has used capacity demand modelling to inform its quarterly plans and taken steps to secure

sufficient workforce capacity to respond to a potential second COVID peak. It has introduced digitally enabled services is making some significant care pathway changes. The pandemic has demonstrated that the Health Board can deliver complex service change at pace.

10 Organisational performance recovery may require further major service change for some specialties. This needs to be grounded in a longer-term clinical strategy, which has yet to be produced. The Health Board is setting up a strategy group to take this work forward. Engagement of key strategic partners including the Community Health Council will be essential and there is opportunity for the Health Board to capitalise on the change management successes of the last 6 months.

Recommendations

11 We have made 3 recommendations which are set out in **Exhibit 1**. The Health Board's management response is summarised in **Appendix 1**.

12 In 2019 we made 7 recommendations in the structured assessment report of which most are still in the process of being addressed. The Health Board's Audit Committee received a detailed progress update on the 2019 recommendations in June and continues to track recommendations at each meeting. We will provide a further update on progress next year.

Exhibit 1: 2020 recommendations

Recommendations
Resilience/incident response planning R1 Undertake a rapid learning exercise on COVID-19 governance to inform and adapt resilience and emergency response plans, so they can be implemented should they be required over the coming months. This should include consideration of: • any need to temporarily adapt the Scheme of Reservation and Delegation to ensure financial and decision-making authority is aligned and • the risk management approach adopted as part of command and control and workstream arrangements.
Stakeholder engagement in clinical strategy and plan development R2 Ensure there is effective stakeholder engagement in the development of clinical strategy and any plans for significant service change.

Recommendations

Reporting progress against delivery of plans

R3 Ensure that impacts and outcomes achieved as a result of delivery of actions are appropriately articulated within quarterly plan and annual plan monitoring reports. This may require strengthening of underpinning business benefits analysis processes.

Detailed report

Governance arrangements

13 Our structured assessment work considered the Health Board's ability to maintain sound governance arrangements while having to respond rapidly to the unprecedented challenges presented by the pandemic.

14 We found that **the Health Board maintained a good overall focus on governance, risk and quality during its response to the first phase of the pandemic.**

Conducting business effectively

Revised governance and management arrangements have supported agile decision making and effective scrutiny but there is scope to improve emergency resilience planning.

15 COVID-19 has presented an unprecedented challenge to the health sector. The Health Board recognised early in February 2020 that its existing major emergency plan was not adequate for the challenge faced by COVID-19. While we did not consider the Health Board's previous emergency plan in depth, we noted that it contained several assumptions which didn't allow for the scale and complexity of the response required to COVID-19. For example, the plan assumed an outbreak could be managed broadly within existing management and operational arrangements and didn't sufficiently take account of the need for a significantly greater scale of response, adaptability and agility.

16 After recognising the weaknesses in its existing emergency plan, the Health Board responded effectively by rapidly developing alternative arrangements. On 12 March 2020, the Health Board initiated command and control structures following a Gold, Silver and Bronze (sub-regional) model. The Health Board also established a 'Cabinet' consisting of three independent members and three executive officers to oversee the response and enable timely decision-making and scrutiny. A further eleven workstreams were set up within the command structure to address specific but significant challenges. Throughout this time, we have seen improvement in partnership working and stronger stakeholder communications, particularly in relation to the response to the pandemic. In general, the workstreams were effective at coordinating the resources required to respond to the pandemic, including development of guidance, changes to estates, ensuring personal protective equipment and equipment, development of a testing and tracing service and creation of three field hospitals. However, there was a short delay in developing and strengthening the new arrangements at the beginning of the pandemic largely as a result of executive officers becoming ill or being required to shield or self-isolate. This demonstrated a weakness of continuity arrangements for a short timeframe.

17 By early April 2020 the Health Board had developed and agreed a COVID-19 strategy. This strategy appropriately helped to further shape and focus the work including the newly created workstreams to help coordinate the required action. At this point, the Health Board also introduced a Covid Command Group within the pandemic response structure. This group enabled the whole Executive Team to have oversight of the totality of the COVID-19 response. The group enabled separation of oversight of the pandemic response to the Executive Team's 'business as usual', allowing greater time and focus on specific COVID-19 issues.

18 The revisions to the Health Board's governance and management arrangements supported rapid decision-making while maintaining necessary scrutiny. The structure was clear and successfully helped the Health Board respond to urgent and significant challenges. The Health Board developed COVID-19 daily situation (sitrep) reporting which included hospital admission numbers/trends including acute bed occupancy, critical care bed occupancy, delayed transfer of care, workforce capacity and sickness absence. This reporting has now further developed to focus on early warning alarms including mortality statistics, emergency department activity, COVID-19 bed occupancy, and Test, Trace and Protect activity. The review of performance data during this period has, however, exposed a need for greater dedicated analytics support in future.

