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Structured Assessment 2016 – **Abertawe Bro Morgannwg Local Health Board**

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Summary report

Context

- 1 Structured assessment examines the arrangements of Abertawe Bro Morgannwg Health Board (the Health Board) 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 arrangements that support good governance to be in place but these were subject to revision in the context of new operational structures. Achieving financial balance for 2015-16 appeared unlikely, with the Health Board facing a growing funding gap together with workforce and capacity risks.
- 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 (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.
- 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 15 responses (68% 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 Health Board has faced a number of challenges during 2016. It has been completing the organisational development work following transition to new

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.

operational structures in late 2015 to improve governance and accountability, whilst also taking actions to improve performance in a number of key areas. Alongside this, work focussing on organisational culture and values, and quality and safety improvement has continued. 'Action after Andrew's'³ actions to improve patient experience and service quality are now incorporated into routine quality and delivery arrangements. This work has been carried out within a financially challenging environment.

- 6 The Health Board saw its status under the NHS Wales Escalation and Intervention Arrangements ⁴ escalated by the Welsh Government in September 2016, from enhanced monitoring to targeted intervention. This reflects the non-approval of its integrated medium term plan (IMTP) in 2016 and the financial and performance challenges facing the Health Board. The Health Board is currently working with the Welsh Government to agree and implement supportive interventions to help the Health Board address these challenges.
- 7 In addition to the current financial and performance issues, the Health Board will face a number of additional challenges in 2017. These include significant changes to Board membership in 2017, the need to meet new legislative requirements through enhanced partnership working, and ensuring sufficient organisational capacity to manage and implement the Health Board's ambitious strategic change and commissioning programmes with sufficient pace.

Key findings

- 8 Our overall conclusion from 2016 structured assessment work is that arrangements that support good governance are largely in place and continue to be strengthened, but the financial position is not sustainable and organisational capacity, connections between programmes and maintaining pace of change present challenges. The reasons for reaching this conclusion are summarised below.

Financial planning and management

- 9 In reviewing the Health Board's financial planning and management arrangements we found that despite urgent measures taken in recent years to achieve year-end financial balance, the current financial position is unsustainable, with a growing funding gap and a significant year-end overspend forecast for 2016-17.

³ [Action After Andrews](#)

⁴ [NHS Wales Escalation and Intervention Arrangements March 2014](#)

Financial planning – financial planning arrangements are in place but links between financial planning and wider service modernisation goals are not fully developed and the Health Board was unable to set a financially balanced integrated medium term plan

- 10 The Health Board has arrangements and controls for the setting of its revenue and capital budgets. These have remained largely as in prior years but continuing financial pressures have meant that despite these arrangements, the Health Board was unable to agree a financially balanced integrated medium term plan (IMTP) in 2016.
- 11 Budget assumptions and cost improvement plans (CIPs) underpin the IMTP and financial risks are reported as part of the budget planning process. However, a significant proportion of required in-year savings remain unidentified. The Health Board's budget is not zero based, either in totality or for discrete parts. Also, the links between the budget, objectives and other plans are unclear. Without each of these, the ability to implement zero based budgeting and assess the impact of financial decisions is difficult.

Financial control and stewardship – arrangements for financial control and stewardship are in place, but there is a need for greater scrutiny of financial management and to ensure that controls are robustly applied

- 12 A framework of financial controls is in place, supported by a proactive Internal Audit department and an effective Audit Committee. The Health Board has defined roles and responsibilities, which account for the changes to organisational structures in 2015-16.
- 13 However, given the increasing financial challenges and current weaknesses in financial reporting to Board, the Health Board needs to do more to ensure the robust application of the financial management controls through strengthened scrutiny arrangements. There is also opportunity for financial and performance information to be brought together and scrutinised, with assurances provided to the Board.

Financial monitoring and reporting – Arrangements are in place for financial monitoring, but the content, transparency and format of financial reports to Board is not sufficiently robust

- 14 The Health Board has arrangements for financial monitoring and reporting, with regular reports to the Board for performance against the revenue budget, monthly monitoring returns to the Welsh Government and monthly challenge meetings with Unit Directors.
- 15 The information being reported to the Board and the Welsh Government is consistent, although we found that the financial forecasts and savings targets reported each month vary, making it difficult to track performance against the targets initially set. In addition, there is little reporting of performance against the capital programme to the Board. The Board receives information in closed session

but recognises the need to improve the content, transparency and format of their financial reports, particularly to open Board, and is taking steps to address this.

Financial performance – the continuing shortfall in planned savings and reliance on additional funding to break even indicate an unsustainable financial position and the impact on service delivery and performance in the short and long term is unclear

- 16 The Health Board has achieved financial balance in each of the last three years but only after additional Welsh Government funding and one-off measures. At Month 9 of 2016-17, the Health Board was already £27 million overspent, with £15 million of the required £45.5 million savings remaining unidentified and a year-end overspend £39 million forecast.
- 17 The Health Board does not monitor or report on the impact on quality of cost improvement programmes either at the planning stage, through the year or after the year-end. Further, there is no consideration of the impact on longer-term objectives as part of the one-off measures taken each year to achieve financial balance.

Governance and assurance

- 18 In reviewing the Health Board's corporate governance and board assurance arrangements we found that the Health Board has strengthened its planning approach and governance arrangements and is addressing some previous recommendations, but organisational capacity, connections between programmes and maintaining pace of change are challenges.

Strategic planning and reporting – The Health Board has improved its planning approach but it does not currently have an approved IMTP, and needs to strengthen scrutiny, ensure sufficient capacity and establish clearer connections between programmes and priorities

- 19 The Health Board was not able to develop an approvable 2016-19 IMTP due to performance issues and the plan not being financially balanced. However, during 2016, IMTP planning arrangements have been improved and work to develop the 2017-20 IMTP has begun earlier than in previous years. Arrangements to scrutinise IMTP development and delivery are in place, although there is an opportunity to further strengthen these arrangements particularly in respect of a board sub-committee scrutiny of delivery and performance.
- 20 The Health Board's commissioning arrangements are maturing. Commissioning plans are rightly focusing on long-term population health needs and guidance has been prepared to support current IMTP planning. However, there is more for the Health Board to do to ensure that: commissioning decisions are balanced against current delivery priorities; the interfaces between the commissioning framework and delivery arrangements are clear and operating as intended; and that there is

sufficient organisational capacity to support and manage the current commissioning, change and delivery programme architecture.

Board effectiveness and assurance – governance and assurance arrangements are broadly sound, although some aspects can be further improved and Board membership changes in 2017 present opportunities and risks

- 21 In reaching this conclusion we found:
- **board assurance framework development:** the Health Board has a defined system of assurance which it continues to review and develop, although the performance management framework requires updating and there are opportunities to extend risk and assurance mapping; and
 - **board and committee effectiveness:** the Board and committees are generally operating effectively, although more time is needed to embed recent changes to some committees, and new board member appointments in 2017 brings both opportunities and risks.
- 22 The Health Board has arrangements for seeking and gaining assurances. Attention has been given to mapping high level risks and assurances in 2016 and establishing the governance arrangements in the new delivery units. The risk management framework has been updated although the introduction of weekly acute service performance reviews has delayed the planned review of the performance management framework. The Health Board is currently considering further risk and assurance mapping to help shape the continuing development of its board assurance framework.
- 23 The Board is overall effective in its operation, meeting its annual reporting requirements and continuing to promote organisational values and openness. It is aware that more remains to be done in a number of areas including ensuring timely response to complaints and embedding organisational learning. The Audit and Quality and Safety Committees are also operating effectively, with quality assurance arrangements strengthened during 2016 and improvements in the operation of the Workforce Committee becoming evident. However, the loss of a number of independent members in 2017 presents some opportunities to refresh with new independent member perspectives, but also risks in relation to continuity, loss of experience and the potential impact on committee membership and arrangements. The Health Board will also need to appoint a new Board Secretary in 2017.

