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Summary report

Context

- 1 Structured assessment examines Hywel Dda University Health Board's (the Health Board) arrangements that support good governance and the efficient, effective and economic use of resources. In previous years, the work assessed the robustness of financial management arrangements, the adequacy of governance arrangements, the management of key enablers that support effective use of resources, and the progress made in addressing previously identified improvement issues. Our 2015 work found that arrangements to support good governance continue to evolve although there remain a number of fundamental issues that the Health Board needs to address. Achieving financial balance remains a challenge, the Health Board faces some significant risks and performance needs to be improved.
- 2 Structured assessment work in 2016 has again reviewed the Health Board's financial management arrangements and the progress made in addressing the previous year's recommendations. This year, we have also carried out comparative work in three areas. The selected areas and the scope has been informed by our own analysis of all-Wales issues and discussion with board secretaries. The areas of comparative work include:
 - the format of financial reporting to boards;
 - arrangements for developing Integrated Medium-Term Plans (IMTPs) and monitoring and reporting on the delivery of these plans¹; and
 - approaches for mapping risks and assurances and developing a board assurance framework².
- 3 This report details our local audit findings for the Health Board. On finalisation of local audit reporting, we will complete all-Wales analyses on the three areas of comparative work, to share with NHS organisations and relevant all-Wales fora, such as directors of finance, directors of planning and board secretary groups. This approach is intended to support learning, by sharing approaches and good practice across NHS organisations. Publication of our comparative analysis of IMTP development and reporting will be coordinated with that of the Auditor General's national report on the National Health Services Finance (Wales) Act 2014, planned for early in 2017.
- 4 Our findings are based on interviews, committee observations, review of documents and performance data, information returns from board secretaries and directors of planning and the results of a survey of board members. Some 119 board members responded to our survey, a response rate of 59%. This included 14

¹ Where there is no approved IMTP, we have considered the annual plan.

² A board assurance framework sets out the risks to achieving corporate objectives, the internal controls for mitigating those risks and the assurances the board needs to know that controls are effective and risks are being managed.

responses (61% response rate) from the Health Board. We would like to thank those board members who responded to our survey for their time and input.

- 5 In September 2016 the Welsh Government, under its Joint Intervention and Escalation Arrangements moved the Health Board's status from enhanced monitoring to targeted intervention. The Welsh Government communication highlighted the need for improvement of specific issues in the following areas:
 - an ongoing inability to secure an approved Integrated Medium Term Plan;
 - significant overspend in the last financial year and financial projections for 2016-17 forecasting a further substantial deficit; and,
 - the need to build organisational capacity and capability, including reviewing executive portfolios to ensure balance and appropriateness.
- 6 In recognition of the importance of effective governance, the Chief Executive in January 2015 commissioned an external governance review. Many of the aspects identified are common to and complement our Structured Assessment reviews. As part of this years Structured Assessment, the Health Board has asked the Wales Audit Office to consider progress against key External Governance review recommendations. These will be reflected within this report.

Key findings

- 7 Our overall conclusion from 2016 structured assessment work is that although the Health Board is laying some sound foundations to secure its future and the pace of change is increasing, it remains in a very challenging financial position and has considerable work to do across a range of important areas. The reasons for reaching this conclusion are summarised below.

Financial management

- 8 The Health Board's financial management arrangements are generally satisfactory but it continues to struggle to establish a sustainable financial position and is heading for a cumulative three year deficit of some £90 million.

Financial planning

- 9 The Health Board continues to improve and refine its financial planning approach, but its ability to establish longer-term balanced financial plans is hampered by the absence of a detailed clinical services strategy.
- 10 The Health Board's IMTP for 2016-17 was not approved by Welsh Government mainly because it did not demonstrate financial balance. It is working towards an annual operational plan.

Financial monitoring and reporting

- 11 Financial reporting arrangements provide robust information for board decision making. Reports outline key areas of concern, reflect an honest position and are sufficient to inform decisions where corrective action is required.
- 12 Based on a comparison with other health bodies in Wales, the Health Board's financial reporting compares favourably being both timely and in sufficient detail.

Financial performance

- 13 The Health Board continues to face significant financial challenges and its financial position is deteriorating. Its Annual Operational Plan for 2016-17 forecast a deficit of £38.3 million, including a very challenging savings target of £29.4 million. This followed deficits of £7.5 million in 2014-15 and £32.1 million in 2015-16. At Month 8 of 2016-17, the Health Board has needed to increase its forecast deficit position at year end to £51.8 million.
- 14 The planned savings are behind schedule mainly because of difficulties in reducing variable pay expenditure. This is despite significantly strengthened temporary staff usage controls and strenuous efforts by the Health Board to fill vacancies.
- 15 Despite intense Board and committee scrutiny and challenge of the financial position along with the various control measures, the Health Board is likely to incur a deficit of some £90 million (4%) against its cumulative three year rolling resource limit at 31 March 2017 and is unlikely to achieve financial balance under its current service model.

Financial control and stewardship

- 16 The Health Board's in-year financial controls operate effectively to ensure appropriate stewardship. Internal Audit provided 'reasonable' assurance on the overall framework and the Audit and Risk Assurance Committee (ARAC) provides effective scrutiny and oversight. The Business, Planning and Performance Committee (BPPAC) provide the required controls.

Governance and assurance

- 17 In reviewing the Health Board's corporate governance and board assurance arrangements we found that the Health Board has strengthened its governance arrangements and the foundations are being put in place to address the ongoing planning and delivery challenges although there remains considerable work to do across a range of important areas.

Strategic planning and reporting

- 18 The Health Board is laying some sound foundations to deliver service modernisation and change. These include the organisational change programme

which will strengthen strategic planning focus, sourcing of additional capacity and expertise from external organisations while also building internal capacity and capability. However, there remains considerable work to do across a range of important areas including addressing critical capacity gaps and agreeing a clinical services strategy. The Health Board still does not have an approved IMTP although it has secured agreement from Welsh Government for more time to develop the plan and secure a consensus. The Health Board has clearly articulated its Strategic Objectives to underpin its future direction of travel. However, the Health Board still does not yet have an overarching clinical strategy which is a critical aspect that underpins all of its other plans. Although progress is being made to help inform the development of the Clinical Services Strategy.

- 19 Capacity and capability is a key constraint for the Health Board. Many of the key aspects of successfully taking forward projects and modernisation programmes are not in place. The Health Board it is taking steps to strengthen organisational strategic and operational capacity on which to build a stronger foundation to deliver service modernisation and change but this now needs to progress at pace. In going forward, assurance arrangements to monitor and report progress will need strengthening.

Board effectiveness and assurance

- 20 Board assurance has been significantly strengthened and committees are generally operating effectively but subcommittee assurance and risk focus needs to be strengthened. In reaching this conclusion we found:
- The Health Board has significantly strengthened its assurance arrangements with an agreed board assurance framework and assurance map although there remain opportunities to strengthen reporting of corporate risks; and
 - The Board and its committees are generally operating effectively with management and performance information and scrutiny continually being strengthened.

Progress in addressing previous structured assessment recommendations

- 21 The Health Board has made reasonable progress in addressing the issues identified in last years Structured Assessment but progress against some of the External Governance Review recommendations has been slower than planned. Of the eight Structured Assessment recommendations, four have been completed and three partially completed. Of the one that remains incomplete work is underway.
- 22 The Health Board's approach to tracking audit recommendations has been strengthened but there are opportunities to strengthen its approach further. The Audit Committee is challenging the pace and rigour of the External Governance Review recommendations but progress is slower than planned and reported progress is at times more positive than reality. Of the 152 Wales Audit Office recommendations made since 2012, 79 had been either fully or partially

completed, 65 remained to be completed and were past the original dates within the Health Board's management responses.

