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# Structured Assessment 2019 – Cardiff and Vale University Health Board

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The team who delivered the work comprised Anne Beegan, John Llewellyn and Urvisha Perez, under the direction of Dave Thomas.

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# Summary report

## About this report

- 1 This report sets out the findings from the Auditor General's 2019 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 Our 2019 structured assessment work has included interviews with officers and Independent Members (IM), observations at board and committee meetings, and reviews of relevant documents, performance and financial data.
- 3 The key focus of structured assessment is on the corporate arrangements for ensuring that resources are used efficiently, effectively and economically. This year, auditors paid critical attention to the progress made to address recommendations and opportunities for improvement identified in 2018 and previous years<sup>1</sup>. The report groups our findings under four themes – the Health Board's governance arrangements, strategic planning, managing financial resources and managing the workforce.

## Background

- 4 Our 2018 Structured Assessment concluded that the Health Board's strategic planning arrangements were generally sound, and while it had made some progress, significant improvements were still needed in governance, risk management and performance monitoring arrangements.
- 5 This year, the Health Board has improved its status under the [NHS Wales Escalation and Intervention Framework](#). After spending three years under targeted intervention, in March 2019, Welsh Government de-escalated the Health Board to enhanced monitoring and then further de-escalated it to routine arrangements in September 2019. This was in recognition of the Health Board's improved financial position and improving performance, which contributed to the approval of its integrated medium-term plan (IMTP) in March 2019.
- 6 For 2018-19, the Health Board reported a financial deficit of £9.9 million, which was within the control deficit target agreed with Welsh Government. However, this position still contributed to a cumulative rolling 3-year deficit totalling £65.9 million at March 2019.

<sup>1</sup> In early 2020, we will be undertaking a review of the Health Board's quality governance arrangements, therefore we have not commented on this area of work. We have also not commented on information governance as we are conducting a separate follow-up review of previous recommendations.

- 7 For the same period, the Health Board delivered against its scheduled and unscheduled care profiles, which is an area the Health Board has continued to strengthen over the past few years by moving from quarterly to monthly profiling of Referral to Treatment Time targets (RTT). However, there are some areas of performance that need to be improved, such as urgent suspected cancer and outpatient follow-up backlogs.
- 8 The way in which the Health Board organises its clinical and corporate services is largely unchanged. However, there has been some turnover amongst board members. In April 2019, the Medical Director retired. Interim arrangements were put in place until the new Medical Director joined in July 2019. In June 2019, the Director of Transformation and Informatics (also the Deputy Chief Executive) took up post as the interim Chief Executive at Cwm Taf Morgannwg University Health Board. Interim arrangements are being put in place to cover her portfolio of responsibilities. In November 2019, the Director of Workforce and Organisational Development took on the role of interim Deputy Chief Executive. In August 2019, the Chair of the Health Board stood down and the Vice-Chair took over as interim Chair until a new Chair is appointed. An interim Vice-Chair was appointed in October 2019.
- 9 As this report provides a commentary on key aspects of progress and issues arising since our last structured assessment, it should be read with consideration to our [2018 review](#).

## Main conclusions

- 10 The overall conclusion from our 2019 structured assessment work is **the Health Board is strengthening processes that support board business, risk management and arrangements for tracking recommendations. It now has an approved IMTP, forecasts a breakeven position and is making progress in tackling workforce issues. But there are opportunities for improvement, these include; Board level performance reporting and scrutiny of IMTP delivery, flows of information between the senior management teams and the Board and addressing a large volume of outstanding audit recommendations.**
- 11 The Board is maturing and processes that support it are improving but there are issues with independent member capacity. We identified opportunities to improve the flows of information between Board and senior management team structures. There have been significant improvements to risk management, with the Board Assurance Framework now an integral part of the Health Board's risk management process.
- 12 The Health Board has strengthened its system for tracking recommendations and regulatory compliance. But this has highlighted an unacceptably high number of outstanding recommendations, which need to be addressed. The Health Board has started to review its performance management arrangements. But further work is

needed to ensure the Strategy and Delivery Committee has the right level of performance information to provide assurance to the Board.

- 13 For the first time in three years, the Health Board's IMTP received ministerial approval. But we found there is little scrutiny of its delivery at Board and committee level. The Health Board is nearly five years into delivering its long-term strategy to shape future population wellbeing, but progress in delivering it is slow.
- 14 The Health Board continues to improve its revenue financial position and is projecting to breakeven at the end of 2019-20 and meet its 3-year rolling revenue resource target by 2021-22. Arrangements for managing and monitoring budgets, cost improvement plans, and single tender actions are sound and there is good Board and committee oversight. But some policies are out of date and National Fraud Initiative data matches which could help detect undisclosed staff interests and procurement fraud are yet to be reviewed.
- 15 Workforce challenges remain, such as consultant job planning compliance, recruiting to some consultant posts and low appraisal rates. But the Health Board is progressing plans to tackle its issues, and this years has had success in recruiting nurses and delivering its culture and leadership programme.
- 16 We consider our findings in more detail in the following sections.

## Recommendations

- 17 **Exhibit 1** details recommendations arising from this audit. The Health Board's management response to these recommendations and our final report will be available on our website once considered by the relevant committee. The Health Board will also need to address the outstanding recommendations made in previous years.

### Exhibit 1: 2019 recommendations

Recommendations	
<b>Committee meeting frequency and timing</b>	
R1	We found scope to review the timings and frequency of some committee meetings to support members to scrutinise current information more often. Reviewing timings will also allow maximum attendance at meetings. The Health Board should: <ul style="list-style-type: none"><li>a) review the frequency of Audit Committee meetings to close the gap between the May and September meeting; and</li><li>b) review independent member's capacity and timings of committee meetings where there is infrequent independent member attendance.</li></ul>
<b>Performance Management Framework</b>	
R2	We found that performance monitoring at an operational level is sound, but some information received by the Board and its committees need to be

## Recommendations

improved. When the Health Board restarts its performance framework review it should be extended to include:

- monitoring IMTP delivery on a quarterly basis and reporting the wholesale position to the Strategy and Delivery Committee and Board. We have previously suggested presenting the committee with a summarised version of the IMTP progress reports available at clinical board performance reviews.
- ensuring that the Strategy and Delivery Committee receives, the same or more, detailed performance information than that received by the Board.
- review the format and legibility of the performance dashboard currently reported to Board.

