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Structured Assessment 2016 – **Cardiff and Vale University Local Health Board**

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Despite the Health Board having some effective arrangements in place, governance has deteriorated over the last year resulting in weaknesses in some aspects of scrutiny, an unapproved three year plan, limited progress in responding to previous recommendations and a financial position which is unsustainable and unlikely to be balanced at the end of 2016-17.

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Summary report

Context

- 1 Structured assessment examines Cardiff and Vale University Local Health Board's (the Health Board's) arrangements that support good governance and the efficient, effective and economic use of resources. In previous years, the work assessed the robustness of financial management arrangements, the adequacy of governance arrangements, the management of key enablers that support effective use of resources, and the progress made in addressing previously identified improvement issues. Our 2015 work found that arrangements which support good governance and the efficient, effective and economical use of resources continued to evolve, but further improvement was needed particularly in relation to managing estate risks and achieving financial balance.
- 2 Structured assessment work in 2016 has again reviewed the Health Board's financial management arrangements and the progress made in addressing the previous year's recommendations. This year, we have also carried out comparative work in three areas. The selected areas and the scope has been informed by our own analysis of all-Wales issues and discussion with board secretaries. The areas of comparative work include:
 - the format of financial reporting to boards;
 - arrangements for developing Integrated Medium-Term Plans (IMTPs) and monitoring and reporting on the delivery of these plans; and
 - approaches for mapping risks and assurances and developing a board assurance framework¹.
- 3 This report details our local audit findings for the Health Board. On finalisation of local audit reporting, we will complete all-Wales analyses on the three areas of comparative work, to share with NHS organisations and relevant all-Wales fora, such as directors of finance, directors of planning and board secretary groups. This approach is intended to support learning, by sharing approaches and good practice across NHS organisations. Publication of our comparative analysis of IMTP development and reporting will be coordinated with that of the Auditor General's national report on the National Health Services Finance (Wales) Act 2014, planned for early in 2017.
- 4 Our findings are based on interviews, committee observations, review of documents and performance data, information returns from board secretaries and directors of planning and the results of a survey of board members. Some 119 board members across Wales responded to our survey, a response rate of 59%.

¹ 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.

This included nine responses² (45% response rate) from the Health Board. We would like to thank those board members who responded to our survey for their time and input.

- 5 In September 2016 the Welsh Government, under its Joint Intervention and Escalation Arrangements moved the Health Board's status from enhanced monitoring to targeted intervention. The Welsh Government communication highlighted the need for improvement of specific issues in the following areas:
- an inability to secure an approved IMTP, with a clear need to translate the Health Board's ten-year strategic framework into milestones and outcomes in its three year plan;
 - concerns around some areas at University Hospital Llandough which the Board were unsighted of, with the need to provide assurance that similar issues could not arise in the future; and,
 - insufficient assurance that the positive Referral to Treatment Times (RTT) performance trajectory visible over the last 12 months will be maintained, alongside the Health Board's failure to meet its statutory duty to deliver a balanced plan over the required three year period.

Key findings

- 6 Our overall conclusion from 2016 structured assessment work is that whilst some aspects of the Health Board's governance arrangements remain sound, others have deteriorated over the last year resulting in weaknesses in some aspects of scrutiny, an unapproved three-year plan, little progress in responding to previous recommendations and a financial position which is unsustainable and unlikely to be balanced at the end of 2016-17. 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 monitor and report budgets and savings plans, but the scale of the financial pressures and the planned deficit in the current year means that the financial position is not sustainable and it is unlikely to achieve its statutory financial duties for 2016-17.

Financial performance in 2015-16

- 8 The Health Board has met its annual resource allocation for 2015-16 following the receipt of additional funding from the Welsh Government.

² Nine responses were received from the Health Board made up of five responses from Independent Members and four responses from Executive officers.

Financial planning

- 9 The 2016-17 plan required various iterations in consultation with Welsh Government, despite this some cost reduction plans were unsupported and longer-term financial plans do not demonstrate a sustainable position.

Financial performance in 2016-17

- 10 The Health Board's financial performance in the current year is significantly behind plan, cost reduction plans have not been met and the Health Board is reporting that it will not achieve financial balance at the end of 2016-17. With a £30.9 million forecast deficit for 2016-17, the Health Board anticipates an aggregate deficit of £52.3 million for the three-year period ending 31 March 2017. This means that the Health Board is likely to fail its statutory duty to balance its books over a three-year rolling period.

Financial control and stewardship

- 11 There is a framework in place to ensure appropriate financial control and stewardship, but there are some areas of non-compliance which require management action. Our report on the 2015-16 financial statements did not identify any material weaknesses in the Health Board's internal controls, although some areas for improvement have been identified relating to long standing accruals, contract monitoring and approval and the governance arrangements in respect of a contract variation, the award of a consultancy contract and a payment to a member of staff.

Financial reporting

- 12 Financial reporting arrangements provide reasonably robust information for board decision making and support corrective action if required. The finance reports to the Board provide valuable insight, but the Board meets bi-monthly which means that the latest available monthly finance report is sometimes out of date. The recent establishment of a dedicated Finance Committee should help address this issue as it will meet more frequently.

Governance and assurance

- 13 In reviewing the Health Board's corporate governance and board assurance arrangements we found that the board has articulated its assurance requirements and is largely effective but in-year issues have posed some governance risks, scrutiny of the delivery of the plan needs strengthening and limited progress has been made in addressing issues identified in last year's structured assessment.

Strategic planning and reporting

- 14 The Health Board's arrangements have failed to achieve an approved plan and scrutiny of delivery against plan by the Board and its committees is fragmented, and although there is an ambitious change management programme in place, capacity to implement the changes needed is limited, increasing the risk that they will not be delivered.
- 15 In the absence of an approved IMTP, the Health Board has been required to develop an annual operating plan and while there is a clear strategic planning model for developing the plan which supports local ownership, there is a need to ensure that the plan's longer term outcomes are clear and a wider need to critically review the planning capacity within the Health Board. Arrangements to monitor and report progress on the delivery of the plan at an operational level are effective but scrutiny on progress at Board and sub-committee level is weak. Delivery of the plan is supported by an ambitious change management programme but internal capacity to drive through these changes is an issue, resulting in a reliance on short term external support, with a risk that the pace of change will not be sufficient nor sustainable.

Board effectiveness and assurance

- 16 The board assurance framework continues to evolve and the Board and its committees generally operate effectively, however, a number of issues identified during the year have posed some significant risks which need addressing. In reaching this conclusion we found:
- the Health Board continues to develop and evolve its assurance arrangements which generally compare well against other NHS bodies, although there are opportunities to define its objectives in a way which can be easily measured; and
 - the Board and its committees are generally operating effectively, however, long-term independent member vacancies and the capacity of the corporate governance team have posed significant risks, delaying proposed changes to further strengthen the committee structure, and a number of in-year governance issues have raised concerns with the decision making process.

Progress in addressing previous structured assessment recommendations

- 17 The Health Board has been slow to address the issues identified in last year's structured assessment with little or no progress made against three of the five recommendations. Progress to address a number of improvement opportunities has been more positive although remains mixed.
- 18 The Health Board's arrangements for tracking progress against recommendations from our audit work more generally need to be improved. A tracking report is produced for the Audit Committee but excludes financial audit recommendations,

does not provide sufficient information on the progress being made against performance audit recommendations and is reliant on the relevant committees ensuring that progress is being monitored, which is not always the case.

Recommendations

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

Exhibit 1: 2016 recommendations

The following table sets out the 2016 structured assessment recommendations.