Progress in addressing previous structured assessment recommendations – the Health Board has implemented some recommendations made in the 2015 structured assessment, but has not sufficiently developed actions for others, specifically those relating to financial planning and reporting

- 24 We found that attention has been given to addressing the 10 structured assessment recommendations we made in 2015, with the exception of two recommendations relating to financial planning and reporting. Reasonable overall progress has otherwise been made, with six of the eight remaining recommendations addressed and two in progress. The pace for establishing an information governance board and a quality and safety forum was slower than intended, although these actions are now complete. However, continued focus will be needed to fully embed these new arrangements, and other changes and improvements made.
- 25 We also found there to be well established arrangements to monitor, scrutinise and challenge management responses to internal and external audit recommendations. An audit tracking report received at each meeting of the Audit Committee is used to scrutinise and challenge the pace of progress. Our assessment of the progress made in addressing 2015 structured assessment recommendations is broadly consistent with the status reported through the tracking report. We note, however, that the timeliness of developing some management responses has been an issue in 2016 and the Audit Committee Chair is actively working with executive leads to improve this position.

Recommendations

- 26 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 fully complete.
- 27 The Health Board's management response detailing how it intends responding to these recommendations will be included in [Appendix 1](#) once developed and considered by the relevant board committee.

Exhibit 1: 2016 recommendations

2016 recommendations	
Addressing outstanding financial management recommendations	
R1	Ensure the two outstanding 2015 recommendations relating to financial planning and reporting are addressed. <ul style="list-style-type: none">• These are:<ul style="list-style-type: none">– 2015 R1: Clarify the financial planning assumptions underpinning the IMTP, given increasing cost pressures, growing funding gaps and overall risk that the IMTP will not be financially balanced; and– 2015 R2: Improve financial reporting to the Board, to provide clearer explanation for any changes to the financial position, performance on saving schemes and the corrective action to address any slippage.
Approving and monitoring the capital programme	
R2	Develop a capital programme for 2017-18 which is formally approved by Board and supported by regular reporting on financial and non-financial performance, risks and overall delivery of the capital programme.
Strengthening scrutiny	
R3	Act on opportunities to strengthen current scrutiny arrangements: <ul style="list-style-type: none">a) Financial scrutiny: Consider how financial information can be better scrutinised alongside performance information and greater assurance provided to Board on financial position, impact of financial decisions and that financial controls are being robustly applied.b) IMTP scrutiny: review current arrangements to ensure the NHS Planning Framework 2017-20 requirement for board sub-committee scrutiny of IMTP progress and performance can be fully met.c) Performance scrutiny: following suspension of the Performance Committee and in the context of independent member changes in 2017, reassess performance scrutiny arrangements and whether scrutiny is to remain a function of Board or supported by committee arrangements.

2016 recommendations

Establishing clearer connections between planning, commissioning and delivery programmes and sufficient capacity to support the arrangements

R4 Take active steps to:

- a) Ensure sufficient challenge via the Strategy, Planning and Commissioning Committee on how commissioning decisions are reached and balanced against current delivery priorities.
- b) Improve the clarity and understanding of decisions about re-commissioning and decommissioning within planning cycles and the role of the executive strategy group.
- c) Strengthen change management capacity to ensure any requirements flowing from targeted intervention are addressed.
- d) Ensure the architecture, interfaces and relative priorities across strategy, commissioning, change and delivery programmes are better understood, with sufficient organisational capacity to service the management arrangements. This should include reviewing current meeting requirements.

Developing the engagement framework

R5 Update the engagement and communication framework in addition to completing development of a structured engagement plan for IMTP development

Further strengthening accessible public reporting

R6 Review the website to ensure accessibility, easy navigation and that web content (including published policies and documents) are up to date.

Strengthening monitoring of management responses to Delivery Unit reports

R7 Develop arrangements for the oversight and scrutiny of Delivery Unit reports and the associated management responses.

- 28 In addition to these recommendations, the Health Board will need to maintain pace in embedding the changes to quality assurance and information governance arrangements developed during 2016, as set out in [Exhibit 9](#).
- 29 The Health Board is already progressing a number of improvement activities, some of which relate to actions ongoing from our 2015 recommendations. These include:
- the review of corporate structures following the 2015 operational restructure, so that the role and capacity of corporate directorates are clearly understood in relation to unit roles, responsibilities and resources;
 - post implementation review of revised organisational structures and governance arrangements (initially planned for September 2016) once population of delivery unit sub-structures is complete;
 - review and updating of the performance management framework; and
 - expanding on risk and assurance mapping to help shape the continued development of the board assurance framework.
- 30 Our detailed findings are set out in the following sections of this report.

Detailed report

Arrangements that support good governance are largely in place and continue to be strengthened, but the financial position is not sustainable and organisational capacity, connections between programmes and maintaining pace of change present challenges

31 The findings underpinning this conclusion are detailed below.

Financial management – despite urgent measures taken in recent years to achieve year-end financial balance, the current financial position is unsustainable, with a growing funding gap and a significant year-end overspend forecast for 2016-17

32 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.

Financial planning – financial planning arrangements are in place but links between financial planning and wider service modernisation goals are not fully developed and the Health Board was unable to set a financially balanced integrated medium term plan

33 The Health Board has arrangements and controls for the setting of its revenue and capital budgets. These have remained largely as in prior years but continuing financial pressures have meant that despite these arrangements, the Health Board has been unable to agree a balanced integrated medium term plan (IMTP) in 2016.

34 For 2015-16, the total funding gap was £42.5 million at the start of the year against which £22.7 million of savings were required. Of this required savings level, £20.2 million of potential savings had been identified by the year-end, although the gap in identified savings was not consistently reported as noted below in the 'financial reporting' section of this report. The actual savings achieved in 2015-16 were £16.1 million (80%). The remainder of the funding gap was closed through other one-off measures, accountancy gains and additional non-recurrent funding from the Welsh Government. So whilst the Health Board met its financial targets for 2015-16, this is not a sustainable financial position going forward. For 2016-17, the

funding gap is £65.6 million against which £45.5 million of savings are required, with a remaining imbalance of £20.1 million in the financial plan.

- 35 In previous years we have commented on the extent to which finances, service and organisational objectives are linked so that the full impact of decisions is known. As in previous years, the Health Board’s budget is not zero based, either in totality or for discrete parts. Also, the links between the budget, objectives and other plans are unclear. Without each of these, the ability to implement zero based budgeting and assess the impact of financial decisions is difficult.
- 36 Budget assumptions and cost improvement plans (CIPs) underpin the IMTP and financial risks are reported as part of the budget planning process. However, in recent years the Health Board has relied on a large amount of Welsh Government funding to break even. In addition, its required level of savings in 2016-17 (£45.5 million) are more than the Health Board has achieved in previous years, as outlined in **Exhibit 2**. Of the £45.5 million savings required in 2016-17, £30.7 million of required in-year savings had been identified at the end of December 2016 (month 9), with £15 million still to be identified. Robust contingency plans are not in place and the realism of the savings levels and achievement of the plan are questionable.

