Structured Assessment 2015

Abertawe Bro Morgannwg University Health Board

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Arrangements that support good governance are in place but are subject to revision in the context of new operational structures. Achieving financial balance for 2015-16 appears unlikely with the Health Board facing a growing funding gap together with workforce and capacity risks.

Summary

Context

1. Abertawe Bro Morgannwg University Health Board (the Health Board) is responsible for the healthcare of approximately 500,000 people living in Swansea, Neath Port Talbot and Bridgend. It also serves a wider population across south and mid-west Wales for a range of specialist and regional services. The Health Board employs around 16,500 members of staff and has a budget of £1.3 billion. As a teaching hospital, it has close links to the university sector.

2. Structured Assessment examines the Health Board's arrangements that support good governance and the efficient, effective and economical use of resources. As in previous years, the work in 2015 has assessed the robustness of the Health Board's financial management arrangements, the adequacy of its governance arrangements and the management of key enablers that support effective use of resources. In examining these areas, we have considered the progress made against improvement issues identified last year[1]. The audit work was structured under the following areas:

- **Financial planning and management**, including:

    – financial health, financial management, and cost improvement.

- **Arrangements for governing the business**, including:

    – strategy and structure, governance arrangements, and internal control.

- **Enablers of effective use of resources**, including:

    – change management, workforce, partnership, engagement and use of ICT.

3. The Health Board has faced a number of challenges during the year. It is progressing complex organisational development work with transition to new operational structures to improve overall governance and accountability, whist also taking actions to improve performance in a number of key areas. 'Action after Andrew's' work to improve patient experience and service quality has continued and in September 2015, the 'Trusted to Care' follow-up review[2] confirmed that the Health Board has addressed the main issues of concern. This work has been carried out within a financially challenging environment and ongoing public scrutiny.

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[1] Appendix 1 sets out key improvement issues identified in 2014, and a summary of progress.
[2] Trusted to Care 2015

Main conclusions

4. Our structured assessment work last year found that the Health Board's arrangements that support good governance, quality assurance and the efficient, effective and economical use of resources continued to evolve, but further improvement was needed in some important aspects and achieving financial balance for 2014-15 presented a major challenge.

5. During 2015, the Health Board has made progress towards addressing improvement issues, through its work on commissioning, alignment of strategic change programmes and new operational structures. The Health Board is presently reviewing its overall system of assurance in the context of its new operational structures. This work will need to incorporate previously identified quality scrutiny improvements relating to the timeliness of assurance reporting to the Quality and Safety Committee and the complexity of its supporting management group sub-structure.

6. Our overall conclusion from 2015 structured assessment work is that arrangements that support good governance are in place but are subject to revision in the context of new operational structures. Achieving financial balance for 2015-16 appears unlikely with the Health Board facing a growing funding gap together with workforce and capacity risks.

7. The reasons for reaching this conclusion are set out below.

Financial planning and management

8. Financial management arrangements remain generally sound although the Health Board's financial position is slipping, with a £28.5 million deficit forecast for 2015-16 and significant funding gaps in future years.

9. In reaching this conclusion, we found that:

- Despite sound financial management processes in 2014-15, the Health Board was unable to set a balanced financial plan at the beginning of the financial year, with a cumulative annual funding gap of £26.1 million reported with no identified savings or funding. The Health Board underspent its revenue resource limit by £0.1 million after receiving £26.1 million of additional funding from the Welsh Government.

- In 2015-16, financial management arrangements continue to be generally sound although savings schemes could be more robust. The Health Board's funding gap is widening and it is currently forecasting a £28.5 million deficit in 2015-16 with significant forecast funding gaps in future years.

Arrangements for governing the business

10. The Board has a clear 3-year vision, is developing an ambitious long-term strategy, a quality-focused culture and reviewing its governance arrangements as it moves to a new organisational structure.

11. In reaching this conclusion, we found that:

- The Board has set a clear three-year vision, established a commissioning framework and is developing an ambitious longer term strategy; although limited progress in South Wales Programme implementation and new legislative requirements present some risks.

- Transition to the new unit based structure is progressing with a common set of principles guiding development of unit arrangements, but it is too early to say if the intended benefits of greater accountability and operational capacity will be delivered.

- Board effectiveness, governance and internal controls have been largely effective but the assurance system is currently being revised in the context of new operational structures and there remain some important areas which need to be addressed:

  – the Board demonstrates strategic leadership, a commitment to quality improvement and is reviewing board assurance in the context of new operational structures;

  – the Board committee structure supports good governance overall, but aspects of quality governance and the performance committee's role need addressing;

  – the Health Board actively continues to develop how management information is presented and used in support of effective scrutiny and decision making;

  – risk management arrangements provide a reasonable basis to understand and respond to key organisational risks but are subject to review pending finalisation of new organisational structures and arrangements; and

  – internal controls are generally effective in meeting current assurance requirements although they are subject to changes to reflect the organisational restructure.

- There is positive focus on developing an ICT strategy and generally sound operational arrangements but information governance assurance and scrutiny is not yet wholly effective.

- Performance management arrangements are in place and significant effort is being made to improve under-performance in a number of key areas. The performance management framework is being updated and places greater focus on accountability.

Enablers of effective use of resources

12. The Health Board is developing a progressive approach to delivering strategic change and maintaining its focus on partnerships and engagement but it faces some significant workforce and capacity risks.

13. In reaching this conclusion, we found that:

- integration of strategic change programmes into the commissioning arrangements reflects a progressive approach for delivering vision and strategic objectives but ensuring sufficient change capacity is a risk;

- actions are being taken to address workforce priorities but workforce planning and staff recruitment and retention present key risks;

- important hospital estate developments and improvements to care environments are being made, but there are challenges for prioritising discretionary funding and ensuring the capital programme is able to support strategic change;

- the Health Board recognises the importance of collaborative working to achieve outcomes and drive service efficiency, and continues to demonstrate commitment;

- the Health Board continues to engage positively with stakeholders on service priorities and is taking a co-productive approach to shaping commissioning plans. Work to embed organisational values is progressing but building staff trust is key; and

- while there is a commitment to extending the use of technology and making effective use of IT systems, current ICT capacity and investment are low compared to other health boards in Wales.