2016 recommendations	
Financial reporting	
R1	Strengthen financial reporting arrangements by including additional information within the financial report to the Board and the new Finance Committee relating to: <ul style="list-style-type: none"> a) a dashboard summarising performance against key financial performance indicators; and b) the issues and detail of actions being taken to manage budget overspend and deliver necessary savings by clinical area.
R2	Ensure cost reduction plans are adequately supported prior to the start of the financial year.
Development of plans	
R3	When developing the 2017-18 three-year plan, ensure that there is: <ul style="list-style-type: none"> a) clear connectivity between the medium term plan and its longer term strategy, as well as its other strategic plans and requirements such as the Health & Social Care Wellbeing Act and Future Well Being Generations Act; and b) a clear understanding of the benefits expected from the actions and priorities set out in its plan.

2016 recommendations

Monitoring and scrutiny of plans

- R4 Establish the new Strategic Planning Committee as a matter of urgency to ensure that sufficient time is allocated to scrutinise the development of the 2017-18 three-year plan.
- R5 Strengthen progress reporting on delivery against plan by including aspects identified in our comparative review of progress reports and ensure that this is considered on a regular basis by the Strategic Planning committee in line with the new requirements of the NHS Planning Framework for 2017-20.

Planning capacity

- R6 Undertake an evaluation of planning capacity to provide assurance to the Board that the Health Board has sufficient planning capacity and capability within the organisation. This evaluation should also include its change management capacity to minimise the continuous need for the Health Board to commission external support.

Board assurance framework

- R7 Review the way objectives are defined in the Corporate Risk Assurance Framework to facilitate the ability to identify what success looks like and what needs to be done to achieve these objectives, ensuring that these are further aligned with those set out in the ten-year plan.

Transparency of public reporting

- R8 Ensure compliance with all requirements of the Welsh Health Circular (reference WHC/2016/22) on transparent public reporting. Specifically, the Health Board should ensure that the following are easily accessible via the Health Board's website:
- citizen engagement plan;
 - complaint/concerns raising policy; and
 - flexible visiting times policy.

Board membership

- R9 As a matter of urgency, ensure that all independent member vacancies are filled and that post holders are in post to support quorate running of committees.

Scrutiny of performance

- R10 Establish the new 'Resources and Delivery' Committee³ as a matter of urgency to ensure that robust scrutiny is given to the Health Board's performance.
- R11 Ensure that relevant performance information is made available to the new 'Resources and Delivery' Committee, including the sharing of the clinical board performance reviews, to enable it to focus its attention on the areas of performance which need the greatest scrutiny.

³ Exact name of the new committee has not yet been confirmed

2016 recommendations

Governance capacity

R12 Undertake a further evaluation of the corporate governance capacity to ensure that the Health Board has sufficient governance capacity and capability within the organisation to provide the necessary assurances to the Board. The views of independent members on what assurances are needed should be sought as part of this evaluation.

Tracking arrangements

R13 Strengthen tracking arrangements for external audit recommendations by providing more detailed information to the Audit Committee on the extent to which both performance and financial audit recommendations have been completed, and ensure that all action plans are monitored through to completion by the relevant committees of the Board.

Detailed report

The Health Board continues to monitor and report budgets and savings' plans, but the scale of the financial pressures and the planned deficit in the current year means that the financial position is not sustainable and it is unlikely to achieve its statutory financial duties for 2016-17

- 21 From 1 April 2014 the NHS Finance (Wales) Act 2014 (the Act) introduced a more flexible finance regime for the NHS in Wales. The Act requires local health boards to meet two statutory financial duties:
- The first financial duty allows local health boards to break even over a rolling three financial years rather than each and every year. This enables local health boards to focus their service planning, workforce and financial decisions and implementation over a longer, more manageable, period and moves away from a regime which encourages short-term decision making around the financial year. The first three-year period under this duty is 2014-15 to 2016-17, so local health boards' performance against this duty will not be measured until 2016-17.
 - The second financial duty requires local health boards to prepare and have approved by Welsh Ministers a rolling three-year IMTP.
- 22 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. Our findings are set out below.

The Health Board has delivered against its annual resource allocation for 2015-16 following the receipt of additional funding from the Welsh Government

- 23 The Health Board's approved three-year plan from 2015-16 to 2017-18 identified a gap of £13.2 million between its annual resource allocation and its planned net expenditure for 2015-16. Throughout the year the Health Board paid close attention to the monthly reported out-turn and to the forecast year-end position and in August 2015 the Health Board updated its year-end forecast to a deficit of £23.2 million.
- 24 The Health Board received additional resource allocations of £14.7 million in December 2015 relating to financial support and performance funding, £1.3 million in January 2016 for Post Graduate Medical and Dental Education and £10.5 million in March 2016 for winter pressures. The Health Board used these non-recurring

allocations (£26.5 million) to fund the in-year deficit and reported a small underspend of £0.07 million at the end of the year.

The 2016-17 plan required various iterations in consultation with Welsh Government, despite this some cost reduction plans were unsupported and longer-term plans do not demonstrate a sustainable position

25 The financial planning process for 2016-17 has been protracted as elements of the plan were clarified in consultation with Welsh Government:

- In January 2016 the Board agreed to submit a three-year plan which included a forecast deficit of £23.9 million. At that time, the Board also approved, as a draft, the three-year IMTP for 2016-17 to 2018-19, but this contained few financial details. Some of the plans were not yet robust or costed, and further work was required to determine what could be afforded. This version of the draft three-year IMTP was submitted to Welsh Government on 29 January 2016.
- In March 2016 the Board noted the progress and approach to developing the final draft of the three-year IMTP, including the Financial Plan for 2016-17 which had been updated to reflect a forecast deficit of £33.9 million. The increase in the forecast deficit was noted as being due to additional pressures.
- Following feedback and further meetings with Welsh Government officials, a final submission of the three-year IMTP was submitted to Welsh Government on 8 July 2016. This plan was later approved by the Board, on 28 July 2016. The plan did not bring the Health Board into financial balance over the three-year period despite the forecast deficit reducing from £33.9 million to £9.4 million. This reduction is recorded as being due to:
 - the identification of £10 million of financial opportunities; and
 - reducing the budget set aside to deliver improved performance by £14.6 million. The Health Board planned to deliver this improved performance from within existing resources, but the plan was not clear about how this would be achieved.
- On 27 July 2016 Welsh Government indicated that it was not in a position to approve the Health Board's IMTP. This decision was based on a number of factors, including:
 - concerns that there were insufficient service plans and schemes in place to deliver financial balance over three years;
 - the three-year IMTP was not balanced;
 - the IMTP lacked detail on the key actions and milestones that translate the Health Board's ten-year vision into a medium term plan; and

- there was limited information on years two and three.
- The Health Board submitted a one-year operational plan for 2016-17 to Welsh Government on 9 September 2016 and the Board noted the status of this plan at its meeting on 28 September 2016. This plan included a forecast deficit of £22 million for 2016-17. The increase in the forecast deficit of £12.6 million relates to the cost of delivering improved performance (£14.6 million offset by anticipated funding of £10.5 million to improve Referral to Treatment waiting times), a reduction in anticipated funding in respect of the sale of assets (£6.7 million) and other cost pressures (£1.8 million).

