

## Structured Assessment 2020 – Cardiff and Vale 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 Cardiff and Vale 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. This was particularly the case for the Health Board, who faced numerous challenges following a significant demand from COVID-19 cases early in the first peak, which tragically led to some loss of life. On 13 March 2020, the Minister for Health and 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 and 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<sup>1</sup> 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<sup>2</sup> 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

<sup>1</sup> The conduct of our work was co-ordinated with Internal Audit's rapid governance review which includes further testing of key controls noted in this report.

<sup>2</sup> Previous recommendations can be found in [our 2019 report](#). The Health Board's management response to [our 2019 recommendations can be found here](#).

- operational planning: to support the continued response to the pandemic balanced against the provision of other essential services.

## Key messages

- 6 The Health Board quickly adapted its governance arrangements to support agile and rapid decision-making and ensure effective operational management during the pandemic. The Board and its Committees could have been maximised though to provide scrutiny and assurance on all relevant matters during this period, particularly in the areas of quality, safety, and workforce. Reasonable steps were taken to conduct Board business in an open way, yet there was scope for more detailed reporting in public on all relevant matters during the pandemic. Communication with staff, the public, and partners during the pandemic was effective. There has been a stable Board during the pandemic. Opportunities to support the development and enhance the role of Independent Members could have been pursued in full. A programme of learning has been instigated and the Board is yet to reflect on its experiences of governing during the pandemic.
- 7 The Health Board achieved financial balance for 2019-20. But, with a cumulative deficit of £37 million for the period 2017-2020, it failed to meet its duty to have a three-year breakeven position. The Health Board has clear intentions to break even over the next three-years. Without additional funding, the year-end position for 2020-21 is now likely to be in significant deficit as a result of COVID-19. Effective financial controls, monitoring and reporting were maintained during the pandemic. Arrangements were also put in place to clearly track COVID-19 expenditure, yet there is scope for monitoring and reporting to be increasingly more transparent.
- 8 The Health Board's quarterly plans have been informed by robust data modelling and developed in a timely way, albeit with limited stakeholder engagement. The Board Governance Group considered the quarter one and two plans prior to submission, and retrospectively approved by the Board. The Health Board responded quickly to ensure sufficient resources were in place to deliver quarter one planning objectives. However, continued exclusive use of an independent hospital is a key dependency in the delivery of planned activity during quarter two, and risks remain in the event of a second COVID-19 peak. Streamlined performance reporting to the Board has operated during the pandemic. As performance management measures begin to be reinstated, there is a need to develop the Board reporting and scrutiny arrangements around the delivery of the operational plans.

## Recommendations

- 9 Recommendations arising from this audit are detailed in **Exhibit 1**. The Health Board's management response to these recommendations is summarised in **Appendix 1**.

### Exhibit 1: 2020 recommendations

#### Recommendations

##### Learning from governing during COVID-19 to strengthen future governance

- R1 Recognising the numerous challenges the Health Board faced during the first COVID-19 peak, the Board should reflect on its experiences of governing during that period in order to strengthen future governance both generally and in the event of a second COVID-19 peak. In reflecting on its experiences, the Board should focus in particular on:
- a. considering what worked well and what did not work so well, and identifying what it would do differently in the event of a second COVID-19 peak;
  - b. establishing which new ways of working introduced during the pandemic it wants to retain going forward;
  - c. supporting the development of the whole cadre of Independent Members as well as enhancing their role and input; and
  - d. enhancing Board reporting and transparency.

# Detailed report

## Governance arrangements

- 10 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.
- 11 We found that **there has been good operational management and agile decision-making during the pandemic despite some limitations in the transparency of scrutiny, assurance, and oversight of overall governance.**

## Conducting business effectively

**Revised governance arrangements were quickly established to enable responsive decision-making and effective operational management, but public scrutiny and assurance at Board-level could have been enhanced during the period**

### **Revised governance arrangements supported agile and rapid decision-making during the pandemic and ensured effective operational management**

- 12 The Health Board moved quickly to revise its governance arrangements and management structures in response to the pandemic. The Health Board did not deploy a traditional top-down Gold Command and Control structure to manage and co-ordinate its response to the pandemic. Instead, it established a **COVID-19 Command Structure** in March 2020 to enable it to adopt a more sustainable, inclusive, flexible and bottom-up approach. This approach supported effective operational management, facilitated agile and rapid decision-making, and ensured a high degree of clinical ownership of decisions during the pandemic.
- 13 The COVID-19 Command Structure comprised:
  - a **Strategic Group**, chaired by the Chief Executive Officer, which met twice a week to provide strategic direction and decision-making.
  - an **Operational Group**, chaired by the Chief Operating Officer, which met on a daily basis to manage and co-ordinate the day-to-day response to the pandemic.
  - a **Board Governance Group**, which operated as a Chair's Action Group and met weekly to provide scrutiny and governance over the decision-making process as well as to provide assurance to the Board that this was taking place. The membership of the group was limited to the Chair, Chief Executive Officer, and two Independent Members – the Independent Member (Legal), and the Independent Member (Finance) who were selected due to their expertise on legal and financial matters.