Recommendations

- 23 Recommendations arising from 2016 structured assessment work are detailed in **Exhibit 1**. The Health Board will also need to maintain focus on implementing any previous recommendations that are not yet complete.
- 24 The Health Board's management response detailing how it intends responding to these recommendations will be included in **Appendix 1** once complete and considered by the relevant board committee.

Exhibit 1: 2016 recommendations

The following table sets out the 2016 structured assessment recommendations.

2016 recommendations	
Financial management	
R1	The Health Board should increase the pace of implementation and delivery of its savings plans.
Supporting effective delivery of change and service delivery	
R2	Take active steps to reduce future reliance on external support for the provision of skills, capacity and capability by working with those external organisations to sustainably build and embed programme and project management along with data analytical skills in Health Board staff.
R3	Agree and adopt formal change management approaches and data analytic approaches.
R4	Ensure there is sufficient capacity and infrastructure to facilitate the delivery of the Integrated Medium Term Plan and Service Change Plans.
Strategy and Planning	
R5	Prioritise developing the Clinical Services Strategy to ensure that it is available in time to support the development of the IMTP and the supporting strategies.
Monitoring and Scrutiny	
R6	The Health Board should review current arrangements for scrutinising the AOP and emerging IMTP to ensure that the NHS Planning Framework 2017-20 requirements can be met.
Board assurance and effectiveness	
R7	Make strategic objectives more outcome focussed so that assurances can focus on the 'difference made' by delivering the objective.
R8	Strengthen the corporate risk register by adding dates, description of controls, additional required actions, description of residual risk, linking objectives and identification of risk tolerance.

2016 recommendations

R9 Improve the clarity of audit recommendation tracking by including information in the summary of how many recommendations are overdue.

Transparency of public reporting

R10 The Health Board should ensure it complies with all requirements of the Welsh Health Circular WHC/2016/22 on transparent public reporting.

External Reports

R11 The Health Board should ensure that reports from the Delivery Unit are subject to its governance and assurance arrangements.

Information Governance and Informatics infrastructure

R12 Improve the pace at which outstanding information management and technology audit recommendations are addressed.

Detailed report

Although the Health Board is laying some sound foundations to secure its future and the pace of change is increasing, it remains in a very challenging financial position and has considerable work to do across a range of important areas

25 The findings underpinning this conclusion are detailed below.

The Health Board's financial management arrangements are generally satisfactory but it continues to struggle to establish a sustainable financial position and is heading for a cumulative three year deficit of some £90 million

26 Our structured assessment work in 2016 has 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 have also considered the progress made in addressing previous recommendations relating to financial management. Our findings are set out below.

The Health Board continues to improve financial planning but the lack of a detailed clinical services strategy hampers its ability to establish longer-term balanced financial plans

27 The NHS Finance (Wales) Act 2014 (the Act) introduced a more flexible finance regime for the NHS in Wales. It provided a new financial duty for local health boards to break even over a rolling three financial years rather than each and every year. It also allowed local health boards to focus their service planning, workforce and financial decisions and implementation over a longer, more manageable, period and moves away from a regime which encourages short-term decision making around the financial year. The financial flexibilities are, however, contingent upon the ability of NHS bodies to prepare suitably robust IMTPs, and the formal approval of those plans by Welsh Ministers.

28 The Health Board should be in a position to benefit from the additional flexibilities provided by the Act, but has failed to meet its second financial duty to have an approved three-year IMTP in place for 2014-15, 2015-16 or 2016-17. Consequently, the Health Board has been in breach of this new statutory duty and hence been unable to take full advantage of any financial flexibilities available under the Act.

- 29 For 2016, the Welsh Government's expectation was that each health board should have obtained Ministerial approval for a three-year plan 2016-17 to 2018-19 by 30 June 2016. Again, The Health Board's IMTP was not approved by Welsh Government mainly because it did not demonstrate financial balance over the life of the plan. The 2016-17 to 2018-19 plan indicated a net deficit position at 31 March 2019 of £59.8 million. Instead, the Health Board developed an Annual Operational Plan for 2016-17 albeit based on its unapproved 3 year IMTP.
- 30 Despite the absence of an approved IMTP, budgets are shaped by a long-term high level strategy and its annual Operational Plan. However, the strategy is yet to be underpinned by a detailed clinical service strategy. Although financial planning can continue without an overarching clinical service strategy, its absence hampers the Health Board's ability to develop clinically sustainable service models. This in term hampers the Health Board's ability to identify how and when it will establish a longer term balanced financial plan.
- 31 In September 2016 the Welsh Government, under its Joint Intervention and Escalation Arrangements, moved the Health Board's status from enhanced monitoring to targeted intervention, stating as reasons the financial imbalance of the plan and the need to improve capacity and capability to drive change.
- 32 Despite the Health Board's underlying financial position, we found that financial planning roles and responsibilities are clear and understood and arrangements for revenue and capital budget setting are satisfactory. Appropriate processes and budgetary activities are in place and there was robust board challenge and sign-off of the budget. There are clear budget assumptions and Cost Improvement Plans (CIPs) with financial risks identified but not all plans were worked up and in place at the beginning of the year.
- 33 The Health Board has recently commissioned jointly with the Welsh Government a cost utilisation review to assess, among other things, the cost associated with the Health Board's current rural service configuration and its demography.
- 34 In 2015 we made the following recommendation relating to financial planning.
Exhibit 2 describes the progress made.

Exhibit 2: progress on 2015 financial planning recommendation

The table describes the progress made against 2015 recommendation relating to financial planning.

2015 recommendation	Description of progress
R1 Clarify the financial planning assumptions underpinning the 2016-17 IMTP, given increasing cost pressures, growing funding gap and overall risk that the plan will not be financially balanced.	Partially Completed The Health Board prepared a detailed financial plan as part of its 2016 IMTP submission clarifying how it would return to financial balance over six years as

2015 recommendation	Description of progress
	opposed to three. As such, the IMTP was not approved by Welsh Government.

Financial reporting arrangements provide robust information for board

- 35 Effective financial management is important if health bodies are to deliver better health outcomes, services and value for money. In order to focus efforts appropriately and make good decisions, the boards of NHS bodies need robust financial information and insightful interpretation about the organisation's financial performance, which is clearly linked to overall objectives and performance against those objectives, within a strategic context.
- 36 The Health Board produces monthly monitoring returns to the Welsh Government and internal financial reports that are considered monthly by ARAC, BPPAC and the Board. The Finance Department completes its month end reporting process within five working days of the month end, with Welsh Government monitoring return reports being submitted by day nine each month. Reports outline key areas of concern, reflect an honest position and are sufficient to inform decisions where corrective action is required. They are supported by a verbal update on the current financial position, all of which is timely and informative.
- 37 Alongside our Structured Assessment work, we have undertaken a comparative analysis of the content of financial reports within NHS bodies in Wales. We found that the Health Board's financial reporting provides valuable insight, and compares favourably with other NHS bodies in Wales.
- 38 We reviewed HD's month 3 financial report which was presented to the Board on 21 July, 21 days after period end. The report was easy to read with key messages supported by detail flowing from the summary report, which included a dashboard for key financial targets. The report also clearly sets out statutory financial duties including cumulative position over three-year period in the context of the Act. We found good use of tables and graphics to show performance, exceptions, and risk areas. It could be improved by setting out in detail risks to the year-end financial position.
- 39 A separate, more detailed report presenting the comparative analysis of financial reports will be shared with NHS bodies in early 2017.