The Health Board's financial performance in the current year is significantly behind plan, cost reduction plans have not been met and the Health Board is reporting that it will not achieve financial balance at the end of 2016-17

- 26 If the Health Board is to achieve its financial duty to balance its books over a rolling three-year period, the Health Board will need to report a balanced position for 2016-17, which includes recovery of the excess spend incurred in 2014-15 of £21.4 million. The approved IMTP for 2015-16 to 2017-18 and the draft IMTP for 2016-17 include an assumption that the Health Board will not be required to repay the deficit incurred in 2014-15. This assumption has not been confirmed by Welsh Government.
- 27 The Health Board continues to face significant financial challenges. At the end of October 2016, the Health Board updated its forecast deficit from £22 million to £35.5 million, due to budget pressures of £7.3 million and an under achievement of planned cost reductions of £6.2 million. The forecast deficit for the first six months of the year was based on the budget rather than actual performance, based on the assumption that improved performance could be delivered for little extra cost and a transformation project would identify significant savings in the latter part of the year. However, the risks associated with delivering the plan were reassessed and a more realistic forecast deficit was reported from October 2016.
- 28 At the end of November 2016, the Health Board reduced its forecast deficit to £30.9 million. The Health Board reported that it had implemented plans to reduce the expenditure run rates for the remainder of the financial year whilst maintaining performance. Consequently, forecast budget pressures reduced to £5 million, with the shortfall in forecast cost reductions reducing to £4 million.
- 29 The Health Board does not have a good track record of achieving cost reduction plans as set out in **Exhibit 2**. Cost reduction plans have been ambitious, with Clinical Boards struggling to identify and deliver all planned cost reductions.

Exhibit 2: cost reduction targets between 2013-14 and 2016-17

	Cost reduction target (£m)	Cost reduction schemes identified at the start of the year (£m)	Cost reductions delivered (£m)
2014-14	56.7	43.3	45.6
2014-15	47.9 (revised to 43.2)	41.2	27.8
2015-16	28.8	19.3	21.2
2016-17	26.0	9.9	

- 30 The Health Board's plans include a cost reduction target of £26 million for 2016-17. At the end of November 2016, the Health Board reported that it had delivered cost reductions of £12 million compared to a target of £14 million at that point in the year. Furthermore, it has reported that it has cost reduction implementation plans in place or in development for just £22 million of the £26 million target.
- 31 Looking ahead, the Health Board continues to face significant financial challenges. With a £30.9 million forecast deficit in 2016-17, the Health Board anticipates an aggregate deficit of £52 million for the three-year period ending 31 March 2017, failing its statutory duty to balance its books over a three year rolling programme.

There is a framework in place to ensure appropriate financial control and stewardship, but there are some areas of non-compliance which require management action

- 32 The Health Board has a clear framework of roles and responsibilities, with appropriate control activities and processes in place. The framework is underpinned with standing orders, standing financial instructions and a scheme of delegation and earned autonomy framework.
- 33 Our report on the 2015-16 financial statements confirmed that no material weaknesses in the Health Board's internal controls were identified during our audit. However, our testing identified £1.7 million of purchase order accruals that had been outstanding for more than a year. The Health Board has now extended the work it undertakes on the reconciliation of supplier statements and it is anticipated that this balance will be significantly reduced by the end of the year.
- 34 We also raised some concerns about:
- The governance arrangements in respect of a contract variation, the award of a consultancy contract and a payment to a member of staff (see [paragraph 82](#)).

- The procedures for monitoring and approving contracts. Our sample testing identified one contract with an estimated budget of less than £1 million that had been appropriately noted by the Minister. However, actual costs in respect of this contract exceed £1 million, the contract has not been formally extended and Ministerial approval has not been obtained.
- 35 The Internal Audit service undertakes reviews of financial systems. In 2015-16, Internal Audit gave 'reasonable assurance' that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Their audit of financial systems identified adequate control arrangements.
- 36 The Audit Committee plays an active role in the financial control framework. This is informed through an agreed work programme covering Internal Audit, counter fraud, policies and compliance reports, governance and other matters as they arise.

Financial reporting arrangements provide reasonably robust information for board decision making and support corrective action if required

- 37 There are satisfactory arrangements for financial reporting. The Health Board produces monthly monitoring returns to the Welsh Government and internal financial reports that are considered by the Board. The finance department completes its month end reporting process within five working days of the month end, with Welsh Government monitoring return reports being submitted by day nine each month. Clinical Boards are engaged in the financial reporting and monitoring process, with upward reporting of performance.
- 38 Alongside our structured assessment work, we have undertaken a comparative analysis of the content of financial reports within NHS bodies in Wales. The Health Board's finance reports to the Board provide valuable insight, with some areas of good practice and some aspects of the report which could be better. These are described in [Exhibit 3](#):

Exhibit 3: summary findings from a comparison of finance reports

The table describes the findings from a comparative review of the finance report made to Board for month two.

What is good?	What could be better?
<ul style="list-style-type: none"> • There is a summary of the revenue position in the context of the underlying deficit position. 	<ul style="list-style-type: none"> • Although the overarching dashboard in the Performance Report includes key financial performance indicators, there is no dashboard or exception reporting in the finance reports.

What is good?	What could be better?
<ul style="list-style-type: none"> • The use of graphs/tables to analyse pay variances and to set out savings' risks. • The inclusion of an appendix setting out investments in demand and service improvement and risk mitigation schemes. • There is a short summary of key risks and concerns. 	<ul style="list-style-type: none"> • The budget overspend by clinical area is set out but there is no analysis of the issues or detail of actions being taken, there is just a reference to the savings levels required and the overall percentage delivered to date.

- 39 Finance reports are considered by the Board throughout the year. The Board meets bi-monthly which means that the latest available monthly finance report is sometimes out of date. For example, the Health Board's month two finance report was presented to the Board on 28 July 2016, 58 days after the financial reporting period end. The recent establishment of a dedicated Finance Committee should help address this issue with more frequent meetings.
- 40 The Health Board's finance reports include information on expenditure incurred to date and also the forecast deficit. As referred to above, for 2016-17, expenditure incurred in each month has been consistently above the budget and the forecast deficit has changed as one off funding items have been clarified.

The Board has articulated its assurance requirements and is largely effective but in-year issues have posed some governance risks, scrutiny of the delivery of the plan needs strengthening and limited progress has been made in addressing issues identified in last year's structured assessment

- 41 Our structured assessment work in 2016 has examined the Health Board's arrangements for developing an IMTP (and its subsequent one-year operating 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's arrangements have failed to achieve an approved plan and scrutiny of delivery against plan by the Board and its committees is fragmented, and although there is an ambitious change management programme in place, capacity to implement the changes needed is limited

42 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 operating plan. We have also considered the arrangements which support delivery of strategic change programmes underpinning the IMTP and operating plan and the progress made in addressing previous recommendations relating to strategic planning. Our key findings are set out below.

Despite producing an IMTP within the required timeframe, the failure to secure Welsh Governance approval of the plan highlights a need to strengthen arrangements for Board scrutiny of subsequent draft IMTPs

43 The Health Board has a detailed plan which sets out the timelines for developing its IMTP, starting with the development of its draft commissioning intentions for the year in July. These were presented to the Board in September for approval, following early discussion with the People, Planning and Performance (PPP) Committee on the draft commissioning intentions and a dedicated workshop with all of the clinical boards and corporate functions to set out delivery expectations and objectives (the framework).

44 Clinical boards were then expected to develop their high-level plans using the framework, along with business cases for funding which were considered by the Management Executive Team. This was ahead of a Board development session in December where the draft financial framework and IMTP themes were presented and considered for approval.

45 The detailed clinical board plans were then presented for draft approval in January to the Management Executive Team before being merged into a single draft IMTP for formal approval at the Board in January. A final IMTP was presented to the Board for approval in March before submission to Welsh Government by the deadline of 31 March.

46 Welsh Government however did not approve the IMTP submitted in March largely due to the Health Board's intention to deliver a deficit of £33 million in 2016-17, and a revised IMTP was submitted to Welsh Government in July, which was subsequently approved by the Board in late July. Following confirmation from Welsh Government that they would be unable to approve the revised IMTP, a one-

⁴ 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.

year operating plan was developed and submitted to Welsh Government in September. Due to timelines, the Board noted the annual operating plan after its submission to Welsh Government.