Exhibit 2: Actual Savings achieved 2012-13 to 2015-16

	2012-13	2013-14	2014-15	2015-16	2016-17
Budgeted savings	£24.4m	£28.8m	£23.5m	£20.196m	£45.5m
Actual savings	£21.4m	£26.8m	£18.7m	£16.1m	
Shortfall in savings	£2.9M	£2.0m	£4.8m	£4.1m	
% savings achieved	88%	93%	80%	80%	

Wales Audit Office analysis of Welsh Government financial monitoring returns

- 37 The capital programme for 2015-16 was £40 million and the Health Board achieved its capital resource limit with an under-spend of £37,000. However, cuts in capital budgets in recent years, along with pressure on revenue budgets, have challenged the Health Board’s ability to address backlog maintenance issues and asset replacement.
- 38 The 2015-16 capital programme was approved by the Executive Team in June 2015 but was not formally approved by the Board. The 2016-17 capital programme was included as part of the 2016-19 IMTP which was also not approved by Board. The Health Board does not report on either the financial or non-financial progress on the capital programme to the Board, which makes it difficult to assess progress and the risks facing the Health Board. The Health Board should develop a capital programme for 2017-18, which is formally approved by Board and supported by robust progress reporting arrangements.

- 39 Whilst there are processes in place for the setting and monitoring of the capital programme, the profile of expenditure is skewed heavily towards the year-end. The Month 12 Monitoring Return for 2015-16 shows that of the £40.4 million capital expenditure for the year, £10.3 million (25%) was in the last month. This applies for both the all-Wales schemes and discretionary schemes although it was more pronounced for discretionary schemes with £4.2 million (43%) of the total discretionary expenditure being in the last month, as opposed to £6.1 million (20%) of the all-Wales schemes.
- 40 We recognise that capital funding is often approved late in the year by the Welsh Government. The Health Board has done well in the 'all-Wales' bidding process, with proposals developed in advance to take advantage of any late capital funding becoming available. However, spending a significant amount of the capital programme, including discretionary funding, in the final month of the financial year has implications both for effective planning and the potential for poor value for money and rushed decisions.
- 41 In 2015 we made the following recommendation relating to financial planning. **Exhibit 3** describes the progress made.

Exhibit 3: Progress on 2015 financial planning recommendation

2015 recommendation	Description of progress
<p>R1 Clarify the financial planning assumptions underpinning the 2016-19 IMTP, given increasing cost pressures, growing funding gap and overall risk that the plan will not be financially balanced.</p>	<p>This recommendation has not been met. Whilst there is increased documentation regarding assumptions set, an approved and balanced IMTP is not in place.</p>

Financial control and stewardship – arrangements for financial control and stewardship are in place, but there is a need for greater scrutiny of financial management and to ensure that controls are robustly applied

- 42 The Health Board has a framework of roles and responsibilities for financial control and accountability, accounting for the changes to organisational structures in 2015-16 and underpinned by standing financial instructions, standing orders and a scheme of delegation. There are appropriate control activities and processes in place which are regularly reviewed by Internal Audit. The Audit Committee, which meets on a bi-monthly basis, is operating effectively and contributes to the financial control framework.
- 43 The risks of financial losses are assessed and mitigated by the Health Board. A dedicated Local Counter Fraud officer is in place who attends and reports to each Audit Committee. The Health Board has a Counter Fraud Policy and Whistleblowing Policy and has appropriate arrangements with regards to litigation and claims through Welsh Health Legal Services.

44 However, given the increasing financial challenges and current weaknesses in financial reporting to Board (as discussed below), the Health Board needs to do more to ensure the robust application of the financial management arrangements. There is also opportunity for financial and performance information to be brought together and scrutinised at a Board committee level, with assurances being provided to the Board. The Health Board would need to consider the most appropriate forum for the enhanced scrutiny of financial management, controls and performance.

Financial monitoring and reporting – Arrangements are in place for financial monitoring, but the content, transparency and format of financial reports to Board is not sufficiently robust

45 The Health Board has arrangements for financial monitoring and reporting with regular reports to the Board for performance against the revenue budget, monthly monitoring returns to the Welsh Government and monthly challenge meetings with Unit Directors. Service managers have access to financial information on a monthly basis and although the Health Board uses 'Qlikview' to provide managers with quicker access to financial information, the use of real time information is limited.

46 Whilst we found that the information being reported to the Board and the Welsh Government (through the monitoring returns) is consistent, information that is being reported in both formats, changes from month to month. A review of the monthly reports show that there is not a consistent figure reported against which performance can be tracked. It is also unclear what is being held as contingency. This makes it extremely difficult to monitor the position against what was initially set and approved at the start of the year as part of the budget and IMTP. It also makes it difficult for Board members to effectively challenge the position and question the robustness of year end forecasts.

47 As referred to in [paragraph 2](#), we have undertaken comparative work to review the format of financial reporting to Boards across Wales. Finance reports to Board state the current and cumulative overspend and the worsening financial position and requirement for Board action. However, other important aspects of the publicly available financial report to Board did not compare well. The Health Board needs to make the finance report to Board clearer and more transparent, and address the following weaknesses:

- The report provides only a very brief summary, with no definition or inclusion of statutory or administrative financial targets or other key performance indicators (KPIs).
- About one-third of the report focuses on the aged debtor position, which is a significant risk to the Health Board.
- There is no dashboard to summarise financial performance, exceptions to highlight key areas of concern or use of graphics to illustrate trends or aid interpretation.

- There is little insight or explanation of the financial position, nothing on key risks, savings, cash position, run rates, key cost drivers or links to service delivery/ activity. Details on reasons for variances linked to the overall financial performance are poor.
 - There is limited information reported on performance of savings plans and reasons for any underspends.
- 48 In addition to the bi-monthly finance reports presented to the Board in public, more detailed financial reports are also provided to the Board ‘in-committee’. However, these in-committee reports are not accessible to the public and whilst they do provide more detail on the information publically reported, they could be more comprehensive. The Health Board needs to improve the content, transparency and format of its financial reports to Board. This is recognised by the Health Board, with steps already being taken to strengthen Board financial reporting.
- 49 Capital reporting to the Board is also limited. Whilst the capital programme is monitored by officers on a monthly basis, monitoring of the capital programme is not a standing agenda item for the Board. Reports to Board on performance of the capital programme are ad hoc and information from relevant directorates needs to be better joined up. Our review of capital monitoring reports showed that these are more of an update on the position and progress against the capital schemes, rather than financial performance against the programme and the reasons for any variances. As such, there is limited information provided to the Board in terms of monitoring of the capital programme.
- 50 There is opportunity to better integrate financial and performance information to strengthen reporting, scrutiny and Board assurance. Present separation of reporting on finance, performance and also workforce information makes it difficult to assess and scrutinise the impact of financial decisions in areas such as workforce and performance, and vice versa.
- 51 In 2015 we made the following recommendation relating to financial reporting. **Exhibit 4** describes the progress made.

