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Structured Assessment 2016 – **Aneurin Bevan University Health Board**

Audit year: 2016

Date issued: January 2017

Document reference: 683A2016



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Summary report

Context

- 1 Structured assessment examines the arrangements in Aneurin Bevan University Health Board's (the Health Board) arrangements to 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 the Health Board seeks continuous improvement, but it faces a number of challenges in the short term, while also working to transform services over the next three years.
- 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 have 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 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 Integrated Medium Term Plan development and reporting will be co-ordinated 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 11

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 (52% 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 The recent approval of the specialist critical care centre business case by the Welsh Government has ended a period of uncertainty for the Health Board. Given that the announcement of the approval decision was at the end of October 2016, we are not in a position to provide an opinion on any project or programme risks as part of this year's structured assessment. As part of next year's audit planning, we will consider whether a review of the preparation for the specialist critical care centre is required.

Key findings

- 6 Our overall conclusion from 2016 structured assessment work is that the Health Board's governance and planning approaches are positively shaping the direction and performance of the organisation, but finances and continuity of independent membership remain a risk. The reasons for reaching this conclusion are summarised below.

Financial planning and management

- 7 In reviewing the Health Board's financial planning and management arrangements, we found that the Health Board continues to control budgets and monitor the delivery of savings plans effectively but the scale of the financial pressures may lead to an unsustainable financial position.

Financial planning

- 8 Operational financial planning and budget setting arrangements are effective but longer-term financial plans do not yet demonstrate a sustainable position. Financial planning roles and responsibilities are clear, understood, and involve the management and clinical leads in divisions. The Health Board has appropriate processes for establishing a financial plan as part its integrated medium term plan.
- 9 The 2016-19 Integrated Medium Term Plan received Ministerial approval on the condition that the Health Board actively manages the £12.8 million financial risk outlined in the plan. The Health Board has indicated that further work is required to determine how service and workforce plans will deliver within the resources available. Welsh Government funding settlements are forecast to be less generous after 2016-17, which may place significantly greater pressure on the financial position of the Health Board.

Financial control and stewardship

- 10 In-year controls operate effectively and ensure appropriate financial stewardship. 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 each year, with no major issues reported during 2015-16.
- 11 The Audit Committee also plays an active part in the control framework, identifying new assurance requirements through a continuous risk assessment process. The Committee regularly reviews Internal Audit reports and monitors recommendations for improvement to identify any further areas of risk. We have identified instances where the Health Board has not responded effectively to audit recommendations, but these generally relate to areas other than internal financial controls.

Financial monitoring and reporting

- 12 Financial reporting is sufficient to inform decisions where corrective action is required. Monthly monitoring reports reflect an honest position and reports to the Board are clear enough to inform readers on the extent of action the Health Board is taking on the financial position and other financial risks. However, the current reporting format does not clearly highlight the underlying reasons behind movements in financial position.
- 13 There have been few ad hoc financial reports submitted to the Board or Audit Committee and no significant year-end adjustments to the financial position for several years, offering further assurance over the Health Board's financial monitoring and reporting processes. In response to financial reports received this year, the Health Board is developing additional in-year financial recovery plans to address additional financial pressures experienced during the year.

Financial performance

- 14 The Health Board successfully managed its spend within the revenue resource limit in 2015-16, but it has been reliant on additional Welsh Government funding and its current financial position remains a risk.
- 15 The Health Board has a track record on delivery of its cost improvement plans and budget. This includes setting stretching financial savings targets but even in doing so, this still results in a budget that is in a deficit position at the beginning of the year.
- 16 The Health Board generally maintains the financial position during the year without significant unexpected cost growth. It has, however, taken decisions to improve performance such as activity against referral to treatment targets during the year and this approach results in additional cost. While the Health Board is developing additional financial recovery plans to manage this additional financial risk, there

remains a strong likelihood that the Health Board will not contain spending within its allocation without additional funding.

Governance and assurance

- 17 In reviewing the Health Board's corporate governance and board assurance arrangements we found the Board and its committees operate effectively but change to independent membership poses continuity risks. The Board needs to more clearly identify its specific assurance requirements and programme management arrangements to better support delivery of strategic objectives.

Strategic planning and reporting

- 18 The Health Board continues to strengthen strategic planning but it needs to further develop its change management capacity to ensure it achieves the benefits set out in its key strategic programmes and specialist critical care centre programme. Over the last three years, we have seen improvements in the function of the Health Board's planning arrangements, which resulted in ministerial approval of the Integrated Medium Term Plan in June 2016.
- 19 The Health Board has made improvements as to how it shares accountability across the Executive team for delivery of the Integrated Medium Term Plan and its service change plans. This is resulting in a better balance of responsibility than in the past.
- 20 Overall arrangements for monitoring, reporting and challenging progress of delivery of the Integrated Medium Term Plan have improved in the past 12 months. The Health Board could still do more to demonstrate the degree of progress against the original expectations in Service Change Plans, to provide a better view on progress over time.
- 21 There are further opportunities for the Health Board to adopt approaches for supporting and enabling change. The Health Board has made a significant effort in rolling out IQT³ skills training. However, it has not yet effectively adopted a professional change standard or approach, such as Managing Successful Programmes, nor is there a formal programme management office; although we recognise the central planning team supports some of these functions.
- 22 After a relatively lengthy business case development and central review process, the Health Board has had its business case for the specialist critical care centre approved by the Welsh Government. In light of this, the Health Board will need to review its capability and capacity to manage the capital programme and the related service changes.