Despite intense scrutiny and challenge, financial performance is deteriorating mainly as a result of the Health Board's struggle to reduce variable pay and it is heading for a cumulative three-year deficit of some £90 million

- 40 The Health Board continues to face significant financial challenges. Its Annual Operational Plan for 2016-17 forecast a deficit of £38.3 million, including a very

challenging savings target of £29.4 million. This followed deficits of £7.5 million in 2014-15 and £32.1 million in 2015-16.

- 41 Recognising its deteriorating financial position the ARAC held an Extraordinary meeting on 7 September 2016 to review the areas of overspending and underlying factors. The majority of overspend was occurring in premium cost variable pay with smaller overspends in non-pay and Continuing Health Care. The Committee received a detailed plan from the Executive Team on how they could bring the position into line. The Committee made recommendations to the Board to adopt the actions. It also recommended that due to difficulties in reducing variable pay and other unforeseen pressures along with slippage against savings plans the forecast outturn position should be increased to £43.1 million.
- 42 The subsequent financial handling plan was presented to Board on 22 September 2016 setting out the reasons for its position at month 5 and the plans and actions necessary to try to ensure it delivered the revised forecast position by year end. It included the financial and service risks associated with this.
- 43 It is clear from our audit work that the Board has a good understanding of its financial position and there is evidence to show that measures are being taken to try to address this. The Board and committees are kept closely appraised and we have observed intense scrutiny and challenge at these meetings. However, despite these arrangements, at Month 8 of 2016-17, the Health Board has needed to increase its forecast deficit position at year end to £51.8 million.
- 44 Like many health organisations the Health Board has, over the last few years, experienced significant workforce recruitment and retention challenges. Specific local issues, including delivery of services across four hospitals and within a rural environment have compounded this situation. In the past year the Health Board has significantly strengthened temporary staff controls and has made strenuous efforts to fill vacancies. However, despite the existing and new control measures referred to in its financial handling plan, the overall variable pay situation has continued to worsen. As indicated above, the Health Board has significantly reduced its projected savings on variable pay to year end, which along with a number of other factors has led it to revise its year end deficit projection to £51.8 million. There are still various risks associated with delivering this revised position such as expected Welsh Government income of £7 million and non-achievement of savings plans £2.8 million, among others.
- 45 Looking forward the UHB will breach its Revenue Resource Limit financial duty at 31 March 2017 with an overspend against a three year cumulative revenue resource limit of £2,192 million of somewhere around £90 million (4%). It is unlikely to achieve financial balance under its current service model.

The Health Board's in-year financial controls operate effectively to ensure appropriate stewardship

- 46 The Health Board has a clear framework of roles and responsibilities, with appropriate control activities and processes in place. The Internal Audit service undertakes reviews on core financial systems every year. In 2015-16, Internal Audit gave overall 'reasonable' assurance on the effectiveness of the organisation's framework of governance, risk management, and control. Our audit work on the 2015-16 financial statements did not identify any material weaknesses in the Health Board's internal controls.
- 47 The ARAC provides an effective level of challenge and scrutiny on a regular basis. The committee plays an active part in the assurance framework, which is informed through an agreed work programme, and the identification of new assurance requirements based on risk assessment throughout the year. The BPPAC provide the required controls.

The Health Board has strengthened its governance arrangements and it is putting in place the foundations to address planning and delivery challenges although there is still much work to do in several areas

- 48 Our structured assessment work in 2016 has examined the Health Board's arrangements for developing an IMTP and reporting on delivery of the annual operating plan and the approach for developing and reviewing a board assurance framework. We have also considered the overall effectiveness of the board and its governance structures and the progress made in addressing previous structured assessment recommendations and improvement issues. Our findings are set out below.

The Health Board is laying some sound foundations to deliver service change, although it has a lot of work to do including addressing critical capacity gaps and agreeing a clinical services strategy

The Health Board still does not have an approved IMTP and has secured agreement from Welsh Government for more time to develop and secure a consensus on the plan

- 49 The findings underpinning this conclusion are based on our review of the Health Board's approach to strategic planning³, monitoring and reporting on delivery of the

³ Audit work has not duplicated Welsh Government's IMTP scrutiny work, but has considered actions taken by NHS bodies in response to any Welsh Government feedback on the plan or plan approval conditions.

IMTP and the Annual Operating Plan (AOP). We have also considered the arrangements which support delivery of strategic change programmes underpinning the AOP and the developing IMTP and the progress made in addressing previous recommendations relating to strategic planning. Our key findings are set out below.

- 50 Our previous structured assessment highlighted the absence of an approved IMTP and the reasons that Welsh Government did not approve the plan. These included;
- the absence of strategic options and a preferred strategic direction;
 - aspirational actions and a lack of clarity on the outcomes the Health Board was trying to achieve;
 - delivery and performance outcomes for the next three years were not clearly set out and there was no clear trajectory on performance;
 - workforce plans were not robust, including the management of workforce risks/ shortages;
 - financial planning needed strengthening with a 'greater level of granularity' linking to service and workforce plans; and
 - the IMTP showed a deficit across the three years and the capital allocations were not in line with the Welsh Government's assumptions.
- 51 The Health Board's 2016-17 to 2018-19 plan was also not approved. Since early 2016, the Health Board has worked closely with and sought advice from Welsh Government with the aim of securing an agreed IMTP. Welsh Government, in its September escalation letter noted some improvement in the content of plans and signs of progress in some performance areas. It is positive to note from our high level assessment, when compared to others, public health aspects and corporate priorities are key components of the Health Boards plans and assurance framework. Other than Public Health Wales we did not observe this in other organisations.
- 52 In the interim the Health Board moved towards developing its annual plan with supporting enabling plans. A draft annual operating plan for 2016-2017 (AOP) was approved by the Board in June 2016, and the final plan was agreed at the September Board.
- 53 Moving forward, the Health Board is committed to developing a strong plan, but was concerned that the scale of the task for developing a full IMTP by January 2017 did not allow sufficient time for issues to be properly explored and to build in the necessary consensus to put the Health Board in the strongest position to meet its objectives. As such it secured agreement with Welsh Government for the Health Board to work towards an annual plan for 2017-2018, with the intention of delivering an approvable IMTP in early 2018 for the 2018-2021 period.
- 54 Eleven of the 14 Board members responding to our survey either agreed or strongly agreed with the statement short term measures account for more of the

Board's business than medium and long term strategy and plans. Although operational issues continue to take up a great deal of time, board members said that there is now a greater focus on the longer term plans.