14. The findings underpinning these conclusions are summarised in the next section of this report.

Recommendations

15. The Health Board has a formally agreed and documented 'System of Assurance', updated in November 2014 to reflect the revised Board Committee arrangements and currently being revised to account for the transition to new operational structures and management arrangements. The Health Board needs to complete this work without unnecessary delay to minimise any governance risks arising from the transition and incorporate the improvements to quality governance identified last year (Appendix 1).

16. The detailed sections of this report also identify a number of improvement opportunities alongside the developments that the Health Board is already progressing, but based on our 2015 Structured Assessment work, a number of specific recommendations are set out in the table below.

Financial planning and management

R1   Clarify the financial planning assumptions underpinning the 2016-19 Integrated Medium Term Plan (IMTP), given increasing cost pressures, growing funding gap and overall risk that the plan will not be financially balanced.

R2   Improve financial reporting to Board and relevant executive boards/groups, to provide clearer explanation for any changes to financial position, performance on savings schemes and the corrective action to address any slippage.

Arrangements for governing the business

R3   Evaluate the changes being made to the system of assurance, operational governance arrangements and the supporting risk and performance management frameworks within six months of implementation, to ensure arrangements work as intended.

R4   Improve quality governance and scrutiny:

    4a: review the management groups reporting to the Quality and Safety Committee, their oversight arrangements and the flow of assurance reporting;

    4b: evaluate the role of the Learning and Assurance Group, Clinical Outcomes Steering Group and other similar subcommittee groups, in the context of the new operational management units; and

    4c   ensure the regularity, quality, timeliness and completeness of assurance reporting to the Quality and Safety Committee from sub-groups and operational units, to avoid gaps in assurance and disruption to Committee work programme.

R5   Determine the future role of the Performance Committee including whether scrutiny of performance and IMTP delivery is the function of this Committee or the Board.

R6   Clarify the Information Governance Committee's remit, its supporting structure and the frequency with which it will provide assurance reports to the designated Board Committee.

Enablers of effective use of resources

R7   Conduct a full 'close down' assessment of Changing for the Better (C4B) strategic change projects to ensure that as projects are aligned to commissioning boards, there are no transition gaps and any discontinued work streams are intentional.

R8   Carry out a risk assessment regarding the adequacy of organisational capacity to support strategic developments, change management and strategic partnership and engagement work, alongside service delivery and performance improvement.

Detailed findings

Arrangements that support good governance are in place but are subject to revision in the context of new operational structures. Achieving financial balance for 2015-16 appears unlikely with the Health Board facing a growing funding gap together with workforce and capacity risks.

17. The findings underpinning this conclusion are summarised below, grouped under the themes of financial planning and management, arrangements for governing the business and enablers of effective use of resources. Findings highlight strengths and developments, as well as the risks, challenges and opportunities still facing the Health Board.

Financial planning and management

Financial management arrangements remain generally sound although the Health Board's financial position is slipping, with a £28.5 million deficit forecast for 2015-16 and significant funding gaps in future years

18. In reaching this conclusion, we found that:

- Despite sound financial management processes in 2014-15, the Health Board was unable to set a balanced financial plan at the beginning of the financial year, with a cumulative annual funding gap of £26.1 million reported with no identified savings or funding. The Health Board underspent its revenue resource limit by £0.1 million after receiving £26.1 million of additional funding from the Welsh Government.

- In 2015-16, financial management arrangements continue to be generally sound although savings schemes could be more robust. The Health Board's funding gap is widening and it is currently forecasting a £28.5 million deficit in 2015-16 with significant forecast funding gaps in future years.

19. The findings underpinning these conclusions are summarised in Table 1, which covers the 2014-15 financial position and the 2015-16 financial management and performance of the Health Board.

Table 1: financial management

Strengths and developments	Risks, challenges and opportunities
2014-15 financial position On 31 March 2014, the Health Board submitted a three-year IMTP running from 2014-15 to 2016-17, which received ministerial approval. As part of our audit work on the 2014-15 financial position we identified the following: • sound in year budgetary control and financial management arrangements; • Cost Improvement Plans in place with 79 per cent of the £23.4 million savings targets achieved; • regular and consistent reporting to the Board and Welsh Government of the ongoing financial position; and • better linkage of finances, workforce and services were achieved through the IMTP planning process. The Health Board received an additional in-year revenue resource allocation of £26.1 million in October 2014, which assisted the Health Board to achieve year-end financial balance. At 31 March 2015, the Health Board reported that it had operated within its annual revenue and capital resource allocation.	**2014-15 financial position** The IMTP showed expenditure to be significantly in excess of the anticipated revenue funding over the three years. Financial and Budget Strategy identified an initial 2014-15 financial gap of £26.1 million and achieving financial balance at year-end was dependent on additional Welsh Government funding. There was further scope to improve integrated business, service and financial planning, to allow closer integration of the finances, workforce and services in the IMTP and performance reports.

Strengths and developments	Risks, challenges and opportunities
2015-16 financial management and performance	**2015-16 financial management and performance**

2015-16 financial management and performance

The Health Board's financial management systems and arrangements remain good, with strong in-year monitoring processes and a well-resourced and embedded finance team.

The Health Board has forecast its financial position for 2015-16 and the longer three-year IMTP period of 2015-16 to 2017-18, and has reported on this position throughout the year:

- Funding gap of £35 million over three years, after identifying £62 million of savings.
- Funding gap of £19.8 million for 2015-16.
- Savings targets totalling £22.6 million built into the 2015-16 financial plans, although:
    - £4.1 million of these were unidentified at the start of the year; and
    - slippage of £2 million on the identified savings schemes at month 6, primarily due to workforce savings not materialising.