³ NHS Wales, [Improving Quality Together](#)

Board effectiveness and assurance

- 23 The Board and committees operate effectively, but there are risks to the continuity of independent membership and board assurance framework arrangements need to better link to longer-term achievement of objectives.
- 24 **On board assurance framework development:** The Health Board has made changes to the design of its assurance arrangements driven by review of assurance needs and independent member capacity and it is starting to explore the need for a Board Assurance Framework. While it is too soon to comment on these new developments, the Health Board has started to form a view on additional work required. The Health Board will need to keep these arrangements under review to ensure they adapt to a range of risks including independent board member turnover, performance and financial pressures, and the opportunities and challenges of its ambitious change agenda.
- 25 **On board and committee effectiveness:** The Board and its committees continue to conduct themselves in an appropriate, quality-focussed manner. There is a clearly patient centred focus by the Board, with the quality of services receiving high priority on the Board's agenda. The Audit Committee now tracks progress in response to external audit recommendations but there is more to do to ensure that all recommendations are fully addressed in a timely way.
- 26 The Health Board is meeting the requirement set out in Welsh Health Circular (2016) 033 relating to the publication of prescribed information. It is positive to note that for a number of committees, the Board has introduced publicly accessible committee meetings as a matter of routine.

The Health Board is making reasonable progress to address the issues identified in last year's structured assessment

- 27 Our review of progress on 2015 structured assessment recommendations identified that the Health Board is making progress in a number of the areas identified. However, many of the recommendations that we made both in 2014 and in 2015 remain in progress. The areas where we have made recommendations are complex and challenging to address and embed in full and while there is more to do, our review indicates that the Health Board is making a considerable effort to progress these.
- 28 Recommendations arising from our 2016 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.
- 29 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 Board.

Recommendations

Exhibit 1: 2016 recommendations

2016 recommendations	
Supporting effective delivery of change	
R1	Adopt an agreed and formal change management approach and develop core staff capabilities for those managing change.
R2	Introduce a programme management office and ensure there is sufficient capacity and infrastructure to facilitate the delivery of the Integrated Medium Term Plan, Service Change Plans and the specialist critical care centre.
Board assurance and effectiveness	
R3	Build upon the early work on assurance framework development by reviewing the quality and clarity of articulation of the Health Board's corporate objectives.
R4	Identify the key threats to achieving the corporate objectives and determine what additional assurances may be required to help the Health Board achieve those objectives.
R5	Review the Board development programme and the specific development needs to support new Board members during the coming year.

Detailed report

The Health Board's governance and planning approaches are positively shaping the direction and performance of the organisation, but finances and continuity of independent membership remain a risk

30 The findings underpinning this conclusion are detailed below.

The Health Board continues to control budgets and monitor the delivery of savings plans effectively but the scale of the financial pressures may lead to an unsustainable financial position

31 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.

Operational financial planning and budget setting arrangements are effective but longer-term financial plans do not yet demonstrate a sustainable position

32 Financial planning roles and responsibilities are clear and understood. The Board has appropriate processes and control activities in place for establishing a financial plan in advance of the start of the financial year and as part of integrated medium term planning. Clinical leads in divisions provide input to the budget setting process to help inform the balance of available finance and performance expectations. The divisions work through iterations of financial plans until a refined acceptable plan and financial approach are achieved. The finance department co-ordinates the elements of the overall budget while testing these against financial assumptions, for example, additional in-year funding or expected uplifts. The department then provisionally agrees draft divisional budgets as part of producing the overall Integrated Medium Term Plan and financial plan. Welsh Government funding settlements are forecast to be less generous after 2016-17 although there remains uncertainty as to the exact extent of future revenue, which may place significantly greater pressure on the financial position of the Health Board in future years.

33 In March 2016, the Board received and approved the 2016-17 financial plan as part of the refreshed Integrated Medium Term Plan, with a known deficit of £12.8 million for 2016-17. The Board also agreed to set budgets for the delegated areas in the plan and to hold some funding in reserve for 2016-17 to provide some resilience and capacity to manage unexpected financial pressures. The Integrated Medium

Term Plan received ministerial approval on the condition that the Health Board actively manages the £12.8 million financial risk outlined in the plan.

- 34 The Health Board has identified £21.5 million savings in 2016-17, with forecast savings falling sharply to £10.4 million and £6.3 million over the following two years. There is a balance to strike when setting savings plans that are too ambitious and could risk losing buy-in from budget holders. Given that financial pressures are forecast to continue, the Health Board will need to continue to focus on extracting waste and enhancing efficiency throughout the care system. To this end, the Health Board is using Service Change Plans as a mechanism to redesign care pathways in an effort both to improve services and to identify efficient models of care.
- 35 The integrated medium term plan sets out a three-year expectation of financial position for 2016-17 to 2018-19, but the Health Board has indicated that further work is required to determine how service and workforce plans will deliver the necessary progress against key targets with the resources available. This indicates that implications and assumptions in the medium term are not yet effectively derived from underlying medium term service plans. This is perhaps expected as in March 2016 there was some uncertainty relating to the specialist critical care centre. However, the Welsh Government, in October 2016, approved the specialist critical care centre scheme that will dictate the future models of care and, consequently, revenue and capital budget assumptions.
- 36 The Health Board has not applied for financial flexibilities available under the NHS Finances (Wales) Act 2014. We understand that a lack of certainty both relating to internal budget assumptions as well as future Welsh Government funding settlements informed this decision.
- 37 In 2015, we made the following recommendations relating to financial reporting. **Exhibit 2**, at the end of this section, describes the progress made.