- 47 Despite a relatively positive level of engagement by the Board in the development process of the IMTP, our recent Board survey identified that while six out of nine respondents felt that the Board and relevant committees had set enough time aside for effective scrutiny of the plan, two respondents did not agree and one was neutral. In addition, four out of nine respondents felt that short-term issues account for more of the Board's business than medium and long-term strategy and plans. The proposal to develop a dedicated Strategic Planning sub-committee of the Board as part of a recent review of the current committee structure will allow greater time and attention to be given to the development of the IMTP going forward.

There is a clear strategic planning model for developing the plan which supports local ownership but there is a need to ensure that the plan's longer term outcomes are clear and a wider need to critically review planning capacity within the Health Board

- 48 Each year, the Health Board refreshes its local guidance for the development of its IMTP in line with Welsh Government's nationally issued guidance, which makes it clear that the IMTP is everyone's business, owned and developed by the service. Although the Director of Planning has overall executive responsibility for ensuring that the IMTP is developed, the content of the plan is a shared responsibility across the Management Executive Team. Through the Clinical Board and Corporate function structure, the relevant executive lead is then expected to hold the service to account to deliver what it set out in the plan.
- 49 The Deputy Director of Planning chairs a group of deputy and assistant directors to manage the planning process, known as the Strategy Development and Delivery Group. This group sets the templates required to be completed by the service and amends the guidance based on lessons learnt from the planning process for the previous year. This group also allows all aspects of the plans to be considered in terms of workforce, quality, planning, finance and estates to ensure that the overall plan is coherent. The IMTP is then also supplemented by a number of detailed plans that sit below the IMTP, such as the ICT plan, which become the responsibilities of the corporate functions to develop and deliver.
- 50 Throughout the development of the IMTP, the Health Board engages with its main stakeholders, and is one of five NHS bodies to have an engagement plan. Commissioning intentions are a standing item on the Stakeholder Reference Group, and to some extent, also feature in the regular discussions with staff through the Partnership Forum. Internal workshops have also been held with clinicians and discussions with staff have taken place through Clinical Boards, although the extent to which staff are engaged is recognised to vary by Clinical Board area. Wider stakeholder engagement is gained through the Regional

Partnership Board and the Stakeholder Reference Group where representatives from partner organisations who are vital to the delivery of the IMTP attend.

- 51 The Health Board is the only NHS body in Wales to have a ten-year strategy which sets out its longer-term vision. However, one of the reasons for the IMTP not being approved was the lack of clarity on how the IMTP would help to deliver the longer-term plan. The Health Board recognises this and also recognises that more work needs to be done to ensure that the IMTP for 2017-18 is more explicit in how it will also help deliver against other strategic plans and requirements such as the Health & Social Care Wellbeing Act.
- 52 The Health Board also recognises that it needs to be clearer on the intended benefits of the IMTP. This is generally supported by the views of Board members, with only six of the nine respondents agreeing that the Health Board has quantified the benefits that it expects the plan to deliver. The template for the development of the 2017-18 IMTP will require all services to set out all intended outcomes and benefits from the plans that they are submitting for their areas.
- 53 Planning capacity within the Health Board remains an issue with just two staff within the corporate planning function. The Health Board is the only NHS body in Wales not to have undertaken a formal evaluation as to whether it has sufficient planning capacity and capability. As part of national benchmarking data on corporate services, the data indicated, however, that the health board's planning capacity is lean, and as such it has recently created an additional planning post. This post provides a stronger link between planning and operations, with the new post reporting to the Chief Operating Officer but working closely with the planning team. This arrangement recognises that planning capability is needed within the Clinical Boards, with the role of the central planning team purely as an enabler to the development of the plans. While it is positive that the Health Board has created this additional capacity, it would benefit from undertaking an evaluation of its planning capacity and capability in line with all other NHS bodies across Wales.

There are effective arrangements to monitor and report progress on the delivery of the plan at an operational level but scrutiny on progress at Board and sub-committee level is fragmented

- 54 The Health Board has a range of mechanisms for monitoring and reporting its progress on the delivery against its plan, but the majority of these are through the operational structure. These include:
- Management Executive Team Meetings – where key performance issues are discussed in relation to IMTP delivery on a weekly basis by the full executive team.
 - Health System Management Board (HSMB) – where a detailed performance report on the key IMTP delivery areas is discussed on a monthly basis. The HSMB includes all executive officers, as well as the senior leadership teams from the Clinical Boards.

- BIG (Bold Improvement Goals) Programme Board – where the delivery of the BIG transformation programme is overseen by the full executive team along with the Vice Chair, which is a key change management programme developed to support the delivery of the plan and which is discussed later in this report.
- IMTP Clinical Board reviews – where progress against key service redesign and development priorities are considered as part of the quarterly performance reviews of Clinical Boards. These involve the full executive team along with the senior leadership team for each Clinical Board.
- Clinical Board meetings – where progress against the delivery of the IMTP is discussed on a monthly basis by the Clinical Board senior leadership team, along with representatives from its respective directorates, departments or clusters. Each Clinical Board has a nominated executive officer who acts as an independent member to the Clinical Board and who should be present at each Clinical Board meeting.
- Plan specific meetings – where progress against the delivery of individual condition or service specific plans critical to the delivery of the IMTP is overseen by the Chief Operating Officer, for example, the cancer and stroke improvement plans.
- Quarterly Joint Executive Team meetings with Welsh Government – where progress against the delivery of the operating plan is discussed with NHS Wales officials as part of ‘targeted intervention’ discussions.

55 The Health Board is one of only three NHS bodies in Wales that does not provide updates on in-year progress against the plan to its appropriate sub-committees. Instead it is reliant on mid-year scrutiny by the Board of a progress update against the whole IMTP or operating plan, which is not as frequent as it should be. As part of our comparative work, we have reviewed the IMTP progress report that is provided to the Board. **Exhibit 4** shows that whilst there are some positive aspects to the report’s contents, there is also scope to strengthen reporting in a number of areas.

Exhibit 4: summary findings from a comparison of IMTP progress reporting to Board

The table describes the findings from a comparative review of the IMTP progress report made to Board.

What is good?	What could be better?
<ul style="list-style-type: none"> • There is a scorecard or dashboard which provides easily readable and accessible information against high level actions in the plan. • The report shows actual versus planned progress. 	<ul style="list-style-type: none"> • There is a light-touch summary provided but this only details areas of progress and does not cover the main issues preventing progress in other areas.

What is good?	What could be better?
<ul style="list-style-type: none"> • Project issues to be resolved are set out with associated risks and the mitigating actions planned. • A number of helpful visual materials are used to demonstrate progress, including trend information and there is a mix of qualitative and quantitative information. 	<ul style="list-style-type: none"> • There is no use of milestones to show progress against key actions and there is no indication of completeness. • There is no RAG rating used to report progress against each of the actions within the IMTP. • There is no use of forecasting to predict the future position.