Additional projects to increase cardiac capacity and rationalise the estate have increased the total forecast capital programme by £8.3 million to £45 million for 2015-16:

- although spending on capital projects is currently £4.2 million behind the year to date target of £20.2 million.

2015-16 financial management and performance

The current IMTP was not balanced and there have been a number of in-year cost pressures, including Continuing Health Care, prescribing and agency staff costs.

As at month 6 (September 2015), the Health Board reported a forecast deficit of £28.5 million.

Focus needs to be maintained on the delivery of savings plans, the milestones within the IMTP, and ensuring that the core governance arrangements supporting financial management are fully embedded and maintained.

The skills of the Finance Team remain key in supporting operational teams and the new Service Directors to develop and deliver financial plans and savings plans.

Continued focus is needed to manage risks associated with:

- delivery of savings plans;
- identifying and delivering the remaining £4.1 million of unidentified savings;
- delivering improvements to manage the increasing in-year cost pressures; and
- recruitment and retention, with agency costs having been a key contributor to the worsening 2015-16 financial position.

Arrangements for governing the business

The Board has a clear three-year vision, is developing an ambitious long-term strategy, a quality-focused culture and is reviewing its governance arrangements as it moves to a new organisational structure

20. In reaching this conclusion, we found that:

- The Board has set a clear three-year vision, established a commissioning framework and is developing an ambitious longer-term strategy; although limited progress in South Wales Programme implementation and new legislative requirements present some risks.

- Transition to the new unit based structure is progressing with a common set of principles guiding development of unit arrangements, but it is too early to say if the intended benefits of greater accountability and operational capacity will be delivered.

- Board effectiveness, governance and internal controls have been largely effective but the assurance system is currently being revised in the context of new operational structures and there remain some important areas which need to be addressed:

  – the Board demonstrates strategic leadership, a commitment to quality improvement and is reviewing board assurance in the context of new operational structures;

  – the Board committee structure supports good governance overall, but aspects of quality governance and the performance committee's role need addressing;

  – the Health Board actively continues to develop how management information is presented and used in support of effective scrutiny and decision making;

  – risk management arrangements provide a reasonable basis to understand and respond to key organisational risks but are subject to review pending finalisation of new organisational structures and arrangements; and

  – internal controls are generally effective in meeting current assurance requirements although they are subject to changes to reflect the organisational restructure.

- There is a positive focus on developing an ICT strategy and generally sound operational arrangements but information governance assurance and scrutiny is not yet wholly effective.

- Performance management arrangements are in place and significant effort has been made to improve under-performance in a number of key areas. The performance management framework is being updated and places greater focus on accountability.

21. The findings underpinning these conclusions are summarised in the following sections and tables.

Strategic planning

The Board has set a clear three-year vision, established a commissioning framework and is developing an ambitious longer term strategy; although limited progress in South Wales Programme implementation and new legislative requirements in 2016 present risks

22. The findings underpinning this conclusion are summarised in Table 2. They are based on our review of the Health Board's strategic planning arrangements and the extent to which the South Wales Plan (SWP) is reflected in the Health Board's IMTP.

Table 2: strategic planning

Strengths and developments	Risks, challenges and opportunities
The IMTP received ministerial approval in August 2015. It reflects the Health Board's 'Quality Strategy', with arrangements for oversight, reporting and scrutiny in place: - IMTP development is overseen by the Strategy, Planning and Commissioning Committee; - there is a process for Board approval prior to IMTP submission to Welsh Government; - a framework for reporting on IMTP progress has been developed, which the Performance Committee has advised on; and - the Board receives bi-annual reports on progress for scrutiny. There is continuing work to further integrate progress reporting on the IMTP and the underpinning strategic changes.	Approval of the 2015 IMTP was subject to conditions about financial and delivery performance, which are proving challenging to deliver: - with the exception of improvement in waiting times (RTT) performance, the Health Board has struggled to meet other conditions; - the overall financial position has worsened since IMTP approval; and - the financial position is affecting the Health Boards ability to make all planned investments. In this context, the current frequency of Board reporting and scrutiny may not be sufficient, particularly given that the Performance Committee is not performing a scrutiny role (as discussed later in this report) and there is a Welsh Government requirement for quarterly IMTP progress reporting to Board.

Strengths and developments	Risks, challenges and opportunities
There is a well-planned approach for IMTP updating, which is on-track to meet required Welsh Government planning timescales. To increase central planning team capacity, the Health Board has made a recent appointment to support IMTP development and planning. The appointee will not take up post before March 2016 however. The central planning team has provided planning guidance and support to operational 'teams' for developing the local IMTPs. A clear set of planning principles places focus on: • applying prudent healthcare principles; • more granular local delivery plans for achieving key targets and objectives; and • delivering improvements within resources. The IMTP is becoming more values-driven, quality and outcomes focused, and focused on addressing financial constraints.	Some uncertainty remains about overall financial planning assumptions. Opportunity exists to strengthen some aspects of IMTP planning: • clearer objectives and impact measures; • translating the IMTP into a more definitive annual plan for strengthened performance management and reporting; • setting out the mechanism for prioritising funding for IMTP schemes and quality initiatives for greater transparency; and • addressing gaps in the coverage of SWP implications.
A commissioning framework has been developed to translate strategic priorities into service change plans, to be delivered through the IMTP. Five of the six commissioning boards are established. The final commissioning board to be set up is for mental health. The Changing for the Better (C4B) strategic change programmes (discussed later in this report) are currently being integrated into the commissioning framework. A monthly executive strategy, planning and commissioning group will provide focused oversight of progress and delivery against strategic plans and improvements.	The Health Board recognises that further work to deliver commissioning priorities is still required. This includes: • formal close-down of the C4B programme and final mapping of the individual programmes to commissioning boards; and • development of commissioning tools and a learning and development programme for commissioning boards. The Health Board also needs to define scrutiny arrangements for commissioning boards and their relationship with delivery units/GP clusters.
ARCH[3] proposals set an ambitious longer-term strategy to increase health, wealth and well-being of people in South West Wales. The ARCH programme is being developed in partnership with Swansea University & Hywel Dda University Health Board. A programme Board, chaired by the Health Boards' Chairman, will progress the strategic plans and business case.	Alongside progressing the ARCH proposals, the Health Board will need to: • 'bridge' the long-term ARCH strategy with the three-year IMTP; and • address the strategy and service change gap for the east of the Health Board, being dependent on the SWP and not addressed by ARCH.