- four site-based **Operational Command Groups** (which temporarily replaced the Clinical Boards), and a series of **Planning Cells** that focussed on specific issues such as workforce, capacity planning, and communications.
- 14 A number of changes to the Health Board's governance arrangements were approved by the Board Governance Group in March 2020, which were retrospectively approved by the Board in May 2020, including:
- agreeing temporary revisions to parts of the Standing Orders;
  - introducing an authorisation framework setting out the delegation of revenue expenditure and capital expenditure in line with the Health Board's Scheme of Delegation, Standing Orders, and Standing Financial Instructions (excluding the Dragon's Heart field hospital); and,
  - an undertaking to keep the agendas of Board and Committee meetings to a minimum.
- 15 No changes were made to the Health Board's Scheme of Delegation. As a result, the Health Board continued to operate on the basis that deputies would act up in the absence of Executive Leads and Committee Chairs.
- 16 In revising its governance arrangements, the Health Board did not reference the Welsh Government guidance on discharging Board Committee responsibilities during COVID-19<sup>3</sup> partly due to the fact they were not published until the end of April 2020.

### **The Board and its Committees were not fully maximised to provide scrutiny and assurance on all relevant matters during the pandemic**

- 17 Whilst the roles and decision-making powers of the Board Governance Group, Strategic Group, and Operational Group were clear and well documented, the role of the Board and its Committees during the pandemic was less clearly defined.
- 18 The Board continued to meet on a monthly basis – alternating between Board Development Days and formal public meetings. From April 2020, the Board Development Days were largely used to highlight and discuss a range of topics relating to the pandemic. However, there is no public record of these meetings as they were held in private. COVID-19-related papers became available in the public domain when the Board formally met in May 2020. Several matters relating to the Health Board's response to the pandemic were dealt with by the Board Governance Group. The minutes of these meetings were shared with Independent Members (see **paragraph 34** below) and included in the papers of private Board meetings.

<sup>3</sup> [Guidance note: discharging board committee responsibilities during COVID-19 response phase](#)

- 19 The Finance Committee, the Audit & Assurance Committee, and the Quality, Safety & Experience Committee continued to meet as scheduled. The agendas of the Finance Committee were significantly adjusted to focus on COVID-19 expenditure and financial risks. However, the agendas of the Quality, Safety & Experience Committee were only partially adjusted to consider relevant COVID-19 matters, and the agendas of the Audit & Assurance Committee were not significantly adjusted to focus on essential business only. This is partly due to the fact these committees held some of their meetings before the Welsh Government guidance on discharging Board Committee responsibilities during COVID-19 was published in April 2020.
- 20 All other Committee meetings were stood down, with meetings convened as necessary to consider specific matters during the pandemic. For example, a special meeting of the Health & Safety Committee was convened in April 2020 to specifically discuss Personal Protective Equipment (PPE). However, a record of the meeting has not been made available on the Health Board's website.
- 21 Attendance at Board and Committee meetings during the pandemic has generally been good. We observed that discussions were focussed and that meetings ran to time. We also saw evidence of effective scrutiny and challenge at Board and Committee meetings around COVID-19-related matters. Where reports on COVID-19-related matters have been prepared to support decision-making and provide assurance, they have been timely and comprehensive. The Board and Committees have continued to make use of Actions Logs and decisions were made to defer certain matters until a more appropriate time.

**The Board took reasonable steps to conduct its business in an open way, but there could have been more detailed reporting in public on all relevant matters during the pandemic**

- 22 Due to the pandemic, the Board and Committees have been unable to hold meetings in public. The Health Board, therefore, moved quickly to holding virtual meetings instead. However, virtual meetings have not been accessible to the public until July when the Board meeting was recorded and made available on the Health Board's YouTube channel within 24 hours.
- 23 Despite initial technical and connectivity issues, virtual meetings have operated reasonably well, with Board members observing virtual etiquette and using software features to raise questions and share information.
- 24 Papers for the Board and the Committees referred to in **paragraph 19** above have continued to be published on the Health Board's website in the usual manner – ten days prior to Board meetings and seven days prior to a Committee meeting. Compliance with these standards during the pandemic has been good, with only a very small number of breaches.
- 25 As part of its commitment to facilitating as much transparency and openness as possible during the pandemic, the Health Board produced and published a record

of Board meetings on its website within three days. However, it ceased this practice in July 2020 when it provided a recording of the Board meeting on its YouTube channel.

- 26 Minutes provide a detailed summary of deliberations in Board and Committee meetings. Questions raised by Independent Members are captured well along with the responses provided by the relevant Executive Leads. Where verbal reports have been provided at meetings, the minutes provide a detailed summary of the main points covered by the verbal report and the subsequent deliberations of the Board or Committee.
- 27 The papers for Board Governance Group meetings have not been published on the Health Board's website thus limiting opportunities for public openness and transparency during the pandemic. Instead, the decisions taken by the Board Governance Group and Strategic Group have been presented to the Board as part of the Chair's Report for retrospective scrutiny and approval.

**Communication with staff, the public, and partners during the pandemic has been effective, and plans are in place to enhance the Health Board's engagement with the CHC during the recovery phase**

- 28 The Health Board used a range of communication approaches and platforms to keep staff, the public, and its partners informed during the pandemic.
- 29 Health Board representatives met on a weekly basis with their partners in the two local authorities, and briefings for local Members of Parliament and Senedd Members were provided on a fortnightly basis.
- 30 Regular informal communication was maintained with the CHC at Executive and Clinical Board levels. The CHC also participated in Board meetings and a log of service charges was shared with the CHC on a weekly basis. The Health Board has plans in place to enhance its engagement with the CHC during the recovery phase (see **paragraph 86**).