In-year controls operate effectively and ensure appropriate financial stewardship

- 38 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 'reasonable' assurance over seven out of eight financial system reviews and one 'limited' assurance for the review of raffles as part of their assessment of charitable funds.
- 39 The Audit Committee provides an effective level of challenge and scrutiny on a regular basis. The committee plays an active part in the control framework, which is informed through an agreed work programme, and the identification of new assurance requirements based on risk assessment throughout the year. The Health Board therefore keeps the agenda under review, although standing items such as losses and special payments are reviewed regularly. The Committee receives and reviews all Internal Audit reports to identify any areas of risk for the Health Board.

40 In the last financial year, we raised a concern with the Health Board relating to standing order and standing financial instruction compliance regarding the level of Agency nursing costs incurred outside the NHS Wales Framework agreement. The Health Board has taken appropriate action and has now stopped the use of 'off contract' nursing agency staff in all but a few exceptions where continuity of care is paramount.

Financial reporting is sufficient to inform decisions where corrective action is required

- 41 There are satisfactory arrangements for financial monitoring and reporting. The Health Board has a track record of consistently reporting the financial position factoring in risk and other considerations. Monthly monitoring reports reflect an honest reporting of the position and issues as well as reflection and learning demonstrated in committee discussions. Clinical leads are engaged in the financial reporting and monitoring process, via upward reporting of divisional performance. There have been no significant unexplained year-end adjustments to the financial position for several years, which gives confidence in the quality and accuracy of in-year financial reporting and monitoring. There are also few ad hoc financial monitoring reports presented to the Board, Finance and Performance Committee and Audit Committee, providing further assurance over these arrangements.
- 42 Reports to the Board are clear enough to inform readers on the extent of action it is taking on the financial position and other financial risks. The report sets out key targets and performance, risks and a range of supporting financial information. The use of graphics, dashboards and succinct supporting narrative in these reports allows clear identification of the key financial risks and issues facing the Health Board. The monthly reporting regime helps to ensure that readers understand what financial problems exist, but does not necessarily provide the insight to help diagnose why things are the way they are. In response to current in-year reporting, the Health Board is developing additional in-year financial recovery plans to address the additional financial pressures experienced during the year.

The Health Board successfully managed its spend within the revenue resource limit, but it has been reliant on Welsh Government funding and its current financial position remains a risk

- 43 The Health Board has a track record on delivery of its cost improvement plans and budget. This includes the setting of stretching financial aims but even in doing so, this is resulting in a budget that is in a deficit position at the beginning of the year. However, the Health Board still requires additional Welsh Government funding to reach a breakeven position. For example, the 2015-16 financial position in month nine showed an additional £12.2 million of additional Welsh Government support and some additional conditional financial support provided at the year-end to ensure the Health Board spent within the revenue resource limit.

- 44 The Health Board also has a good track record on delivery of cost improvement plans. Every year since 2011, the Health Board has achieved over 83% of its expected savings plans and it reports that a large proportion of the savings it does achieve (over 81%) are recurring.
- 45 There is a focus on hitting 12-month financial targets, and utilisation of a centrally held reserve or invest to save fund being used to recover the financial position. The Health Board's financial plans are conservative, taking into account the impacts of forecast cost growth and an ageing population as set out in the Nuffield Report. During the 2016-17 financial year, access to services has remained a significant challenge and one that the Health Board is actively trying to address using a range of insourcing, outsourcing and waiting list initiative approaches. This has resulted in additional expenditure and this approach is unlikely to be desirable or long-term financially sustainable in the future. This additional planned cost growth has been partially offset by some better than forecasted cost reductions in areas such as continuing healthcare. The Health Board is developing additional financial recovery plans to manage this additional financial risk, but there remains a strong likelihood that the health board will not contain spending within its allocation without additional funding. Further modernisation of services is required to ensure a sound financial future.

Exhibit 2: Progress on financial planning recommendations

Year	Recommendation	Description of progress
2014	R1 Build on the Health Board's current approach by developing longer-term, tactical savings plans.	<p>Action in response to this recommendation is on track and in progress.</p> <p>The approved 2016-19 Integrated Medium Term Plan includes the three-year financial plan. The Health Board is implementing the defined strategic change plans and focused work streams to deliver financial savings and more sustainable services, including Continuing Health Care, Medicines Management and use of agency staffing, and using invest to save monies for medical record digitisation. The Health Board has applied time-driven, activity-based costing analysis to a range of patient pathways and established a Productivity and Efficiency Board.</p>

Year	Recommendation	Description of progress
2014	R2 Explore the potential for income generation. This could involve applying and/or reviewing charges and developing public/private partnerships supporting clinical research and development, product trialling and systems and technology development and trials.	It is not clear that the Health Board has taken sufficient action to demonstrate the potential for income generation has been maximised. The Integrated Medium Term Plan indicates that the Health Board still needs to identify all opportunities to generate additional income outside of its allocation. In particular, the Health Board recognises opportunities to generate further academic-related income in terms of funding for teaching and for research and development.

