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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	28 th July 2020	Agenda Item	3.2	
Report Title	Update on response to KMPG Reports			
Report Author	Samantha Lewis, Deputy Director of Finance Hannah Evans, Director of Transformation			
Report Sponsor	Darren Griffiths, Interim Director of Finance			
Presented by	Darren Griffiths, Interim Director of Finance			
Freedom of Information	Open			
Purpose of the Report	This report provides the Performance and Finance Committee with an update on the Health Board response to KPMG and further actions for Quarter 2.			
Key Issues	<p>Welsh Government commissioned KPMG to provide support to the Health Board during 2019/20 with focus on improving the financial position for 2019/20, the underlying financial stability and the organisation's delivery framework. There were four key products from KPMG :</p> <ul style="list-style-type: none">• An assessment of the financial grip and control environment of the Health Board with key recommendations to implement and enhance controls.• An assessment of the 2019/20 financial plan including assumptions, risks and cost drivers.• An assessment of the recovery plan, including the identification of pipeline opportunities to support improved financial stability and performance.• An assessment of the governance and broader delivery framework in place to drive and oversee financial recovery and recommendations to facilitate a step change in organisational performance. <p>This paper provides an update on the Health Board's response to the KPMG reports and the further actions for Quarter 2, recognising the impact of the COVID-19 pandemic on progress.</p>			
Specific Action Required (please choose one only)	Information <input type="checkbox"/>	Discussion <input type="checkbox"/>	Assurance <input checked="" type="checkbox"/>	Approval <input type="checkbox"/>
Recommendations	Members are asked to:			

	<ul style="list-style-type: none"> • NOTE the actions to date in response to KPMG reports. • CONSIDER and comment upon the further actions for Quarter 2.
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UPDATE ON RESPONSE TO KPMG

1. INTRODUCTION

The report provides the Performance and Finance Committee with an update on the Health Board response to KPMG and further actions for Quarter 2.

2. BACKGROUND

Welsh Government commissioned KPMG to provide support to the Health Board during 2019/20 with focus on improving the financial position for 2019/20, the underlying financial stability and the organisation's delivery framework. There were four key products from KPMG along with an overarching summary report. The four key products are described below:

- An assessment of the financial **grip and control** environment of the Health Board with key recommendations to implement and enhance controls.
- An assessment of the **2019/20 financial plan** including assumptions, risks and cost drivers.
- An assessment of the **recovery plan**, including the identification of pipeline opportunities to support improved financial stability and performance.
- An assessment of the governance and broader **delivery framework** in place to drive and oversee financial recovery and recommendations to facilitate a step change in organisational performance.

This paper provides an update on the Health Board's response to the KPMG reports and the further actions for Quarter 2, recognising the impact of the COVID-19 pandemic on progress.

3. ASSESSMENT

The KPMG work concluded in February 2020 with the issue of the four key reports and the Health Board produced its initial action plan in response to the reports.

The COVID-19 pandemic has impacted on the action plan development and implementation, however, some actions have been taken and the Health Board is now planning its response for Quarter 2 and beyond as the impact on our business systems in the more recent phase of our COVID-19 response has been reduced and capacity has become available for colleagues to return to this important work.

3.1 2019/20 Financial Plan

The work reviewed the Health Board 2019/20 financial plan, performance against plan and the then forecast position. The key findings were:

- The Health Board lacked a sustainable transformation programme and has an over-reliance on transactional and tactical in-year savings and actions, which challenged the ability to set and manage a balanced financial plan.
- The in-year cost pressures challenges experiences reflected a combination of pressures that could not have been foreseen; primary care price changes

and sustained unscheduled care pressures; and those that could have been foreseen or managed more effectively; CHC growth, Nursing and Admin and Clerical spend.

- The forecast position recognised risk and opportunities but was optimistic on delivery of actions and opportunities.

These findings were recognised, accepted and were taken into the development of the 2020/21 plan.

3.2 Grip and Control

The review reflected that the expenditure controls in place within the Health Board were recognised and as expected. However there were opportunities to enhance existing controls. The report also highlighted a lack of compliance reporting, which was recommended to be addressed.

This report has also been considered in conjunction with the Grip and Control Expectations highlighted in Dr Andrew Goodall's letter of 2nd March 2020 as this communication brings together the learning from a number of Welsh Government commissioned interventions.

Some of the key areas of Grip and Control are :

- Bank
- Agency
- Rostering
- Medical Locums
- Medical Rotas
- Other Pay Controls including Establishment Controls
- Procurement including compliance with no purchase order, no pay policy
- Non-Clinical Non Pay scrutiny
- Business case review and scrutiny
- Contract Management

All grip and control areas are being reviewed to ensure that the control measures remain in place and are still being adhered post COVID-19 response. This review will also consider compliance reporting and testing. This will also need to consider the escalation policy.

At the time of writing the previous nursing work stream has been re-established and is refocussing on the key areas of agency spend, rostering, bank utilisation and the broader consideration of the nursing hierarchy across the Health Board. The previous CHC work stream has also now been re-established and it reworking its brief in the light of COVID-19.