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[3] A Regional Collaboration for Health

Strengths and developments	Risks, challenges and opportunities
There is commitment to collaborative working for regional strategy/service change, with active senior member and officer involvement in the NHS Collaborative and two Acute Care Alliances (ACAs).	Capacity to fully commit time and expertise to collaborative working is limited but there are plans to address with match funding from Welsh Government. Lack of progress in implementing the SWP across NHS collaborative partners creates significant strategic planning risks.
The Health Board has good awareness of legislation and has, with its Local Authority partners, been considering the impact of the legislation coming into effect in April 2016: • The Social Services and Well-being (Wales) Act 2014[4] • The Well-being of Future Generations (Wales) Act[5]	The Health Board will need to act on the requirements of the new legislation. In respect of the Well-being of Future Generations (Wales) Act, the Health Board will need to translate the implications of the legislation for objective setting, planning, commissioning, decision making and scrutiny.

Organisational structure

Transition to the new unit based structure is progressing, with a common set of principles guiding development of unit arrangements but it is too early to say if the intended benefits of greater accountability and operational capacity will be delivered

23. The findings underpinning this conclusion are summarised in Table 3.

Table 3: organisational structure

Strengths and developments	Risks, challenges and opportunities
The new unit based organisational structure[6], consulted on last year, is being established. A transition plan and progress reporting is in place and despite slippage on some deliverables, transition is largely on track. Appointments to the unit management teams comprising of a Service Director, Unit Medical Director and Unit Director of Nursing are complete, with the exception of one post for Mental Health and Learning Disabilities.	Successful recruitment to the mental health and learning disabilities unit management team has been slower than for other units. Whilst important to ensure the right appointments are made, the Health Board will need to manage any risks associated with delays in establishing structures and management arrangements in this unit.

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[4] The Social Services and Well-being (Wales) Act 2014
[5] The Well-being of Future Generations (Wales) Act
[6] The new Service Delivery Units and management teams are set out on the Health Boards' website

Strengths and developments	Risks, challenges and opportunities
A set of agreed principles are informing the design of the individual unit structures and governance arrangements. Executive 'sign off' arrangements for unit proposals are also in place. Consultation on unit sub-structures is likely to be complete by the end of March 2016, although not all staff will be in post within the new structures / roles at this time.	It will be important to ensure that: • agreed principles for the design of unit structures are applied consistently; and • governance arrangements are effectively 'joined up' within units, and with corporate structures. Appropriate consultation and staff engagement on proposed unit structures will be needed in 2016, together with an appointment process that minimises unnecessarily appointment delays and the associated business continuity risks.
From April 2016, the clinical directorates, which have operated across the Health Board, will 'stand down' during the transition period, clear reporting arrangements align directorates to a designated Service Unit Director.	The Health Board will need to ensure that consistency of standards and equity of service applies across the new unit based structure. The commissioning boards will have an important future role in achieving this although commissioning arrangements are not yet mature and work to develop commissioning plans and service standards is not complete.
Meetings and fora for establishing operational and corporate connectivity have been mapped.	The proposed unit/corporate meeting schedule suggests a high capacity demand and needs to be kept under review.
Previous Structured Assessment work has highlighted the need to improve operational management capacity and address a reliance on executive directors to drive delivery. The new unit management arrangements are intended to make accountability clearer and improve operational capacity. Additional support is also being provided for some executive portfolios, including that of the Chief Operating Officer where capacity is currently stretched.	The new structure needs to deliver improved accountability and operational capacity.

Board effectiveness

The Board demonstrates strategic leadership, a commitment to quality improvement and is reviewing board assurance in the context of new operational structures

24. The findings underpinning this conclusion are summarised in Table 4.

Table 4: Board effectiveness

Strengths and developments	Risks, challenges and opportunities
The Board demonstrates good strategic leadership, generally effective administration and a commitment to openness and quality improvement. The Board provides effective challenge and scrutiny of Health Board performance. Work is progressing to embed organisational values and behaviours developed in 2014.	Board and Quality & Safety Committee papers are available on the web, but website navigation and public accessibility of other information could be improved. Scrutiny of partnership performance needs strengthening.
The Board approved a quality strategy in January 2015. The strategy has linkage to the IMTP and an implementation plan is being progressed. Quality improvements have been driven through the 'Action after Andrews' programme, with a dedicated central team to support and drive the work. This has included significant improvement in using patient feedback and managing patient concerns.	The Health Board will need to ensure that progress made through 'Action after Andrews' is sustained after handover of continuing work to operational teams in 2016. There is also more to do in relation to reducing complaints backlog and ensuring systematic learning of lessons.
A Board development programme is in place and, prior to new independent member appointments in 2016, the Health Board has developed an induction programme for new members.	While new Board membership presents an opportunity to refresh, new appointments to three independent member posts in 2016 presents potential risk, with loss of experience and continuity for key Board Committees.

Strengths and developments	Risks, challenges and opportunities
The Board is updating its system of assurance within the context of the new operational structures. Sources of assurance and their flow across organisational levels have been reviewed and a one-page 'map' developed to aid clear understanding of the required assurances. The system of assurance is collectively underpinned by documented assurance arrangements, the quality strategy and risk and performance management frameworks. The latter are also under review to reflect unit arrangements, but extant governance arrangements apply during transition to new unit structures.	Protracted timescales for implementing unit arrangements is not anticipated, but delays would create risks and potential gaps in governance arrangements, and slow down planned work to improve aspects of quality scrutiny. Once new unit structures are established, work will be needed to test revised governance arrangements and assurance flows to confirm they operate as intended. It will also be important to ensure that all Board members and senior managers understand the role of operational units, corporate centre and Board within the new environment.