- 56 The Board does, however, receive regular performance reports on all of the national delivery targets at each of its meetings which is designed to provide an indication of progress against the IMTP. This provides a comprehensive position on some of the key deliverables of the IMTP, however, in its current format it is difficult for board members to correlate the performance measures to the actions and priorities set out in the IMTP, and provides just one dimension to the plan. Similar issues also apply to the detailed reports on quality, workforce and finance. The Health Board is currently developing a balanced scorecard to improve the way it monitors progress against the delivery of its plan, but this has yet to be finalised.
- 57 The NHS Planning Framework for 2017-20 was issued in October 2016 and contains some new requirements including the need to have a long-term strategy and specific IMTP monitoring and reporting requirements, in particular:
- Welsh Government will require quarterly updates on delivery of the IMTP from all organisations.
 - NHS bodies must have arrangements to monitor quality and delivery against plan on a monthly basis. As a minimum, there should be:
 - an executive group to oversee plan delivery; and
 - a board sub-committee or group to scrutinise and challenge progress and performance on a regular basis.
 - the Board should receive an overall assessment of progress against the plan in public session at least biannually.
- 58 In our structured assessment work in 2015, we identified that there needed to be greater scrutiny of progress being made against the plan and that the People, Planning and Performance committee had a role to play to ensure that this happened on a regular basis. In August, the PPP Committee received the end of year report on delivery of the 2015-16 IMTP, the first time that this committee had received any assurance in relation to the IMTP. Whilst this is a positive step forward, it appeared that this report was presented to aid the discussion on the development of the 2017-18 IMTP commissioning intentions, as no information was reported on the delivery of the current year's plan. In order for the Health Board to meet the new requirements of the NHS Planning Framework, the new Strategic Planning committee once established, must take an active role in

providing regular scrutiny of progress against delivery. Progress against the 2015 recommendation is summarised in [Exhibit 5](#).

Exhibit 5: progress on 2015 strategic planning recommendations

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

2015 recommendation	Description of progress
<p>R1 Further refine the PPP Committee to strengthen its ability to provide appropriate levels of assurance to the Board. This should include:</p> <p>a) Providing more regular scrutiny of the Health Board's delivery against the three-year plan.</p>	<p>Little or no progress has been made</p> <p>With the exception of the end of year reporting against delivery of the 2015-16 IMTP, no scrutiny of the Health Board's current plan has been undertaken by the PPP Committee.</p>

Delivery of the plan is supported by an ambitious change management programme but capacity to drive through these changes is an issue, resulting in a reliance on short-term external support, with a risk that the pace of change will not be sufficient nor sustainable

- 59 To support the changes needed to deliver the actions and priorities set out in its plan, as well as the Health Board's longer term vision, the Health Board has established a range of strategic change programmes. Some of these programmes have been in existence for a number of years now and include:
- The Leaner and Fitter programme – which is designed to drive through service efficiency and cost reduction across the Health Board, focusing on such areas as workforce productivity and efficiencies across the outpatients pathway. The programme forms part of the remit of the central Programme Management office reporting to the Director of Planning, and is supported by the Continuous Improvement Team which reports to the Chief Operating Officer, along with staff drawn from the service.
 - The Cardiff and Vale Academy – which is designed to drive through training and development improvements to bring a cohesive and co-ordinated approach to organisational development. This includes the LIPS (Lead Improvements in Patient Safety) programme which has seen a large cohort of staff put through the LIPS training to equip them with the skills to encourage them to initiative changes within their respective services, rather than wait for others to make the changes for them. In the recent NHS staff survey, 50% of the Health Board's staff identified that they are able to make improvements happen in their area, which was an increase from 45% in the previous survey.

- 60 Over the last 12 months, the Health Board has also developed two more strategically focused transformational change programmes – HEART and BIG:
- Working in partnership with its local authorities and Cardiff University, the Health Enterprise Alliance for Regional Transformation (HEART) has been established to deliver transformational changes by building on the strengths and resources of all parties collectively. The Director of Planning is the lead for the HEART programme with the purpose of establishing the necessary structural arrangements to drive through the changes.
 - Following on from the previous focus from the Chief Executive Officer on five key performance priorities delivered through the weekly 'Big Room' initiative, the Health Board has now developed the Bold Improvement Goal (BIG) three priorities focusing on better flow of patients through medical inpatient beds, the development of the 'perfect locality' within the community, and improved integrated working using two pathfinder specialties to reduce harm and variation; musculoskeletal and ophthalmology. The Chief Executive Officer oversees the delivery of the BIG transformational programme, with the BIG Programme Board which consists of the full executive team along with the Vice Chair as the main driver for change.
- 61 All of these programmes are ambitious in what they aim to achieve. However, the Health Board does not always demonstrate a track record of introducing changes to services that result in sustainable improvements, with four of the nine respondents to our Board survey identifying that this only happens sometimes. In addition only 29% of staff in the recent staff survey identified that change is well managed within the Health Board. Assurance on the delivery of the leaner and fitter programme is taken to the PPP Committee every other month and the most recent report identifies that while some savings and improvements in efficiencies are being achieved, there remains some considerable work still to be done in areas that have been within the leaner and fitter programme for the last four years.
- 62 The LIPS programme, which has brought about some real improvement in the way in which some services are delivered, is still not fully embedded within the Health Board. Despite the all-Wales staff survey showing an increase in the number of Health Board staff feeling that they are able to make improvements happen in their area, this still falls short of the all-Wales position.
- 63 All of the change programmes are heavily reliant on staff participation. Whilst there is recognition that staff need to be engaged and fully own the changes needed to happen, operational pressures are such that this can present a challenge. The Health Board does have dedicated capacity centrally to help support the implementation of change but this capacity is also lean with just two staff supporting the leaner and fitter programme and two staff supporting the BIG programme. There is currently no central capacity to support the HEART programme.
- 64 The Health Board has traditionally relied on external capacity to support some of its changes, with for example, Newton Consultancy commissioned to help drive

through some of the leaner and fitter changes within operating theatres, and more recently GE Capital to support improvements of efficiencies. While the additional capacity can be welcomed when staff are under operational pressure, the risk of staff becoming divorced from the changes becomes greater, leading to them not always being sustained when the external capacity is removed. In our structured assessment work in 2015, we identified the risks associated with the reliance on external support and the need to drive changes internally as much as possible. However, at the September Board meeting, the Chief Executive Officer proposed that external capacity would be needed to support the third work stream of the BIG programme focused on the two pathfinders, and the Board approved a tender exercise to commence. This however, required ministerial approval which to date has not yet been received.

The board assurance framework continues to evolve and the Board and its committees are generally effective however a number of issues identified during the year have posed some significant risks to the maintenance of sound governance arrangements

- 65 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 improvement issues relating to the committee and organisational structure and governance function. Our key findings are set out below.

The Health Board continues to develop and evolve its assurance arrangements which generally compare well against other NHS bodies although there are opportunities to define its objectives in a way which can be easily measured

- 66 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.
- 67 Assurance mapping⁵ 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

⁵ HM Treasury, [Assurance Frameworks](#), December 2012

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.