19 On 15 April 2020 the Board considered Welsh Government guidance on discharging Board committee responsibilities during COVID-19. In line with guidance, the Board approved temporary changes to its Standing Orders which included suspending its committees apart from the Audit Committee and the Quality and Safety Committee. The Health Board also reduced the breadth of agendas to focus on key risks and matters relating to COVID-19 and essential business. Revised standing orders appropriately detailed the alternative arrangements for those committees that had been 'stood down', identifying which committees would be responsible for considering key urgent items, making decisions and authorising expenditure.

20 At the same meeting in April 2020, the Board approved a revised approach to decision making. This required that, where possible, the full Board would retain decision making. If the full Board was not available, decision making operated with a quorum of three executives and three independent members that could be convened at speed to scrutinise and authorise decisions. 'Chair's Action' would be used as a last resort and would be recorded and ratified. During its pandemic response, the Health Board was required to use chair's action for a small number of decisions, for example in the approval of the field hospitals. We note that chair's actions were reported to the Board at its meetings on 14 May and 23 July 2020 in line with the Board approved 'Standard Operating Procedure on Chair's Action During COVID-19'. In the instance of the field hospitals, the action was scrutinised and signed by the vice-Chair to prevent any conflict of interest relating to the Chair's role in the temporary hospital group.

21 The Health Board also introduced decision logs into the command and control and workstreams to provide evidence and justification for decisions being taken. The

decision logs were routinely reported into the command and control structure and were taken to board briefing meetings. Despite initial variable quality of the logs, the Health Board improved the process through ongoing self-review combined with shared learning from North Wales Police and Military Liaison Officers.

22 At the introduction of emergency governance arrangements, reporting was streamlined allowing for verbal reports and shorter papers to fewer committees. But the Health Board's reporting and briefing arrangements evolved over time during the pandemic and increasingly became more time-consuming. The Cabinet received fortnightly update reports, there was also daily sitrep reporting and fortnightly board briefings for all board members, as well as regular Covid Command Group meetings for the Executive. As a result, additional Executive team capacity created by suspending committee business was increasingly consumed by a need to regularly update groups and members at briefings. There is opportunity to reflect on this as part of lessons learnt exercises.

The Board has taken steps to conduct its business with transparency although virtual Board meetings are driving a different scrutiny style which on occasions may not always be conducive to cohesive Board working

23 As the pandemic hit, the Health Board notified the public on its website that it is not possible to attend Board and committee meetings in person. To support transparency, the Health Board committed to publish the Board and committee meeting papers seven days in advance of meetings and meeting minutes three days following a meeting. The Board also intended to webcast its meetings from May 2020, but an unforeseen technical issue relating to licencing prevented live viewing of the May board meeting. All Board meetings from July onwards are being webcast but at present, there are no plans to webcast committee meetings.

24 Since March 2020, the Board has been meeting virtually. We noted that Board members have responded well to the changing demands on them through this challenging time. Our observations of meetings also indicate that these arrangements are generally working well and have evolved positively as the Board members got to grips with this new way of working.

25 The Health Board is enhancing the technology available to Board members to help with virtual meetings and has issued guidance on virtual meeting etiquette. In general, our observations indicate that Board and committee meetings are conducted properly and effectively. On some occasions, we noted that the nature of virtual Board meetings is resulting in very direct questioning by independent members during discussions, and a robust and challenging style of scrutiny. While this will sometimes be necessary at Board meetings, it will need to stay mindful of the impact this style can have on the relationships between the Executives and Independent Members and the ability of the Board to demonstrate collective leadership.

The Health Board's senior management provided good leadership in response to the pandemic but with challenging circumstances likely to continue, there will be a need to ensure a resilient and cohesive Executive Team.

26 The Executive Team and wider senior management response to the pandemic has generally been very positive. We found strong leadership within the temporary command and control arrangements and the majority of the workstreams which helped to respond effectively to number of challenges. However, the last six months has also been a stressful and stretching time for the Executive team. The Executive Team have had to work in very different ways, operating in new structures, in highly dynamic environments and with some excessive hours. The coming winter period may be just as challenging as the onset of the pandemic and there is a need to ensure the resilience and cohesiveness of the Executive Team to help meet these challenges.

Work is in progress to strengthen organisational structures, but there are also some concerns in specific areas such as the Mental Health division.

27 In our structured assessment report 2019, we highlighted the need to strengthen capacity at senior levels. This particularly focussed on building the required change/programme management capacity and capability and strengthening the secondary care structure. The Health Board is making progress, for example, it has agreed its structure for its acute services with substantive Managing Directors in post at all three sites. However, it has yet to fully address its continuing reliance on external interim management arrangements or set out required programme management arrangements. The Health Board recently sent a proposal to Welsh Government requesting support to enable the establishment of a strategic assistance programme and enhance its organisational development capacity. If successful, this should help strengthen the organisation's internal capacity and capability.