# Detailed report

## Governance arrangements

- 18 As in previous years, our structured assessment work has examined the Health Board's governance arrangements. We looked at the way in which the Board and its committees conduct their business, and the extent to which organisational structures are supporting good governance and clear accountabilities. We considered the information that the Board and its committees receive to help it oversee and challenge performance and monitor the achievement of organisational objectives. We also reviewed the progress made in addressing our recommendations.
- 19 In 2019, we found that **the Health Board is strengthening processes that support board business and risk management. Arrangements for tracking recommendations have improved significantly but highlighted an unacceptably high number of outstanding audit recommendations. There is scope to improve performance reporting at Board and committee level and the flows of information between the senior management teams and the Board.** Findings are set out below.

## Conducting business effectively

The Board is maturing and processes that support it are improving but there are issues with independent member capacity. There are opportunities to improve the flows of information between Board and senior management teams

- 20 Our 2018 Structured Assessment found that the Health Board was taking steps to improve how the Board and its committees conducted business, but it had not yet achieved consistent good practice. This year the Health Board has developed a Corporate Governance Improvement Programme, which aims to re-establish basic governance processes and procedures that support the Board. The programme includes ensuring Standing Orders, Standing Financial Instructions, committee terms of reference and committee work programmes are up to date and the Health Board has appropriate systems for maintaining probity and propriety. The Health Board is making good progress on the improvement programme, but it is taking longer than intended. This is both because of capacity issues within the corporate governance team and because the team is ensuring existing systems are thoroughly reviewed and new processes implemented properly.
- 21 Our work in 2018 found that committee terms of reference and workplans were out of date. These have since been reviewed and in March 2019, the Board approved the appointment of nine committees for 2019-20, their terms of reference and work programmes. In May 2019, the Board approved its plan of business for 2019-20. Committee structures remain largely the same as last year, except for one new committee. The former Information, Technology and Governance Sub-Committee, is now a committee of the Board and has been renamed the Digital Health Intelligence Committee. It met for the first time in August 2019. Audit Committee



has also been renamed the Audit and Assurance Committee to better reflect its remit. When the terms of reference are next reviewed, the Health Board should minimise any overlap or duplication. It should also review arrangements for cross referring issues between committees.

- 22 The past two years has been a period of settling in for the Board, with new independent and executive members. During 2019, we have observed a growing maturity in the conduct, scrutiny and challenge at the Board and meetings of several committees<sup>2</sup>. The Health Board continues to work towards improving the quality of scrutiny by lifting the conversation from operational detail to strategic matters. This can be attributed to a more settled Board and committee structure, IMs growing in confidence and improving arrangements that support scrutiny.
- 23 However, through our observations we have also picked up some issues. The Quality, Safety and Experience Committee<sup>3</sup> has a sizeable agenda and papers. This raises the risk of the committee not focusing on the right areas. The membership of Audit and Assurance Committee was refreshed, and we have seen an improvement in the quality of discussion and scrutiny. But we are concerned about the irregular frequency of these meetings, with no meeting held between May and September each year. Overall, the Strategy and Delivery (S&D) Committee continues to bed in, its remit is clearer and there is a good level of scrutiny. Although we still have concerns about the limited information to enable scrutiny of performance and IMTP delivery.
- 24 In May 2019, the Board approved some changes in committee membership and Board champions. Most committees have three IMs including the chair. But we have found that the attendance of some IMs is variable which leaves meeting quoracy and therefore decision making at risk. For example, at the June 2019 S&D Committee meeting, only the chair was present. The interim Chair is aware of this issue and is looking to review committee membership. We would also suggest reviewing independent member's capacity and the timing of meetings to allow greater attendance. There are also vulnerabilities in terms of IM turnover. There has been one less IM since the chair left in August 2019, the chair of the Finance Committee is standing down as an IM in October 2019, and two IMs are waiting to be reconfirmed.a
- 25 The Health Board has recognised that its operational governance arrangements are not working optimally, so it is reviewing them. The intention is that the Health Service Management Board, which includes executive and clinical board leaders, will be the decision-making body. While the Management Executive Team, which includes the executive leaders, will act as a sounding board. The terms of

<sup>2</sup> As part of our structured assessment work, we observed several Board and committee meetings, in particular the Finance Committee, Strategy and Delivery Committee, Audit and Assurance Committee and Quality, Safety and Experience Committee (QSE).

<sup>3</sup> We will be observing more QSE Committee meetings as part of our upcoming audit of the quality governance arrangements.

reference for both groups are under review. However, the Health Board should extend this review to clarify what information should flow between these groups and the Board and its committees.

- 26 The Health Board's Standing Orders require committees to undertake an annual review of their effectiveness. The reviews were conducted for the first time in 2019 using an electronic survey. All committees, except for the Audit and Assurance Committee, have received feedback. Improvement plans were developed where answers to survey questions resulted in an 'adequate', 'needs improvement' or 'no response' response. A common issue highlighted through the review was timeliness of minutes. In response, the Corporate Governance Team has introduced a one-week deadline to prepare minutes and send them to respective committee chairs for ratification. Those we interviewed told us that the quality of the papers is improving and that the Health Board is committed to reducing the size of meeting papers. The cover template for Board and committee papers was updated last year and is working well, but further improvements are planned. Moving forward, cover papers, which are usually written by assistant directors, will be signed off by executive directors to ensure they highlight key messages.
- 27 Board development sessions take place bi-monthly. In July 2019, the Board received its 2019-20 development programme. Members had an opportunity to contribute to the draft plan. The board development plan is a live document that can be amended as needed. In future, the intention is to present the development plan to the Board at the end of the financial year. The Corporate Governance Team is also working to develop an induction programme for new IMs and members new to a committee.
- 28 Our Structured Assessment work in 2018 highlighted several weaknesses in systems of internal control that support board assurance. The Health Board has addressed these issues through its Corporate Governance Improvement Programme (paragraph 20). Specifically, it has reviewed its Standing Orders, which had not been reviewed since May 2015. In addition, an action plan addressing area of non-compliance with the Standing Orders was presented to the Board in March 2019. The Welsh Government issued its reviewed model standing orders in September 2019, with a directive to implement it by no later than 30 November 2019. The Scheme of Reservation and Delegation forms part of the Standing Orders, it was last reviewed in May 2015. This is listed as an area of non-compliance; an updated version was intended to be received by the Board in July 2019. This is still pending. The Health Board also plans on updating its detailed scheme of delegation, which was last reviewed in February 2018.
- 29 The Health Board has not reviewed its Standing Financial Instructions since May 2015. However, the model Standing Financial Instructions are being reviewed and updated at an all Wales level with publication expected for the start of 2020-21. In the meantime, we would expect the Health Board to review annually documents that support the Standing Financial Instructions, such as the scheme of delegation, in line with the recommendation included in our 2018 structured assessment report.