Exhibit 4: Progress on 2015 financial reporting recommendation

2015 recommendation	Description of progress
R2 Improve financial reporting to board [and relevant executive boards/groups], to provide clearer explanation for any changes to financial position, performance on savings schemes and the corrective action to address any slippage.	This recommendation has not been actioned. Financial reporting is largely the same as in 2015 and does not provide sufficient insight for Board members to be able to effectively monitor and challenge financial performance. The Board recognises that more needs to be done to improve the clarity and transparency of the finance reports it receives. There is also scope to better integrate finance, performance and workforce reporting.

Financial performance – the continuing shortfall in planned savings and reliance on additional funding to break even indicates an unsustainable financial position and the impact on service delivery and performance in the short and long term is unclear

52 The Health Board has achieved financial balance in each of the last three years. However, this was only after receiving significant additional non-recurring funding from the Welsh Government, and one-off measures and accountancy gains identified in-year to meet the funding gap, as illustrated in Exhibit 5.

Exhibit 5: Closing the financial gap 2013-14 to 2015-16

Year	Action taken to close funding gap to achieve breakeven					Year-end position
	Savings achieved	Income generation /cost avoidance	Additional Welsh Government funding	Accountancy gains/reserves/new savings	Total of actions to close gap	Surplus
2013-2014	£26.8m	£6m	£24.7m	£6m	£63.4m	£-0.09m
2014-2015	£18.7m	£10m	£26.1m	£6.5m	£61.2m	£-0.1m
2015-2016	£16.1m	£0	£43m	£43.1m	£102m	£-0.086m

Wales Audit Office analysis of Welsh Government financial monitoring returns

- 53 The Health Board has not met its planned savings in each of the last four years. At month 9 of 2016-17, the Health Board had identified £30.7 million of savings. However, this still falls short of the total savings requirement of £45.5 million and was £5.8 million behind delivery of the identified savings. At Month 9, the Health Board was also reporting a £26 million overspend, with a forecast year-end overspend of £39 million.
- 54 We have already reported above the inconsistency of financial reporting information and this, the actual performance and the reliance on additional funding and one-off measures, means that the financial position is now unsustainable.
- 55 The Health Board does not monitor or report on the impact on quality of cost improvement plans either at the planning stage, through the year or after the year-end. Further, there is confusion over whether savings made are cashable or notional savings and there is no consideration of the impact on longer-term organisational objectives as part of the one-off measures taken each year to achieve financial balance.

Governance and assurance – the Health Board has strengthened its planning approach and governance arrangements and is addressing some previous recommendations, but organisational capacity, connections between programmes and maintaining pace of change are challenges

56 Our structured assessment work in 2016 has examined the Health Board's arrangements for developing an IMTP 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 related to these areas. Our findings are set out below.

Strategic planning and reporting – The Health Board has improved its planning approach but it does not currently have an approved IMTP, and needs to strengthen scrutiny, ensure sufficient capacity and establish clearer connections between programmes and priorities

57 The findings underpinning this conclusion are based on our review of the Health Board's approach to strategic planning⁵, and arrangements for monitoring and reporting on plan delivery. We have also considered the arrangements which support delivery of strategic development and change programmes and the progress made in addressing previous recommendations relating to strategic planning.

Planning and commissioning arrangements are developing but there is not an approved IMTP at present, planning capacity appears limited and clearer alignment of commissioning and delivery priorities is needed

58 The Health Board has had an approved IMTP in place for the previous two financial years (2014-15 and 2015-16). There is broad agreement amongst board members responding to our survey that the Health Board has improved its approach to planning as a result of the NHS Planning Framework. However, the Health Board was not able to develop an approvable IMTP in 2016 due to performance issues and the plan not being financially balanced. The 2016-19 IMTP was therefore not approved by the Welsh Government or the Board.

59 During 2016, the Health Board has continued to improve its IMTP planning arrangements. The Director of Strategy holds overall executive responsibility for

⁵ 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 development supported by an Assistant Director of Strategy, and a Head of IMTP Development and Implementation who co-ordinates development of the plan. Corporate departments such as public health, workforce, capital, informatics, quality and finance are also engaged through the IMTP core team which meets regularly and reports to the Executive Strategy Group.

- 60 Work on the 2017-20 IMTP has begun earlier this year to allow a longer period for delivery unit feedback, prioritisation and plan refinement. A corporate Public Health Plan has also been commissioned this year, to the same timescales as delivery unit plans and draft submissions from the corporate departments noted above. The slightly longer planning timeline should also help ensure that the Board collectively has sufficient opportunity to scrutinise and challenge the IMTP before it is submitted to the Welsh Government.
- 61 The IMTP core team supports the 'bottom-up' development of delivery unit plans which underpin the organisational IMTP, providing cascaded guidance (reflecting NHS Wales Planning Guidance and promoting prudent healthcare principles) and workshops for operational units. However, planning capacity is reported to be limited and despite the additional central planning post, the planning team has not been able to introduce a business partner model to support and develop operational planning capacity, as exists for finance and HR functions. Building planning capacity and skills is a challenge that the Health Board will need to address.
- 62 As devolved structures, delivery units are required to use their local engagement mechanisms with staff and stakeholders in the development of their plans, and each unit plan describes the engagement undertaken. The Health Board has an overarching Engagement and Communication Framework in place but it is overdue for review. In addition to updating the current framework, the Health Board is planning to develop a structured engagement plan for IMTP development.
- 63 The Health Board's commissioning arrangements are maturing, with six commissioning boards established and commissioning guidance prepared to support planning for the 2017-20 IMTP development. Commissioning plans are rightly focusing on long-term population health although it is less clear how commissioning guidance and decisions are supporting and addressing current delivery and performance priorities. It will be important for the Strategy, Planning and Commissioning Committee to challenge how commissioning decisions are reached and balanced against current delivery priorities.
- 64 There is also operational uncertainty about re-commissioning and/or decommissioning in the present planning cycle. The monthly Executive Strategy Group recently introduced should help address this. However, the Health Board will need to ensure these arrangements and the interfaces between commissioning and delivery board structures are clear and better understood across the organisation. Interviews carried out as part of our structured assessment work indicate a lack of understanding and concerns about disconnects between the commissioning framework and delivery arrangements.

- 65 The Health Board has set an ambitious strategic direction to increase the health, wealth and well-being of people in South West Wales, with the ARCH⁶ programme providing the long-term strategy for the Health Board and wider regional health economy. The full business case for ARCH is in development and is due to be submitted to the Welsh Government in 2017. The Health Board recognises however, that it needs a bridging plan between a three-year IMTP and longer-term ARCH goals.
- 66 Therefore, in addition to the development of the 2017-20 IMTP, the Health Board has been developing a 10-year strategy which is due to be received by Board in January 2017. The Health Board has also commissioned capacity modelling work of its acute services to help inform its future planning. It is presently building on the use of this information, although analytics capacity is a constraining factor. The Health Board is aware of the need to consider similar capacity modelling for its primary care and mental health services.