The Health Board has clearly articulated its Strategic Objectives

- 55 Our 2015 Structured Assessment report recommended that the Health Board needed to agree its strategic objectives by April 2016 and clearly align these objectives to its three-year IMTP. In March 2016, the Health Board endorsed the strategic direction and shift through ten strategic objectives towards becoming a population health organisation. The development of these strategic objectives has been driven through population health needs analysis and enables the Board to focus on population health issues. Eight disease and condition specific corporate objectives were combined with two 'business' corporate objectives. Each strategic objective is supported by the development of improvement aims.
- 56 The strategic objectives are clearly articulated in the public facing document: Our Health, Our Future; Hywel Dda Integrated Medium Term Plan Summary for 2016-17 to 2018-19. There is clear executive leadership for each strategic objective and a strategic objective review process is in place and the milestones were set out at the September Board meeting. The paper concentrated on strategic objectives one to eight, the population health objectives. Strategic objectives 9 and 10, the business objectives are subject to separate and previously established monitoring arrangements. The Strategic Objectives have been discussed as part of the rolling programme of engagement events with the public – Let's Talk Health. The Health Board has received positive feedback about these from the public.

The Health Board does not yet have an overarching clinical strategy although strong foundations have been put in place to address this

- 57 In last year's Structured Assessment we recommended that the Health Board needed to clearly articulate its overarching clinical services strategy. The Health Board recognises that this is a critical foundation to underpin and inform its wider plans. As such focused work is underway to address this gap.
- 58 Our 2015 Structured Assessment report highlighted the risks and challenges facing the Health Board in moving towards an approved plan due to gaps in clinical leadership to support and drive strategic planning. Clinical leadership has been strengthened and new clinical leaders are in place to support the Medical Director. The Health Board has also secured external expertise and capacity to help clinical leaders develop their thinking on how to address the clinical challenges and support sustainable service into the future. This will inform proposals for the development of the clinical strategy including new clinical models and the future clinical workforce.
- 59 The Board has supported the establishment of a Health Strategy Group led by the Medical Director and made up of senior clinical leaders to drive and coordinate the

organisation's health strategy. Preliminary discussions are reported to have been highly constructive. There has been good clinical engagement and lead clinicians led a full day board seminar at which various aspects of workforce issues and services dilemmas facing the Health Board were discussed. The Board and the clinical leaders have considered a range of options available for future service delivery and have determined what they are trying to achieve. Future all day meetings are planned to discuss and consider solutions for the most complex clinical and workforce challenges. The Health Board anticipates that the Clinical Services Strategy will be available for the March Public Board.

The Health Board is taking steps to strengthen organisational strategic and operational capacity on which to build a stronger foundation to deliver service modernisation and change but this now needs to progress at pace

- 60 In August 2016, the Health Board approved its planning framework to support the submission of the IMTP to Welsh Government in January 2017. The framework predated recent agreement with Welsh Government for the Health Board to work towards a one year plan for 2017-2018 which would set out the shorter term actions and a full IMTP by early 2018, as such it will need to be revisited
- 61 The planning framework clearly sets out the key requirements, such as understanding of population health needs and articulation of a clear clinical strategy. The framework also identifies the specific deliverables for the Health Board, such as clearly joined up service plans, activity, workforce and financial assumptions. Further, it identifies the key actions and milestones for delivery. The framework comments on the capacity to deliver the key components. However, at the time of our report the required capacity was not in place.
- 62 Planning capacity is an area of increasing importance to all health bodies in Wales. In our past structured assessment reviews, we identified concerns relating to the capacity of the planning team. Since then, with staff movement, planning capacity has been further depleted. Our review also looked at whether health bodies had adopted a programme management methodology, such as Managing Successful Programmes (MSP) or Prince 2 project methodology for managing complex service transformation and to support successful delivery of projects or programme. The Health Board has not yet adopted a single programme management methodology and is considering its options.
- 63 We also identified concerns relating to the size of some executive portfolios, in that the limited capacity and in some areas capability of some of the directors' supporting structures were a concern as it could hamper delivery of key objectives within their portfolios. Welsh Government in its September escalation letter also recommended that the Health Board should review executive portfolios to ensure balance and appropriateness.
- 64 The Health Board, in recognition of the long standing and significant challenges facing it, commenced an organisational change programme at executive director level. The changes focus on strengthening the team to ensure sufficient capacity to

address the agenda it faces. The executive portfolio changes and the revised executive structure were reported to the November Board meeting. Currently three director posts are vacant with interim directors in post in the short term, The Director of Nursing vacancy has recently been substantively filled and the remainder are in the process of being advertised and recruited to. With the executive director changes two new posts have been established: Director of Primary, Community and Long Term Care and Director of Therapies and Health Sciences.

- 65 Prior to the changes the Director of Finance, Planning and Performance held executive responsibility for developing the IMTP, with delivery of the IMTP and the AOP delegated to the appropriate executive director as per the scheme of delegation. With the executive team changes, the roles of Director of Finance and Director of Planning and Performance have been separated. The aim is to strengthen focus on strategic financial planning and operational financial management along with strengthening the focus on strategic and operational planning.
- 66 Our 2015 Structured Assessment report also highlighted the risks and challenges facing the Health Board in moving towards an approved plan due to operational and corporate capacity constraints and gaps in clinical leadership to support and drive strategic planning. The Health Board has said for some time that it was planning to develop a business intelligence unit to support development of intelligent metrics which will form part of the Programme Management Office (PMO). The External Governance review also recommended that the PMO be established but this is not yet in place.
- 67 The Health Board is acutely aware of its capacity and capability gaps. The key areas of concern are the lack of programme management and data analytic capacity and skills along with modelling capacity. During 2015-16 while it did not progress the PMO, it benefitted from a senior secondment from the Welsh Government's Delivery Unit to help develop and implement demand and capacity planning. In addition a new performance team was established and its capacity increased. Last year we recommended that the Health Board should review and revise its operational structure. Significant progress has made and the required changes are nearing completion. Early signs suggest that the changes are providing positive benefits. The Health Board is also working with Academi Wales and other organisations to support team development for executive and clinical teams. While organisational development has also been put in place for other management groups the Health Board has asked Welsh Government for additional support to enhance its organisational development capacity to support the required rapid senior management development.
- 68 The Health Board sees the change to its escalation status as an opportunity to accelerate its efforts to address the capacity and capability gaps and support improvement. They have been working closely with Welsh Government to see how it can address the gaps. These cover a number of areas, for example the senior support for the Medical Director as outlined in para 58. The main area where

additional support is required is in relation to programme management and analytical support. To further this the Health Board is procuring an external strategic partner who will be able to offer these skills quickly. The procurement for consultancy services was advertised in mid-November and the contract was due to be awarded on 20 December.

Assurance arrangements to monitor and report progress on the IMTP and AOP need strengthening

- 69 The Health Board has put some arrangements in place to monitor and report progress on the delivery of its AOP and for the development of an IMTP but there remain some important gaps and areas that need strengthening.
- 70 When comparing the frequency of reporting IMTP/AOP progress to Executive Group, Board and Sub Committee, the Health Board in its survey response said that it did not report into an executive group.
- 71 The Business, Planning, Performance and Assurance Committee (BPPAC) has identified that there needs to be closer scrutiny on how the Health Board is implementing its plans. In a recent Board meeting the Board formally requested BPPAC to monitor the emerging plans.
- 72 In responding to our survey there were mixed views from board members when asked if the Board receives appropriate information to support effective scrutiny of the IMTP/AOP progress. One strongly agree, seven agreed, four neither agreed disagreed and two disagreed. Although the majority of survey responders agreed that the Health Board has quantified the benefits it expects from the IMTP / AOP, we were told by the Health Board that it had not developed a separate benefits realisation plan.
- 73 When asked if the Board and relevant committees set enough time aside for effective scrutiny of the IMTP/AOP again there were mixed views, with four strongly agreeing, four agreeing, five neither agreeing or disagreeing and one disagreeing.
- 74 The current assurance and scrutiny arrangements include:
- Weekly IMTP group consisting of the Chief Executive Officer (CEO) / Chief Operating Officer (COO), Director of Finance, Planning and Performance (DoF, P&P) and Assistant Director of Planning. This group meets to plan process and ensure delivery to planned timescales;
 - Weekly executive meetings to review and agree business objectives;
 - Elements of IMTP reported through Board committees such as BPPAC;
 - Regular clinical and senior management meetings to inform and develop the Clinical Strategy;
 - Progress against Strategic objectives are regularly scrutinised in BPPAC and the Audit Risk and Assurance Committee (ARAC); and,