Governance structures

The Board committee structure supports good governance overall, but aspects of quality governance and the performance committee's role need addressing

25. The findings underpinning this conclusion are summarised in Table 5.

Table 5: governance structures

Strengths and developments	Risks, challenges and opportunities
The structure, function and membership of Board committees were revised in 2014, to better align to and support the Board in delivering its strategic objectives. The Chairman's advisory group, made up of all Board committee chairs, has kept the arrangements under review and committee terms of reference have been reviewed. A formal six-month review of Board Committees was deferred pending implementation of the new organisational structures, although an internal audit review of committees is now in progress. The Chairman's advisory group is highly valued for supporting interaction between committee chairs and consideration of governance arrangements in the round. A template for Committee self-assessment is being rolled out to all Committees.	As reported above, there is a risk associated with loss of Independent Member experience in 2016, and potential issues for continuity in key Board Committees.

Strengths and developments	Risks, challenges and opportunities
Independent members provide good challenge. There is evidence of honest, self-critical debate at committees and the chairs are very engaged and committed.	

Of the two main scrutiny Committees (Audit and Quality and Safety (Q&S) Committee) we found that:
 	
• The Audit Committee continues to be effective in supporting the organisation's governance and internal control arrangements.
• The Q&S Committee has matured much over the last year and has continued to improve in its operation, with for example:
  – an increasing focus on outcomes; and
  – reinforcement of assurance reporting 'standards'.
• These committees work well alongside each other in ensuring good inter-operability with appropriate cross-referral of issues.
• Both have well developed agenda planning, work programmes and action logs, and apply annual self-assessment.
	Timeliness of assurance reports to Q&S still affects work programme continuity and the complexity of the Q&S subcommittee structure still needs to be addressed.
	It will be important to:
	
	• ensure connectivity from unit quality governance arrangements to Committee;
	• reassess the role of groups such as the Learning and Assurance group in the revised structure; and
	• ensure clear assurance reporting lines.
	Scope exists to extend quality scrutiny in some key areas. For example:
	
	• there is good scrutiny of Tier 1 quality targets; but
	• quality delivery plans, patient flow issues and their impact on quality, and mental health outcomes have less visibility.

Of the new committees introduced at the end of 2014, we found that:
 	
• The strategy, planning and commissioning (SPC) committee, currently chaired by the Chairman, oversees IMTP development and provides a very valuable 'space' to consider strategic development:
  – the Health Board is aware of the potential for future scrutiny risks and as the Committee is now established, new oversight arrangements are being put in place.
• The performance committee has overseen development of the IMTP reporting 'tool' and is providing assurance on the arrangements for measuring IMTP delivery.
• The workforce committee has now established information flow on workforce planning and management issues, which was lacking last year.
	There are opportunities to strengthen the operation of both the workforce and performance committees:
	
	• The workforce committee chair recognises the need to strengthen work planning and build a stronger scrutiny focus now that this committee is established:
	  – administrative support for this committee appears limited.
	• The remit for the performance committee in relation to scrutiny of delivery needs to be clarified and its long-term role needs reviewed.
	• Attendance at both of these committees has resulted in cancelled or inquorate meetings.
	• There is opportunity to learn from longer-established committees such as Audit and Q&S eg for work planning approaches.

Management information

The Health Board actively continues to develop how management information is presented and used in support of effective scrutiny and decision making

26. The findings underpinning this conclusion are summarised in Table 6.

Table 6: management information

Strengths and developments	Risks, challenges and opportunities
There are many positive features to the Board's approach to performance reporting. These include: • a suite of reports which reflect and link to the IMTP and Health Board objectives; • high-level scorecard to provide overview; • use of exception reporting, comparative data and graphics to show current and trend performance; • reasonable mix of narrative, information and data within the boundaries of what is reported; • most indicators have targets attached but are mostly for national measures; • narratives generally identify corrective action; and • innovative example of forecasting to predict sickness target achievement.	Some aspects of the Board's performance reports could be improved: • wider use of forecasting and coverage of activity not covered by Tier 1 targets; • more clearly assigned responsibilities for corrective actions; and • greater use of tables and charts in largely narrative finance reports, which could aid interpretation, navigation and signposting.
The Health Board has sustained its focus on improving quality and safety measures and reporting, with: • regular reporting on patient experience; • monitoring against older people's standards; and • development of quality strategy outcome measures. Work to further develop outcome measures, early warning care-quality indicators, PROMs[7] and the percentage of patients giving feedback is being progressed.	

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[7] Patient Reported Outcome Measures. A pilot in musculoskeletal services, as reported in our 2014 Structured Assessment is still planned.

Strengths and developments	Risks, challenges and opportunities
Independent members show good understanding of data and a willingness to ask for more information or improvements to formats/presentation.	
The Health Board is setting up a business intelligence unit to increase the intelligence around data.	

Risk management

Risk management arrangements provide a reasonable basis to understand and respond to key organisational risks but are subject to revision pending finalisation of new organisational structures and arrangements

27. The findings underpinning this conclusion are summarised in Table 7.

Table 7: risk management

Strengths and developments	Risks, challenges and opportunities
The risk management framework is being reviewed to account for the context of new operational structures and is due to go to Audit Committee in February 2016.	Updating of the risk management framework affords an opportunity to review risk appetite, which will further strengthen the Board's assurance system.
The existing risk management framework, updated and approved by Board in March 2015, applies during the transition period and provides a reasonable basis for responding to risk including: • the assignment of risks to specified committees for scrutiny; and • oversight of operational risk registers and consistent application of the framework by the Learning & Assurance (L&A) group.	Some aspects of risk management could be improved: • ensuring actions and outcomes are consistently recorded in Datix; • considering scrutiny of risks across finance, quality and performance in the round; and • confirming that all IT risks are reflected in the corporate register. The role of the L&A group within the new structures will need to be considered.