IMTP scrutiny arrangements are in place with scope to strengthen further

- 67 The Health Board is working to an annual operating plan (AOP) for 2016-17. This is based on year one of the unapproved 2016-19 IMTP, although the imbalanced financial position has created some uncertainty about its approval status. An implementation plan for the in-year delivery is in place and supported through the organisational performance management arrangements, discussed later in this report. We found there to be reasonable arrangements to report on IMTP/AOP delivery via an IMTP tracker report, with the majority of board members responding to our survey agreeing that:
- roles, responsibilities and accountabilities for delivery of key objectives and actions are clear;
 - appropriate information is received; and
 - enough time is set aside for scrutiny of the IMTP/AOP at relevant board and committee meetings.
- 68 In May 2016, the Board suspended the Performance Committee and put in place the following alternative IMTP scrutiny arrangements:
- strategy, planning and commissioning committee (SPCC) oversight and scrutiny of IMTP development;
 - independent member challenge on IMTP/AOP delivery and performance provided by the Chair and Vice-Chair at monthly executive team meetings; and
 - bi-annual reporting to Board on IMTP/AOP progress, the first report being in November 2016.

⁶ [ARCH: A Regional Collaboration for Health](#)

- 69 The Health Board will need to reflect on its present arrangements in light of the future reporting requirements set out in the NHS planning framework 2017-20. In addition to an executive group overseeing plan delivery and biannual reporting to Board, there is a requirement for a board sub-committee or group to scrutinise and challenge progress and performance on a regular basis. The Health Board will need to consider the sustainability and adequacy of current sub-Board arrangements for IMTP delivery and performance scrutiny in light of the reporting requirement, the impact of board member changes in 2017 and the role of SPCC for overseeing both strategic plan development and delivery. The need to enhance financial scrutiny alongside performance, as discussed in [paragraph 51](#), should also be taken into account in considering any revision to strengthen current IMTP and performance scrutiny arrangements.
- 70 In 2015 we made the following recommendation relating to IMTP scrutiny. [Exhibit 6](#) describes the progress made.

[Exhibit 6: Progress on the 2015 recommendation relating to IMTP scrutiny](#)

2015 recommendation	Description of progress
<p>2015 R5 Determine the future role of the performance committee including whether scrutiny of performance and IMTP delivery is the function of this committee or the Board.</p>	<p>Actions to address this recommendation have been completed, although the adequacy of current sub-Board arrangements for scrutiny of IMTP delivery and performance should be reviewed and strengthened, as discussed in paragraph 69.</p>

The Health Board faces challenges for ensuring sufficient organisational capacity to support change and programme management arrangements

- 71 Engaging effectively with staff, clinical leaders, patients, partners and other stakeholders on the major strategic changes that underpin the IMTP and longer-term strategic plans is essential. The Health Board has shown commitment to working with others and undertaken significant recent engagement activities, for example, to develop its organisational values and behaviours, progress ARCH proposals and develop commissioning plans for specific pathways. In respect of strategic change programmes underpinning the IMTP, most board members responding to our survey agree that the Health Board is engaging effectively, but with scope to do more with staff and patients. However, the Health Board's Engagement and Communication Framework is technically out of date and needs to be reviewed and updated.
- 72 All strategic change programmes are linked to strategic aims and aligned to commissioning boards, with the ARCH programme being the delivery vehicle for some. However, there is no single programme methodology or programme office in place and the portfolio and reporting lines of strategic change programmes collectively appear less clear than under previous 'Changing for the Better' programme arrangements.
- 73 Capacity is seen as a barrier to developing a change programme function although there are a number of change and improvement 'teams', separately resourced and functioning independently of each other. These include:
- financial change management skill and resource within the finance directorate, previously with responsibility for supporting the C4B programme;
 - a service improvement function led by the chief operating officer; and
 - a new quality and safety improvement team.
- 74 In 2015, we highlighted the significant organisational capacity needed to support strategic developments, change management and strategic partnership and engagement work, alongside managing service delivery and performance improvement and embedding new operational structures. Population of the delivery unit sub-structures has progressed during 2016 and is expected to be complete by early 2017. However, the planned review of corporate structures in the context of revised operational management arrangements was still in progress at the time of our fieldwork. It will be important to complete this review as soon as possible, as the role of corporate directorates in relation to unit roles, responsibilities and resources is not yet clearly understood. However, during 2016 there have been some important changes to corporate resources, including:
- an additional planning post April 2016;
 - realignment of performance information and performance management resources between executive portfolios; and
 - a new Director of quality and service improvement advertised, to align existing improvement resources (as summarised in [paragraph 74](#)).

- 75 A strategy, commissioning, and delivery management architecture has been developed, with programmes introduced to respond to specific issues such as efficiency and sustainability. A programme management approach provides a systematic way of organising and managing commissioning and delivery streams to deliver business benefits. However, the complexity of arrangements are difficult to articulate, requires significant organisational capacity to service and not all staff are clear about the inter-connections and relative priorities across the various programme streams. The Health Board is currently reviewing the meeting requirements for managing the current arrangements and better joining-up the delivery and commissioning programmes. It will be important for the Health Board to ensure:
- understanding of the programme architecture;
 - clearer management of the commissioning and delivery interfaces; and
 - sufficient capacity to support the management arrangements.
- 76 In 2015 we made the following recommendations relating to strategic development, organisational capacity and change management. **Exhibit 7** summarises the progress made.

Exhibit 7: Progress on 2015 recommendations relating to strategic development, organisational capacity and change management

2015 recommendation	Description of progress
<p>2015 R7 Conduct a full closedown assessment of changing for the better strategic change projects to ensure that as projects are aligned to commissioning boards, there are no transition gaps and any discontinued work streams are intentional.</p>	<p>Actions are reported as complete, with a transition plan signed off by the Changing for the Better (C4B) Programme Board, prior to transition of change programmes to the six Commissioning Boards. However, there is more to do to progress change management arrangements, the visibility of change programmes and reporting on their progress.</p>
<p>2015 R8 Carry out a risk assessment regarding the adequacy of organisational capacity to support strategic developments, change management and strategic partnership and engagement work, alongside service delivery and performance improvement.</p>	<p>In progress. The role and capacity of corporate directorates in relation to unit roles, responsibilities and resources is not yet clearly understood although a review is currently in progress. The Health Board also needs to ensure: there is sufficient capacity to sustain the programme management approach; that the architecture and inter-connections between programmes are understood; and relative priorities are clear.</p>

Board effectiveness and assurance – governance and assurance arrangements are broadly sound, although some aspects can be further improved and Board membership changes in 2017 present opportunities and risks

77 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 2015 recommendations relating to governance and assurance. Our key findings are set out below.

Board assurance framework development – the Health Board has a defined system of assurance which it continues to review and develop, although the performance management framework requires updating and there are opportunities to extend risk and assurance mapping

78 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.

79 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.

80 The starting point is a clear statement of organisational objectives to help determine the risks to achieving the objectives. Board members responding to our survey agreed that the Health Board has identified what success against objectives will look like and that objectives are expressed in a meaningful way through the IMTP. We found that overall, the Health Board has described its corporate objectives in reasonable detail. Many of the corporate objectives are broken down into components and linked to targets or metrics. This approach helps in identifying required assurances although some objective statements could be more outcomes focussed.