28 There has also been change at the top of the organisation. In January 2020, the substantive Chief Executive left the Health Board. An interim Chief Executive Officer was seconded from Welsh Government in February until late August 2020. A substantive replacement has recently been appointed who will take up the role in January 2021, with the Deputy Chief Executive Officer acting as interim until that date.

29 In July 2020 Audit Wales, alongside Healthcare Inspectorate Wales, formally highlighted concerns to the then interim Chief Executive relating to fragility of the leadership of the Mental Health division caused by long-standing vacancies and absences. The Health Board has indicated in its response that it is taking action to address required improvements in this area. The Health Board's Internal Audit Service is in the process of reviewing the governance arrangements of the mental

health division. Once the review is complete, we will consider their findings to determine if any additional action is required.

The Health Board has committed to reflect, learn and improve both usual governance arrangements and emergency arrangements.

30 The Health Board has a range of processes which demonstrate reflection and learning. For example, the Board and committees regularly review and refine their 'cycles of business' (agenda calendar) to ensure there is sufficient focus in the right areas. As part of routine arrangements and for several years, committees have also undertaken self-assessments which informs annual committee reports.

31 The Health Board is also receiving additional support from the Kings Fund to help strengthen the functioning of the Board and Executive Team and this work is ongoing. At the same time, there is ongoing work to further strengthen governance arrangements, focussing on risk and quality assurance, which we describe in the following subsection.

32 We are clear from interviews that there is a good understanding of lessons learnt from the initial COVID-19 response at an individual level. But there is a need to bring these reflections together. We understand that the Executive team will present a paper to the Board in the next few months which reflects on their response and identifies lessons for the future. This work is being supported by the Health Board's resilience team. **Recommendation 1** of this report is aimed at driving improvement through lessons learnt from the last six months and applying those lessons learnt into updated pandemic and resilience plans.

Systems of assurance

The Health Board developed specific arrangements for managing risks in relation to COVID-19 alongside continuing preparations to implement its new risk management strategy

33 The Health Board introduced specific arrangements for managing COVID-19 risks supported by additional training for those leading command and control and workstreams. For the duration of the initial response, the Health Board continued to refine and improve the COVID-19 risk management arrangements, led by the Governance and Risk workstream. Feedback from interviews indicated that at the time there was some variation and duplication of risk management between workstreams, command and control structures and 'business as usual' risk management. While we did not identify that this created significant issues, it is an area to reflect on as part of lessons learnt for future resilience and incident planning.

34 Over the last 12 months the Health Board has been in the process of a fundamental redesign of its risk management strategy. This was approved by the

Board on 23 July 2020. The risk strategy has been developed through staff and Board engagement and a key aim is to improve timely risk escalation between operational services and the Board. The strategy also aims to provide greater accountability for risk ownership and mitigation. The Health Board plans to launch the strategy in October 2020 and the progress of its implementation will be overseen by the Audit Committee. The development of the revised approach is largely positive, but its implementation will be challenging given the continued strain on health services as well as the 'virtual' nature of working for many staff.

The Health Board has maintained a focus on quality and safety and recognises the significant challenge of treating patients whose care has been delayed

35 The Health Board has maintained its focus on quality and safety of services both in relation to COVID-19 and for broader services. The Quality, Safety and Experience Committee continued to meet during the pandemic. While the committee had a reduced agenda, it focussed on quality in relation to COVID-19 and other high-risk areas. This included infection prevention, maintaining essential services during COVID-19, as well as considering patient groups that may be at risk because of reduced access to services. This is aligned to Welsh Government's four principles of direct and indirect harm related to COVID-19. The Board and Quality and Safety Committee is clearly aware of the need to balance the COVID-19 response and the need to prioritise essential services for those at most risk of health deterioration. The Health Board is risk-assessing and prioritising its waiting lists for those at greatest clinical risk. However, even with these processes, the mismatch between supply of services and the demand creates some difficult challenges. The Board and committees are regularly informed of the position of essential services and the extent of delays on the waiting list, but this is likely to take some time to resolve.

36 The Board is also focussed on staff wellbeing, including ensuring that working conditions are safe, that staff are provided with necessary wellbeing support and that high-risk staff groups are assessed. At its meeting in April 2020, the Board approved two new risks on Health and Safety and Personal Protective Equipment (PPE).The Quality, Safety and Experience Committee is overseeing these risks and the procedure for reporting and investigating for staff members who have tested COVID-19 positive. The Committee also recently received further assurance on Health and Safety matters in July 2020 relating to reporting to the Health and Safety Executive, staff testing levels and the application of the Welsh Government workforce risk assessment tool (discussed further in paragraph 65).

37 The Health Board has continued with some key operational quality assurance arrangements including mortality reviews and Putting Things Right processes. It is also undertaking work to assess serious incidents resulting from the pandemic. However, we note that both the ward accreditation process and the clinical audit programme were suspended during the COVID-19 outbreak.