- 68 We have examined the Health Board's approach for developing and reviewing its board assurance framework and how this compares to the approaches adopted by other health boards and trusts in Wales.
- 69 The Health Board has a well-established board assurance framework which was developed in 2013 and approved by the Board in May 2014, referred to locally as the Corporate Risk and Assurance Framework (CRAF). This is a continually evolving framework which has undergone a number of revisions since its inception and is periodically reviewed and updated as the organisation matures, with a board development session dedicated to the CRAF held in 2015, and a further workshop planned in 2017. In our recent board member survey, eight of the nine respondents agreed that the members are engaged in the development and ongoing review of the CRAF, although one respondent disagreed.
- 70 The Health Board has clearly stated its ten corporate objectives which are reflective of its strategic objectives set out in its ten-year plan, along with those in short to medium-term plans. However, corporate objectives focus largely on how the Health Board intends to operate, which sometimes make it difficult to see the direct correlation between these objectives and those set out in the ten-year plan. These include objectives relating to its governance arrangements, as well as its values and behaviours, and are largely driven by the corporate risks coming up through the organisation.
- 71 The objectives set out in the CRAF are high level which can make it difficult to clearly determine what success looks like, what needs to be done to achieve the objective and therefore what areas of assurance are required. Whilst eight of the nine respondents to the board member survey agreed that the Health Board had clearly articulated what success against the objectives looks like, there is scope for the Health Board to review the way it articulates its objectives and further align those set out in the CRAF with its strategic objectives set out in its ten-year plan. NHS bodies that appear to be more successful at developing and using a board assurance framework have articulated objectives in a way which provides sufficient detail in their own right, and/or have split them into sub objectives and aims. This greater level of detail is used as a basis for determining the required assurances.
- 72 Although the Health Board's corporate objectives are at a high level, the CRAF does articulate risks which help to determine what assurances are required to mitigate threats to successful delivery of the objectives. The Board, however, needs to be assured that the risks identified are not just the corporate risks reported up through its risk management framework, but are a comprehensive set of risks which impact on the delivery of its objectives. Each risk however is allocated to a lead committee of the Board and has an identified senior responsible officer. The CRAF also recognises where the gaps exist in the Health Board's assurance mechanisms.

- 73 Given that the CRAF is a combined corporate risk register and assurance framework, the CRAF is owned by the Board and its sub-committees and is considered formally at every meeting. The work plans of the committees are aligned to the CRAF, although the Health Board recognises that further adjustment was needed to ensure that the committees fully consider all of the assurances assigned to them, resulting in the review of the sub-committee structure in April 2016. The Audit Committee maintains full oversight of the CRAF and issues with assurances are raised through regular meetings of the chairs of the sub-committees and the Director of Corporate Governance (the Governance Co-ordinating Group).
- 74 In broad terms, our comparative work has identified that the Health Board's board assurance framework compares well with other NHS bodies on a number of areas including board assurance mapping attributes. This is reflected in the recent internal audit review which placed 'substantial assurance' on the Health Board's board assurance and risk management framework. A separate report containing the results of the all-Wales comparative work on board assurance frameworks will be issued for discussion in spring 2017.

The Board and its committees are generally operating effectively, however long-term vacancies and the capacity of the corporate governance team have posed significant risks, delaying proposed changes to further strengthen the committee structure, and a number of in-year governance issues have raised concerns with the decision making process

- 75 Our observations at Board and committee meetings continues to indicate a reasonable degree of scrutiny and challenge, with effective administration and conduct, along with processes in place to regularly review the Board and committees effectiveness. This includes a standing item to review the meeting at the end of all committee and Board meetings. During 2016, the Board also met its annual reporting requirements by publishing its annual report, annual governance statement (AGS), annual quality statement and accounts in the required timeframe.
- 76 Electronic board books are now well embedded into all of the meetings and appear to provide an effective way of triangulating information between committees and the Board. Agenda items are relevant to all committees, with clear references to the assurances given now included in committee papers, and eight of the nine respondents to the board member survey identified that they were clear on the range of actions that committees can take to manage or escalate issues to the Board. Observations also demonstrated that there was good interoperability between committees and between the committees and the Board.
- 77 The Board and all of its committees also continue to undertake their business in an open and transparent way with all papers available on its website, and only relevant agenda items discussed within the private sessions. This is confirmed by all respondents to our board member survey agreeing that the Health Board has made a concerted effort to ensure openness and honesty of all those involved in

providing assurance to Board and its committees. As part of our work we undertook a review of the Health Board's website to assess compliance with the Welsh Health Circular⁶ regarding the publication and accessibility of prescribed information on websites. Our review found that of the 15 required areas, we could not find evidence for four. These were:

- annual plan of board business (although this is available on the Board meetings' page, it could not be found using the website search function);
- citizen engagement plan;
- complaint/concerns raising policy; and
- flexible visiting times policy.

78 The Board has a programme of bi-monthly board development sessions. These sessions have covered a range of topics including the IMTP and CRAF, as well specific topics such as the Future Well Being Generations Act which came into effect in April 2016. Eight of the nine respondents to the board member survey agreed that the programme of board development supports board member skills and confidence in effectively handling assurance and scrutinising delivery against objectives.

79 However, since April 2016, the Board has had a shortfall of three independent members and despite a recruitment exercise taking place in September with recommendations put to the Minister for approval, these vacancies have yet to be filled. At times this has posed a significant risk to the membership of the committees, with a number of the committees at risk of becoming non-quorate if one of the existing independent members becomes unavailable at short notice. A further three independent members are due to leave in September 2017, all of whom have served two terms of office and hold a substantial degree of experience. Recruitment for these additional posts is due to start, but given the time it has taken to fill the previous independent member posts, there is a risk that many of the committees will continue to run on just the quorate membership for some time to come, without the valuable experience that the outgoing independent members bring to the table.

80 In April 2016, the Board reviewed its committee structures in light of our previous structured assessment work which identified, in particular, that the PPP committee was not working as effectively as it could. A decision was made to split the PPP committee into two new committees: a new Strategic Planning Committee and a new Committee to consider delivery and resources. Due to changes in independent members, along with capacity within the governance team to establish these two committees, it was agreed that these committees would not be established until the new independent members were in post. Due to the delays in

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

getting the new members in place, these new arrangements have yet to be established.

- 81 Along with the need to provide greater scrutiny on delivery of plans as discussed earlier in this report, one area of weakness of the PPP committee was its ability to provide appropriate levels of assurance on the Health Board's performance given that it was not fundamentally reviewing performance. We recommended that consideration should be given to sharing the summaries of the Clinical Board quarterly performance reviews with the PPP committee to allow it to take assurance from the performance management framework to inform the performance report presented to the Board. This would also allow it to take a deep dive into areas that are raising concern and to seek further assurance from the services involved. To date, this information has not yet been shared with the PPP committee.
- 82 Many of the Health Board's policies are now being brought up to date, following accelerated action to review a backlog of policies requiring review, and a recent internal audit review placed 'reasonable assurance' on the Health Board's policy management arrangements. A clear scheme of delegation and earned autonomy is also in place, however, our report on the 2015-16 financial statements raised a governance issue in relation to the awarding of a contract which did not comply with the Standing Financial Instructions. Other governance issues were also raised in relation to a contract variation and payment to a member of staff which identified a lack of relevant information being brought to the attention of the Board and/or its committees. While we have identified that the quality of papers presented to meetings continues to be refined, with clear references within papers as to the action required by the Board or committee, and reference to the section within the CRAF that the paper is providing assurance on, there is a need for a greater involvement from the governance team to ensure that all relevant information is considered and provided.
- 83 The Director of Corporate Governance and his senior team have a clear role to play to provide challenge to executive officers and act as a sounding board on matters that have yet to reach the Board and its committees. Our structured assessment work for the last number of years has raised concerns with the capacity of the governance team. In the latter part of 2015, the Head of Corporate Governance went on secondment and subsequently obtained a permanent appointment with Public Health Wales NHS Trust in 2016. This left a gap within the governance team which has yet to be properly replaced, leaving the Director of Corporate Governance with no senior staff within the team. The recent governance issues raised through the 2015-16 financial statements, now also raises some concerns with the ability of the Health Board's governance function to provide sound support to the Board's governance arrangements. There remains a need for the Health Board to be assured that it has sufficient capacity and capability within the organisation as a whole to provide all assurances required by the Board and its sub-committees.

84 In 2015 we made the following recommendations relating to Board and committee effectiveness. **Exhibit 6** describes the progress made.

Exhibit 6: progress on 2015 Board and committee recommendations relating to Board and committee effectiveness

The table describes the progress made against 2015 recommendations.