- The CEO regularly communicates with Welsh Government to inform progress on what the Health Board is doing to address the actions identified as part of escalation and intervention.
- 75 The NHS Planning Framework for 2017-20 was issued in October 2016 and contains some new requirements including the need to have a long term strategy and specific IMTP monitoring and reporting requirements, specifically:
- Welsh Government will require quarterly updates on delivery of the IMTP from all organisations.
 - NHS bodies must have arrangements to monitor quality and delivery against plan on a monthly basis. As a minimum, there should be:
 - an executive group to oversee plan delivery; and
 - a board sub-committee or group to scrutinise and challenge progress and performance on a regular basis.
 - the board should receive an overall assessment of progress against the plan in public session at least bi-annually.
- 76 The arrangements for monitoring and reporting the IMTP and AOP outlined above will need to be strengthened in order to ensure that the Health Board is well placed to meet these new requirements.
- 77 The 2017-20 planning framework will for the first time, require all organisations to develop long term strategies setting the direction of travel for IMTPs. This should be a separate document to the 2017-20 IMTP, which will demonstrate how the actions to be taken in the three year period help achieve the long-term vision of the organisation set out in the strategy.
- 78 In our 2015 structured assessment work we made the following recommendations relating to strategic objectives, clinical strategy development, management capacity and clinical leadership. **Exhibit 3** describes the progress made.

Exhibit 3: progress on 2015 strategic planning recommendations

The table describes the progress made against 2015 recommendations relating to strategic planning.

2015 recommendation and improvement opportunities	Description of progress
R2 By April 2016 the Health Board needs to agree its strategic objectives and clearly align these objectives to its three-year IMTP.	Complete The Health Board agreed its strategic objectives in June 2016. While there is still not an approved IMTP, the strategic objectives underpin the Health Boards business including planning and its assurance framework.
R4	Work is in progress

2015 recommendation and improvement opportunities	Description of progress
The Health Board needs to clearly articulate an overarching clinical services strategy as part of its overall strategic direction.	The Health Board has strengthened clinical leadership and brought in external expertise to support the development of a clinical strategy.
R5 Review and revise the operational structure to ensure that it is able to deliver the aims of the previous operational restructure. Any changes to the structure should look to ensure that there is sufficient operational management capacity to enable it to effectively and efficiently deliver the Health Board's strategic and operational goals.	On track but not yet complete The revised operational structure changes are now nearing completion with most if not all appointees in post. Management capacity remains a challenge and the Health Board has a programme of work aimed at addressing the problem.
R7 Carry out a risk assessment regarding the adequacy of organisational capacity and capability to support strategic developments, change management and strategic partnership and engagement work, alongside service delivery and performance improvement. Put measures in place to address specific risks that arise from this work.	On track but not yet complete A significant amount of work has been undertaken to support this recommendation. Challenges remain but the Health Board has started to put measures in place to address.
R8 Further strengthen clinical engagement and leadership capacity to support and drive strategic planning and change along with performance improvement.	On track but not yet complete Clinical engagement and clinical leadership capacity has been strengthened. This is work in progress and further development is needed in order to drive and support strategic planning and performance improvement.

Board assurance has been significantly strengthened and committees are generally effective but the framework for risk and assurance needs to be strengthened at a sub-committee level

79 The findings underpinning this conclusion are based on our review of the Health Board's approach to mapping assurances and developing its board assurance framework, the effectiveness of the board and its governance structures and the review of progress in addressing previous recommendations and improvement opportunities. Our key findings are set out below.

The Health Board has significantly strengthened its assurance arrangements with an agreed board assurance framework and assurance map although there remain opportunities to strengthen reporting of corporate risks

80 All health boards and trusts have governance structures and processes in place to seek and provide assurance on the services provided, that risks are being managed and that the organisation is acting in accordance with legal and other requirements. NHS bodies are complex organisations and operate within a dynamic environment. It is, therefore, important that boards keep their governance and assurance arrangements under review and satisfy themselves that the assurances they rely on are proportionate, appropriately targeted and cover the breadth of the organisation's overall risk portfolio.

81 Assurance mapping⁴ is an increasingly used tool for systematically identifying and mapping the assurances needed over key risks to achieving organisational objectives. The mapping process can help organisations to highlight any gaps in their assurances, or unnecessary duplication of assurance processes. Such mapping aids the design of an effective assurance framework, which aligns risks and assurances to the appropriate control systems and scrutiny arrangements.

82 We have examined the Health Board's approach for developing and reviewing its board assurance framework and how this compares to the approaches adopted by other health boards and trusts in Wales. We have also assessed the progress made in addressing previous recommendations relating to the Health Board's board assurance framework.

83 The Health Board historically did not have an agreed articulated Board Assurance Framework (BAF). The development of a BAF has been recommended in both our 2015 Structured Assessment and the External Governance Review. At its Board Meeting on 2 June 2016, the Board agreed the new structure and process for its BAF. The Board also approved the Assurance Evaluation Tool which enables the Board to assess the degree of reliance it can place on an item of assurance. An updated BAF was approved by the Board in September 2016. The Health Board is clear that the BAF will continue to evolve and acknowledges as a relatively new source of control and assurance for the Board, some aspects may need to be

⁴ HM Treasury, [Assurance Frameworks](#), December 2012

further developed and enhanced. Board members views of the Health Boards BAF were positive with the majority of respondents to our survey either agreeing or strongly agreeing with the statement 'The Board engages its Board members in the development and ongoing review of the Board Assurance Framework'.

- 84 The Health Board is clear that the BAF is the key source of evidence that links strategic objectives to risks and assurances, and is the main tool that the Board should use in discharging its overall responsibility for internal control.
- 85 We have considered the wording and accessibility of the Health Board's strategic objectives. As stated earlier, the Health Board has clearly articulated its strategic objectives and in identifying threats to achieving their objectives it is taking a longer term and more prospective approach to help it design the required assurances as a tool to achieving its objectives. Our analysis indicates that the objectives described in the plan are population and patient centred, with sufficient detail in an accessible format to help determine the threats to achieving them, although measures described could be more outcome focussed so that assurances can focus on the 'difference made' by delivering the objective.
- 86 Approaches for determining threats to achievement of objectives is often a different process to corporate risk management. However, we recognise that corporate risk management should be complementary to board assurance mapping and therefore we have reviewed corporate risk registers. The corporate risk register allows bodies to manage their existing corporate and operational risks. The results of our analysis of the Health Board shows that there is a good description of risk that allows readers to determine the possible impact to the organisation. The risk is scored, risk trends are included and risk owners are allocated to each risk. However, there are a number of areas that could be improved. It is not dated, there is no description of controls, there is nothing on additional required actions, no description of residual risk, it's not linked to objectives and there is no identification of risk tolerance. We are aware that the Health Board is continuing to develop and strengthen its risk management framework.
- 87 The Health Board's corporate risk register is regularly reported to the ARAC and reported every six months to Board. ARAC currently holds quarterly risk scrutiny sessions for reviewing risks which have exceeded tolerance levels. Although, at a recent risk scrutiny session it was acknowledged that risks should only go to ARAC by exception where for example the risk is not being addressed or where it has been on the risk register longer than anticipated. Each risk within the corporate risk register has been allocated to a committee for oversight and scrutiny. However, Board members acknowledge that risks are not yet driving the agenda at all committees, and in particular some sub committees.
- 88 The Health Board along with just one other health body in Wales have rightly developed their risk management arrangements and board assurance mapping in a way which recognises that they are two separate tools, mutually complementary and allow both a top down perspective on assurance as well as a bottom up approach.