- 30 Last year, we reported that internal audit had issued a limited assurance report on standards of business conduct, specifically focusing on arrangements for declarations of interest and gifts, hospitality and sponsorship. The Health Board has addressed internal audit's recommendations and was given substantial assurance in September 2019. The Health Board's policy on policies has been updated and is next due to be reviewed in 2020. The Health Board has identified that the current policy register, which lists over 400 documents, shows several out-of-date policies and a lack of consistency in the use of the terms policy, guidance, protocol and procedure. To address these issues the Health Board has developed a policy improvement programme. Progress is reported quarterly to Health Services Management Board and will also report to Management Executive.
- 31 In 2017 and 2018 we made several recommendations to improve governance arrangements. **Exhibit 2** describes the progress made.

**Exhibit 2: progress on 2017 and 2018 governance recommendations**

2018 recommendations	Description of Progress
<p><b>Governance</b></p> <p>R3. The Health Board should:</p> <ul style="list-style-type: none"> <li>a) Update the Scheme of Delegation to reflect the delegated responsibility for calculating nurse staffing levels for designated acute medical and surgical inpatient wards;</li> <li>b) Review and update the Standing Orders and Standing Financial Instructions, ensuring these documents are reviewed and approved on an annual basis;</li> <li>c) Improve the format of the registers for declarations of interest and gifts, hospitality and sponsorship and clarify the frequency with which the registers are presented to the Audit Committee;</li> <li>d) Ensure the governance team manage policy renewals and devise a process to keep policy reviews up to date;</li> <li>e) Review all committee terms of reference to make sure they are up to date, do not overlap, and are reviewed annually; and</li> <li>f) Ensure all committees have an up-to-date work programme, which is linked to the cycle of Board meetings and reviewed annually.</li> </ul>	<p><b>On track but not yet complete</b></p> <p>The Health Board is making good progress against our governance recommendations. The bullet points below detail progress:</p> <ul style="list-style-type: none"> <li>a) <b>Pending</b> – the scheme of delegation does not yet reflect the delegated responsibility under the Nurse Staffing Levels (Wales) Act.</li> <li>b) <b>Part complete</b> – the updated Standing Orders were approved by the Board in March 2019. The Standing Financial Instructions are yet to be reviewed.</li> <li>c) <b>Complete</b> – standards of business conduct received substantial assurance in September 2019.</li> <li>d) <b>Complete</b> – the policy on policies has been updated and a policy improvement programme is in place.</li> <li>e) <b>Complete</b> – in March 2019, the Board approved the revised committee terms of reference.</li> <li>f) <b>Complete</b> – all committee work programmes and Board plan of business approved in March and May 2019 respectively.</li> </ul>

2017 recommendations	Description of Progress
<p><b>Board/Committee papers</b></p> <p>R3. To enable effective scrutiny, the Health Board needs to improve the quality of its papers to Board and Committees by ensuring that the length and content of the papers presented is appropriate and manageable.</p>	<p><b>Complete</b></p> <p>The Health Board has improved and is continuing to improve the quality of Board and committee papers.</p>
<p><b>Finance Committee papers</b></p> <p>R4. To improve transparency, the Health Board needs to ensure that the Finance Committee papers are made available on its website in a timely manner.</p>	<p><b>Complete</b></p> <p>Finance Committee papers are now consistently available on the Health Board's website prior to the meeting.</p>

## Managing risks to achieving strategic priorities

The Health Board has made significant improvements to risk management, with the Board Assurance Framework now an integral part of its risk management process

- 32 Our 2018 Structured Assessment found that there were delays in revising the corporate risk and assurance framework, which meant the Board had insufficient oversight of strategic risks for almost one year. In November 2018, the Board approved its Board Assurance Framework (BAF), which replaced the corporate risk and assurance framework that we had been critical about in the past.
- 33 This year, we found the BAF is an integral part of the Health Board's risk management process. The BAF is now a standard Board agenda item and improvements have been made over the year. For example, the document now highlights changes such as to the risk score or actions to mitigate risks. Before the BAF is presented to the Board it is reviewed by the executive leadership team and updated by the risk owning executive and the Director of Corporate Governance. To provide assurance to the Board, individual risks are assigned to and reviewed by the relevant committees.
- 34 Development, maintenance and scrutiny of the BAF is part of the Health Board's risk management improvement programme, which was approved by the Board in November 2018. This work has good Board oversight and the changes to risk management processes is helping to ensure better scrutiny. The Health Board has made good progress against the improvement programme.
- 35 At its Board development day in April 2019, the Health Board assessed its current risk appetite<sup>4</sup> as 'cautious'. The Risk Management and Board Assurance Framework Strategy, which was approved by the Board in July 2019, states that

<sup>4</sup> The Board assessed its risk appetite using the Good Governance Institute Matrix for NHS Organisations.

the Board’s risk appetite will be reviewed on an annual basis. To support the strategy, a risk management procedure has been developed. The Director of Corporate Governance, who is responsible for risk management, is rolling out training on the procedure to Corporate Directorates and Clinical Boards.