81 Robust corporate risk and performance management arrangements are also necessary to underpin effective assurance systems. The Health Board has reviewed and updated its risk management strategy during 2016 in the context of the new organisational structure. Risks to objectives are set out in the corporate

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

risk register and are managed through the risk management framework, with scrutiny of risks and assurances for each objective mapped to specific Board committees. The Health Board is currently 'testing' these arrangements to ensure that the relevant risks are being reviewed by the appropriate committee. Arrangements are also in place to promote consistent operational application of the risk management framework through the Assurance and Learning Group. A risk management task and finish group has recently been set up to focus on implementation of the Datix⁸ risk module and support delivery units in embedding risk management.

- 82 The Health Board has a performance management framework. It has been subject to adjustment during 2016 to support measures for responding to performance issues, particularly in respect of unscheduled care, cancer and strokes. This resulted in the introduction of weekly acute service performance reviews in April 2016, although monthly reviews have continued in other service areas. The planned review and update of performance management arrangements following the 2015 organisational restructure had been largely overtaken by the above, but is now underway. The review should help the Health Board ensure that the framework is appropriately adapted for the new structures and operating environment, meeting arrangements are sustainable, and that the broader opportunities for improving performance scrutiny (as discussed in [paragraph 70](#)) are taken into account.
- 83 Arrangements for seeking and gaining assurances are in place and Board members responding to our survey are positive about the Board's active consideration of governance and assurance requirements and issues. There is an established system of assurance, with in-year attention given to mapping the high level risks and assurances using the three lines of defence model⁹. Current risks are mapped to strategic aims and aligned to committees, with senior responsible officers identified and assurance sources described in broad terms. However, opportunity exists to further develop the risk and assurance mapping approach:
- incorporating new and future threats to strategic objectives;
 - building a stronger focus on community, primary care, mental health and partnership; and
 - more specifically defining risks and assurances.
- 84 The executive team has recently held a workshop to consider risk and assurance mapping opportunities, recognising the approach to be helpful for shaping the continued development of a board assurance framework. A related Board development event is planned for early 2017 to further consider the application of risk and assurance mapping.

⁸ Datix is a patient safety software application for healthcare risk management.

⁹ [Chartered Institute of Internal Auditors' website: Governance of risk: Three lines of defence](#)

85 In 2015 we made the following recommendation relating to board assurance.
Exhibit 8 describes the progress made.

Exhibit 8: Progress on the 2015 board assurance recommendation

2015 recommendation	Description of progress
<p>2015 R3 Evaluate the changes being made to the system of assurance, operational governance arrangements and the supporting risk and performance management frameworks within six months of implementation [of new operational structures]</p>	<p>In progress:</p> <ul style="list-style-type: none"> • Population of unit sub-structures has taken a little longer than envisaged, but recruitment is progressing logically and due to complete by early 2017. • Updated assurance arrangements identify unit governance structures, posts and requirements, including quality and safety groups, quality and improvement managers, and reporting to the Assurance and Learning Group, Quality and Safety Forum, and Quality and Safety Committee. • Additional work to develop ward based improvement and assurance is in progress based on learning from others (University Hospitals of North Midlands NHS Trust). • A post implementation review of revised organisational structures and operational governance arrangements (initially planned for September 2016) has not yet been completed and is pending population of sub-unit structures. • The risk management strategy and framework have been updated and additional work to support embedding of risk management is in progress. • The planned performance management framework review has largely been overtaken by weekly review measures introduced in April 2016 but is now underway.

Board and committee effectiveness – the Board and committees are generally operating effectively, although more time is needed to embed recent changes to some committees and new Board member appointments in 2017 bring both opportunities and risks

- 86 The Board continues to demonstrate leadership and a commitment to openness and improvement. Patient stories help to ground Board meetings with a patient centred focus and the Board continues to promote quality improvement and the embedding of organisational values and behaviours. Board meetings are operating effectively and all formal procedural and annual reporting requirements were met.
- 87 While the Board continues to be effective in its operation overall, it recognises that there is more to do in a number of areas, including:
- ensuring timely response to complaints;
 - embedding organisational learning;
 - improving workforce information to inform Board decision making; and
 - strengthening scrutiny of partnership performance.
- 88 The Board is committed to the transparent conduct of business and public reporting and is largely compliant with new Welsh Government requirements for publishing prescribed information¹⁰. Publication of Board and Quality and Safety Committee papers is well established, with papers from other key committees now to be published too. There has been consideration of the rationale for determining open or closed agenda items, such as needing to protect confidential or sensitive third party or patient/staff information. There is scope however, to review website content and accessibility, to ensure easy navigation and that web content is up to date. Some policies were not accessible (raising concerns (whistleblowing) and health and safety) when we carried out our review.
- 89 A Board development programme comprising a mixture of board briefings, board time outs and access to all-Wales learning events is in place. Most respondents to our survey (12 out of 15) agreed that the programme is supportive in developing skills and confidence for assurance and scrutiny roles. However, one board member disagreed and two remained neutral, suggesting that development needs are being met for most, but not all board members.
- 90 The Health Board has five independent board members reaching the end of their tenure in 2017, following three new member appointments in 2016. The Health Board is developing contingency plans to mitigate risks and is discussing recruitment timescales and handover periods with the Welsh Government. However, the situation presents significant risks for loss of experience and expertise, and for continuity of committee chairmanships, membership and ability

¹⁰ [WHC/2016/033 – Publication of Information on Local Health Board and NHS Trust Websites](#)

to hold quorate meetings in the year ahead. It will likely be necessary for the Health Board to review and potentially revise:

- existing committee structures and arrangements in light of pending board member changes, factoring in the opportunity to strengthen scrutiny of financial performance and application of controls, IMTP delivery and performance as noted earlier in this report; and
- the induction programme (developed to support new appointments in 2016) and how the forward board development programme can support the development of new members to be appointed in 2017.

91 In addition, the very experienced Board Secretary is also due to retire in 2017. This post has been advertised but not appointed to as yet. The job description has been revised to include responsibility for health and safety. However, it is important that these operational responsibilities do not dilute or constrain the primary governance focus of the Board Secretary role.

92 Within the current committee arrangements, key Board committees are generally operating effectively, although more time is needed to embed recent changes made at some committees. During our work in 2016, we found the following:

- All committees have annual work plans which are considered as part of the agenda for committee meetings and adjusted in-year to respond to issues, risks or assurance requirements. The Chairs Advisory Group¹¹ oversees all committee work plans, ensuring their collective assessment and addressing any emerging gaps or duplication in assurances are addressed. Terms of reference are also reviewed annually.
- The Chairs Advisory Group also supports communication between committees and the cross referral of issues relevant to another committee's scrutiny function. All committees provide reports to the Board with each committee chair highlighting issues requiring the attention of the Board.
- The Audit Committee continues to be effective in supporting the organisation's governance and internal control arrangements, supported by an effective internal audit and counter fraud service, with a much more robust clinical audit programme and reporting arrangements.
- The Quality and Safety Committee is also operating effectively. There have been significant improvements to the quality assurance and scrutiny arrangements which underpin the work of this committee ([Exhibit 9](#)).
- Improvements in the operation of the Workforce Committee are becoming evident but are not yet fully embedded. Administrative support, now provided by the Board Secretary, is helping to support better work plan and agenda management. There is a more robust scrutiny focus than in 2015, although workforce information and assurance reporting need further strengthening.

¹¹ The Chairs Advisory Group comprises the Board's Chair and all Board committee chairs.

93 In 2015 we made the following recommendations relating to quality assurance and information governance. **Exhibit 9** describes the progress made.