The Health Board's planning arrangements are positively shaping the organisation and its committees operate effectively, but change to independent membership poses continuity risks and programme management arrangements need further development

46 Our structured assessment work in 2016 has examined the Health Board's arrangements for developing an Integrated Medium Term Plan and reporting on delivery of the 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 continues to strengthen strategic planning but it needs to further develop its change management capacity to ensure it achieves the benefits set out in its key strategic programmes and specialist critical care centre programme

47 The findings underpinning this conclusion are based on our review of the Health Board's approach to strategic planning⁴, monitoring and reporting on delivery of the Integrated Medium Term Plan. We have also considered the arrangements that support delivery of strategic change programmes underpinning the Integrated Medium Term Plan and the progress made in addressing previous recommendations relating to strategic planning. Our key findings are set out below.

48 Planning capacity is an area of increasing importance to all health bodies in Wales. Over the last three years, we have seen improvements in the function of the Health

⁴ Audit work has not duplicated the 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.

Board's central planning team. The work of this team has broadened and now provides core central planning, central co-ordination of divisional planning and also discrete divisional support 'business partnering' through working with divisions and the divisional planning leads. We understand the latter helps to provide a better 'bottom-up' approach to planning but this could still be strengthened further as some divisions are stronger at planning than others.

- 49 In our past structured assessment reviews, we have identified concerns relating to the capacity of the planning team. The Health Board has recognised these pressures and is in the process of appointing an additional 2.6 whole-time equivalent (WTE) staff to support the existing current team of 5.2 WTE staff. While this is a positive step, the Health Board will need to keep the overall capacity and capability of the team under review, to support effective delivery of the aims that are described in the Integrated Medium Term Plan, clinical futures and specialist critical care centre programme.
- 50 It is important for health bodies to have a long-term vision and utilise the planning process as a means to achieve that vision. It is positive that both the Integrated Medium Term Plan and specialist critical care centre was approved during 2016, as this is now providing a clearer driver for change and improvement in the Health Board. The approach for the development of the 2016-19 Integrated Medium Term Plan in the Health Board included engagement with a range of internal and external stakeholders from within the health sector and other sectors. The Health Board's Integrated Medium Term Plan received scrutiny and approval from the board prior to submission of the draft to the Welsh Government on 29 January 2016. It subsequently received ministerial approval on 29 June 2016, subject to a number of conditions including:
- managing the financial risk in the plan ie forecast deficit of £12.8 million;
 - continued improvement in quality and safety standards;
 - delivering improved performance trajectories up to March 2017 with a specific focus on improvement to waiting times for planned scheduled care, improving emergency department performance and diagnostic test waits, and delivery against mental health and cancer targets; and
 - a number of other specific requirements.
- 51 As well as Board level challenge on the development of the Integrated Medium Term Plan and its service change plans, overall assurance arrangements for monitoring and reporting on progress of strategic plan delivery have improved in the past 12 months. There is now a clearer understanding of the different roles and functions of the planning and strategic change committee and the finance and performance committee, with the former focussing on strategic design and the latter providing challenge and scrutiny on delivery of the Integrated Medium Term Plan.
- 52 Both the Board and the Finance and Performance committee receive and review performance against aspects of the Integrated Medium Term Plan at every meeting. As part of this year's work, we have considered how information is

reported to the Board relating to the development and delivery of the Integrated Medium Term Plan. Our analysis of the Integrated Medium Term Plan report indicates that there is good use of scorecards, milestones and graphics to help the reader understand the progress being made in the delivery of the Integrated Medium Term Plan, as well as highlighting the range of issues and risks that need to be addressed. While results from the board member survey show a good degree of satisfaction with the information board members receive, our analysis also highlights that the report could better show:

- actual delivery versus planned delivery and also the degree of completeness of a programme of work;
- allocate responsibilities for resolving issues identified;
- use forecasts to predict the future position with the programme; and
- ensure continuity with previous reports to allow readers to track themes over time.

53 Executive level accountability, both collective and individual, is an important aspect of delivery of significant and broad-ranging change programmes. The Health Board has made improvements to the balance of accountabilities across the Executive team for the delivery of the Integrated Medium Term Plan and its Service Change Plans. While some executives continue to have a larger Service Change Plan portfolio, there is now a better balance of responsibility and stronger collective executive accountability for the delivery of the Integrated Medium Term Plan than in the past. It is important as the Health Board moves forward, that it continues to assess the balance and scope of the Executive Directors' responsibilities and ownership for delivery of the Integrated Medium Term Plan and Service Change Plans, to ensure a good pace and effectiveness of the changes that it makes.