- 36 The Corporate Governance Team has been reviewing the risk registers for the corporate directorates and clinical boards to understand how risk is managed and to introduce a more consistent approach. This work is an integral part of developing the Health Board’s corporate risk register, which will include operational risks with a risk score of 20 and above. On occasion, clinical boards and corporate directorates may have risks scoring less than 20 which they feel they cannot mitigate. The Health Board should ensure it has a system to escalate and manage such risks. Currently, there are concerns that some clinical boards are over scoring risks, which would overburden the corporate risk register. However, training on the risk management procedure should, over time, help reduce this risk as risk owners learn to score appropriately.
- 37 The Health Board is taking a phased approach to developing its corporate risk register. The first draft will be presented to the Board at its meeting in November 2019. This version will not be perfect but will improve over the year, and as operational risk registers strengthen. In the interim, clinical boards and corporate directorates will be asked to provide their top three to five risks to the Director of Corporate Governance using the new risk management procedure. The corporate risk register will be reported to the Health Services Management Board prior to the Board. Currently, the Health Board’s risk management systems are paper based. It plans to implement the DATIX web-based risk system by April 2020.
- 38 In 2017, we made one recommendation in relation to risk management. **Exhibit 3** describes the progress made.

**Exhibit 3: progress on 2017 risk management recommendation**

2017 recommendations	Description of Progress
<p><b>Risk management</b></p> <p>R5. The Health Board needs to strengthen its corporate risk assurance framework (CRAF) by:</p> <ul style="list-style-type: none"> <li>• mapping risks to the Health Board’s strategic objectives;</li> <li>• reviewing the required assurances;</li> <li>• improving clarity of risk descriptors; and</li> <li>• clarifying to the reader the date when risks are updated and/or added.</li> </ul>	<p><b>Complete</b></p> <p>The corporate risk assurance framework has been replaced by the BAF which is now an integral part of the Health Board’s risk management process and is reviewed at Board and executive level.</p>

## Embedding a sound system of assurance

The Health Board has strengthened its system for tracking recommendations and regulatory compliance, but this has identified an unacceptably high number of outstanding recommendations

- 39 Our 2018 Structured Assessment highlighted ongoing weaknesses in the Health Board's system for tracking internal and external recommendations. Echoing some of our concerns, internal audit issued a limited assurance report on legislative compliance, in February 2019. This highlighted issues such as the poor format of the tracking report, not having a comprehensive list of required regulators and completed actions not being supported by evidence. The Health Board has acted on internal audit's recommendations and as a result a follow-up review in September 2019 gave reasonable assurance.
- 40 In response to our recommendations and those of internal audit, the Corporate Governance Team has updated systems to track internal and external recommendations and regulatory compliance. As recommended in last year's Structured Assessment, the Health Board reviewed all outstanding internal and external recommendations and reported the findings to Audit and Assurance Committee in September 2019. This exercise revealed that the Health Board has an unacceptably large volume of outstanding recommendations, 201 in total<sup>5</sup>. To improve this position the Corporate Governance Team has started to follow-up recommendations with executive leads on a quarterly basis. Executive and clinical board leads will discuss future audit reports. The trackers are 'work in progress', but the Audit and Assurance Committee will be able to take greater assurance from the tracking system as it improves and becomes established. However, the Health Board should consider using the clinical board performance reviews to hold services to account on outstanding recommendations. In addition, future iterations of the trackers should highlight common weaknesses and themes highlighted by inspectorates. The trackers are live documents and the Health Board should ensure there is adequate capacity within the corporate governance team to maintain this system.
- 41 The legislative and regulatory compliance tracker lists all regulatory bodies that inspect the Health Board and the regulatory standard being inspected. Each standard and/or body has a lead executive and assurance committee where inspection reports and action plans will be presented. The tracker also lists, where information is available, inspection cycles, current and future inspection dates, where inspections were undertaken 10 or more years ago and the outcome of inspections. The Health Board intends on simplifying this tracker by developing a

<sup>5</sup> There are 49 outstanding Wales Audit Office recommendations made between 2017-18 and 2019-20. 152 internal audit recommendations made in 2017-18 and 2018-19 are outstanding. The main tracker goes back to 2013-14.

visual dashboard, like one used by the Clinical Diagnostics and Therapies Clinical Board.

- 42 **Exhibit 4** describes the progress made in addressing our 2017 Structured Assessment recommendations and our 2018 recommendation on recommendations tracking.

**Exhibit 4: progress on 2017 Structured Assessment recommendations and 2018 recommendation on recommendations tracking**

2018 recommendations	Description of Progress
<p><b>Progressing 2017 recommendations</b>            R1. The Health Board should complete our 2017 structured assessment recommendations by the end of 2019. Recommendations related to planning savings targets, quality of information, committee administration, risk management and performance reporting.</p>	<p><b>On track but not yet complete</b>            The Health Board is making progress against our 2017 recommendations<sup>6</sup>. The recommendations are detailed in our <a href="#">2017 Structured Assessment report</a>.</p>
<p><b>Audit recommendation tracking</b>            R2. The Health Board should improve its recommendation tracking by:</p> <ul style="list-style-type: none"> <li>a) addressing our outstanding 2016 structured assessment recommendation to strengthen tracking arrangements for external audit recommendations;</li> <li>b) including the tracking of internal audit recommendations; and</li> <li>c) completing a review of all outstanding internal and external audit recommendations and reporting the findings to the Audit Committee.</li> </ul>	<p><b>Complete</b>            The Health Board now has trackers in place for internal and external audit recommendations and for legislative and regulatory compliance. The Health Board has reviewed all outstanding internal and external recommendations and reported these findings to the Audit and Assurance Committee in September 2019.</p>

<sup>6</sup> We cannot comment on recommendations related to information governance until we have completed our separate follow-up review of previous recommendations.

## Performance management arrangements

The Health Board has started to review its performance management arrangements. Further work is needed to ensure the Strategy and Delivery Committee has the right level of performance information to provide assurance to the Board