**There has been a relatively stable Board during the pandemic, although opportunities to fully inform, engage, and utilise Independent Members, and to develop their knowledge and understanding were not pursued in full**

- 31 There have been some changes to the composition of the Board over the past 12 months, including the appointment of the Vice Chair to the position of Chair on a substantive basis in June 2020, and the appointment of a new Independent Member (Capital & Estates) in February 2020. The Independent Member (Legal) is undertaking the role of Vice Chair on an interim basis. These changes have not adversely impacted on the stability of the Board.

- 32 In order to maintain the stability of the Committees, the Independent Member (Finance) continued to Chair the Finance Committee until May and the Chair of the Board continued as Chair of the Strategy & Delivery Committee. The Independent Member (Capital & Estates) has now taken over as Chair of the Finance Committee and the Interim Vice Chair has been appointed as Chair of the Strategy & Delivery Committee. Although steps have been taken to strengthen the capacity of committees by increasing their membership, attendance at some committee meetings could be improved.
- 33 Although the Chair appointed a first and second deputy (the Interim Vice Chair and Chair of the Audit & Assurance Committee respectively) to ensure business continuity, these arrangements were not formally documented and communicated to other Independent Members.
- 34 The Chair established a dedicated WhatsApp Group to facilitate communication and information sharing with Independent Members during the pandemic. The Chair also ensured minutes of the Board Governance Group were shared with them in a timely manner. Board Development days were used to brief Independent Members on a range of topics relating to the pandemic. Despite this, not all Independent Members feel they were briefed and updated on all relevant matters in a timely manner.
- 35 Opportunities to build knowledge, understanding and resilience across its cadre of Independent Members were not pursued by the Health Board in full by, for example, actively encouraging the members of committees which were stood down to participate in other committees during the period. Similarly, opportunities to build the knowledge and understanding of Committee Vice Chairs by, for example, involving them fully in the agenda setting process were not pursued. Furthermore, there was scope for the Health Board to make greater use of Board Champions to support its response to the pandemic. In reflecting on its experiences of governing during the pandemic, the Board should consider identifying opportunities to support the development of the whole cadre of Independent Members, as well as enhance their role and input.

**A programme of learning has been instigated, but the Board is yet to reflect on its experiences of governing during the pandemic**

- 36 The revised governance arrangements have been kept under review by the Board Governance Group with the support of the Director of Corporate Governance. However, there has been limited oversight of these arrangements at Board level since the Board considered the revised governance arrangements in May 2020.
- 37 A Learning Programme has been established and the Health Board has started to reflect on new ways of working and innovation at an operational level during the pandemic. However, the Board is yet to reflect on its experiences of governing during the pandemic. There is scope for the Board to learn from its experiences in

order to strengthen future governance, in general and in the event of a second COVID-19 peak.

- 38 The Board has produced its 2019-20 Accountability Report and the Committees have published their Annual Reports for the same period. However, due to the timing of the COVID-19 response, the Board has not yet been in a position to complete all aspects of its annual governance review programme, such as the assessment of its compliance with the HM Treasury **Corporate Governance in Central Departments: Code of Good Practice**.

## **Risk and Systems of Assurance**

**Effective risk management arrangements operated during the pandemic, although assurance reporting on quality, safety, workforce, and staff wellbeing could have had a stronger focus**

**Appropriate steps were taken to adapt risk management arrangements during the pandemic, but there is scope to strengthen corporate arrangements further**

- 39 A separate Board Assurance Framework was introduced to capture, manage and mitigate the strategic risks relating to COVID-19. All of the strategic risks have an Executive Lead and have been assigned to the relevant Committees of the Board. Key operational risks relating to COVID-19 have been captured and managed via the Risk Registers maintained by the four Command Centres established to address operational demands during the pandemic. These Risk Registers were reviewed and updated on a weekly basis and reported to the Strategic Group.
- 40 Whilst the COVID-19 Board Assurance Framework has been subject to scrutiny by the Board Governance Group and the Board, the relevant Committees have not yet reviewed the strategic COVID-19 risks in detail. As a result, they have not been in a position to provide further assurance to the Board. In July 2020, the Board agreed to merge the COVID-19 Board Assurance Framework with the standard Board Assurance Framework to create a single repository of all strategic risks. No changes have been made to the Health Board's risk appetite.
- 41 The Corporate Risk Register, which enables the Board to maintain an overview of the key operational risks from the Clinical Boards and Corporate Directorates, has been expanded to include the key operational risks of the four Command Centres. The Corporate Risk Register includes those risks which are rated 15 and above, and each one is linked to the relevant strategic risk(s) in the Board Assurance Framework. The Corporate Risk Register was reviewed by the Board at its private meeting in July 2020. The Finance Committee has maintained effective oversight of the finance risk register and the specific financial risk register created for the Dragon's Heart Hospital (see **paragraph 76** for further detail).

- 42 Risk management systems have been improved and comprehensive structures are now in place to identify and manage risk. However, there is scope to strengthen these arrangements further. The Health Board is aware of this and is putting arrangements in place to enhance and embed risk management across the Clinical Boards and Corporate Directorates by, for example, rolling out a programme of education and training around the Risk Management Policy.