- 89 Assurance mapping is a tool to help organisations shape their systems of assurance in a way that supports and enables delivery of objectives and to help deal with the complex challenges they face. We have assessed board assurance maps against principles set out in HM Treasury guidance⁵.
- 90 In broad terms, the picture that is emerging from our comparative work on board assurance frameworks is that the Health Board compares well with other health bodies on a number of areas in particular the BAF and the board assurance mapping attributes. A separate report containing the results of the all Wales comparison of board assurance arrangements will be issued for discussion in the early part of 2017.
- 91 In 2015 we made the following recommendation relating to board assurance framework development. **Exhibit 4** describes the progress made.

Exhibit 4: progress on 2015 board assurance framework recommendation

The table describes the progress made against 2015 recommendation relating to board assurance framework development.

2015 recommendation	Description of progress
<p>R3 By May 2016 the Health Board needs to have published a robust Board Assurance Framework that outlines the different flows of assurance and organisational control mechanisms from service level to Board with clear linkages to its three-year IMTP.</p>	<p>Complete The Health Board has significantly strengthened its board assurance arrangements and the arrangements they have put in place compare strongly to other parts of Wales.</p>

The Board and its committees are generally operating effectively with management and performance information, and scrutiny continually being strengthened

- 92 Our observations at Board and other committees indicate good scrutiny and challenge, and good interoperability between committees and between the committees and the Board. We have noted:
- escalation of issues and matters for Board attention;
 - delegation of issues identified at Board to a committee for further investigation; and
 - transfer of concerns from one committee to another as appropriate to each committees' remit.

⁵ HM Treasury, **Assurance Frameworks**, December 2012

- 93 All Board members responding to our survey either agreed or strongly agreed with the statement, 'I am clear on the range of actions that committees or sub-committees can take to manage or escalate issues'.
- 94 Board meetings continue to operate effectively with all formal procedural requirements met. With the strengthening of the central corporate governance team the Health Board has been able to develop a central resource for the servicing of committees. The External Governance Review recommended that lead directors should have responsibility for servicing committees. However, this did not work and with the central resource taking responsibility there is already evidence of greater consistency and improved effectiveness of the operation of committees.
- 95 Our observations noted that the committee chairs are not tolerant of tabled papers with few if any papers now being tabled. In addition, they do not accept poor levels of assurance and in those instances require officers to return to future meetings with the expectation that assurance would have been strengthened. The Board and some of its committees use patient stories to help ground the meeting with a patient centred approach. There is a clearly patient-centred focus by the Board.
- 96 In last year's Structured Assessment we recommended that the Health Board should strengthen its quality governance and scrutiny. The key issues were that the Quality, Safety, Effectiveness and Assurance Committee (QSEAC) and its subcommittees did not provide the appropriate level of assurance, they needed to make better use of exception reporting and improve the quality of subcommittee reports. In addressing these actions the Health Board has provided targeted support to sub-committee chairs and there is now a non-executive officer member for each subcommittee. There is evidence of some improvements but the Health Board acknowledges that this recommendation remains work in progress.
- 97 The Board and the committee chairs recognise that there remain opportunities to further strengthen the operation of the committees and the current committee structure. Committee terms of reference and way they are delivered has been reviewed and discussed at a Board Seminar in August 2016. The final structure will be discussed at the January 2017 Public Board meeting.
- 98 The Board met its annual reporting requirements by publishing its annual report, annual governance statement (AGS), annual quality statement and accounts in the required timeframe. In last year's Structured Assessment we said that the Health Board needed to regularly consider its AGS throughout the year. This is being progressed and we commented positively on the content of the recent AGS.
- 99 Last year we said that the Board demonstrated openness and transparency. It is positive to see this continuing with the papers for all its committees available in the public domain via its website. Board members strongly believe there is a culture of transparency in the Health Board. In response to the statement in our survey 'The organisation has made a concerted effort to ensure openness and honesty of all those involved in providing assurance to Board and its committees'. 12 respondents strongly agreed and two agreed. Although we have identified that the Health Board, at the point of our review, was not yet fully meeting the requirement

set out in Welsh Health Circular (2016) 033⁶ relating to the publication of prescribed information on Local Health Board and NHS Trust websites. Of the 15 required areas we could not find evidence for three. These were:

- Annual plan of Board business. Although Board papers include a Board Annual work plan, this could not be found through the website search function;
- Complaint / concerns raising policy, and;
- Flexible visiting times policy.

100 In last year’s Structured Assessment we identified a number of opportunities for strengthening management and performance information to support decision making and scrutiny. Our work this year has looked at whether the performance reporting has continued to improve. Following last year’s Structured Assessment, we repeated our assessment of the Health Board’s integrated performance reporting and compared the March 2016 report to the original November 2015 report. We repeated this exercise for the October 2016 report. We found that the performance report is being continuously strengthened, although there remain opportunities to further improve. The main improvements and areas where it could be further strengthened are outlined in **Exhibit 5** below.

Exhibit 5: Summary findings from a comparison of performance reporting at October 2016

What is good or appears to have improved?	What could be better?
Integration has improved further. Finance, workforce and other resources are collated into one section of the report. The executive summary is now based around high level scorecards with consistent colour coding.	While comprehensive, the report is very large. With such a large report it is even more important to have a high level summary that clearly identifies the key issues.
The main performance report uses exception reporting to minimise the volume of reporting. These sections often use graphics to show current and trend performance and generally identify corrective action.	The choice of exception report topics is not made clear – there are fewer exception reports than areas with underperformance. Some inconsistency between the section introduction sheet and the exceptions. For example, the cover says exception report is included but it is not and vice versa.

⁶ WHC/2016/033 – Publication of information on Local Health Board and NHS Trust websites. The purpose of this Welsh Health Circular is to require the publication of information on Local Health Board and NHS Trust public facing internet websites and to ensure that published information is easily accessible.