3.3 Recovery Plan

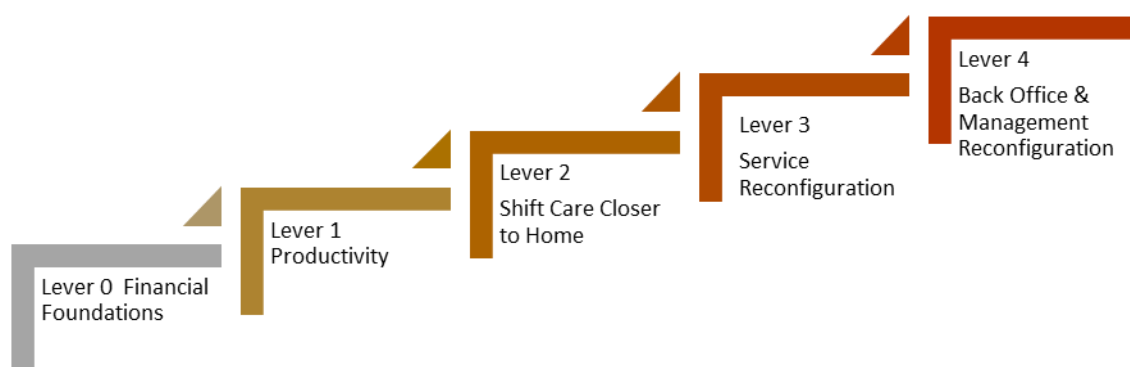
The review provided the Health Board with a wide range of pipeline opportunities to develop into an efficiency and savings plan over a 3 year period.

The initial opportunity pipeline identified savings of £47m over the three period, this has been risk adjusted to reflect the delivery risks, the risk adjusted opportunities have been identified as £23m.

	Opportunities	Risk Assessed Opportunities
	£m	£m
2020/21	19.5	10.5
2021/22	16.3	8.2
2022/23	11.2	4.1
Total	47.0	22.8

This was used to inform an element of the savings delivery within the 2020/21 financial plan.

The opportunity pipeline was developed by KPMG using a 5 lever approach



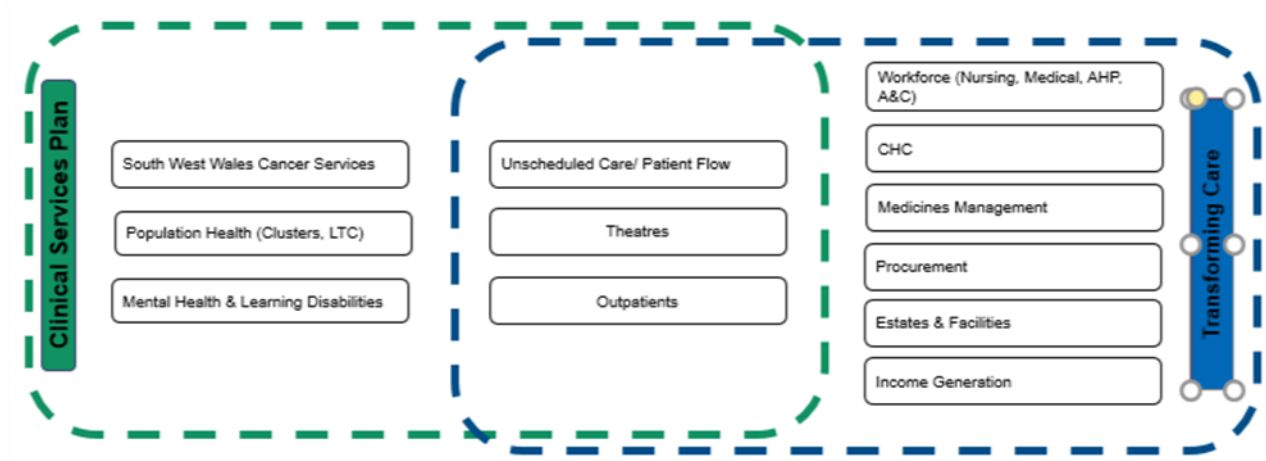
The table below provides a mapping of the identified opportunities to the levers. This highlights that the most significant opportunities identified for 2020/21 were in foundation, which is grip and control and, productivity.

Productivity also offers the most significant opportunity across the 3 years and this needs to be a key focus for the Health Board as service models are reset post COVID.

There was little identified against levers 2, 3 and 4 and this gives opportunities for further development of opportunities pipeline.

	20/21 risk adjusted opportunities	21/22 risk adjusted opportunities	22/23 risk adjusted opportunities
	£m	£m	£m
Lever 0 - Foundation	4.3	0.5	0.0
Lever 1 - Productivity	6.0	5.7	3.0
Lever 2 - Shift Left	0.2	0.5	0.8
Lever 3 - Service Reconfiguration	0.0	0.0	0.0
Lever 4 - Reduce Fixed Costs	0.0	1.5	0.3
Total Risk Adjusted Opportunities	10.5	8.2	4.1

The KPMG opportunities were mapped to the Transformation programme as shown



The scheme PIDs were then developed and at the stage of the submission of the annual plan around 50% of the schemes were considered sufficiently developed to be considered as Green/Amber.