- 43 Last year we found the Health Board's performance management framework had not been reviewed since 2013. It therefore did not reflect current organisational structures and performance arrangements. The Health Board had started to review its performance management arrangements by reviewing and mapping how and where performance is scrutinised. An initial paper was presented to the S&D Committee in April 2019, but progress stalled because of a sudden gap in capacity within the executive team. The Health Board intends on restarting this work but it should extend this work to take account of the issues highlighted below and to improve scrutiny of IMTP delivery (see [paragraph 52](#)). In previous years, we found that performance management arrangements were sound at an operational level but there were weaknesses at a strategic level because performance information reported at committees was less detailed than that reported to the Board. Since April 2019, the S&D Committee receives a cover report with a high-level summary narrative to accompany the tier 1 target performance data. Whilst this is an improvement on previous years it is still less detailed than that received by the Board. The Finance Committee scrutinises financial performance in detail and the Board receives assurance through a summary report of the financial position. A similar system should be in place for providing assurance on key performance measures. The performance dashboard is presented at each Board meeting with accompanying narrative on areas of performance that have been prioritised by the Board. The format of the performance dashboard is not easy to read, the font is too small and becomes blurry when the page is expanded. The Health Board should review the content and format of performance reporting at Board and committee level.
- 44 As reported in previous Structured Assessments, the Health Board has performance review and escalation arrangements for the clinical boards. As at September 2019, three clinical boards - Specialist, Medicine and Surgery - have been escalated because of concerns around financial performance and activity.
- 45 The performance dashboard, which shows national and local measures, was presented to Board in September 2019. As at August 2019, out of the 70 performance indicators presented, 23 were rated green, 21 were rated amber and 26 rated red. The Annual Plan for 2018-19 includes Welsh Government's summary of the Health Board's performance against the outcome's delivery framework measures. It shows that the Health Board's performance had improved against 35 measures, was sustained against 2 and performance declined against 30 measures. Particular areas for improvement include performance against urgent suspected cancer targets and outpatient follow-up backlogs.



46 In 2017 and 2018 we made recommendations in relation to performance management. [Exhibit 5](#) describes the progress made.

**Exhibit 5: progress on 2017 and 2018 performance management recommendations**

2018 recommendations	Description of Progress
<p><b>Performance management</b></p> <p>R4. The Health Board should update its performance management framework to reflect the organisational changes that have taken place since 2013.</p>	<p><b>On track but not yet complete</b></p> <p>The Health Board has started to review its performance management arrangement, but progress stalled because of capacity issues in summer 2019.</p>
2017 recommendations	Description of Progress
<p><b>Performance reporting</b></p> <p>R7. The Health Board needs to ensure that the level of information reported to the Resource and Delivery Committee on performance is sufficient to enable the Committee to scrutinise effectively. This should include:</p> <ul style="list-style-type: none"> <li>a) ensuring that the Committee receives more detailed performance information than that received by the Board. Consideration should be made to including a summary of the Clinical and Service Board dashboards used in the monthly executive performance management reviews;</li> <li>b) See <a href="#">Exhibit 9</a> for recommendation on workforce metrics.</li> </ul>	<p><b>Superseded by 2019 recommendation</b></p> <p>The S&amp;D Committee now receives summary narrative to accompany performance data. But the detail provided is still less than that received by the Board. The Health should review performance reporting as part of its review of performance management arrangements (see <a href="#">Exhibit 1</a>; and <a href="#">Recommendation 4</a> above).</p>

## Strategic planning

47 Our work considers how the Board sets strategic objectives for the organisation and how well the Health Board plans to achieve these, using the resources that it has, or can, make available. We also examine the Health Board arrangements for monitoring progress against its objectives and the difference it is making.

48 In 2019, we found that **the Health Board has an approved IMTP for the first time in three years, but there is little scrutiny of its delivery by the Board or its committees. The Health Board is nearly five years into delivering its long-term strategy to shape future population wellbeing, but progress is slow.**

49 This year the Health Board has taken steps to streamline its IMTP planning process and progress plans that underpin its long-term strategy to shape future population wellbeing (10-year strategy), but it needs to increase the pace of

delivery. We also found that the Health Board needed to improve scrutiny of IMTP delivery at Board and committee level.

- 50 As reported in previous years, the Shaping our Future Wellbeing Strategy (10-year strategy) sets out the Health Board's vision and strategic objectives, these were developed in 2015. The Health Board is nearly five years into the life of the strategy, but we have concerns about the pace of delivery. In April 2019, the S&D Committee received a mid-way progress report on delivery against strategic objectives. Whilst a helpful summary, IMs commented that the summary did not show what was left to do and milestones for delivery. In addition to the 10-year strategy and to support the next phase of its implementation, the Health Board is currently further developing its Clinical Services Plan. The Shaping Our Future Wellbeing in the Community programme, which is aligned to the emerging Clinical Services Plan, sets out proposals for developing the infrastructure plans to support the model of care already described in Shaping Our Future Wellbeing. It will be important to ensure that the Clinical Services Plan and the infrastructure plan includes the next phases of Shaping Our Future Wellbeing in the Community. The plan for community services is further ahead with business cases in place for three wellbeing hubs and one centre. The plan for hospital services is still in draft, with plans to engage staff and stakeholders during November and December 2019. We note that the hospital service plan is for 2019-29, which covers a different timeframe than the main strategy.
- 51 The IMTP is the main delivery vehicle for the 10-year strategy. In January 2019, the Board approved the Health Board's IMTP prior to submission to Welsh Government and in April 2019, the IMTP received ministerial approval for the first time in three years. Approval of the IMTP contributed to the de-escalation from Welsh Government's targeted intervention to routine arrangements in September 2019. The Health Board has streamlined its IMTP to focus on six core priority areas, one of which is achieving financial balance. The IMTP is also underpinned by several plans, including the estates strategy, workforce plan and some clinical board plans.
- 52 In July 2019, the Board received an update setting out the process for refreshing the IMTP, which also provided a set of initial priorities for 2020-21. The Health Board is working towards a January 2020 Welsh Government submission date. In order to develop a collective IMTP, the Health Board held a joint workshop session with clinical boards and executive leaders. In general, the Health Board reported that there is less silo working. This is largely attributed to the challenge posed by executives at clinical board performance reviews. Silo working should reduce further once all corporate services and executives have moved to the new headquarters at Woodland House. Those we interviewed reported that there is good IM engagement in the IMTP planning process.
- 53 We have previously raised the need for better scrutiny of annual plan delivery. This is still the case for this year's IMTP. The S&D committee receives progress reports on individual IMTP projects and programmes. It does not receive an overall or collated progress summary against all IMTP deliverables. The purpose of the BAF

is to highlight and mitigate key risks to achieving the Health Board's strategic objectives. The IMTP is the key plan for delivering the strategic objectives. If the S&D committee and the Board are unable to scrutinise overall delivery this leaves a gap in assurance. We have previously suggested presenting the committee with a summarised version of the IMTP progress reports available at clinical board performance reviews.