### **While the Health Board has continued to track audit recommendations during the pandemic, the overall number of outstanding recommendations remains high**

- 43 The Audit & Assurance Committee continued to receive and review tracker reports during the pandemic. The reports, which have not been adapted during the pandemic in line with Welsh Government guidance, outline the Health Board's progress in responding to all of the recommendations made by the Internal Audit Service and Audit Wales since 2017-18. However, these reports received little scrutiny and challenge by Independent Members.
- 44 Although some progress was made in addressing historic recommendations during the pandemic, the overall number of outstanding recommendations remains high. In June 2020, there were a total of 226 outstanding Internal Audit recommendations and a total of 31 outstanding Audit Wales recommendations.
- 45 The Audit & Assurance Committee continued to receive Internal Audit Progress Reports. The Committee considered and agreed adjustments to the programme as recommended by the Head of Internal Audit due to the impact of COVID-19. The Committee also continued to receive Internal Audit Reports during the pandemic. Some reports were presented in draft form due to the impact of COVID-19 on the capacity and working arrangements of the Internal Audit Service.

### **A strong focus on quality and safety was maintained at an operational level during the pandemic, but stronger assurances could have been provided to the Board**

- 46 The Health Board maintained a strong focus on quality and safety at an operational level during the pandemic. Quality and safety matters were considered at every meeting of the Operational Group and Strategic Group, with the former escalating matters to the latter for a decision as required.
- 47 Daily situation reports were produced containing a range of quality indicators including mortuary capacity, PPE, sickness absence, testing, and medical/pharmaceutical supplies. The reports were submitted to the South Wales Local Resilience Forum to provide situational awareness for all partners and to inform the Welsh Government on emerging issues and challenges.
- 48 The Patient Safety and Quality Team maintained the Health Board's operational quality assurance arrangements during the pandemic, including conducting mortality reviews, investigating complaints and serious incidents in accordance

with Putting Things Right, monitoring compliance with the Nurse Staffing Levels (Wales) Act, and addressing annual reporting requirements.

- 49 The Health Board developed and implemented clear plans to maintain essential services, expand critical care capacity, and secure external capacity to ensure patients with non-complex cancer and other urgent conditions received appropriate treatment during the pandemic. Steps were also taken to create zones within hospitals to safely segregate COVID-19 patients and non-COVID-19 patients. These arrangements were reported to the Board in May 2020.
- 50 The focus on core quality, safety and experience issues at Board level has been less robust. Although regular assurance reporting was adjusted to reflect the COVID-19 situation, the Board and Quality, Safety and Experience Committee did not receive assurances on all of the quality areas outlined in the Welsh Government guidance. For example, there were significant gaps in providing assurance reports on infection prevention and control measures, as well as the risks of harm.
- 51 The Health Board maintained a strong focus on workforce and staff wellbeing issues at an operational level during the pandemic, with dedicated planning cells for PPE and Workforce established as part of the COVID-19 governance structure. However, the Strategy & Delivery Committee, which provides assurance to the Board on strategic workforce and staff wellbeing issues, was stood down during the height of the pandemic. As a result, matters relating to the workforce were reported either to the Board Governance Group or the Board. The Board received assurance reports on the following areas in May 2020:
- PPE supply, guidance and training;
  - resourcing including recruitment to increase workforce supply, staff wellbeing, staff risk assessments, and absence levels; and
  - nurse staffing levels for adult acute medical and surgical wards (a verbal update was provided to the Board in July 2020).
- 52 Although the Strategy & Delivery Committee was reinstated in July 2020, it did not receive any updated assurance reports on matters relating to workforce and staff wellbeing. Routine reporting to the Committee on workforce key performance indicators has also been suspended until September 2020.

## Managing financial resources

- 53 Our work considered the Health Board's financial performance, changes to financial controls during the pandemic and arrangements for monitoring and reporting financial performance.
- 54 We found that **effective financial controls, monitoring and reporting have been maintained throughout the pandemic, but the impact of COVID-19 is creating a significant risk to the Health Board's ability to break even.**

## Achieving key financial objectives

**The Health Board has clear plans in place to break even for the next three-years, but uncertainty over COVID-19 costs raises significant risks to delivery**

**The Health Board broke even in 2019-20 and met its financial duty to have an approved three-year Integrated Medium-Term Plan (IMTP). But, with a three-year rolling deficit of £37 million, it failed its duty to break even over 2017-20**

- 55 The Health Board achieved an in-year surplus for the financial year 2019-20 but failed to achieve its statutory duty to achieve a break-even position against a Revenue Resource Limit over the three-year period 2017-2020. The outturn position at the year-end was a surplus of £58,000 reducing its three-year rolling position to an overspend of £37 million<sup>4</sup>.
- 56 To achieve the in-year position, the Health Board identified the need to deliver against a savings target of £31.2 million at the start of 2019-20. This was subsequently reduced to £26.1 million. At the start of the financial year, savings plans were in place to deliver £23 million which was substantially delivered by the year-end. Additional income generation and accountancy gains enabled the Health Board to meet its overall savings target of £26.1 million.
- 57 The Health Board had planned to reduce its underlying deficit of £36.3 million reported at the start of 2019-20 to £4.0 million by the year-end. It was able to reduce the underlying deficit to £11.5 million which has been brought forward into 2020-21.
- 58 The Health Board remained within its Capital Resource Limit, and also met its requirement to have an approved three-year IMTP for the period 2019-2022. This led to the Health Board being de-escalated to routine monitoring in September 2019<sup>5</sup>.