Exhibit 9: Progress on 2015 quality assurance and information governance recommendations

2015 recommendation	Description of progress
<p>2015 R4a Review of the management groups reporting to the quality and safety committee, their oversight arrangements, and the flow of assurance reporting.</p> <p>2015 R4b Evaluate the role of the learning and assurance group, clinical outcomes steering group and other similar subcommittee groups, in the context of the new operational management units.</p> <p>2015 R4c Ensure the regularity, quality, timeliness and completeness of assurance reporting to the quality and safety committee from subgroups and operational units, to avoid gaps in assurance and disruption to the committee work programme.</p>	<p>Actions to meet recommendations 4 a-c are complete and represent some significant work. It is too early to assess the effectiveness of the new Quality & Safety (Q&S) Forum, which has yet to fully establish itself, although the forum should help sustain the improved assurance flows and reporting to the Q&S Committee. We found:</p> <ul style="list-style-type: none"> • R4a: A review and rationalisation of management groups reporting to the Q&S Committee has been undertaken. An executive Q&S forum (reporting to Q&S Committee) is being established, with reporting lines for management sub-groups identified, and terms of reference drafted. • R4b: The assurance and learning (A&L) group and clinical outcomes steering (COSG) group have been reviewed, with terms of reference changed to reflect the new operational management arrangements. The A&L group continues to provide a vehicle for sharing learning/good practice across units although this remains work in progress. • 4c: There is a defined work plan for the Q&S Committee, supported by a schedule of assurance reporting. The timeliness, quality and flow of assurance reports appear to have improved, with less disruption to the Committee's work programme as a result. Each service unit presents on its quality governance annually. The Q&S Forum should help sustain the improved assurance flows and reporting to the Committee.

2015 recommendation	Description of progress
<p>2015 R6</p> <p>Clarify the information governance committees (IGC) remit, its supporting structure and the frequency with which it will provide assurance reports to the designated board committee.</p>	<p>Action has been slow but is now complete.</p> <p>While too soon to assess the effectiveness of revised arrangements they reflect positive development. It will be important to ensure the regularity of IGB meetings, reporting to Audit Committee and support of a new independent member ICT Champion in 2017. The appointment of an assistant director gives more prominence to information governance work.</p> <p>We found:</p> <ul style="list-style-type: none"> • The Information Governance Committee (IGC) has been restructured into a Health Board wide Information Governance Board (IGB) chaired by the Senior Information Risk Owner (SIRO). A workshop was held in May 2016 to agree terms of reference and the scope of the IGB remit. • The IGB met for the first time in October 2016, deferred from July 2016. Whilst setting up the IGB has taken longer than envisaged, the revised arrangements have positive potential, although the work of the IGB has yet to be fully established. • Representation and engagement amongst members appeared good at the first meeting, although there was no independent member/ICT champion present. • The IGB will report formally to the Audit Committee. • Following retirement of the informatics manager and information governance lead, these posts have been replaced by two assistant directors, for ICT and information governance respectively.

Progress in addressing previous structured assessment recommendations – The Health Board has implemented some recommendations made in the 2015 structured assessment, but has not sufficiently developed actions for others, specifically those relating to financial planning and reporting

94 Our structured assessment work in 2016 has reviewed the progress made by the Health Board in addressing the 10 recommendations made last year. These recommendations relate to and have been described in the earlier sections of this report. In reaching our conclusion, we have taken the progress made in addressing all recommendations into account. Our overall assessment is that:

- two recommendations relating to financial planning and reporting have not been met (recommendations 1 and 2 respectively);
- two recommendations are in progress relating to:
 - operational governance and performance management (recommendation 3); and
 - organisational capacity, strategic development and delivery arrangements (recommendation 8);
- six recommendations have been addressed, but with:
 - slower than intended pace and further work needed to embed the changes for quality assurance (recommendations 4a, 4b and 4c) and information governance (recommendation 6); and
 - continued focus required for IMTP scrutiny (recommendation 5) and change management infrastructure (recommendation 7).

There are well established audit committee arrangements to track audit recommendations but the pace of management response is sometimes slow

95 In addition to reviewing the actions taken to address our 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 well established arrangements for monitoring management responses to internal and external audit recommendations and the progress being made against agreed actions.

96 A tracking report setting out the status of all recommendations is received by the Audit Committee at each meeting and is used to challenge the pace of management response. The report sets out the number of recommendations that are complete, ongoing or overdue. It is built on progress reporting to the financial governance team, signed off by the relevant responsible executive. There is regular management attendance at the Committee to present the management response, with update on progress either scheduled into the Committee's work plan, or requested in response to any Committee concerns about outstanding actions and pace. Our review of progress on 2015 structured assessment

recommendations was largely consistent with the status of recommendations identified in the Health Board's audit tracking.

- 97 However, during 2016, the timeliness for developing some management responses has been slow. The Audit Committee Chair has implemented new arrangements for confirming the management response with lead executives and overseeing the appropriate timing of follow-up reviews. This proactive approach has been effective in raising the profile of audit recommendations and the importance of achieving their intended outcomes and benefits. However, the current arrangement is largely reliant on the personal commitment of the Committee Chair.
- 98 We also found arrangements to be in place for the Quality and Safety Committee to receive Healthcare Inspectorate Wales inspection reports and those from the Community Health Council, Ombudsman and others, although formal recommendations tracking is not in place. Arrangements for scrutiny and monitoring of Delivery Unit performance improvement reports were less clear. While Delivery Unit reports are received by relevant operational groups and delivery boards, they are not routinely received by a Board committee. The Health Board should seek to improve the scrutiny and assurance arrangements for Delivery Unit work.

Appendix 1

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

The Health Board's management response will be inserted here once the response template has been completed. This 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 10: 2016 structured assessment recommendations and management response

Management response

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
R1	Robust financial planning and reporting	Ensure the two outstanding 2015 recommendations relating to financial planning and reporting are addressed. – 2015 R1: Clarify the financial planning assumptions underpinning	Yes	Yes	<p>Actions identified:</p> <ul style="list-style-type: none"> Financial planning assumptions set out in the finance section of the Annual plan. Interim resource plan to include further detail on financial planning assumptions. A review of Board Papers across Wales has been undertaken and revised format Board Paper now in place. The full paper is now included in Public Board session. This will be further reviewed following receipt of best practice guidance from WAO on ideal content within financial board papers. 	<p>April 2017</p> <p>February 2017</p> <p>As soon as guidance is published</p>	<p>Director of Finance</p> <p>Director of Finance</p> <p>Director of Finance</p>

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
		<p>the IMTP, given increasing cost pressures, growing funding gaps and overall risk that the IMTP will not be financially balanced; and</p> <ul style="list-style-type: none"> – 2015 R2: Improve financial reporting to the Board, to provide clearer explanation for any changes to financial position, performance on saving schemes and the corrective action to address any slippage. 					