- 54 In 2018, we reported that the Health Board had developed a transformation programme to support the implementation of its 10-year strategy. There are five workstreams<sup>7</sup>, each with an executive lead and at different stages of progress. The culture and leadership workstream, branded Amplify 2025, is visible and ambitious. The Health Board has a learning alliance with Canterbury Health Board in New Zealand and is employing similar methods of engagement. In July 2019, the Health Board held its first Amplify 2025 event. The event aimed to get the 80 participating staff to think differently about delivering healthcare. The Health Board is planning the next phase of Amplify 2025, which is a showcase experience inviting up to five thousand people including staff, partners and patients to attend. The showcase will be a two-hour experiential walk through the Health Board's system, incorporating both current and future models of delivering care.
- 55 Aspects of other workstreams are also starting to deliver. For example, the Health Board is rolling out a system which allows decisions to be made on real-time patient flow data (Lightfoot Solutions). The Health Board has introduced a healthcare pathways website, rolling out pathways for services under the greatest pressure first. It is also in the early stages of developing the Patient Knows Best portal, which aims to help patients avoid unnecessary follow-up appointments by supporting their recovery.

## Managing financial resources

- 56 We considered the action that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. We have assessed the financial position of the organisation, the approach to financial planning, financial controls and stewardship, and the arrangements for financial monitoring and reporting. We also reviewed the progress made in addressing our recommendations
- 57 We found that **the Health Board continues to improve its revenue financial position and is projecting to breakeven at the end of 2019-20 and meet its 3-year rolling revenue resource target by 2021-22. Financial management, monitoring and Board and committee oversight are sound. But some policies are out of date and National Fraud Initiative data matches related to potential procurement fraud are yet to be reviewed.** Our findings are set out below.

<sup>7</sup> The five transformation workstreams are: health pathways, alliancing, culture and leadership, digitally enabled organisation and accessible information.

## Financial performance and planning

The Health Board continues to improve its revenue financial position and cost improvement plans. It is projecting that it will achieve a breakeven financial position at the end of 2019-20 and anticipates meeting its 3-year rolling revenue resource target by 2021-22

- 58 The Health Board has consistently met its capital resource limit both for the annual limit and three-year limit. The Health Board expects to meet the capital resource limit for 2019-20. In terms of revenue funding, for 2018-19 the Health Board exceeded its annual and three-yearly expenditure limits for net revenue. Consequently, the Auditor General qualified his regularity opinion in the Health Board's annual financial statements. The Health Board did, however, achieve the £9.9 million control total revenue position that had been agreed with Welsh Government. This was achieved with additional funding totalling £10 million provided by the Welsh Government.
- 59 For 2019-20, the Health Board expects to operate within its annual revenue resource limit. However, given the deficit position of the previous two years (£26.9 million in 2017-18 and £9.9 million in 2018-19) it will not meet its statutory financial duty to break even over the three-year rolling period up to 2019-20. The rolling three-year deficit up to 2018-19 is £65.9 million. In addition, the Health Board's cumulative deficit since the introduction of the 3-year rolling resource limit in 2014-15 is £87.2 million.
- 60 The Health Board's financial returns to Welsh Government for month five show that achieving an in-year breakeven position at the end of 2019-20 will be a challenge. The Health Board's net revenue expenditure at the end of August 2019 exceeded the profiled position by £2.8 million. This is an increase in the profiled deficit position of £1.8 million at the end of June 2019.
- 61 We reported last year that the Health Board had effective arrangements for identifying savings and developing savings plans. The savings target for 2018-19 was £33.8 million, which the Health Board exceeded by £0.8 million. In order to breakeven at the end of 2019-20, the Health Board has set a savings targets of £31.2 million. The target is broken down as:
- 2% (£16.4 million) recurrent savings target devolved to the clinical boards; and
  - 1.8% (£14.9 million) recurrent savings target, which are managed corporately and mainly delivering via high value opportunities.
- 62 As at month five, the Health Board revised its savings target downwards from £31.2 million to £26.1 million to reflect the release of £2.1 million relating to the

Health Board’s remaining investment reserve and a further £2.8 million to reflect an operational underspend on Weqas<sup>8</sup>.

- 63 The Health Board has addressed our 2017 recommendation by changing the basis of its cost improvement (CIP) targets from 2019-20 by:
  - eliminating non-recurrent savings targets;
  - all clinical boards having a 2% recurrent target, centred on core efficiencies, but with the expectation of finding further savings opportunities beyond their delegated target; and
  - including an extra cost improvement target of no more than 2%, based on benchmarking data and significant service changes.
- 64 Our review of the cost improvement plan target for 2019-20 confirms that the Health Board has incorporated the above changes into its plan and that as at August 2019 (month five) has identified savings, and is on track, to fully achieve its savings target of £26.1 million.
- 65 The Health Board has a robust system for monitoring its cost improvement plans, which includes: oversight by the Cost Improvement Board, Finance Committee and at clinical board performance reviews. In addition, monthly and weekly monitoring reports are produced for each clinical board. Where cost improvement plans are not being achieved, clinical boards are subject to the Health Board’s escalation process, which was updated in early 2018. In December 2018, internal audit gave the Health Board’s cost improvement programme substantial assurance.
- 66 The Health Board is improving its understanding and reporting of activity and associated cost drivers. It has implemented the All Wales Costing System ‘PCG monitoring’, which replaces the previous ‘Synergy’ system. The Health Board has already seen benefits from the implementation of the new system, for example significant time savings when producing the 2017-18 Welsh Costing Returns. In April 2019, the Finance Committee received a progress update on the system as per our 2018 recommendation.
- 67 In 2017 and 2018 we made the following recommendations in relation to financial planning. **Exhibit 6** describes the progress made.