38 The Health Board is progressing its Quality Improvement Strategy for 2020-2023 and strengthening quality assurance arrangements. This work includes a review against the five aims set out in the strategy and development of a corresponding action plan. During the early stages of the COVID-19 pandemic this work was paused, and the timeline is now being revised. However, proposals to strengthen quality and safety management and oversight are being taken forward. At present proposals include establishment of four groups focussing on patient safety, clinical effectiveness, patient experience and occupational health and safety which will directly report into the Quality Safety and Experience Committee.

The Health Board continues to track progress against recommendations.

39 In our structured assessment 2019 report, we recommended that the Health Board strengthen the sign off process as part of recommendation tracking. The Health Board has subsequently updated and strengthened its sign-off process to help improve the quality of updates against actions and provide better assurance when actions in response to recommendations are complete. It has provided training to the governance leads which has improved the consistency and quality of the updates provided on the audit recommendation tracker. The Health Board has also introduced a process to review the quality of information submitted within the recommendation updates. During the pandemic, the Audit Committee has continued to receive tracking reports on progress against key recommendations.

Managing financial resources

40 Our work considered the Health Board's financial performance, changes to financial controls during the pandemic and arrangements for monitoring and reporting financial performance. We found that, **reasonable financial arrangements were put in place to respond to COVID-19, but there are significant risks to achieving the Health Board's forecasted £40 million deficit**.

Achieving key financial objectives

The Health Board did not meet its financial duties in 2019-20

41 The Health Board did not meet its statutory financial duties for 2019-20 due to a £38.7 million deficit and an inability to prepare a financially balanced medium-term plan. The 2019-20 year-end financial position was slightly worse than the Health Board's planned £35 million deficit but significantly worse than the £25 million control total set by Welsh Government. This was despite the Health Board also exceeding its £35 million savings target by £0.5 million, with 70% of savings classed as recurrent. An element of the in-year cost growth was a result of additional secondary care agency costs and primary care prescribing drug price

increases. The Health Board achieved its capital resource limit and public sector payment policy targets and our audit of the Health Board's accounts resulted in an unqualified 'true and fair' audit opinion and a qualified regularity opinion on the Health Board's financial statements for the 2019-20 accounts.

42 For several years, the Health Board has been unable to balance its expenditure with its revenue allocation. This has resulted in a growing cumulative deficit. In June 2020, Welsh Government confirmed that it will write-off historic cumulative deficit for all NHS Wales organisations. However, this write-off is dependent on NHS Wales organisations delivering to their baseline plans in future, which is a recognised, long-standing issue for the Health Board. The Health Board is undertaking some additional work to better determine the drivers of its underlying deficit in response to recommendations made by PwC. As of August 2020, this work remains in progress.

There are significant financial risks to achieving the Health Board's planned deficit for 2020-21

43 The Board agreed the 2020-21 financial plan in April 2020. The plan included a forecast deficit of £40 million subject to delivery of savings of £45 million and containing any cost growth. This plan set out what was a realistic expectation of financial performance and spend forecasts. But the onset of the pandemic is likely to result in a deteriorating position. There are now several financial risks to the delivery of the agreed financial plan, including:

- the Health Board not receiving additional income to meet all direct and indirect COVID-19 related capital and revenue expenditure to date;
- any unfunded growth in COVID-19 spend over the autumn and winter;
- non-delivery of savings; and
- any additional expenditure required to restart and recover services.

44 For the first six months of the 2020-21 financial year, the programme management office responsible for coordinating savings during 2019-20 were redeployed. This was initially as part of the Health Board's pandemic response and subsequently supporting aspects of recovery and other urgent service requirements. The absence of the same degree of focus on savings compared to previous years has negatively impacted on the delivery of savings and subsequently reduced the savings potential for the year. As at August 2020, the Health Board has revised its year-end savings performance forecast to £14.2 million against its £45 million target. Of the £14.2 million, £7.6 million are identified and £6.6 million are in the 'pipeline'. This leaves a minimum unfunded cost pressure of £30.8 million.

45 Until August 2020, the Health Board was reporting an overall unchanged year-end financial forecast of £40 million deficit. Achievement of this was predicated on the assumption that Welsh Government will provide additional income for all direct and indirect costs related to COVID-19. This includes the assumption that non-delivery of savings against the agreed financial plan would be covered by Welsh

Government. At its meeting in August 2020, the Finance and Performance Committee decided to align their reporting with other health boards in Wales by not assuming that non-delivery of savings will be funded by Welsh Government. As such, the Health Board's reported forecast outturn position will deteriorate between its August and September reports to account for expected non-delivery of savings (currently around £30 million).