**The Health Board set a balanced financial plan for 2020-21, but without additional funding, it is now forecasting a significant deficit as a result of COVID-19**

- 59 The Health Board submitted its IMTP for 2020-2023 by the amended Welsh Government deadline of 31 January 2020. The Welsh Government identified the plan as approvable but due to COVID-19 the IMTP process was paused. The IMTP

<sup>4</sup> Following the [ministerial announcement in July 2020](#), historic debt will be written off by the Welsh Government, subject to the Health Board delivering its three-year break-even duty.

<sup>5</sup> [NHS Wales Escalation and Intervention Arrangements](#)

set out the Health Board's intention to deliver an in-year break-even position for 2020-21. The plan included a required savings target of £29 million for 2020-21 to enable the Health Board to further reduce the underlying deficit of £11.5 million.

- 60 Before the start of this financial year, the Health Board had identified savings plans totalling £14 million. However, due to the impact of COVID-19, this has now reduced to £4.1 million. This is made up of £3.3 million recurrent savings, and £0.8 million non-recurrent. At month four, it had achieved £1.3 million of savings, with a forecast year-end position of £4.1 million savings delivery.
- 61 The impact of COVID-19 has significantly changed the financial landscape of the Health Board. Despite maintaining a forecast year-end position of breakeven for its core operations, the Health Board is now forecasting a significant overall deficit of £131 million (a reduction from an initial forecast at month one of £182 million). At month four, it reported a cumulative deficit of £53 million. Expenditure relating directly to COVID-19 was reported at £52 million, the majority of which relates directly to the costs associated with the Dragon's Heart Hospital.
- 62 The full-year forecast COVID-19 cost pressures are the highest in Wales, largely due to the costs of the Dragon's Heart Hospital (the second largest field hospital in the UK) and are predicated on being offset against reductions in spend associated with the cessation of elective work. The Health Board has clearly stated that its forecast figures for the year-end are highly volatile, and that funding from the Welsh Government to offset the full costs may or may not be forthcoming. The forecast, however, assumes no second or third COVID-19 peak but rather a steady pressure throughout the year. The forecast also assumes no additional costs for surge capacity beyond 31 October, as workforce is a key constraint. However, during July, it has subsequently been agreed that the Health Board will need to provide surge capacity of 400 beds, as a contingency against further peaks in demand, through the development of a semi-permanent field hospital on the UHW site following the decommissioning of the Dragon's Heart Hospital.
- 63 The Welsh Government has provided £21 million of COVID-19 funding to date. The Health Board remains focused on delivering its baseline plan and has not assumed any further funding from the Welsh Government. It is recognising the effect of reduced planned care expenditure to offset COVID-19 costs, minimising financial run rates and continually reviewing its forecast alongside quarterly operational plans. However, it is highly unlikely that the Health Board will be able to cover the ongoing COVID-19 costs without significant additional funding or a move to a planned deficit position.

### **The Health Board has clear intentions to maintain a break-even position over the next three years, but its plan was set out prior to the COVID-19 outbreak**

- 64 As part of its IMTP, the Health Board has a longer-term financial plan for the period 2020-2023. The plan forecasts a break-even position for 2021-2022 and 2022-2023 and is based on estimated inflationary and cost pressures, and Welsh

Government allocation uplifts. The plan also assumes a reduction in the underlying deficit and planned savings of £20.5 million in 2021-2022 and £16.5 million in 2022-2023.

- 65 The plan recognises a number of key financial risks to delivery which will require concerted efforts to manage. These are:
- achievement of efficiency savings;
  - management of operational pressures and containment of costs; and
  - delivery of Referral to Treatment Times (RTT) and winter plans.
- 66 The three-year financial plan was established prior to the COVID-19 outbreak and, therefore, will be affected by the pandemic. As set out in **paragraph 60**, savings in 2020-21 are already significantly behind the original target, which is likely to lead to a year-end deficit, if not funded by the Welsh Government. This could have a negative impact on the Health Board's ability to reduce its underlying financial deficit and deliver a break-even position over the next three years.

## Financial controls

### **The Health Board has operated within existing financial controls and put in place mechanisms to clearly track COVID-19 expenditure**

- 67 At the start of the pandemic, the Health Board established weekly templates to record all additional costs incurred relating to COVID-19. These have been fed into a record of cumulative expenditure totals, and include all revenue and capital expenditure, and incorporate direct and indirect costs. The templates record the description, cost, justification and method of authorisation for each of the items of expenditure.
- 68 In May 2020, the Board and Audit & Assurance Committee received a paper setting out the financial governance arrangements during the pandemic. The paper set out that existing financial controls detailed in the Health Board's Scheme of Delegation, Standing Orders and Standing Financial Instructions would apply, with only minor amendments needed in relation to the referencing of the new groups established during the pandemic. The paper, however, did recognise that there was a risk of breaches against Standing Orders which would be addressed through variations which would require Board approval. To date, there have been no significant breaches.
- 69 The Health Board's Scheme of Delegation allows adequate delegation for most large purchases, but further approval was through the Strategic Group, Board Governance Group or full Board if necessary. The use of Chair's Action was also available for any urgent decision on significant expenditure if needed, for example, expenditure for field hospital set-up, but this has largely been kept to a minimum.