54 The Executive team meets regularly and discusses progress of the development and delivery of the Integrated Medium Term Plan, and discrete delivery of Service Change Plans. In addition, the Executive team schedules one meeting per quarter, where the entire agenda is dedicated to focussing on development and delivery of the Integrated Medium Term Plan. We understand that the executive oversight approach has helped improve service developments and delivery. These arrangements will be strengthened further through work led by the Chief Operating Officer to develop new division-level performance assurance arrangements.

55 As part of this year's work, we have considered the change management approaches used by health bodies. The Health Board has made a significant effort in rolling out IQT skills training led by the Aneurin Bevan Continuous improvement team. There are a number of quality and operational service improvement initiatives because of this work. However, our review has identified that the Health Board has not yet effectively adopted a professional change approach or project methodology for managing complex service transformation. Nor is there a formal programme management office, although we recognise that some of these functions are supported by the central planning team. Given that the Integrated Medium Term Plan is agreed and that it sets out specific and complex change

programmes, the Health Board would benefit by adopting a clear and agreed professional change approach and programme office. This should set the standard for change management capability, including talent development and change management practice to help the Health Board deliver its service changes and business benefits with increased confidence of success. Indeed, we understand the approaches for clinical engagement and wider staff engagement have improved although this remains a continuous challenge. It is clear from Integrated Medium Term Plan update reports that in a number of areas, staff are engaged in service improvement and innovative services, but there is inconsistency of staff engagement that, in part, is leading to pockets of good practice relating to change and improvement in some areas, and lack of progress in others.

- 56 After a relatively lengthy business case development and central review process, the Health Board has had its business case for the specialist critical care centre approved. This is an exciting time for the Health Board, setting out a clear expectation for its future model of specialist care. In light of this, it is likely that the Health Board will need to review its capability and capacity to manage the capital programme and the related service changes and transition. To assist the Board in developing its scrutiny and management arrangements, we have highlighted lessons learnt which have been captured from other large capital programmes and projects in Wales in [Exhibit 3](#).

Exhibit 3: Lessons identified

Key risks and lessons identified
<ul style="list-style-type: none"> • Inadequate procurement process with lack of appropriate risk transfer in contractual arrangements. • Under-estimation at outset of the original costs – a need to build in optimism bias⁵ both for capital and revenue aspects of the project. • Losing sight of the benefits – a need to ensure benefits realisation⁶ is central to the project and scrutiny of the project from the start, middle and through to programme closure. • Overly optimistic energy savings predictions – again a need to build in optimism bias. • Weaknesses in ongoing project supervision and risk management. • Inadequate project board control. • Poor quality capital project manual and required processes and controls. • Untrustworthy data relating to the ongoing progress and finances of the project.

Source: Wales Audit Office

⁵ Gov.uk, [Supplementary green book guidance – Optimism bias](#)

⁶ Cabinet Office, Major Projects Authority, [Assurance of benefits realisation in Major Projects](#)

- 57 Overall, the Health Board has made good progress in its approach for strategic planning, through the approved Integrated Medium Term Plan and the evolving change programmes. Given the future developments including approval of the specialist critical care centre and the associated opportunities and challenges, the Health Board will need to ensure that it:
- balances its concentration on the major specialist critical care centre programme with the wider transformation agenda set out in the Integrated Medium Term Plan and its Service Change Plans;
 - enhances its efforts to ensure that service changes are both incremental and transformational and, importantly, delivered at the required pace;
 - develops an active communication and engagement campaign to address concern, anxiety and uncertainty that staff may have with changes, and to ensure staff are engaged and supportive of the service developments; and
 - effectively adopts an agreed and formal change management approach supported by a programme management office.
- 58 Progress against the recommendations made in 2014 and 2015 relating to strategic planning and change is summarised in **Exhibit 4** on page 23 onwards.

The Board and committees operate effectively, but there are risks to the continuity of independent membership and board assurance framework arrangements need to better link to longer-term achievement of objectives

- 59 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 previously identified related improvement issues. Our key findings are set out below.

The Health Board has made changes to the design of its assurance arrangements driven by new assurance needs and independent member capacity and it is starting to explore the need for a Board Assurance Framework

- 60 All health boards and trusts in Wales have governance structures and processes in place to seek and provide assurance on the services provided and that risks are being managed in accordance with their own, legal and other requirements. NHS bodies are complex organisations and operate within a changing 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.

- 61 Assurance mapping⁷ 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.
- 62 Our key findings on the Health Board's approach for developing and reviewing its board assurance framework are set out below.
- 63 We have considered how the Health Board has expressed its corporate objectives as a starting point for our analysis. We found that while there is clear reference to vision, ways of working, triple aims and definition of Service Change Plans in the Integrated Medium Term Plan, corporate objectives are not sufficiently defined in a particularly accessible way. At present, the way the Health Board describes its objectives may make it difficult to use them as a basis for board assurance mapping and therefore, the determining the scope of required assurances. This is because they are described in insufficient detail and may mean different things to different audiences.
- 64 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 complement board assurance mapping and therefore we have reviewed corporate risk registers. The results of our analysis of the Health Board's current corporate risk register shows there is usually a reasonable description of risks that allow readers to determine the possible impact to the organisation. The Health Board has a good approach to track risks and enable the reader to form a view on the effectiveness of actions over time.
- 65 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 recognise that at present, there is no formal requirement for NHS bodies to have a Board Assurance Framework. At the time of our fieldwork, the Health Board had not completed a formal board assurance mapping exercise and therefore it was not possible to include this in our comparative analysis. However, the Board has started to discuss how board assurance frameworks might benefit the organisation with an initial session facilitated by external consultants. While it is too soon to comment on these new developments, the Health Board has started to form a view on additional work required including:
- clearly articulating objectives;
 - clarifying outcomes for change programmes;
 - approaches for assessing risks to achieving objectives; and

⁷ HM Treasury, [Assurance Frameworks](#), December 2012

- approaches for triangulating assurances, particularly in relation to change and modernisation.