46 We have also noted that the Health Board is currently paying NHS England for services that it is not receiving. These services are commissioned under fixed 'block' contracts and services commissioned by Welsh Health Specialised Services. Until month three, the Health Board assessed that it has paid just over £35 million for services in England and that it has received just under £21 million in services. This has resulted in a non-recoverable expense of £14.5 million over those three months. Whilst this arrangement was required to sustain health services in England during the peak of the pandemic, continued expenditure represents a value for money issue if those arrangements extend into the medium-term. The Health Board is in discussion with Welsh Government and NHS bodies in England over this matter. The Health Board is seeking both to review the conditions of the block contract and to restart patient services for North Wales patients that travel to England for their care.

Financial controls

Building on work started in 2019, the Health Board has continued to improve financial management arrangements and controls

47 The Health Board is effectively responding to work started last year on financial management and controls. Over the last 12 months, there has been a strong focus on strengthening these areas at committee and management levels with the aim of meeting best practice, delivery of savings and financial recovery. To support this, the Health Board commissioned PwC both to review and support recovery. This work led to a range of required improvements on financial management arrangements and 'grip and control'. The resulting report made 32 recommendations focussed on financial planning, budget management and control, programme management office governance and savings. There were also 22 recommendations relating to grip and control of pay and non-pay procurement expenditure. In July 2020, the Health Board reported good progress against the PwC grip and control recommendations. The six outstanding financial management arrangements recommendations are more challenging to address as they relate to determining the drivers of the deficit, planning financially sustainable services, improving divisional financial information and strengthening the accountability framework.

48 The Health Board has a good track record in relation to budgetary delegation and its use of accountability agreements for 2020-21 are further strengthening arrangements. The Health Board maintained a strong approach on financial grip

and control throughout the last financial year, however this did not enable it to achieve a balanced budget. This suggests that financial control alone will not be enough to achieve financial recovery and that there is a need to reshape services to ensure they are more productive and financially sustainable.

49 Our statutory financial audit on the Health Board's 2019-20 financial accounts did not identify any significant material weakness in controls. Our financial audit team recognised the effectiveness and timeliness of the work of the Health Board's financial accounts team, both in preparing the financial statements and in responding to the audit, despite the pressures resulting from the pandemic.

Key financial controls have operated throughout the pandemic, and the Health Board is undertaking further work to provide assurance.

50 We have considered the budgetary arrangements in place at the Health Board during the early stages of the COVID-19 pandemic. Our work has identified clear itemised recording of capital and revenue expenditure related to COVID-19, use of business cases and decision logging and justification for procurement related expenditure. There were clear processes agreed by the Board in April 2020 which set out decision-making arrangements, as part of formal amendments to the governance arrangements. At an operational level, delegated authority limits continued to be enforced on the financial management system and the Health Board has undertaken tracking and analysis of COVID-19 spend. We haven't undertaken additional controls testing to assess the compliance or effectiveness of decision-making financial controls. However, the Health Board has initiated a 'Financial Governance Cell' to investigate compliance and conformance with process and policy between March to June 2020. This will include work by local counter-fraud services and a review by internal audit on financial governance during COVID-19. It is the intention of the Health Board to use this work to support its self-reflection and provide assurance on the effectiveness of and compliance with controls.

The Health Board could benefit by making changes to its Scheme of Reservation and Delegation if a command and control incident model is needed in future

51 The Health Board's Scheme of Reservation and Delegation (SORD), which provides delegated authority to officers remained unchanged during the pandemic. While this approach provided consistency for Executive Officers, it could have caused difficulty because those leading the command and control arrangements did not have formally delegated financial decision-making authority aligned to their remit. Our interviews did not identify any significant issues that prevented timely decision making, but the Health Board may benefit by reflecting on this arrangement as part of lessons learnt to inform future resilience planning.

Financial monitoring and reporting

There are appropriate arrangements to monitor financial expenditure against the plan and financial compliance

52 In April 2020, the Health Board altered its arrangements for financial oversight as part of its pandemic strategy. Under new arrangements, authorisation and scrutiny took place through fortnightly Cabinet meetings and formal Board meetings. Our work found that oversight of the Health Board's overall financial position and spend has been reasonable during this time, with interviews indicating that the revised governance arrangements supported timely decision making and scrutiny. While the Finance and Performance Committee stood down in March 2020, it resumed in June and now continues to review and scrutinise financial recovery and performance. This includes achievement against financial targets, revenue and capital expenditure, COVID-19 spend versus additional allocation, and variance to budget plan by division and savings performance.

53 The Audit Committee continues to appropriately oversee the work of counter fraud, internal audit and the post-payment verification team as well as receiving the assurance provided from the financial audit of the accounts. The financial conformance report to the Audit Committee also provides a good level of assurance on compliance against statutory or policy requirements including single tender and quote waivers, losses and special payments, aged debt and payroll.