**Exhibit 6: progress on 2017 and 2018 financial planning recommendations**

2018 recommendation	Description of Progress
<p><b>Financial planning</b></p> <p>R5. The Health Board should provide the Finance Committee, or Board, with an update on progress with its testing and</p>	<p><b>Complete</b></p> <p>An update was provided to Finance committee in April 2019. In addition, the Health Board has now fully implemented the All Wales Costing System.</p>

<sup>8</sup> Weqas is a quality assessment provider for laboratory medicine. It is an independent organisation that is hosted by the Health Board.

delivery of the All Wales Costing System Implementation Project.	
<b>2017 recommendation</b>	<b>Description of Progress</b>
<p><b>Saving targets</b></p> <p>R1. For 2018-19, the Health Board needs to use intelligence such as benchmarking data to identify stretch targets on a case-by-case basis in areas where greater levels of savings could be made.</p>	<p><b>On track but not yet complete</b></p> <p>Whilst the Health Board has improved the basis of its cost improvement targets, it is still in the processes of making further improvements.</p>

## Financial management and controls

The Health Board has a clear framework for managing and monitoring its budgets and has a new system which is reducing the number of single tender actions. However, some policies are out of date and National Fraud Initiative data matches related to potential procurement fraud are yet to be reviewed

- 68 Our 2018 Structured Assessment identified some weaknesses in the documentation that supports the systems of internal control. As outlined above, the Health Board is taking steps to address weaknesses in governance and systems of control, in particular updating the Standing Financial Instructions and detailed Scheme of Delegation, both of which need review (see **Paragraph 28**). We also found that the counter fraud policy<sup>9</sup> and the capital management procedure are out-of-date (review dates June 2014 and February 2019 respectively). These documents should be updated in line with the Health Board's recently reviewed policy on polices.
- 69 The Health Board has a clear framework in place for managing and monitoring its revenue and capital budgets. Revenue budgets together with savings targets are devolved to clinical boards who have responsibility for setting and monitoring their budget areas. Each clinical board's budget is further allocated to individual budget holders, who are responsible for monitoring their budgets on a monthly basis. Clinical boards are supported by senior business partnering teams who provide support and assistance in the monthly monitoring process together with scrutiny and challenge on the monthly budget position. Capital budget monitoring is delegated to the Assistant Director of Planning (Capital and Estates) who has the responsibility for ensuring that the Health Board stays within its Capital Resource Limit on an annual basis. At an operational level, the Assistant Director of Planning delegates monitoring of individual capital budgets to nominated budget holders.

<sup>9</sup> The Auditor General is undertaking further work to examine the effectiveness of counter fraud arrangements across the public sector in Wales, with a view to publishing his findings in summer 2020. His work will be informed by local fieldwork commencing in late 2019.

- 70 Our 2018 structured assessment found that the Health Board has effective arrangements for monitoring procurement activity and spend. In February 2019, the Audit and Assurance Committee received an internal audit report giving contract compliance reasonable assurance. Internal audit found that whilst processes and procedures were in place, testing found several instances where staff could not provide evidence that they had obtained quotations prior to raising purchase orders and one instance where a full tender exercise should have been undertaken.
- 71 In terms of single tender actions, we found the Health Board has processes in place for identifying non-compliance and to manage and reduce the number of single tender actions. Approved single tender actions are reported at each Audit and Assurance Committee together with details of non-compliance with tender procedures. To help reduce the number of single tender actions, in April 2019 the Health Board introduced a new system called 'MultiQuote', which is a sourcing service that enables buyers to investigate the market and find suppliers quickly and easily. The new system is making a difference. In the six months between April and August 2019, 35 single tender actions were reported to Audit and Assurance Committee compared with 66 in the four-month period between December and March 2019.
- 72 The NFI is a biennial data-matching exercise that helps detect fraud and overpayments by matching data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. It is a highly effective tool in detecting and preventing fraud and overpayments and in helping organisations to strengthen their anti-fraud and corruption arrangements. Participating bodies submitted data to the current NFI data matching exercise in October 2018.
- 73 In January 2019, the Health Board received 6,983 data-matches through the NFI web application. Whilst we would not expect organisations to review all data-matches, some of the matches are categorised as 'recommended matches. These are matches considered to be of high risk and therefore recommended for early review. The Health Board's matches included 823 recommended matches. The NFI web-application, which records the findings of the Health Board's review of its data-matches, shows that as at 15 October 2019, the Health Board had concluded or was in the process of reviewing most of the high-risk matches. The Health Board has generally made good progress in addressing the NFI matches. However, we note that Health Board does not appear to have reviewed matches between payroll, creditor payment and Companies House data. These are important matches because they can help to identify undisclosed staff interests and procurement fraud. We therefore recommend that the Health Board review these data-matches as a matter of urgency.
- 74 In 2018 we made the following recommendations in relation to NFI matches. **Exhibit 7** describes the progress made.

## Exhibit 7: progress on 2018 National Fraud Initiative matches recommendation

2018 recommendation	Description of Progress
<b>National Fraud Initiative matches</b> R6. The Health Board should ensure that all recommended matches from the next NFI exercise in January 2019 are reviewed and where necessary investigated in a timely manner.	<b>On track but not yet complete</b> Whilst the Health Board has generally made good progress in addressing the NFI matches, it should review matches between payroll, creditor payment and Companies House data as a matter of urgency.

## Oversight and scrutiny of financial performance

### Oversight and scrutiny of financial performance at Board and committee level is strong

75 The Health Board has a clear process in place for monitoring monthly budgets, which ensures that all relevant information is captured, analysed and reported to Finance Committee, the Board and to Welsh Government. The Health Board has clearly defined roles for monitoring and reporting of financial performance, providing sufficient scrutiny and challenge. The Finance Committee, which meets on a monthly basis receives in depth financial reports that are generally well structured and informative. The level of detail included is sufficient and appropriate to allow committee members to adequately scrutinise the financial position. Sufficient time is given to members to allow them to scrutinise and challenge the financial position before and during meetings. Financial reports set out data along a traditional format of income, pay and non-pay expenditure, cash flows and important capital schemes. This aligns with monthly reporting to Welsh Government. The Board receives assurance through a summary report of the financial position. The report is an integral part of the performance report.

## Managing workforce productivity and efficiency

- 76 We considered the action that the Health Board is taking to ensure that its workforce is well managed and productive. We also assessed arrangements for addressing training and development needs and action to engage and listen to staff and address wellbeing needs. We reviewed the progress made in addressing our recommendations.
- 77 We found that **workforce challenges remain, such as consultant job planning compliance, recruiting to some consultant posts and low appraisal rates. But the Health Board is progressing plans to tackle its issues, with success in recruiting nurses and delivering its culture and leadership programme.**
- 78 Our 2018 Structured Assessment found that the Health Board was developing plans to tackle its workforce challenges but had failed to address consultant job planning. This year, whilst workforce challenges remain the Health Board is making



progress to tackle them. The Health Board has had success in recruiting nurses and delivering culture and leadership transformation workstream (branded Amplify 2025).