- 70 Annual accounts preparation was completed by the revised deadline of 22 May 2020. Our audit of the financial statements did not identify any significant issues to suggest that financial controls were weakened or bypassed.
- 71 For the first three months of 2020-21, the Health Board has had access to additional independent hospital beds in the Spire Hospital to support the delivery of essential services. The commissioning of this capacity was undertaken on an all-Wales basis by the Welsh Health Specialised Services Committee (WHSSC) and funded by the Welsh Government. Decisions relating to the longer-term availability of these beds has been approved via the Board Governance Group and ratified by the Board.
- 72 The Health Board has worked closely with the Welsh Government to establish the Dragon's Heart Hospital. Robust financial controls have been in place with a high degree of scrutiny of the spend incurred to establish the field hospital maintained through the Finance Committee and the Board. In June 2020, the Welsh Government commissioned KPMG to undertake reviews of field hospitals for due diligence, including the Dragon's Heart Hospital. This review has recently been completed but at the time of our reporting, we had been unable to have sight of the final report.
- 73 During the pandemic, there has been a significant increase in the number of charitable gifts and donations. The Health Board has applied its Standards of Behaviour Policy to register gifts and donations, although ongoing communication to staff about the need to comply with the policy had been stood down. Donations received centrally have been recorded, and were reported to the Charitable Funds committee at its meeting in July 2020. A bid process has been developed to allocate funds to front line services. However, only a small proportion of the donations have been utilised to date.
- 74 Routine counter-fraud arrangements have been maintained during the pandemic, although members of the Counter Fraud Team were redeployed to provide support in establishing the Dragon's Heart Hospital, thus reducing capacity in this area. These staff, however, were still available to respond to counter-fraud issues, and a Counter Fraud Steering Group and Management Group met weekly to discuss counter-fraud risks arising during the pandemic.

## Monitoring and reporting

### **Comprehensive reporting has supported timely scrutiny and monitoring throughout the pandemic, although there is scope to increase public transparency**

- 75 During the pandemic, the Board has maintained robust oversight of the Health Board's financial position through its Finance Committee which continued to meet on a monthly basis. The Board received timely reporting to each of its meetings. In

addition, four of the members of the Board Governance Group have been present at the Finance Committee meetings.

- 76 Reporting on the financial position is comprehensive with information consistent with that provided to the Welsh Government through monthly monitoring returns. The reports provide a clear picture of the financial position, challenges and risks, and the mitigating actions being taken. They also include explanations of COVID-19 and non-COVID-19 expenditure and the level of savings the Health Board has been unable to make. A specific financial risk register has been established which covers both COVID-19 and non-COVID-19-related financial risks. This is also supported by a specific financial risk register for the Dragon's Heart Hospital, which is accounting for a significant proportion of the COVID-19 expenditure. The financial risk registers are overseen by the Finance Committee, although limited assurance is currently being provided against a number of the risks due to the volatile nature of the forecast financial position.
- 77 All papers of the Finance Committee are available on the Health Board's website, providing opportunity for public transparency. With the exception of month one and two, the papers also included the Health Board's financial position, which were then also subsequently reported to Board. As part of its standard reporting, all Single Tender Actions have also been reported to the Audit & Assurance Committee relating to both COVID-19 and non-COVID-19 activity. These reports are however considered in the private meetings. To increase public transparency, the Health Board should look to consider papers relating to its financial controls within the public meetings of its committees.
- 78 During the pandemic, the Executive Performance Reviews were stood down. Clinical Board management teams were redeployed into the revised site structure put in place to respond to the pandemic. The COVID-19 financial control at an operational level has been the responsibility of the Operational Group, with financial decisions outside the scheme of delegation limits reported to the Strategic Group and the Board Governance Group for approval.

## Operational planning

- 79 Our work considered the Health Board's progress in developing and delivering quarterly operational plans to support the ongoing response to COVID-19 and to provide other essential services and functions in line with Welsh Government planning guidance. At the time of our work, the focus was on essential services with the aim of restoring normal and routine activities when it is safe and practicable to do so.
- 80 We found that **operational plans have been informed by robust data modelling and developed in a timely way, and the Health Board is seeking to more fully engage stakeholders in future planning. However, risks remain in the event of a second COVID-19 peak, and arrangements to monitor delivery of the plan need strengthening.**

## Developing the plan

### **The Health Board's quarterly plans have been developed in a timely manner and have been informed by robust data modelling processes**