Operational planning

54 Our work considered the Health Board's COVID-19 response planning including the development, resourcing and monitoring of quarterly operational plans. We have also considered the extent of required financial and performance recovery and the need for a strategic approach to meet these challenges.

55 We found that **The Health Board's quarterly operational plans are helping it to respond to a range of complex service risks, but there is a need for a strategy to recover services to help ensure they provide sustainable capacity and improvements in productivity.**

Developing the plan

The Health Board's quarterly planning process is improving, but plans need earlier scrutiny and greater explanation on risks to successful delivery

56 The Health Board is responding to the Welsh Government planning requirements but has found the short turn-around from the time that planning guidance is issued to the submission a challenge. The Health Board submitted both the quarter one

and quarter two operational plans to Welsh Government by their required deadlines. We noted though in relation to the quarter two operational plan, the Board received the draft plan on the 1 July, but this only left two days to make amendments prior to submission to Welsh Government on the 3 July 2020. This required some rapid changes and subsequent amendment prior to approval by the full Board on 23 July. But the changes that were made as a result of board member scrutiny resulted in improvements in the plan, particularly on the key actions required and accountability for delivery. The Health Board is addressing the timing challenge for future operational plans by scheduling additional board workshop meetings. This will provide more time to discuss and scrutinise the emerging quarter three operational plan before its submission to Welsh Government.

57 The Health Board's quarterly operational plans appropriately focus on the required flexibility of services in the short-term and are broadly in line with Welsh Government requirements. The Health Board has used data modelling of COVID-19 infection rates, service capacity and demand to help shape the quarter two operational plan and the key actions within it. The quarter two operational plan appropriately considers the 'four types of harm'. It includes, but is not limited to, high-level actions on:

- COVID-19 test, trace and protect;
- creating flexibility to shift capacity between Covid and non-Covid services;
- surge capacity should it be needed;
- prioritisation of essential services; and
- new digitally enabled service models particularly in primary care and outpatients.

58 However, it is difficult to determine from the quarter two operational plan what are the key risks to its effective delivery. Our review of the plan indicated that some of the actions within it are likely to be more challenging to deliver than others. Yet it is difficult to distil those higher risk areas, and this makes it more challenging to form a view on the likelihood of impactful delivery or those areas which are at a significant risk of non-delivery.

Elective waiting list performance has deteriorated, and to recover services the Health Board may need to be more ambitious in its clinical strategic approach, engaging stakeholders in the process

59 The Health Board's elective waiting lists have significantly deteriorated as a result of the pandemic and this is likely to continue into the winter period. The absence of an agreed clinical strategy has been a long-standing issue. A strategy is fundamental to the Health Board developing financially sustainable modern clinical services and recovering service performance. We made a recommendation in our 2019 structured assessment to strengthen clinical engagement and leadership as part of clinical strategy development and any associated service change programmes. We are aware that as part of the Health Board's pandemic response,

it had successfully brought together a range of clinical leads and developed and agreed over 35 new clinical pathway models. The Health Board is now developing a clinical strategy group as a means of ensuring clinical leadership and engagement to support development of a clinical strategy. We understand that this group will be building on work that was started last year on digitally enabled clinical services. In forming a clinical strategy there are clear opportunities to further progress digitally enabled services, but there may also be a need to adopt more significant changes to service models to boost surgical capacity and productivity.

60 Our work has indicated that the Health Board effectively engaged North Wales Police, local authorities, the university sector and the military in its early pandemic plans and response. However, it is not clear whether these stakeholders or the Community Health Council were given opportunity to effectively engage in quarterly operational plan development. Recovery of performance may require some significant changes to the shape of services to ensure they are productive and resilient. Strong stakeholder engagement in the development of a clinical strategy and subsequent operational plans will be helpful as a means to share an understanding on priorities, risks, actions and resourcing constraints (**Recommendation 2**).

Resources to deliver the plan

The Health Board has plans to adapt its bed capacity to meet forecasted surge demand

61 The Health Board approach seeks to prevent growth in COVID-19 cases in the community, provide enough capacity for patients testing positive in acute hospitals, provide essential services, and restart and recover other core services. This requires sufficient flexibility and capacity to respond to a surge in demand.

62 The Health Board has made demand forecasts based on best assumption for the impact of a second wave and increasing needs for unscheduled care services. Based on these assumptions it has forecast bed demand, at 92% occupancy, for non-COVID-19 emergency, COVID-19 emergency, essential services and additional planned work. Against the forecast of demand, the Health Board has assessed its bed capacity, including Acute and Community and field hospitals. The capacity available is enough to meet forecasted demand as set out in the quarter two operational plan.

63 The Health Board has identified the pace at which it can create sufficient surge capacity across all permanent and temporary (field hospital) facilities should this be needed. This indicates that 131 core acute and community beds can be mobilised within 24 hours, an additional 160 within a week, and the remaining surge capacity of 1,315 beds can be available after 7 days. At present, the Health Board is continuing the assumption that temporary field hospital accommodation may be required during the winter months and is ensuring this capacity can be flexed into

operation if required. The Health Board is also continuing to use the facilities at Spire Yale for diagnostics and essential surgery procedures.