Internal controls

Internal controls are generally effective in meeting current assurance requirements although they are subject to changes to reflect the organisational restructure

28. The findings underpinning this conclusion are summarised in Table 8.

Table 8: internal controls

Strengths and developments	Risks, challenges and opportunities
A documented system of assurance and frameworks for performance and risk management are in place, although they are currently under review in the context of new organisational structure.	The Health Board will need to test any changes to controls and assurance systems in 2016, to confirm they operate as intended.
The Health Board has generally effective internal controls with: • very effective internal audit and a good counter-fraud service; • proactive Audit Committee tracking against audit recommendations and progress of agreed actions; • a new scheme of delegation, changes to SFIs[8] and revised delegated financial limits reviewed and approved for the new unit structure; • improved clinical audit plan scrutiny; and • more comprehensive hospitality and declaration of interests reporting.	The Health Board recognises that: • stronger outcome reporting is needed; and • quality assurance frameworks still require updating.
Annual reporting requirements for 2014-15 were met and the Annual Quality Statement demonstrated focus on transparency and public accessibility. The Health Board intends to establish annual reporting on governance and quality within the new operational units, to further strengthen the overall Health Board approach for 2015-16.	The scrutiny process for the Annual Quality Statement could be improved with more timely completion of drafting.

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[8] Standing Financial Instructions

Information governance

There is a positive focus on developing an ICT strategy and generally sound operational arrangements but information governance assurance and scrutiny is not yet wholly effective

29. The findings underpinning this conclusion are summarised in Table 9.

Table 9: information governance

Strengths and developments	Risks, challenges and opportunities
The ICT strategy is reflected in the IMTP and the Health Board plans to develop a longer-term digital strategy to support strategic change and development.	The development of a digital strategy has been slower than envisaged although plans are in place to complete the necessary work in 2016.
There are a number of positive aspects to information governance arrangements, with the following in place: • arrangements to plan and manage ICT and information, and to comply with laws and standards; • adequate disaster recovery arrangements; • operational groups which support information security and governance; and • initiatives to support improved data quality and provide an annual data quality report.	A number of issues need attention including: • the operation of the information governance committee, so that its remit covers all information governance and its supporting group structure is clarified; • there is a limited resource for information governance and a need for succession planning within the information governance team; and • assurance is needed on the robustness of local business continuity plans.
Steps are being taken to improve scrutiny arrangements and assurance reporting: • it has been agreed that the information governance committee will report through the Audit Committee; and • the Audit Committees terms of reference are being amended accordingly..	The Committee will need to ensure that information governance is incorporated into its forward work plan for regular assurance reporting and scrutiny.

Performance management

Performance management arrangements are in place and significant effort is being made to improve under-performance in a number of key areas. The performance management framework is being updated and places greater focus on accountability.

30. The findings underpinning this conclusion are summarised in Table 10.

Table 10: performance management

Strengths and developments	Risks, challenges and opportunities
There is a well-established performance management framework and operational performance review process. The operational performance reviews cover patient experience and quality measures in addition to IMTP delivery, target KPIs, objectives and outcomes.	
The framework is due to be updated to account for new unit arrangements. To underpin the new arrangements, work is progressing to support a stronger focus on accountability and performance management with: • escalation and intervention principles developed to support models of earned autonomy; and • work to improve data intelligence and better inform performance information, management and delivery.	

The Health Board is working to address key performance challenges for unscheduled care, waiting times (RTT), cancer and stroke:
 	
• Delivery boards are steering improvements in specific areas of service delivery.
 	
• The planned care board is tackling patient flow issues affecting performance.
 	
• Work to improve infection control is progressing with for example:
  – the 'Big Fight' campaign to reduce antimicrobial prescribing; and
  – the appointment of a senior infection control nurse.
	Improvements in key areas of performance was a condition of IMTP approval in 2015 and with the exception of RTT, the Health Board has found it difficult to meet these requirements.
	
	Despite the improvement to RTT position and reductions in outpatients waiting for follow-up appointments, performance overall remains below target for unscheduled care, cancer and stroke, and clostridium difficile rates remain high.
	
	In 2016:
	
	• the role of delivery boards will need to be reviewed once transition to new unit structures is complete; and
	
	• the new accountability, escalation and intervention arrangements need to deliver improved performance.

Enablers of effective use of resources

The Health Board is developing a progressive approach to delivering strategic change and maintaining its focus on partnerships and engagement but it faces some significant workforce and capacity risks

31. In reaching this conclusion, we found that:

- Integration of strategic change programmes into the commissioning arrangements reflects a progressive approach for delivering vision and strategic objectives but ensuring sufficient change capacity is a risk.

- Actions are being taken to address workforce priorities but workforce planning and staff recruitment and retention present key risks.

- Important hospital estate developments and improvements to care environments are being made, but there are challenges for prioritising discretionary funding and ensuring the capital programme is able to support strategic change.

- The Health Board recognises the importance of collaborative working to achieve outcomes and drive service efficiency and continues to demonstrate commitment.

- The Health Board continues to engage positively with stakeholders on service priorities and is taking a co-productive approach to shaping commissioning plans. Work to embed organisational values is progressing but building staff trust is key.

- While there is a commitment to extending the use of technology and making effective use of IT systems, current ICT capacity and investment are low.