2015 recommendations	Description of progress
<p>R1 Further refine the PPP Committee to strengthen its ability to provide appropriate levels of assurance to the Board. This should include:</p> <p>a) Receipt of the summaries of the discussions following the Clinical Board Executive Performance Reviews.</p>	<p>Little or no progress has been made</p> <ul style="list-style-type: none"> • Despite the decision to disband the PPP committee in April 2016 and create a new committee focused specifically on resources and delivery, which would allow a greater focus on performance, this new committee has yet to be established. • All Clinical Boards receive an executive performance review on a quarterly basis but no information has been shared with the PPP committee in the absence of the new committee being established.
<p>R2 The Health Board should review its governance capacity, to ensure that there is sufficient capacity to enable the governance team to provide greater support to Clinical Boards around risk management, to ensure that all external action plans are appropriately monitored and that written assurances are provided to the Board on key matters arising from committees.</p>	<p>Completed but issue remains</p> <ul style="list-style-type: none"> • Despite a review of the Health Board's governance capacity being undertaken in early 2016, the Board need to evaluate its corporate governance capacity to ensure that it has sufficient governance capacity and capability within the organisation to provide the necessary assurances to the Board. The views of independent members on what assurances are needed should be sought as part of this evaluation.

The Health Board has been slow to address the issues identified in last year's structured assessment and its arrangements for tracking progress against recommendations from our other audit work need to be improved

85 Our structured assessment work in 2016 has reviewed the progress made by the Health Board in addressing the five recommendations made in 2015. Recommendations relating to strategic planning and board and committee effectiveness have been described in the earlier sections of this report. Overall, the

Health Board has made limited progress in addressing all of the previous recommendations with the exception of the recommendation relating to estates which has started to see some progress. The progress made in addressing the other recommendations not covered in earlier sections of this report is described in [Exhibit 7](#).

Exhibit 7: progress on all other 2015 recommendations

The table describes the progress made against all other 2015 recommendations not covered in earlier sections of this report.

2015 recommendations	Description of progress
<p>R3 Attendance by the nominated Executive Officer at Clinical Board meetings needs to be improved to ensure that in their capacity as ‘independent member’ they provide appropriate scrutiny and challenge at a Clinical Board level.</p>	<p>Little or no progress has been made</p> <ul style="list-style-type: none"> A review of a sample⁷ of minutes from Clinical Board meetings during 2016 identified that of the 20 meetings reviewed, the nominated Executive Officer was only present at ten meetings. All sampled meetings within the Clinical Diagnostic and Therapeutics, and PCIC Clinical Board had the nominated Executive Officer present. The Health Board plans to undertake a review of the role of the Executive Officer within the Clinical Board which is likely to supersede this issue.
<p>R4 The condition of the Health Board’s estate is a significant risk. The Health Board now needs to accelerate its actions to ensure that its estate is fit-for-purpose and specifically, that it is compliant with statutory requirements.</p>	<p>On track but not yet complete</p> <ul style="list-style-type: none"> The Health Board has increased its focus on estates and regularly reports are provided to the PPP committee on compliance with statutory requirements, along with other estates’ requirements. During the year, we have completed a separate review of estates which has concluded that the Health Board is taking positive steps to improve estate management, but would benefit from introducing a strategic plan to direct activities.

⁷ As part of our 2016 structured assessment work, we requested the minutes of the last three Clinical Board meetings. No minutes were received from the Medicine Clinical Board.

86 In addition to the formal recommendations we made in 2015, we also identified a number of improvement opportunities. In general, the Health Board has been more proactive in responding to these improvement opportunities although progress remains mixed. The progress made against all of the 2015 improvement opportunities are described in [Exhibit 8](#).

Exhibit 8: progress on all 2015 improvement opportunities

The table describes the progress made against all of the 2015 improvement opportunities.

2015 improvement opportunities	Description of progress
<p>A greater focus is needed on the impact of the South Wales plan within the IMTP and Board scrutiny, and the Health Board is yet to articulate what services are likely to be reallocated from the Health Board and/or the main hospital sites to accommodate the increased demand.</p>	<p>In progress but not yet complete The 2016-17 unapproved IMTP made greater reference to the South Wales plan than had previously been demonstrated. Although there has been limited discussion at Board in relation to the South Wales plan and its impact on local services, service plans developed to date would suggest that increased demand for the Health Board is now minimal and thus manageable within existing resources. Concerns, however, still remain around the potential impact of the reconfiguration of trauma services which are yet to be agreed, and there remains a need for the Board to maintain oversight of the South Wales plan.</p>
<p>There have continued to be gaps at senior management level within the Clinical Boards and their directorates.</p>	<p>In progress but not yet complete With the exception of one directorate, at the time of our review all gaps in relation to Clinical Directors had been filled. Vacant Clinical Board lead nurse posts had also been filled with the exception of the Dental Clinical Board post which was recently advertised with plans in place to fill this post.</p>

2015 improvement opportunities	Description of progress
Attendance at some of the Clinical Board QSE committees and involvement by medical staff is variable.	<p>In progress but not yet complete</p> <p>The implementation of the quality and safety dashboard at Clinical Board level has helped engage medical staff, helped further by the new appointments to Clinical Director posts. Attendance at some QSE committees, however, remains an issue which was a theme identified in the recent internal audit reviews of the quality governance arrangements within the Clinical Boards.</p>
Patient safety walk rounds have not been fully effective with a high cancellation rate. A plan is in place to refresh the approach taken.	<p>Complete</p> <p>The patient safety walk rounds have now been fully re-established and take place on a regular basis, both during the day and in the evening/night. The gaps in the independent member numbers has resulted in some executive officers occasionally undertaking walk rounds on their own but this will be addressed once the new independent members are in post.</p>
The Health Board is continuing to hold a significant level of risk which it is struggling to address. This includes fragile services, an adverse financial position, a poor condition of the estate, workforce challenges and difficulties meeting a number of performance targets.	<p>Little or no progress being made</p> <p>Despite some positive improvements in relation to its adherence to performance targets, workforce challenges and estate, the Health Board continues to hold a significant level of risk with these areas still categorised as high or extreme risks which are not being mitigated.</p>
Risk registers are not always fully completed, and reporting of risks at directorate and locality level remains variable.	<p>In progress but not yet complete</p> <p>The recent internal audit reviews of Clinical Board quality governance arrangements placed either reasonable or substantial assurance on all arrangements. However, in a few areas, the quality and consistency of risk registers remained an issue. Action plans are now in place in response to the internal audit work to address this.</p>
Information Governance remains a high risk for the Health Board and progress with the data quality agenda has been slow.	<p>Complete</p> <p>Our recent annual risk assessment review of information governance and IMT has identified that the information governance arrangements have been strengthened, helped by the data quality sub group which is now fully established.</p>

2015 improvement opportunities	Description of progress
The current level of investment in ICT presents a risk to the Health Board.	<p>In progress but not yet complete</p> <p>The Health Board has recently developed its strategic outline plan for ICT which recognises the need to invest a significant amount of funding. During 2016, the Health Board received additional funding of £1.2 million from Welsh Government to strength its ICT infrastructure, although there remains a shortfall of approximately £1.5 million. The strategic outline plan will help to support further progress in this area.</p>

- 87 In addition to reviewing the actions taken to address our 2015 structured assessment recommendations and improvement opportunities, we also considered the effectiveness of the Health Board's wider arrangements to manage and respond to our recommendations arising from other audit work. We found that the current tracking arrangements need to be improved. A tracking report is produced for the Audit Committee which summarises the high level progress of the action plans relating to our specific pieces of work, and the committees which are responsible for overseeing that recommendations are addressed. The tracking report, however, does not provide a summary of how many recommendations are addressed and how many are outstanding. It also excludes financial audit recommendations.
- 88 The tracking report is also reliant on information being received from the relevant committees and that action plans are being closely monitored by those committees. A review of the tracking arrangements relating to our audit work finalised over the last two years has identified that, whilst the initial action plan and management response is considered by the relevant committee at the time the report is finalised, progress updates are not always followed through. In the April 2016 tracking report to the Audit Committee, it was identified that an update on our previous work on district nursing, medicines management and orthopaedics would be considered at the July PPP Committee. This did not happen and in the latest tracking report, an update on these three reviews is now scheduled to take place in January 2017.
- 89 Our review of progress on 2015 structured assessment recommendations was consistent with the status of recommendations in the Health Board's more recent management update to the Audit Committee. However, some of the deadlines for completion of these actions have now passed, and the Audit Committee has not received an updated management response since our 2015 work was presented in early 2016.