What is good or appears to have improved?	What could be better?
There is a good mix of narrative, information and data within the boundaries of what is reported.	The qualitative material generally relates to the exception sections, leaving some sections over-reliant on scorecards with no narrative. The summary is around 15 pages, so there is scope to include a brief explanatory narrative with key highlights.
The reports use comparative information in specific areas. Where used most benchmarking is intra-health board, which is consistent with its stated ambition to reduce internal variability.	Benchmarking is not in widespread use. More use of external and in some instances intra health board benchmarking might provide useful context in some areas.
Performance trajectories are sometimes used to determine what future performance is required to correct underperformance or meet the target.	Scope to broaden the application of forecasting beyond current use of financial forecasting.
There is good use of targets to accompany indicators. Additions include new national and further local indicators and targets across a wider range of the health board's business.	Some of the weaker performance targets have been eliminated or modified, for example less use of terms like 'reduction', but there is still scope for more definite targets in some areas.
The finance section is now more consistent with the rest of the performance report, making it appear more integrated. There is more widespread use of colour coding.	The finance section could be further developed by more use of graphics and adopting, where possible, the same section headings as other parts of the report. This would provide a consistent reading experience and help interpretation.
Executive responsibility and senior responsible officer for each area is clearly stated in the performance report, providing a clear indication of accountability and responsibility.	The report would still benefit from a stronger indication of who is responsible for identified actions. Further improvements could include a clearer representation of actions and responsibilities to make month to month follow up easier.
Narrative section headings have been modified and are almost consistent between all sections. These attempt to clearly answer common questions for the reader eg when can we expect improvement and by how much?	Most, but not all, sections have adopted this layout.
The performance report's coverage is now wider than it was previously. Previous iterations felt like several reports stuck together, the latest iteration has a more consistent and integrated 'one document' feel.	

What is good or appears to have improved?	What could be better?
<p>The performance report is clearly structured, making it easy to navigate. Section scorecards provide an overall picture of performance for each area and include performance against target and basic trend information. Indicators are grouped by reporting frequency.</p>	

Source: Wales Audit Office comparative assessment of reporting attributes across Wales

- 101 Scrutiny of performance has been strengthened within the Health Board. In addition to the regular performance meetings that the Chief Executive Officer holds with each service area focusing on Tier 1 targets, the Chief Operating Officer holds monthly half day performance management meetings with all of the service leads. These meetings consider all aspects of performance including safety, quality, workforce as well as delivery of targets.
- 102 The Board is now scrutinising performance within the public domain at each public Board meeting. The Chief Executive Officer outlines the key areas for discussion and hands over to the responsible executive directors to outline reasons and improvement actions. We observed good levels of scrutiny and challenge at these meetings. The Board directs the BPPAC to undertake more detailed work in any areas of ongoing concern. The resultant findings are then reported back to public Board.
- 103 However, the lack of availability of robust data and informatics service is a continual barrier that the Health Board faces to improving its performance and service delivery.
- 104 The Internal Audit work programme continues to be well structured and comprehensive. Local counter-fraud services continue to demonstrate that it meets standards required of it, and follows through comprehensively on proactive and reactive work.
- 105 In 2015 we made the following recommendations relating to board and committee effectiveness. [Exhibit 6](#) describes the progress made.

Exhibit 6: progress on 2015 board and committee effectiveness recommendations

The table describes the progress made against 2015 recommendations relating to board and committee effectiveness.

2015 recommendation	Description of progress
<p>R6 Strengthen quality governance and scrutiny:</p> <p>6a ensure that the QSEAC subcommittees provide the appropriate level of oversight of quality governance issues, provide the necessary level of assurance;</p> <p>6b ensure that any reports going to QSEAC from its subcommittees are of consistent quality and make better use of exception reporting; and</p> <p>6c put in place sustainable measures to ensure that complaints and incidents are responded to and addressed in a timely way and at the same time put in measures to address the backlog of complaints and incidents that has again built up.</p>	<p>On track but not yet complete</p> <p>There remains variation in the level of assurance provided by some sub committees. While the quality of reporting has improved, for some sub committees further improvements are required. The Health Board has put in the necessary support to take this recommendation forward.</p> <p>Sustainable measures have been put in place and formal concerns backlog has now been reduced to very low numbers awaiting a response. The current performance has also significantly improved.</p>

The Health Board has made reasonable progress in addressing the issues identified in last year's Structured Assessment but progress against some of the External Governance Review recommendations has been slower than planned

- 106 Our structured assessment work in 2016 has reviewed the progress made by the Health Board in addressing the eight recommendations made last year. Recommendations relating to financial management, strategic planning, board and committee effectiveness and the board assurance framework have been described in the earlier sections of this report. Overall, the Health Board has made reasonable progress in addressing our 2015 structured assessment recommendations. Of the eight recommendations, three have been completed, four partially and one remains incomplete although work is underway to address this.
- 107 In addition to the formal recommendations we made in 2015, we also identified a number of improvement opportunities. Some of these have been reflected in the earlier part of the report. **Exhibit 7** describes the progress made in the remaining improvement areas.

Exhibit 7: progress on 2015 Structured Assessment improvement opportunities

Improvement opportunity	Description of progress
<p>Workforce</p> <ul style="list-style-type: none"> • Develop a workforce plan • Stabilise workforce and reduce reliance on agency staff • Increase levels of Personal Development Plan and mandatory training. 	<p>On track but not yet complete</p> <p>The definitive workforce plan is reliant on agreement of a Health Board wide clinical strategy which is being progressed. A significant programme of work is underway to address the workforce challenges and this is having a positive impact. Progress has been made in reducing reliance on agency staff but the workforce situation remains fragile. The Health Board has undertaken a training needs assessment and has put together a series of development programmes. It is also looking at different ways of delivering training needs including mandatory training.</p>
<p>Partnership Governance (this was also identified as a recommendation in the External Governance review)</p> <ul style="list-style-type: none"> • Better articulate partnership risks and the required mitigation • Strengthen partnership performance outcomes and scrutiny 	<p>Limited progress</p> <p>The Health Board acknowledges that it needs to do more to articulate partnership risks and mitigation as well as reporting and scrutiny of performance outcomes. The Health Board has not met its originally anticipated timescales for addressing the recommendations made in the External Governance review. The Health Board has started to put foundations in place and has appointed a Partnership Governance Officer. This officer is undertaking research to identify partnership governance frameworks elsewhere that will inform the Health Boards partnership governance framework. A Partnership governance framework is under development with completion anticipated for March 17. Performance measures and outcomes have not yet been agreed.</p>
<p>Information Governance</p> <p>Over several years, our Structured Assessments have identified concerns about weaknesses in the Health Board's information governance and the pace of addressing these weaknesses.</p>	<p>Work is in progress but further work is needed.</p> <p>The Health Board is committed to strengthening Information Governance and progress has been made although further work is still needed.</p>

Improvement opportunity	Description of progress
<p>Last year we reflected on what the Health Board was doing to improve Information Governance and Security. We also commented on remaining risks.</p>	<p>The commitment to addressing Information Governance (IG) risks is demonstrated through the funding of a new IG structure including a new Head of Information Governance. The new IG team was fully in place from November 2016.</p> <p>In January 2016 the Informatics Strategy 'Delivering the benefits of Digital Healthcare within Hywel Dda University Health Board' was presented as part of the IMTP as a key enabling strategy for 2016-17 to the Board.</p> <p>While progress has been made on addressing the data quality arrangements the pace of addressing some recommendations has been slow.</p>
<p>ICT and use of technology Significantly strengthen the ICT infrastructure to enable it to meet the Health Boards needs and reduce the related governance, corporate and operational risks.</p>	<p>Work is in progress but further work is needed.</p> <p>Projected capital expenditure for 2016-17 is £2.1 million against an allocation of £2.5 million which includes Welsh Government £1 million investment for specific ICT purposes is enabling the Health Board to strengthen its ICT infrastructure. It is not clear if this is sufficient to address the aging infrastructure and the absence of a rolling programme of aging ICT equipment is a risk.</p> <p>We will review progress again as part of future year's audit work.</p>

- 108 As well as reviewing the actions taken to address our Structured Assessment recommendations we have also considered the effectiveness of the Health Board's arrangements to manage and respond to recommendations from our other audit reports and also the External Governance Review recommendations.
- 109 The External Governance review produced a total of 58 recommendations. The ARAC monitors the implementation of the recommendations on behalf of the Board at each meeting. The pace of action and rigour is challenged and tested. Each ARAC receives an SBAR which summarises progress and a detailed update which also includes progress against related Structured Assessment recommendations. Any completed actions are removed and only progress against remaining actions are included and RAG rated. Out of the 58 recommendations, 43 have been closed. It is not easy to see how many have been completed without looking at the detailed update. In its current format the SBAR does not provide the ARAC with a

clear idea of how many recommendations have been completed and removed from the update and also the number still in progress. A number of the original timescales for completion have been revised as the completion date has not or will not be achieved. At the last ARAC meeting in December 2016, committee members expressed concern about repeated slippage and also the status of progress against some recommendations being less positive than reported.