32. The findings underpinning these conclusions are summarised in the following sections and tables.

Change management

Integration of strategic change programmes into the commissioning arrangements reflects a progressive approach for delivering vision and strategic objectives but ensuring sufficient change capacity is a risk

33. The findings underpinning our conclusion are summarised in Table 11.

Table 11: change management

Strengths and developments	Challenges, risks and opportunities
'Changing for the Better' (C4B) strategic change programmes are being aligned to commissioning boards to: • reduce the complexity of current arrangements; • support translation of strategic priorities into service change plans; • ensure a population and evidence-based approach to service change; and • establish clear prioritisation mechanisms and alignment with IMTP processes. The funding for the C4B programme will also transfer to the commissioning function to support clinical engagement, stakeholder communication and engagement.	Some challenges and risks exist including: • ensuring sufficient capacity for managing and progressing the commissioning and change programmes; and • joining up reporting arrangements for IMTP, strategic change and commissioning plans.
The C4B programmes have been evaluated, with positive examples of service change having been delivered. Mapping of the C4B programmes has been done to align them to commissioning boards.	Full C4B closure assessment would help ensure that there are no transition gaps and any discontinued work streams are intentional.

Workforce

Actions are being taken to address workforce priorities but workforce planning and staff recruitment and retention present key risks

34. The findings underpinning our conclusion are summarised in Table 12.

Table 12: workforce

Strengths and developments	Challenges, risks and opportunities
The Health Board has clearly identified its workforce priorities and is taking concerted actions to address each. The priorities include: • recruitment and retention; • skills development; • workforce redesign; • sickness and well-being; and • enhancing staff experience. The IMTP includes workforce investment, for example, the rollout of the ward hostess role.	Despite active and successful recruitment activity, staffing and vacancy levels create significant risk, with: • a continuing nursing vacancy gap of 200; • the need to meet new Deanery requirements for medical trainee allocations and rotas in 2016; and • the lead-in time before any additional commissioned training can provide increased practitioner numbers. There is an urgent need for more detailed and joined up gap analysis and workforce planning across professional boundaries, to identify future staffing needs and solutions that support new care models.
The Health Board is making progress in a number of workforce management areas, including: • improved sickness absence, although further work is needed in hotspot areas and to address long-term sickness; • more effective ward rostering practices and improved arrangements for temporary staffing, to improve efficiency and reduce reliance on agency cover; and • preparations for the introduction of nurse validation in 2016. A number of programmes are supporting staff development and engagement, including: • service and quality improvement training; • a 'medical engagement school' and medical staff survey planned for 2016; • leadership programmes; and • programmes which aim to enhance staff experience, including the annual Chairman's Awards.	There are HR and workforce management issues still to be addressed, including: • poor compliance with mandated training and appraisal completion; • realising the benefits of ESR roll-out; • updating workforce policies which are overdue for review; and • building stronger medical engagement and clinical leadership. HR capacity is limited and the HR business partner role within new operational units will require up skilling of operational managers for good people management.

Strengths and developments	Challenges, risks and opportunities
Work to embed organisational values is also underway, with: • a project Board set up to drive values based work; and • a people strategy that will incorporate and promote the values of the organisation is in development.	Measuring staff experience and engagement is often challenging, but there is an opportunity to develop outcome measures as part of values based work, to use alongside staff surveys.

Estates

Important hospital estate developments and improvements to care environments are being made, but there are challenges for prioritising discretionary funding and ensuring the capital programme is able to support strategic change

35. The findings underpinning our conclusion are summarised in Table 13.

Table 13: estates

Strengths and developments	Challenges, risks and opportunities
The Health Board has continued to deliver major capital programmes in 2015, with: • the new Morriston hospital entrance and outpatient facility opening successfully; and • investment secured for other projects, including the expansion of cardiac ITU capacity. The Health Board has a successful track record for securing bids and funding but recognises that innovative ways of securing new funding may be needed for the future.	While the Health Board has a positive track record for securing funding and progressing capital programmes, the current capital programme is too opportunistic to fully account for major strategic change such as ARCH.
The Health Board is prioritising the available discretionary capital (£2.5 million) for estates, IT infrastructure and equipment maintenance/replacement. There is also good awareness of environmental issues affecting patient care and a commitment to improving care environments. For example, work to improve storage of medicines is in progress, alongside the continuing ward improvement programme initiated last year.	Discretionary capital is limited although more could be done to distinguish between low-cost changes to improve care environments and those that require capital investment.

Partnership working

The Health Board recognises the importance of collaborative working to achieve outcomes and drive service efficiency and continues to demonstrate commitment

36. The findings underpinning our conclusion are summarised in Table 14.

Table 14: partnership working

Strengths and developments	Challenges, risks and opportunities
The Health Board continues to demonstrate its commitment to collaborative working with NHS organisations, statutory partners, University and others. Examples include: • working with Sports Wales on lifestyle interventions and other local partnership initiatives; but most significantly • ARCH: a major regional programme developed in partnership with Hywel Dda Health Board and Swansea University, and spanning six Local Authority partners.	A programme Board to steer and oversee the ARCH programme has been established, although the Health Board will need to assess whether it has sufficient management capacity to support the necessary work.
Work being progressed by Western Bay partners reflects a growing maturity, with: • a new governance structure agreed; • implications of new legislation jointly considered; • quality and safety built into Service Level Agreements (SLAs); • plans for joint training; and • a developing approach for an integrated commissioning agenda.	At present, there is limited assurance reporting to the Board or its committees on partnership performance. For example, on the value derived from the £5 million intermediate care investment. The Health Board and its partners need to address this through the revised governance agreements.
In addition to the partnership working noted above, senior board members and officers are also involved in the NHS Collaborative and are members of two Acute Care Alliances (ACA): south central and mid-west.	Collaborative working outside the NHS collaborative and ACA arrangements is progressing faster. This may have implications for wider NHS regional service change eg the SWP.

Stakeholder engagement

The Health Board continues to engage positively with stakeholders on service priorities and is taking a co-productive approach to shaping commissioning plans. Work to embed organisational values is progressing but building staff trust is key.