- 81 Cases of COVID-19 were first identified in Cardiff and the Vale of Glamorgan in early March 2020. Prior to this, the Health Board rapidly put in place a three-phase plan to mitigate the impact of the anticipated surge in demand. Phase one involved repurposing and reconfiguring a large proportion of its facilities in order to maximise the bed capacity available for COVID-19 patients. A zoning plan was established to provide segregated ward capacity for confirmed COVID-19 patients. Phase two involved identifying other suitable areas outside of the normal adult bed capacity to expand the available bed space. Phase three involved identifying additional capacity if the demand substantially exceeded the capacity available within the Health Board's hospitals. As noted previously, a surge hospital was constructed in the Principality Stadium – the Dragon's Heart Hospital.
- 82 Whilst this preparation took place during quarter one to deal with the anticipated COVID-19-related demand, the Health Board also maintained a programme of essential services, delivering emergency surgery, cancer treatment and other cases, with utilisation of theatre capacity at the Spire Hospital. Clinicians have been supported to maintain services through the rapid introduction of GP clusters to ensure the timely access of urgent and emergency care.
- 83 Quarter one saw a transformation in the way that patients accessed general practice and mental health services. Planning is now being put in place to prepare for anticipated increases in the need for mental health services and support for children with complex needs returning to school in quarter two.
- 84 Both plans were produced quickly and submitted to the Welsh Government on time. Both plans were considered and approved by the Board Governance Group prior to submission, and retrospectively approved by the Board. The quarter two plan was presented to the Strategy & Delivery Committee for retrospective scrutiny and challenge in July 2020. However, for future quarterly plans, Independent Members have asked the Health Board to establish a mechanism for allowing them to have greater input into the development of the plans before they are submitted to the Welsh Government.
- 85 Plans have generally been consistent with the NHS operational planning framework and the Health Board has responded to Welsh Government feedback. In some areas of the quarter one plan, the Welsh Government suggested that the Health Board undersold its achievements, so the quarter two plan has provided more detail in these areas.
- 86 As the Health Board needed to focus its resources on its emergency response to COVID-19, this impacted significantly on its stakeholder engagement activity in quarter one. Improvements are planned for engagement activity in quarter two, for example:

- regular engagement with the CHC, including meetings at Chief Executive and Chair level and meetings to discuss specific issues including the Service Delivery Plan;
- a joint Management Executive with Local Authority partners held on a weekly basis;
- regular meetings of key groups under the Regional Partnership Board to oversee the collaborative emergency response across the health and social care arena; and
- sharing a weekly COVID-19 Key Stakeholder Brief in confidence with trusted partners including the CHC, MSs and MPs, local councillors, LMC, PSBs, the Local Partnership Forum and Stakeholder Reference Group.

87 Data modelling has been an integral part of the Health Board's situational awareness and decision-making during the pandemic. It has worked at pace with regional partners to develop a surveillance system, incorporating early warning indicators, to monitor the prevalence and impact of the virus at the local level. It has informed capacity/demand modelling for operational planning, particularly in the event of a second COVID-19 peak, and in conjunction with the Health Board's 'patient streams' and 'gearing' approach which forms its overall COVID-19 Operating Model.

88 The Health Board provides complex and tertiary elective surgery for the South Wales region. In the second quarter, the Health Board is working closely with commissioners and partner providers to ensure regional and tertiary services with the most challenges are protected. Focussed work is taking place in several specialities, including interventional radiology, upper GI cancer surgery, paediatric gastroenterology, and paediatric neurology. However, in order to provide all the surgery (and address backlog) it will be necessary for the Health Board to continue to utilise the Spire Hospital for the remainder of the financial year (see **paragraph 93** for more detail).

89 The Health Board has also re-established its specialist and tertiary provider partnership with Swansea Bay UHB and is recommencing discussions with Cwm Taf Morgannwg UHB regarding a number of fragile services, where a collaborative/networked service will deliver a more sustainable service model. The Health Board also outlined in its quarter two plan a desire to progress regional discussions about high volume ophthalmology, in particular cataract surgery where there will be a significant backlog post-COVID-19.

## Resources to deliver the plan

### **The Health Board responded quickly to ensure sufficient resources during quarter one, with continued independent hospital use a key dependency for delivering planned activity in quarter two, but risks remain in the event of a another COVID-19 peak**

- 90 Prior to the start of the pandemic, the Health Board's workforce was already identified as a significant risk with increasing challenges in being able to recruit healthcare professionals. The Health Board's corporate risk register included several medical and nursing workforce related risks. At the start of the pandemic, the Health Board faced a considerable resourcing challenge and a 'perfect storm' of high absence figures and approximately 650 staff members needing to shield. The Health Board brought recruitment in-house and was able to recruit 1,200 staff members in a very short period of time at a considerable additional cost.
- 91 Whilst additional recruitment assisted in dealing with the emergency phase of the pandemic, staff had to adapt quickly to the challenge by adopting new ways of working, redeployment to priority areas and responding to the infection prevention and control requirements. Going forward, workforce supply and availability remain a key area of risk for the Health Board as work continues to increase the delivery of essential services and restarting routine activity and preparing for any second COVID-19 peak. It is not completely clear whether the Health Board's current workforce would be able to cope with demand in the event of a second peak in COVID-19. During quarter two, the Health Board is continuing to prioritise ongoing support for shielding staff, including working arrangements when shielding ends, protecting BAME staff groups and the provision of a range of support initiatives for staff wellbeing.
- 92 Going forward, the Health Board faces considerable challenges in balancing the need to ensure essential services are returned whilst ensuring the safety of patients and staff, whilst also managing the COVID-19 situation. The Health Board has established a Learning Programme and is exploring a range of options, including: new ways of working, a greater multi-disciplinary approach, increased recruitment, medical and professionals returning to work, changes to student nurses' educational contracts, and greater reliance upon Health Care Support Workers to ensure all areas are staffed appropriately. Although the Health Board is planning to continue all essential services during quarter two, some areas will not be working to the same capacity they were before the pandemic. These include cardiac surgery, the major trauma centre, gastroenterology, paediatric inpatients and community, and urology cancer.
- 93 Throughout the pandemic, the Health Board has maintained level 1a and level 1b surgery and most level 2 surgery. Whilst the Health Board has the physical theatre capacity to also meet level 3 demand, there is likely to be a theatre staffing deficit unless theatre throughput can significantly improve closer to pre-COVID-19 levels.