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
R2	Robust monitoring of an approved capital programme	Develop a capital programme for 2017-18 which is formally approved by Board and supported by regular reporting on financial and non-financial performance, risks and overall delivery of the capital programme.	Yes	Yes	<p>The draft IMTP was approved by the Board for submission to Welsh Government for further discussion, and as the Report recognises, the capital programme was included within the draft IMTP.</p> <p>The 2017/18 capital programme will be included as part of the Annual Plan to be considered by the Board on 30th March 2017.</p> <p>A quarterly report on the capital programme (major and discretionary), including any in year proposed changes to the plan and risks, will be provided to the Board on a quarterly basis. This is in addition to the overall reporting against the Annual Plan.</p>	<p>March 2017 quarterly ongoing.</p> <p>July 2017 onwards</p>	<p>Director of Strategy</p> <p>Director of Strategy</p>
R3	Stronger scrutiny of finance, IMTP delivery and performance	a. Financial scrutiny: Consider how financial information can be better scrutinised alongside performance information and greater assurance	Yes	Yes	<p>At an operational level improved accessibility of activity and performance data through the use of dashboards will support scrutiny. In addition Budget rebasing review for 2017/18 will improve accountability framework</p> <ul style="list-style-type: none"> Business intelligence arrangements to be reviewed to improve data quality and streamline reporting to Board to assist with scrutiny. 	<p>April 2017</p> <p>October 2017</p> <p>April 2017</p>	<p>Director of Finance</p> <p>Director of Finance</p> <p>Director of Corporate Governance</p>

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
		provided to Board on financial position, impact of financial decisions and that financial controls are being robustly applied.			<ul style="list-style-type: none"> Areas of performance are scrutinised by specific committees eg Quality and Safety/Workforce and OD, with key issues reported at every Board meeting. Recovery & Sustainability Board established (chaired by Chairman and including Vice Chairman to scrutinise operational and financial performance. Board retains oversight of all performance issues. Arrangements to be kept under regular review by Chairs Advisory Group, due to the turnover in Non Officer Members in 2017 and the establishment of a Finance and Performance Committee to be considered in November 2017 when all appointments are in place 	November 2017	Director of Corporate Governance
		b. IMTP scrutiny: review current arrangements to ensure the NHS Planning Framework 2017-20 requirement for board sub-committee	Yes	Yes	<p>Whilst the planning arrangements for last year were strengthened and this is recognised it will be further developed for 2018/19 and beyond.</p> <p>Quarterly reports are made to the Health Board on progress against the Annual Plan, as well as through regular Board and Board Committee Performance reporting arrangements.</p>	June 2017	Director of Strategy

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
		scrutiny of IMTP progress and performance can be fully met.			The Recovery and Sustainability Board will monitor financial and general performance, pending the review of committee arrangements by the Chairs Advisory Group	November 2017	Director of Corporate Governance
		c. Performance scrutiny: following suspension of the Performance Committee and in the context of independent member changes in 2017, reassess performance scrutiny arrangements and whether scrutiny is to remain a function of Board or supported by	Yes	Yes	The Performance Committee has been suspended and arrangements are regularly reviewed by the Chairs Advisory Group. Currently areas of performance are scrutinised by specific committees eg Quality and Safety/Workforce and OD. The Recovery and Sustainability Board established (chaired by Chairman and including Vice Chairman will scrutinise operational and financial performance. Board retains oversight of all performance issues. Following the appointment of the 5 new Non Officer Members due to be replaced in 2017 the establishment of a Finance and Performance Committee will be considered.	March 2017 November 2017	Director of Corporate Governance Director of Corporate Governance

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
		committee arrangements.					
R4	Clearer connections between planning, commissioning and delivery programmes with sufficient capacity for supporting the arrangements and delivering change with sufficient pace	a. Ensure sufficient challenge via the Strategy, Planning and Commissioning Committee on how commissioning decisions are reached and balanced against current delivery priorities.	Yes	Yes	As a result of the work being undertaken to consider the maturing of commissioning, it has been agreed that commissioning be realigned to support the mainstream activities of the Health Board in terms of Recovery and Sustainability.	June 2017	Director of Strategy
		b. Improve the clarity and understanding of decisions about re-commissioning and decommissioning within planning cycles	Yes	Yes	As a result of the work being undertaken to consider the maturing of commissioning, it has been agreed that commissioning be realigned to support the mainstream activities of the Health Board in terms of Recovery and Sustainability.	June 2017	Director of Strategy

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
		and the role of the executive strategy group.					
		c. Strengthen change management capacity to ensure any requirements flowing from targeted intervention are addressed.	Yes	Yes	<p>Sustainability Director appointed supported by a small team and input from external consultants.</p> <p>Specific improvement post established at Morriston Hospital for unscheduled care</p> <p>Review of planning and improvement resource to align with key priorities</p>	<p>In place</p> <p>Starts April 2017</p> <p>Linked to agreement of 2017-18 plan</p>	Interim Chief Executive

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
		d. Ensure the architecture, interfaces and relative priorities across strategy, commissioning, change and delivery programmes are better understood, with sufficient organisational capacity to service the management arrangements. This should include reviewing current meeting requirements.	Yes	Yes	<p>Clear corporate objectives have been established for the 2017-18 annual plan and all strategic, commissioning, change and delivery programmes will be refocused on delivering these objectives.</p> <p>Meeting arrangements will be streamlined alongside this work and cross communication will be ensured through all programmes reporting to the Recovery and Sustainability Group which includes all executive directors and unit teams.</p>	<p>Commenced – end date May</p> <p>May 2017</p>	<p>Interim Chief Executive</p> <p>Director of Corporate Governance</p>

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
R5	Clear and up-to-date engagement frameworks	Update the engagement and communication framework and complete the development of a structured engagement plan for IMTP development	Yes	Yes	<p>Arrangements are in place to engage with Delivery Units, Local Authorities, 3rd sector and the Public Service Boards</p> <p>We are agreeing principles with the CHC for the level of engagement required for different service changes to ensure early and consistent levels of engagement across Corporate Depts and Units. This will be documented in an updated engagement and communications framework.</p>	July 2017	Director of Strategy

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
R6	Accessible public reporting	Review the website to ensure accessibility, easy navigation and that web content (including published policies and documents) are up-to-date.	Yes	Yes	<p>In the past few months over 200 website pages which were very out of date or not relevant have been removed. All the health board's units, departments and (until recently) directorates are contacted regularly with requested to review their page content, emphasising the importance of having up-to-date information on the website. When updated information is available the website is amended straight away. The homepage has also been reviewed, to remove duplication and streamline links to pages.</p> <p>Regarding accessibility, the website has the ability to increase font size (via an app on the top of the web page) It also has a Read Out Loud facility. Site accessibility is guided by government standards on Web Content Accessibility Guidelines. Full details on our website accessibility: http://www.wales.nhs.uk/sitesplus/863/accessibility/</p> <p>The platform used by our website, Cascade, is an NHS Wales platform supplied by NWIS, and used by the majority of NHS Wales organisations. It is acknowledged that the platform is now outdated, and Welsh</p>	Completed	Director of Corporate Governance
						On completion of review	Director of Corporate Governance

Ref	Intended outcome/benefit	Recommendation	High priority (Yes)	Accepted (Yes/ No)	Management response	Completion date	Responsible officer
					Government has requested that NWIS carry out a review of the platform offered to NHS Wales organisations. This review is currently underway.		
R7	Clear oversight of management responses to Delivery Unit reports	Develop arrangements for the oversight and scrutiny of Delivery Unit reports and the associated management responses	Yes	Yes	As an interim measure Delivery Unit reports and management responses will be reported to the recovery and Sustainability Board, pending a review of board Committee arrangements	April 2017	Chief Operating Officer

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