66 While over the last 12 months there was no formal assurance mapping process, the Health Board has arrangements to help determine its assurance requirements and systems of assurance. This includes use of the governance and accountability self-assessments, committee self-assessments and board development sessions.

67 During the year, the Health Board changed its committee structure. A shortfall in independent member capacity was one of the drivers that resulted Health Board reshaping the committee structure during the year. The Health Board continues to experience independent membership capacity risks and it is actively managing its position. Part of this issue is a result of previous stability in the independent membership of the Board, which has resulted in a number of independent members reaching end of tenure at the same point. We also understand that once the Board returns to complement, it has an opportunity to reassess the scope and function of committees to ensure they meet the evolving need of the Board. The assurances that a board requires should influence how the system of assurance is designed, for example, by shaping the scope and purpose of committees as well as accountability of those responsible for discharging assurance requirements.

The Board and its committees continue to conduct themselves in an appropriate and quality focussed manner, and will need to ensure they adapt to a range of risks including member turnover, performance pressures, and the opportunities and challenges of its ambitious change agenda

68 Board meetings continue to operate effectively with all formal procedural requirements met. The Board uses patient stories to help ground the meeting with a patient centred approach. The Health Board normally schedules these in a way that aligns with a relevant substantive agenda items. There is a clearly patient-centred focus by the Board, and it expects the achievement of quality standards. It is important that the Board and committees maintain this culture bearing in mind the upcoming turnover of independent members.

69 The Board met its annual reporting requirements by publishing its annual report, annual governance statement, annual quality statement and accounts in the required timeframe. We also note that the Health Board has set clearer quality objectives within the annual quality statement, which is an improvement on previous years.

70 We have not undertaken an extensive review and observation of committees as part of this year's structured assessment. Where we have attended, we have again observed good interoperability between committees and between the committee 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 committee remit.

- 71 The Health Board has a good approach for raising issues to the Board through committee reports and this is well used by some committees and less so for others. The Health Board should consider whether this variation is appropriate. Where committees have escalated issues to the Board, we have identified variability in the quality of the description of those issues. This makes it difficult, in some instances, to obtain a proper understanding of the concern that committees are raising.
- 72 Last year we identified that the Board should consider making the work of its committees more publicly transparent. It is positive to note that for its main committees, the Board has introduced publicly accessible meetings as a matter of routine. We have also identified that the Health Board, at the point of our review, is meeting the requirement set out in Welsh Health Circular (2016) 033 relating to the publication of prescribed information on Local Health Board and NHS Trust websites. This includes publication of agenda and papers in advance of committee meetings.
- 73 The internal control environment is generally effective. The Audit Committee continues to support the organisation's governance and internal control arrangements. The appointment of a new chair has resulted in a focus on maximising the value and benefit of audit and assurance work. The Audit Committee now also receives a report that tracks progress in response to external audit recommendations in response to a concern that we identified in last year's structured assessment. It is clear that there are also a number audit reviews which, when followed up, continue to demonstrate that the original issues have not been properly addressed and provides limited assurance that risks are being addressed.
- 74 The Internal Audit work programme continues to be well structured and comprehensive, although we have noted this year that there are occasional timeliness issues, particularly relating to initiating work. This has resulted in some work planned as part of the last financial year commencing later than intended. Local counter-fraud services continue to demonstrate that it meets standards required of it, and follows through comprehensively on proactive and reactive work.
- 75 Progress against the recommendations made in 2014 and 2015 relating to board and committee effectiveness is summarised in **Exhibit 4** on page 23.

The Health Board is making reasonable progress to address the issues identified in last year's structured assessment

- 76 Our structured assessment work in 2016 has considered the progress made by the Health Board in addressing the five recommendations made last year and the 10 recommendations made in 2014. Recommendations relating to financial management have been described in the earlier sections of this report.
- 77 In addition to reviewing the actions taken to address our 2014 and 2015 structured assessment recommendations, we also considered the effectiveness of the Health

Board's arrangements to manage and respond to our audit recommendations. We found that the Health Board has now introduced audit-tracking arrangements as a means for monitoring the implementation recommendations. The tracking report identifies the recommendation, deadline, responsible officer, the initial management response. The committee is starting to use this to challenge the pace of management response. However, the report does not yet summarise the status of recommendations (ie the number that are complete, ongoing or overdue). .

- 78 The progress made in addressing all recommendations relating to planning, delivery of change and board assurance is described in [Exhibit 4](#). In reaching our conclusion, however, we have taken progress on all recommendations into account.