37. The findings underpinning our conclusion are summarised in Table 15.

Table 15: stakeholder engagement

Strengths and developments	Challenges, risks and opportunities
Building on the positive stakeholder engagement achieved through C4B, the commissioning boards now provide the mechanism for engaging on change priorities. Engagement includes: • stakeholder events which are now thematically focused; • 150+ stakeholders engaged on C4B and commissioning framework alignment; and • a co-productive approach for considering commissioning plans.	
Positive public engagement has informed the setting of standards for older people.	
A project Board is providing impetus for work to embed organisational values, linked to HR work on improving staff experience.	Levels of staff trust vary across the organisation, with implications for values, behaviours and candour if not addressed.
The Health Board is promoting professional NMC[9] guidelines on duty of candour.	It would be timely to restate arrangements for raising of staff concerns as part of work on values and promoting professional guidelines on duty of candour.

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[9] Nursing and Midwifery Council

ICT and use of technology

While there is a commitment to extending the use of technology and making effective use of IT systems, current ICT capacity and investment are low compared to other health boards in Wales

38. The findings underpinning our conclusion are summarised in Table 16.

Table 16: ICT and use of technology

Strengths and developments	Challenges, risks and opportunities
The Health Board demonstrates a commitment to using technology, with: • its current IT strategy set out in the IMTP; • a digital strategy being developed; and • some examples of technological solutions being used eg Smart inventory storage solution (Omnicell) in cardiac ITU.	Current IT strategy primarily focuses on systems and work to develop a digital strategy (planned for 2015) will not complete until into 2016. The digital strategy will be needed to support ARCH developments.
Current IT systems appear reliable and clinical systems are reasonably well integrated, with six out of eleven systems linked to the Patient Administration System. The outpatient appointments system at Morriston reflects good use of IT and other developments being progressed include: • digitisation of health records; • E-prescribing; • electronic appraisal; and • electronic nurse documentation. The Health Board continues to work with the NHS Wales Informatics Service (NWIS) on all-Wales IT systems and solutions and has recently developed a concordat.	Our recent IT capacity review found that compared to other NHS bodies in Wales, the Health Board has: • low spend on ICT despite additional funding in 2014; • low staffing levels, with the exception of data analysts; • a high reliance on paper-based systems, despite an average number of IT devices and good access to PCs and systems; • an inability to report on the condition of IT assets and no records to monitor system downtime; and • a £6.1 million gross replacement cost of ICT equipment classed as out of life. The Health Board recognises the challenges this picture presents and has developed an investment case to address the issues.

Appendix 1

2014 structured assessment: key improvement issues and progress summary

In 2014, we found that the Health Board had made progress in a number of areas during the year, demonstrating an open quality focused culture and a progressive approach to designing for the future. The Health Board had responded well to new challenges faced, with a clear commitment to delivering complex strategic change and improvement. However, many of the challenges identified in 2013 remained in terms of capacity and operational capability risks, some arrangements continued to need improvement and progress had been slow in some areas.

The key challenges and improvement issues identified in 2014 are set out below, together with a summary of progress against each.

Key challenges and improvement issues in 2014	Summary of progress in 2015
1: Financial planning and management	
1a Financial challenges and living within resource limit.	The Health Board has maintained its generally sound financial management systems, arrangements and good in-year monitoring processes, but increased cost pressures, an unbalanced IMTP and a growing funding gap present significant risk that the financial position is not sustainable.
2: Arrangements for governing the business	
2a Co-ordination and prioritisation of strategic change programmes (C4B), and risks around capacity, pace and securing ownership of change.	Work to integrate the C4B programmes into the Commissioning Framework is currently underway. It should simplify arrangements and enable clearer translation of strategic priorities into service change plans.
2b Organisational capacity to deliver service change and performance improvement at a reasonable and sustained pace, with a need to build: • clinical engagement, accountability and leadership; • focus on outcome not process/actions; and • frontline culture and operational management capacity/capability.	Progress is being made towards addressing these issues, with: • transition to the new organisational structure for clearer accountabilities; • embedding of organisational values to help change management culture; and • leadership development programmes for operational managers and clinical leaders.

Key challenges and improvement issues in 2014	Summary of progress in 2015
2c Improving aspects of quality governance, in particular: • complexity of the quality and safety subcommittee structure; • regularity, quality and completeness of subcommittee assurance reporting; • subcommittee management oversight, with the Quality and Safety Forum disbanded in January 2014; and • variability of local quality governance arrangements.	The Health Board is currently in transition to its new organisational structure. Work to review/revise the Quality and Safety subcommittee structure and its assurance-reporting lines has been deferred, so that the new unit arrangements can be taken into account. A clear set of principles are guiding the design of unit structures and governance arrangements, although at the time of our review, the unit arrangements were not finalised. The Health Board needs to proceed with its review of its subcommittee structure, oversight groups and reporting arrangements in 2016.
2d Strengthening clinical audit's contribution to Board assurance.	Progress made, with tighter prioritisation of clinical audit activity, strong focus on national benchmark audit participation and stronger scrutiny of the audit plan. Outcomes of projects is reported to the clinical outcomes steering group but the role of this group and its assurance reporting to the Quality and Safety Committee needs to be considered within the overall review of the Quality and Safety Committee sub-structure.
2e Developing a more systematic approach for organisational learning.	Progress made in a number of areas that support organisational learning including patient experience reporting and use of the Learning and Assurance group to share local learning. However, further work is needed to establish and embed a more systematic organisational approach.
2f Information governance committee operation and reporting.	Slow progress but assurance reporting lines have now been reviewed.

Key challenges and improvement issues in 2014	Summary of progress in 2015
3: Enablers of effective use of resources	
3a Workforce planning and ensuring operational managers are equipped to lead.	Progress has been made in some important aspects but challenges remain: • transition to new operational structures should increase operational management capacity but continuing work to develop effective people management skills is still needed; and • workforce information has improved but the benefits of ESR are not being fully realised, and better joined up planning for future skills and models of care needs to progress.