The Health Board has responded well to its workforce challenges and risks

64 The Health Board undertook capacity modelling to understand requirements for its initial Covid-19 response and was proactive in securing additional workforce. This resulted in over 1700 staff and volunteers being recruited following a TV and social media campaign as well as deploying healthcare students and encouraging retired staff to return to practice. The Health Board has developed a new clinical deployment dashboard to support planning and decision-making in response to surge capacity requirements. This dashboard includes data on competencies and capacity of the workforce. The Health Board is maintaining a focus on capacity requirements and its ability to flex the workforce as required.

65 In relation to workforce protection and resilience, the Health Board recognised the risk to the workforce but also responded quickly as emerging information identified heightened risk for Black, Asian, and Minority Ethnicity staff. The Health Board had developed its own workforce risk assessment protocol and adopted the all-Wales risk assessment process, once this became available. This has resulted in over 800 risk assessments for Black, Asian, and Minority Ethnicity staff, representing an 80.6% assessment rate. The Health Board also introduced wellbeing hubs recognising the significant pressure and, in some instances, traumatic environment that staff have faced. We understand that these hubs have been well-utilised.

New digital approaches adopted over the last six months are helping to maintain and restart clinical services

66 The Health Board has deployed new technology to support new ways of working. This has included over 1,000 new mobiles and tablets to keep patients, families and the workforce connected when working in different environments. The Health Board also implemented infrastructure and systems for field hospitals, Covid-19 testing sites and the command and control sites while they were operating. IT systems have supported outpatient appointments management. This has included using systems to enable patient-initiated follow-ups (see on symptom), deployment of ‘attend anywhere’ clinical video appointment services and consultant connect professional advice line for primary care services and virtual visiting.

67 The informatics service has supported operational management and service planning through the creation of acute and community, care home, workforce and COVID-19 dashboards as well as forecasting models and reports. These digital approaches helped the response to the outbreak, and plans set out for quarter two continue to build on work already complete. Quarter two digital plans include further roll out of video consultations, e-prescribing, accelerating agile working and business intelligence.

The Health Board is prioritising the capacity that it has on patients that need it most.

68 The Health Board has developed new clinical risk assessment approaches to prioritise those requiring care most urgently on the waiting list. The approach is predicated on the ability to restart services while also being able to adapt service capacity between COVID-19 and non-COVID-19 activity. The Health Board is also allowing for contingency should there be a second COVID-19 peak alongside normal seasonal flu and wider winter pressures.

The Health Board developed change management arrangements necessary to respond to the pandemic

69 The Health Board has historically struggled to affect change with pace and impact. In last year's structured assessment, we made specific recommendations to the Health Board to strengthen its programme management structure, change programmes and programme management methodology.

70 During the pandemic the Health Board has achieved significant rapid change. It has mobilised the workforce, adapted some of its core estate, created three field hospitals, deployed new technology, developed COVID-19 testing and tracing services as well as creating new clinical pathway models. While this change has occurred as part of the pandemic response, it clearly demonstrates that the Health Board can effect rapid change through change management arrangements and resources.

71 The Health Board should reflect on the change management arrangements deployed during the early stages of the pandemic, and seek to build its future change management capacity, structure and methodology, with the aim of creating sufficient change capability to deliver its emerging clinical strategy. We have listed some core features of change management arrangements and our observations of the Health Board over the last 5 months (**Exhibit 2**).

Exhibit 2: attributes of organisational change management demonstrated since the onset of the pandemic

Attributes of change	What was evident between February and June 2020
Compelling organisational need and urgency	Clear urgency and priority given at a level that was required to respond to the outbreak.
Common understanding of the problem	Management considered the range of risks and issues, and set out a strategy to respond to them

Attributes of change	What was evident between February and June 2020
Leadership	Redeployment and change in management roles, with both leadership working from the top and middle/senior management working at a higher level and adopting more delegated authority
External engagement	Understanding that multi-partner response was required and working together to achieve it.
Programme structures and control	Command and control provided a programme governance framework, with workstreams taking shape as individual programmes of work.
Alignment of resources to support change	The enabling resources particularly finance, procurement, IT and workforce became integrated and supported the workstreams
Internal engagement	Staff communications through multiple channels, and proactive working with the Trade Unions. Clinical engagement and leadership were notable improvements during the period.
Programme monitoring and oversight	Command and Control Group and Cabinet provided programme management and programme oversight.
Post project/programme evaluation	A commitment to learn lessons from the last few months, but this remains an area to be progressed.