Exhibit 4: Progress on all 2014 and 2015 recommendations relating to planning, delivery of change and board assurance

Year	Recommendation	Description of progress
2014	R3 Ensure sufficient planning capability to enable and facilitate the development of the Health Board's integrated medium term plan and the required underpinning divisional and service planning.	<p>Action in response to this recommendation is on track and in progress</p> <p>The planning team has adopted a business partner approach, with individuals and divisions providing expertise in the development of specific Service Change Plans. The development approach has continued and a cross-organisational planning event is to take place in October 2016.</p> <p>The capacity and capability of the central planning team continue to develop.</p>
2014	R4 Develop approaches for clinical engagement to ensure the quality and affordability of patient pathways.	<p>Action in response to this recommendation is on track and in progress</p> <p>Clinical engagement in service pathway modelling and transformation is improving through the clinical futures team and planning team. This includes pathway-based developments linking with the prudent healthcare agenda.</p> <p>The value based agenda and ICHOM⁸ partnership are bringing clinical teams in to a closer working relationship with finance. This is producing results in a number of areas, including respiratory, cardiac and orthopaedic specialities.</p>

⁸ [International Consortium for Health Outcomes Measurement](#)

Year	Recommendation	Description of progress
2014	<p>R5 Build on the existing good quality and patient safety committee arrangements by developing a clear and concise Quality Assurance Framework.</p>	<p>Action in response to this recommendation is on track and in progress.</p> <p>The structure of the agenda for the Quality and Patient Safety Committee continues to develop. The Health Board is undertaking further work through the Quality and Patient Safety Operational Group to focusses on the scope of, and process for, obtaining assurance, particularly from sub-committees.</p> <p>The quality and patient safety agenda is increasingly moving towards learning and applying lessons learnt.</p> <p>Review work is progressing on the Quality Assurance Framework for the Quality and Patient Safety Committee.</p>
2014	<p>R6 Review the information the Board receives to ensure there is appropriate coverage of patient and business outcomes, corporate objectives, tracking progress of Integrated Medium Term Plan programme delivery and financial information when making Board level decisions and approving plans.</p>	<p>Action in response to this recommendation is on track and in progress.</p> <p>The Health Board's format for Board reports has improved and now provides more focused information on outcomes and demonstrate the links and outcomes in relation to the Integrated Medium Term Plan.</p> <p>The Health Board has further developed its integrated performance report in a new format to link more closely with the Integrated Medium Term Plan priorities. It is also proactively working on development of outcomes measurement approaches, but this is not yet a significant feature of performance reporting.</p> <p>The Health Board has established formal six-monthly reviews to determine progress against all actions and decisions made by the Board.</p> <p>Additional work is needed to ensure that the Board complies with the Well-being of Future Generations Act (2014). In doing so the Board will need to consider the information that it receives to support decision-making and additional assurance requirements.</p>

Year	Recommendation	Description of progress
2014	<p>R7 Improve Board and Committee risk management by: ensuring there are arrangements to determine risk appetite in decision-making and approval. Ensuring there are arrangements to consistently apply risk scoring between committees and the Board and developing bespoke risk scoring approaches for Public Health and Partnership Committee.</p>	<p>The Health Board has addressed this recommendation.</p> <p>The Health Board is continuing to improve the consistency and effective use of the corporate and committee risk registers. Officers will submit a revised approach and risk register template to the Audit Committee in December 2016.</p> <p>The Health Board has undertaken further development work to incorporate public health risks into the Health Board's corporate risk register.</p> <p>The Health Board reports on the corporate risk register continue to present the pattern of risk over time. This positive approach helps members to determine how the risk ratings have changed over a period. It is a concern, however, that some risks do not appear to be reducing irrespective of the effort and actions that are put in place to mitigate them</p>
2014	<p>R8 Develop a clear change management approach</p>	<p>Action in response to this recommendation is on track and in progress.</p> <p>Improvements have been made through Integrated Medium Term Plan planning and Service Change Plans. These provide clearer understanding of the purpose of the change plans, what success looks like, and what needs to be done.</p> <p>The delivery framework for these is developing, but is not yet mature and more needs to be done to:</p> <ul style="list-style-type: none"> • define and adopt agreed programme management methodology; • implement a programme management office; and • develop the performance framework used in divisions as a tool to support and challenge Integrated Medium Term Plan and Service Change Plan delivery.

Year	Recommendation	Description of progress
2014	R9 Develop the required organisation design support arrangements to support the delivery of the Health Board's aims through the integrated medium term plan.	<p>This recommendation is in progress, but the Health Board will need to develop arrangements further over the coming year.</p> <p>There is improved collective executive team responsibility and accountability for the delivery of the plan in its entirety, and a better spread of individual executive accountability for discrete elements of the Integrated Medium Term Plan.</p> <p>It is not yet clear that there is sufficient talent identification and management to create the change leadership capacity for what is an extensive, comprehensive and complex range of change initiatives that will lead to truly transformative change and sustainable outcomes.</p> <p>It is also not yet clear if workforce planning approaches are sufficiently integrated into service change planning to determine future workforce models, enabling a shift of services into the community and changes to care pathways.</p>
2014	R10 Develop clear improvement plans to reduce sickness absence and improve rates of appraisal completion and ensure alignment of personal objectives to Integrated Medium Term Plan aims and divisional and service level plans.	<p>The Health Board has addressed this recommendation.</p> <p>The Health Board reports that it has introduced a comprehensive range of process, policy, control and management arrangements, but sickness absence and appraisal rates remain a challenging area.</p>
2015	R1 Review the need for change to the organisational structure to improve accountability and to support service modernisation.	<p>Action in response to this recommendation is on track and in progress</p> <p>The Health Board has commissioned consultants to undertake an accountability review. Work is ongoing to implement the findings of this review through dedicated leadership. Current work is focussing on short-term priorities associated with improving processes, governance and early opportunities to better align organisational practice and structure. An initial report, identifying key priorities is expected by the end of December 2016.</p>