- 110 In seeking assurance on the effectiveness of internal controls Internal Audit was asked to review a sample of closed recommendations. Of a random sample of 10 recommendations, the report, discussed at the December ARAC 2016 meeting, concluded that there was substantial assurance on the effectiveness of the system of internal control. Our Structured Assessment review found that one of the sample of recommendations had not been consistently completed. This related to the need for specific limitations in data quality to be explicit in performance assurance reports to the Board. Our review of previous month's performance reports found no specific reference to data quality limitations although Internal Audit did find reference to data quality in the June performance reports.
- 111 In previous Structured Assessment reviews we expressed concerns about the pace of fully addressing audit recommendations. The External Governance Review also noted similar concerns and identified a number of related recommendations aimed at strengthening the governance of management of recommendations.
- 112 In last year's Structured Assessment we noted that the Health Board was strengthening its approach to tracking audit recommendations to ensure that all external and internal audit recommendations would be tracked in one place. This was completed in March 2016 and a detailed tracker along with the summary SBAR was presented to the April ARAC meeting. The detailed tracker identifies the date of the report, named executive director and responsible officer, date management response received, the committee where the report has been received, total number of recommendations, status of recommendations (ie date of completion and number of outstanding recommendations). The tracker also includes agreed action and arrangements for future committee reporting including frequency. However, of those included in the October tracker none included how frequently the relevant committee would consider outstanding recommendations. Also although progress is requested from lead officers none were provided for some regulatory body reports.
- 113 The tracker report and SBAR is considered every 6 months by ARAC. The SBAR provides a synopsis of audit activity from the various regulatory bodies since the last report in April 2016. It outlines the number of reports that still had recommendations to implement regardless of when they were due to be completed. In its current format it does not provide the ARAC with a clear idea of how many recommendations are overdue. An additional column added to the synopsis would provide the committee with a high level indicator of the pace of progress in addressing recommendations. In addition, although the detailed audit tracker identifies planned completion dates and whether recommendations have been fully or partially completed it was not always clear how many

recommendations were overdue i.e. beyond their original or agreed completion date.

- 114 The detailed audit tracker reported to the October 2016 ARAC stated that of the 152 Wales Audit Office recommendations made since 2012, 79 had been either fully or partially completed and 65 were outstanding. Again while the tracker provides a column showing planned completion dates, it was not always clear of how many recommendations were overdue.
- 115 With over 14 regulatory bodies, 124 open reports and a significant number of open recommendations, it would not be possible and indeed not appropriate for the ARAC to monitor progress and verify implementation of action plans. Responsibility for this lies with the responsible committee/sub-committee/group. With regard to the Wales Audit Office audit recommendations, the ARAC held an extraordinary meeting in April 2016 to seek assurance and challenge the pace of addressing outstanding Wales Audit Office recommendations from accountable Executive Directors and lead officers. Where insufficient progress is being made or where the required assurances are not being provided the committee will continue to closely monitor progress and scrutinise Executive Directors until satisfied that sufficient progress is being made.
- 116 Our Board member survey found in response to the statement 'Over the last 12 months, the Health Board has taken timely and appropriate action in response to external review and inspection findings', five respondents strongly agreed, six agree, two neither agree nor disagree and one did not know.
- 117 Whilst internal and external audit reports receive the necessary profile at the board's committees, the picture is less consistent in respect of reports produced by the Delivery Unit, which typically identify important opportunities and recommendations to strengthen operational delivery. The Delivery Unit recommendations have recently been added to the Audit Tracker but the list does not appear complete. The Health Board needs to ensure that these reports receive the necessary profile and attention within the organisation's governance and assurance arrangements, although it is noted that the Delivery Unit's Unscheduled Care position report was considered at the June BPPAC.

Appendix 1

The Health Board's management response to 2016 structured assessment recommendations

The Health Board's management response will be inserted once the response template has been completed. The appendix will form part of the final report to be published on the Wales Audit Office website once the report has been considered by the board or a relevant board committee.

Exhibit 8: management response

The following table sets out the 2016 recommendations and the management response.

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R1	The Health Board should increase the pace of implementation and delivery of its savings plans.	To ensure that the Health Board demonstrates realistic plans and delivers them in year thereby supporting its financial strategy.					
R2	Take active steps to reduce future reliance on external support for the provision of skills, capacity and capability by working with those external organisations to sustainably build and embed programme and	To ensure that the Health Boards own staff have the right skills and capability on which to plan and deliver service needs now and into the future. To reduce reliance on external agencies					

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
	project management along with data analytical skills in Health Board staff.	for providing these skills.					
R3	Agree and adopt formal change management approaches and data analytic approaches.	To ensure sound systems are in place to support service delivery and change management. To ensure consistency of approach and to set the professional standard that the Health Board expects those involved in change to demonstrate.					

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R4	Ensure there is sufficient capacity and infrastructure to facilitate the delivery of the Integrated Medium Term Plan and Service Change Plans.	To provide a stronger foundation for supporting the Health Board in delivering a plan on time and to the expected standards.					
R5	Prioritise developing the Clinical Strategy to ensure that it is available in time to support the development of the IMTP and the supporting strategies.	Once a clinical services strategy is agreed the Health Board will then be able to accurately identify its other plans, importantly financial, workforce and estates.					

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R6	The Health Board should review current arrangements for scrutinising the AOP and emerging IMTP to ensure that the NHS Planning Framework 2017-20 requirements can be met.	To meet Welsh Government requirements and ensure robust challenge and scrutiny, to support continuous improvement.					
R7	Make strategic objectives more outcome focussed so that assurances can focus on the 'difference made' by delivering the objective.	Improved basis for determining if the strategic objectives are making a difference.					

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R8	Strengthen the corporate risk register by adding dates, description of controls, additional required actions, description of residual risk, linking objectives and identification of risk tolerance.	To support greater clarity and scrutiny. For those charged with governance to have assurance that the appropriate actions are being taken.					
R9	Improve the clarity of audit recommendation tracking by including information in the summary of how many recommendations are overdue.	To support greater clarity and scrutiny.					
R10	The Health Board should ensure it complies with all requirements of the Welsh Health Circular WHC/2016/22 on transparent public reporting.	Greater public transparency.					

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R11	The Health Board should ensure that reports from the Delivery Unit are subject to its governance and assurance arrangements. Information Governance and Informatics infrastructure.	Improved governance and assurance arrangements, Those charged with governance are better informed of external reports.					
R12	Improve the pace at which outstanding information management and technology audit recommendations are addressed.	Achieve the benefits as set out in the original reports.					

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