79 Last year we reported that compared with the Wales average, the Health Board’s performance against some key workforce measures was mixed. **Exhibit 6** shows performance as at July 2018 and 2019, and the Wales average at July 2019.

**Exhibit 8: performance against key workforce measures, July 2018 and 2019**

	Health Board July 2018	Health Board July 2019	Health Board July 2018 compared to 2019	Wales average July 2019
Sickness average	5.1%	5.2%	↑	5.4%
Turnover	9.8%	10.4%	↑	7.1%
Vacancy	3.2%	2.3%	↓	2.9%
Appraisal	61%	56%	↓	70%
Statutory and mandatory training	75%	77%	↑	80%

Source: NHS Wales Workforce Dashboard, Health Education and Improvement Wales, July 2018 and 2019

80 **Exhibit 8** shows that sickness rates have risen slightly (by 0.1%) since last year, but the Health Board’s performance is better than the Wales average (by 0.2%). In April 2019, the S&D Committee received a deep dive on sickness absence along with the ‘maximising attendance plan’ to address issues. The deep dive revealed that anxiety and stress is the biggest reason for sickness absence. In response to this, in September 2019, the Board of Trustees agreed to fund the employee wellbeing service through the Cardiff and Vale Health Charity.

81 The Health Board reported that a lot of work has gone into nurse recruitment this year, using a range of social media and open days to attract staff. As a result, the Health Board has appointed several overseas candidates and there are potential candidates through other recruitment initiatives. **Exhibit 8** shows that the Health Board has reduced its vacancy rate by 0.9% since last year and its performance is 0.6% better than the Wales average. This equates to 105 fewer vacancies than last year, with over half (54% or 57 staff) attributed to a rise in nursing and midwifery staff. The Health Board is also working with the Apprenticeship Academy and its

local authority partners to offer apprenticeships to 16-19-year olds, an age group that is currently underrepresented. The Health Board is playing its part in promoting value-based healthcare and increasing staff skill mix. For example, it is leading on an endoscopy curriculum to train nurses for Wales. However, some consultant posts remain challenging to fill. For example, interventional radiologists and specialists in operating theatres.

- 82 Since last year, the Health Board's appraisal rate has fallen by 5% and is 14% below the Wales average (**Exhibit 8**). The Health Board has revised the Personal Appraisal Development Review (PADR) process and in June 2019 introduced the Values Based Appraisal (VBA). The focus of the PADR is performance, what staff are doing and pay progression. Whilst these elements remain, the annual VBA is a discussion about expected values and behaviours, development needs and aspirations. This new approach hopes to promote the organisation's culture, manage talent and help with succession planning. Training on VBA is being rolled out to senior managers and includes encouraging managers to using a coaching style to encourage positive discussions with staff.
- 83 Job planning compliance at the Health Board is still a challenge. In September 2019, the S&D Committee received the workforce performance dashboard for June 2019. It shows that 89% of consultants had job plans recorded of which only 27% had been reviewed within 12 months<sup>10</sup>. At the September 2019 Audit and Assurance Committee, the new Medical Director gave a verbal update on his ambitions for job planning. He aims to standardise job planning and introduce a centralised system for recording them, but no timeframe was specified.
- 84 In 2017, we recommended the Health Board expand the range of performance metrics reported to S&D Committee to include a broader range of workforce KPIs. In June 2019, the Health Board introduced a new format for its key workforce indicators. The report, which shows 18 KPIs, is clearly presented and was well received by the committee. Since April 2019, the committee receives the workforce performance dashboard at each of its meetings. Whilst there is no narrative accompanying the dashboard, the committee receives regular deep dives on underperforming workforce areas.
- 85 In 2018, the Health Board told us it would be running 180-degree reviews for its top leaders (band 8 and above). The reviews aim to understand current leadership styles with a view to introducing a coaching, high-trust less bureaucratic style. The Health Board told us that to date, 40 leaders have had their review. The 180-degree review was conducted by an external company called Korn Ferry. Each leader received an individual report. Korn Ferry presented high-level results to the 40 leaders collectively to show the organisation's current leadership style. The Health Board is about to run the review with another 40 leaders. The Health Board plans on training a pool of staff to conduct 180-degree reviews internally.

<sup>10</sup> As part of next year's programme of local work, we will be following up recommendations made through our NHS consultant contract reviews.

- 86 Since 2018, the Health Board has improved its statutory and mandatory training by 2%, but it is 3% below the Wales average of 80%. The Health Board is continuing to review statutory and mandatory training requirements for different roles. To date, training at level one and two is role appropriate but further work is needed to review level three and four training.
- 87 In response to last year's NHS staff survey the Health Board established an employee stakeholder group, chaired by the Executive Director of Workforce and Organisational Development, to consider the results of the survey and develop an action plan. The working group was made up of around 50 staff volunteers from across the organisation. In April 2019, the action plan was presented to the S&D Committee. The action plan centres around four main themes: engagement, leadership, culture and behaviour and involvement. A staff survey steering group has been set up to drive the action plan forward, but as yet it has not reported back to the S&D Committee.
- 88 In 2017 we made the following recommendation in relation to the workforce performance report. **Exhibit 9** describes the progress made.

**Exhibit 9: progress on 2017 workforce performance report recommendation.**

2017 recommendation	Description of progress
<p><b>Performance reporting</b></p> <p>R7. The Health Board needs to ensure that the level of information reported to the Resource and Delivery Committee on its performance is sufficient to enable the Committee to scrutinise effectively. This should include:</p> <ul style="list-style-type: none"> <li>a) See <b>Exhibit 5</b> for recommendation on Strategy and Delivery Committee performance reports.</li> <li>b) expanding the range of performance metrics to include a broader range of key performance indicators relating to workforce. Consideration should be made to revisiting the previous workforce KPIs reported to the previous People, Planning and Performance Committee (this was superseded by the Strategy and Delivery Committee).</li> </ul>	<p><b>Complete</b></p> <p>The Health Board has introduced a new, clear dashboard for its key workforce indicators, which is supported by regular deep dives presented to the S&amp;D Committee.</p>

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)