The COVID-19 pandemic has required all management resource to be focussed on the COVID response, the recovery from COVID and the planning for any future surge. This has resulted in most activity on transformation and efficiency being put on hold.

The Reset and Recovery work provides an opportunity to refocus on these schemes and the need to reflect on the opportunities identified and the pace of transformational change, some of which may enable Year 2 and 3 opportunities to be brought forward. It is important that these schemes are seen as service transformation and efficiency opportunities that will enable the better more efficient use of Health Board resources. A detailed review of the opportunities across the totality of the pipeline has now commenced to assess whether the impact of COVID-19 has created the potential for some future opportunities to be accelerated and also to test whether extant opportunities remain valid to pursue.

Financial Review meetings with Units, (soon to be followed by reviews of corporate directorates) have commenced on a monthly basis from month 2 and have the current overarching structure: -

- Focus on remaining within base budget and controlling the run rate within this
- Focus on exploring all savings opportunities to mitigate savings loss risk
- Ensure clear analysis and accounting for COVID-19 costs and controlling these proportionately to the need to respond, whilst maintaining good governance and value for money

A good example of the Rest and Recovery work is in Outpatients. This was identified as a KPMG opportunity. The outpatient service has undergone rapid digital and service transformation during COVID. The Outpatients transformation work has continued through COVID so this innovation and learning is embedded into future ways of working. There will need to be an assessment however on timescale for any opportunity to be realised as, in spite of transformation, there is a backlog of patients, some of whom will inevitably need face to face assessment.

4. DELIVERY FRAMEWORK

The Delivery Framework report provided a number of recommendations based on KPMG's observations of our current delivery mechanisms. Some of the challenges identified by KPMG included :

- Capacity, capability and clinical engagement to translate strategic plans into operational delivery and ensuring that there are clear accountability mechanisms in place;
- The need for greater Executive ownership of cross cutting workstreams with the right resource to drive delivery and again a clear accountability framework in place for these to function effectively;
- Improved access to routine performance information on service utilisation and productivity;
- Strengthening engagement with budget holders and developing budget and business management capacity;
- A need to strengthen planning by triangulating activity, finance and workforce and understanding their underlying cost drivers; and
- Improving governance of savings plan development.

Whilst the pandemic has impacted on the progress in addressing these challenges, a number of actions have been taken:

- Regular financial review meetings have been reinstated, having been halted during the early stage of the pandemic;
- Essential services groups within Reset and Recovery are covering the key areas of opportunity identified by KPMG. These groups have strong clinical engagement;
- The Quality Impact Assessment has developed and improved and is supporting Reset and Recovery plans;
- The focus on operational planning during this year has increased with detailed quarterly plans being developed. This has strengthened the triangulation of service, workforce and finance and will provide a stronger base to build and develop future plans;
- In addition to above, planning resource has been embedded in operational Units to support capacity, service and programme planning, this has been welcomed and we are seeking to mainstream in our post covid operating model;
- A modelling cell has been established as part of the pandemic response and this is developing demand and capacity modelling and planning capacity;
- The budget allocations were rebased for 2020/21 to reflect the activity and expenditure patterns of the previous year. This will be further developed during 2020/21 to support future budget allocations and strengthen budget holder engagement;
- Greater use of service activity and workforce data to triangulate and analyse financial data has been driven through the pandemic, this will need to be maintained and further developed throughout the year.

Whilst recognising the ongoing pandemic risks, the Health Board will need to build on the actions taken and further develop and strengthen its response to all aspect of the KPMG reports, but particularly the delivery framework.

This paper is an update paper and reflects the current thinking to re-establish momentum to deliver a robust response to the helpful KPMG work. It is acknowledged that at this stage it is not a detailed response due to the disruption caused by COVID-19 to a number of factors; some important progress has been made however, regardless of the disruption to the systems of care and capacity therein. Future Performance and Finance Committee meetings will receive more detailed updates on the actions that will be developed over coming weeks and months to give a more granary plan for the scrutiny of the committee.

5. GOVERNANCE AND RISK ISSUES

The findings of the KPMG work are broad but a fair assessment would be that by implanting the actions the Health Board is developing in response to the work, there will be an enhancement to the governance of the Health Board and a potential reduction to the risk levels within it, in terms of financial control.

6. FINANCIAL IMPLICATIONS

There are no direct financial consequences of the preparation of this report but delivery of the actions herein will support and improved financial outlook for the Health Board.

7. RECOMMENDATION

Members are asked to:

- **NOTE** the actions to date in response to KPMG reports.
- **CONSIDER** and comment upon the further actions for Quarter 2.

Governance and Assurance		
Link to Enabling Objectives (please choose)	Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
	Best Value Outcomes and High Quality Care	<input type="checkbox"/>
	Partnerships for Care	<input type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
Health and Care Standards		
(please choose)	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input type="checkbox"/>
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
Legal Implications (including equality and diversity assessment)		
No implications for the Board to be aware of.		
Staffing Implications		
No implications for the Board to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Board to be aware of.		
Report History	Board receives an update on the financial position at every meeting	
Appendices	None.	