If the Spire Hospital is not available for the remainder of the financial year, this would lead to a direct reduction in the capacity for urgent and time-sensitive activity. Even with the Spire Hospital, the Health Board does not anticipate having the capacity to treat level 4 patients in any significant volumes. In terms of surge capacity, there are plans in place to develop a semi-permanent field hospital on the UHW site to provide 400 beds following the decommissioning of the Dragon's Heart Hospital.

- 94 The focus for the Health Board in quarter two will be remaining vigilant to the threat of COVID-19 and proceeding with appropriate caution. The Health Board aims to 'transform at pace and focus on the long term'. Workforce supply and availability remains a key area of risk as work continues to increase the delivery of services and activity whilst preparing for any second COVID-19 peak.
- 95 The pandemic has accelerated some of the Health Board's longer-term plans, most significantly around the implementation of GP clusters and the use of digital platforms. There is emerging evidence from the Health Board's Stakeholder Reference Group (SRG) that access to some services has been better during the pandemic through the use of virtual triaging for instance in primary care. There has been positive patient feedback on virtual working. However, there is a need to remain mindful that some patients need to access services by non-digital means. The Health Board is also taking positive, proactive steps through the introduction of its CAV24/7 initiative to try and avoid potential issues that will emerge as A&E attendances are expected to increase over quarter two.

## Monitoring delivery of the plan

### **While streamlined performance reporting to Board has operated during the COVID response, there is now a need to develop the reporting and scrutiny arrangements for operational plan delivery**

- 96 At the start of the pandemic, the Welsh Government suspended performance monitoring arrangements. This largely remains the case, but some data submissions to the Welsh Government were re-instated in June 2020. National publication of performance remains suspended until 30 September 2020 at the earliest.
- 97 The Welsh Government's national framework for responding to COVID-19 set out four types of harm which Health Boards needed to address in a balanced way, these are:
- harm from COVID-19;
  - harm from an overwhelmed NHS and care system;
  - harm from a reduction of non-COVID-19 activity; and
  - harm from wider societal actions/lockdown.

- 98 From mid-March 2020, the focus of the Health Board switched to managing COVID-19 and maintaining essential services in line with national guidance. In April 2020, the Health Board clarified its performance management arrangements. In contrast with other Health Boards that are developing a performance management framework based around the four types of harm, the Health Board has instead focussed on only reporting performance for specific indicators in relation to essential services. These were: Cancer, Eye Care, and Accident and Emergency. From June 2020 onwards, this has been expanded to also include unscheduled care, referral to treatment times, mental health, and diagnostics and operations. Going forward, the Health Board should consider measures across all four quadrants of harm identified in the Welsh Government operating framework, such as the harm caused by the reduction in activity.
- 99 In terms of monitoring the operational plans, there is no indication of how the Health Board is performing against a set of measurable actions. The quarter two plan does not include a summary of progress against the quarter one plan. Whilst both quarter operational plans provide details of activity, there is no evidence of an action plan, with key milestones, measures and intended outcomes. The Health Board should consider including this information in future plans, as well as develop its scrutiny and oversight arrangements.
- 100 There remain challenges in the plan and there are still significant uncertainties that will need to be resolved during quarters three and four, particularly in relation to funding, maintaining the wellbeing of the workforce, meeting winter pressures, as well as the continuing impact of COVID-19 on the health and social care needs of the population.

# Appendix 1

## Management response to audit recommendations

### Exhibit 2: management response

Recommendation	Management response	Completion date	Responsible officer
<p>R1 Recognising the numerous challenges the Health Board faced during the first COVID-19 peak, the Board should reflect on its experiences of governing during that period in order to strengthen future governance both generally and in the event of a second COVID-19 peak. In reflecting on its experiences, the Board should focus in particular on:</p> <ul style="list-style-type: none"> <li>a. considering what worked well and what did not work so well, and identifying what it would do differently in the event of a second COVID-19 peak;</li> <li>b. establishing which new ways of working introduced during the pandemic it wants to retain going forward;</li> <li>c. supporting the development of the whole cadre of Independent Members as well as enhancing their role and input; and</li> <li>d. enhancing Board reporting and transparency.</li> </ul>	<p>There has been a lot of work done on lessons learned within the Health Board covering many different functions and this learning has taken on board the comments made by Audit Wales, Internal Audit and KPMG. This has included lessons learned from a governance perspective and the governance arrangements for the next wave, and future waves of COVID-19. A report is being presented to Management Executive, Board Governance Group, Audit &amp; Assurance Committee, and the Board to ensure that this learning is taken forward and implemented. This report will cover off items a, b, c, and d of the recommendation.</p>	<p>30 November 2020</p>	<p>Director of Corporate Governance/ Chief Executive/ Chair of Board</p>



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