Year	Recommendation	Description of progress
2015	R2 Ensure that the Health Board sufficiently prepares to meet the legislative requirements of the Well-being of Future Generations (Wales) Act 2015.	This recommendation is in progress. We will consider the extent of the progress made in future years' programmes either as part of structured assessment, or through new Auditor General duties under the Act.
2015	R3 Develop and implement arrangements for external audit recommendations progress tracking.	Action is complete Arrangements for tracking external audit recommendations have been developed and introduced during the year.
2015	R4 Develop clear milestones for each of the SCPs and delivery plans.	Action in response to this recommendation is on track and in progress The Health Board has revised the delivery framework to ensure that milestones are clearly defined and aligned. The Health Board has started work on updating Service Change Plans which will form part of the draft Integrated Medium Term Plan that will be considered by the Board in January 2017.
2015	R5 The Health Board should look to increase investment in technology where this: <ul style="list-style-type: none"> • Results in a greater level of returned cashable efficiencies throughout the organisation or; • Is an efficient enabler for wider clinical service modernisation. 	This recommendation is in progress. The Health Board is incorporating informatics into the mainstream planning process over Q3 and Q4 of 2016-17. We will review progress again as part of future year's audit work.

79 Our review of progress on structured assessment recommendations identified that the Health Board is making progress in a number of the areas. Many of the recommendations that we made both in 2014 and in 2015 remain in progress. The Health Board is making a considerable effort to fully address remaining issues and we recognise that many of the issues remain complex and challenging.

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 5: 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	Adopt an agreed and formal change management approach and develop core staff capabilities for those managing change.	To ensure consistency of approach and to set the professional standard that the Health Board expects those involved in change to demonstrate.	Yes	Yes	The Health Board recognises the need for an agreed approach to supporting formal change management programmes. This will involve working collaboratively to identify the core evidenced based skill set required to ensure managers have the appropriate knowledge and skill to deliver effective change. Implementation of the agreed revised approach will be supported by a range of interventions as determined by the review.	Review by the end of March 2017. Implement intervention and toolkit by April 2017. Delivery of a consistent approach to management of change by end of March 2018.	Geraint Evans/ Nicola Prygodzicz

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R2	Introduce a programme management office, to facilitate the delivery of the Integrated Medium Term Plan and its Service Change Plans.	To enable the delivery of the complex change programme agreed by the Health Board.	Yes	Yes	The Health Board agrees that we need strengthened programme management arrangements and is currently reviewing its performance and planning structures to ensure we strengthen programme management against the IMTP and Clinical Futures. However, this may not be a dedicated programme management office, but clear functions within revised structures.	Review by the end of June 2017. New arrangements in place and functioning by end of March 2018.	Nicola Prygodzicz
R3	Build upon the early work on assurance frameworks by reviewing the quality of the articulation of the Health Board's corporate objectives.	To ensure that the objectives are meaningful, and underpinned by sufficient detail.	Yes	Yes	The Health Board will review its corporate objectives in line with the refresh of the Integrated Medium Term Plan. This will be used as the foundation for further work on required assurance mapping.	Refreshed Objectives will be agreed as part of the development of the IMTP by the end of March 2017.	Richard Bevan/ Nicola Prygodzicz
R4	Identify the key threats to achieving the objectives and determine what additional assurances may be required help the Health Board achieve those objectives.	To ensure clear alignment between the assurance framework and objectives to help their successful delivery.	Yes	Yes	Stage One – as above in R3. When agreed the new objectives will be mapped for the potential threats to their achievement, planning will be undertaken to respond to those threats and the assurances required by the Board to know we are on track to achieve them will be mapped.	Second Board Assurance Mapping Exercise to take place in April 2017 and the Board to approve the assurance map in May 2017.	Nicola Prygodzicz/ Richard Bevan

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R5	Review the Board development programme and specific development needs to support new Board members during the coming year.	To minimise the risk from Board member turnover, and to provide an opportunity to shape the focus of the Board.	Yes	Yes	The Health Board is reviewing its induction documentation and programme and contributing to the new Induction Programmes being developed at a national level. The Health Board is also developing a local orientation and induction programme for new Board Members. This will include legacy statements/meetings from existing Board Members and exercises to facilitate knowledge transfer.	Initial documentation to be finalised by the end of March 2017. Drafts have already been trailed with new IMs. Orientation and induction programmes to commence in April 2017 and run until September 2017.	Richard Bevan

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