Monitoring delivery of the plan

Approaches to monitor and report on operational plan delivery have improved but more focus on the impact and outcomes is needed

72 There is regular oversight and scrutiny of progress of the operational plans. The Board, Finance and Performance committee, and the Strategy, Partnerships and Population Health Committee each reviewed progress of delivery of the quarter one operational plan in July and August 2020. In scrutinising progress against plans, Board and committee members take some assurance from reports and use

their existing knowledge of services to inform their questions, but also request further information on areas of limited progress.

73 The colour coded reporting approach developed for the quarter one operational plan enables a succinct visual analysis of overall progress against the commitments laid out in the plan and is an improvement against previous years' reporting approaches. However, the format also made it difficult to understand the detail on areas where progress is off-track, for example why an action is off-track and what is being done about it.

74 The Health Board is starting to address this for the quarter two operational plan progress reports which now contain basic narrative for actions that are off track. However, the narrative is of variable quality and could be further improved by focussing more on outcomes and impact to make it clear to the committee and the Board whether the delivery of actions is achieving the difference that was intended (**Recommendation 3**).

Appendix 1

Management response to audit recommendations

Recommendation	Management response	Completion date	Responsible officer
Resilience/incident response planning R1 Undertake a rapid learning exercise on COVID-19 governance to inform and adapt resilience and emergency response plans, so they can be implemented should they be required over the coming months. This should include consideration: • of any need to temporarily adapt the Scheme of Reservation and Delegation to ensure financial and decision-making authority is aligned and • of the risk management approach adopted as part of command and control and workstream arrangements.	A debriefing programme was implemented across the BCU command and control structures. The objectives of the debrief were: • To allow the Health Board to reflect on the identification of lessons learned and shared good practice from the incident; • To identify organisational experience relative to individual roles and responsibilities relating to the incident; • To identify key areas for development for the future; • To assist in the development or formation of guidelines or protocols for future incidents; and • To capture lessons learnt to feed into future response planning. Following this review, a report was prepared by Civil Contingencies Group (CCG) and finalised by Executive Team. The report sets out areas of good practice, together with recommendations for improvement. An executive led action plan was developed in response to ensure improved arrangements going forwards. The report and action plan was presented to the	September 2020 - Complete October 2020	Mark Wilkinson

Recommendation	Management response	Completion date	Responsible officer
	Strategy, Partnerships and Population Health Committee for approval. The action plan includes a full review of the existing COVID Command & Control structures led by COVID-19 Lead Director / Director of Planning and Performance. In addition, the decision-making protocol developed as part of the Command and Control Framework to be reviewed ensuring clarity at each level of the response. Led by Acting Board Secretary / Assistant Director of Information Governance & Risk. In addition to the debrief programme, a full review of the Health Board Major Emergency Plan has been undertaken along with revisions to Hospital Major Incident Plans to ensure that Covid considerations are included within key departmental action cards. Specific management arrangements have been developed for COVID-19 going forward, led by Director of Primary and Community Services. However, should a major incident be declared, command and control structures will be mobilised in line with outcomes of the above work.	November 2020	
Stakeholder engagement in clinical strategy and plan development R2 Ensure there is effective stakeholder engagement in the development of clinical strategy and any plans for significant service change.	During the first surge of Covid 19, the clinical strategy included a short cycle planning with a 'Once for North Wales' approach. The stakeholder engagement took place throughout, with the creation of pathways and the check and challenge approach at the Clinical Advisory Group (CAG). Further work is now ongoing to strengthen the CAG with further inclusion of stakeholders, such as Digital/Informatics. In addition to this work is now being undertaken to integrate the restart of essential services within the clinical strategy and to test the approach with CAG given its wider stakeholder presence. There is a standard	Complete	Arpan Guha

Recommendation	Management response	Completion date	Responsible officer
	operating procedure in place to ensure effective stakeholder engagement in the development of the clinical strategy and any plans for significant service change during our short cycle response. As BCUHB considers further development of the longer-term clinical strategy, it is envisaged that there will a development of a wide stakeholder engagement plan. This will involve agencies such as CHC, local authority, primary and secondary care, Universities, Welsh Government, as examples.	March 2021	
Reporting progress against delivery of plans R3 Ensure that outcomes achieved as a result of delivery of actions are appropriately articulated within quarterly plan and annual plan monitoring reports. This may require strengthening of underpinning business benefits analysis processes.	The plan for quarters 3 and 4 is stronger on outcomes at a programme level than previous quarterly plans. Our chosen outcomes tie back to Living Healthier Staying Well and national outcome frameworks. Performance trajectories are also being developed for this planning round. In respect of reporting against performance, through direct engagement with operational leads, we are strengthening the narratives required for actions that are off track. Furthermore, we are looking at triangulation with the performance measures outlined in the NHS Wales Delivery Framework and how plan outcomes are impacting upon these.	November 2020	Mark Wilkinson

Audit Wales
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales
Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
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