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 9: 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	Strengthen financial reporting arrangements by including additional information within the financial report to the Board and the new Finance Committee relating to: a) A dashboard summarising performance against key performance indicators; and	Greater clarity for Board members on financial performance when considering the Health Board's financial position.	Yes	Yes	Noted - Currently the dashboard for finance is in the Board Performance Report presented to the Board. This will be reviewed and included in the Finance Report which will	April 2017 (2017-2018)	Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
	b) The issues and detail of actions being taken to manage budget overspend and deliver necessary savings by clinical area.	Greater clarity for Board members on the issues affecting the financial position and the actions being taken.	Yes	Yes	<p>facilitate the dashboard being sighted at the Finance Committee also.</p> <p>Details of overspends are included in the Finance Report to the Board, but not the recovery actions. A summary of actions will be included for 2017-18 and a summary of delivery against the CRP programme for clinical boards/departments. It is not planned to take to the Board more detailed recovery measures but to the Finance Committee. The report for the Finance Committee has yet to be designed but under consideration for introduction for 2017-2018 and will include financial performance of clinical board/departments, CRP</p>	April 2017	Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
					performance and recovery plans		
R2	Ensure cost reduction plans are adequately supported prior to the start of the financial year.	Realistic cost reduction plans are developed ahead of the financial year which enables the Health Board to provide a robust financial plan for the year ahead.	Yes	Yes	Primary budget holders have been instructed to identify opportunities for CRP using local knowledge, benchmarking and transformation of services. In addition to populating the red CRP pipeline an additional document has been requested to provide assurance of opportunities available prior to the start of the financial year 2017-18. In addition the 'Turning the Curve' exercise will provide wider opportunities available to the UHB beyond the annual CRP target.	March 2017	Director of Finance (With support from all primary budget holders)
R3	When developing the 2017-18 three-year plan, ensure that there is:						

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
	a) clear connectivity between the medium term plan and its longer term strategy, as well as its other strategic plans and requirements such as the Health & Social Care Wellbeing Act and Future Well Being Generations Act; and	The three-year plan provides a comprehensive understanding on how the Health Board will deliver its longer term strategy alongside its other strategic requirements.	Yes	Yes	The IMTP/annual plan will be set out in a way that aligns the 1/3 year actions with the strategic objectives of Shaping Our Future Wellbeing. The IMTP/annual plan will also confirm the actions being taken to deliver the requirements of the SSWB Act and WCFG Act – although in relation to the former, there is also an implementation plan approved and overseen by the Regional Partnership Board. The IMTP will not duplicate all of the detail.	March 2017	Director of Strategy and Planning
	b) a clear understanding of the benefits expected from the actions and priorities set out in its plan.	The intended outcomes and benefits of the plan are clearly set out and understood.	Yes	Yes	The IMTP/annual plan will set out the expected outcomes and measure for the actions detailed within it.	March 2017	Director of Strategy and Planning

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R4	Establish the new Strategic Planning Committee as a matter of urgency to ensure that sufficient time is allocated to scrutinise the development of the 2017-18 three-year plan.	Scrutiny of the Health Board's plan in more detail than that current allowed within the Board agenda.	Yes	Yes	The Board will confirm new arrangements for Committees by the end of March 2017. Subject to their approval new arrangement will be implemented for April 2017.	May 2017	Director of Corporate Governance
R5	Strengthen progress reporting on delivery against plan by including aspects identified in our comparative review of progress reports and ensure that this is considered on a regular basis by the Strategic Planning committee in line with the new requirements of the NHS Planning Framework for 2017-20.	Regular scrutiny of delivery against plan in line with the requirements of the NHS Planning Framework for 2017-20.		TBC	Reporting against the IMTP/annual plan to be reviewed and most effective mechanism for ensuring comprehensive report will be provided to the Board and Strategic Planning Committee (if the Board supports the establishment of the Committee).	June 2017	Director of Strategy & Planning
R6	Undertake an evaluation of planning capacity to provide assurance to the	Assurance that the Health Board has sufficient planning capacity to support	Yes	Yes	Planning/PMO/Service change capacity requirements will be considered as part of the	June 2017	Interim Chief Executive Officer

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	Board that the Health Board has sufficient planning capacity and capability within the organisation. This evaluation should also include its change management capacity to minimise the continuous need for the Health Board to commission external support.	the development of plans and the associated change required to implement the plans.			development of management arrangements required to support the transformation programme.		
R7	Review the way objectives are defined in the Corporate Risk Assurance Framework to facilitate the ability to identify what success looks like and what needs to be done to achieve these objectives, ensuring that these are further aligned with those set out in the ten year plan.	A CRAF that sets out what success looks like, what needs to be done, and what assurances are needed to achieve the Health Board's strategic objectives.	Yes	Yes	The Board Development full day session on 27 April 2017 has been dedicated to review the CRAF and explore new approach to risk management for the Health Board. The outcome of the day will be reported to the Audit Committee on the 23 April 2017 with recommendations.	May 2017	Director of Corporate Governance

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R8	<p>Ensure compliance with all requirements of the Welsh Health Circular (reference WHC/2016/22) on transparent public reporting. Specifically, the Health Board should ensure that the following are easily accessible via the Health Board's website:</p> <ul style="list-style-type: none"> • citizen engagement plan; • complaint/concerns raising policy; and • flexible visiting times policy. 	The Health Board will be compliant with the Welsh Health Circular.	Yes	Yes	A review of the Boards website will be undertaken to ensure compliance with the issues raised plus compliance with our policies.	June 2017	Director of Corporate Governance
R9	As a matter of urgency, ensure that all independent member vacancies are filled and that post holders are in post to support quorate running of committees.	Scrutiny and challenge is provided by a full establishment of independent members and the risk of attendance at committee meetings	Yes	Yes	All current vacancies now filled with 1 additional Associate Board Member. To note Planning in conjunction with Welsh Government has already commenced for recruitment of 3	Completed	Director of Corporate Governance

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		not being quorate is minimised.			Independent vacancies for October 2017.		
R10	Establish the new 'Resources and Delivery' Committee as a matter of urgency to ensure that robust scrutiny is given to the Health Board's performance.	Regular scrutiny of the Health Board's performance in more detail than that current allowed within the Board agenda.	Yes	Yes	The Board will confirm new arrangements for Committees by the end of March 2017. Subject to their approval new arrangement will be implemented for April 2017.	May 2017	Director of Corporate Governance
R11	Ensure that relevant performance information is made available to the new 'Resources and Delivery' Committee, including the sharing of the clinical board performance reviews, to enable it to focus its attention on the areas of performance which need the greatest scrutiny.	The focus of scrutiny and challenge is on areas that require the greatest attention.	Yes	Yes	This will be a standard agenda item for the Committee and summary/dashboard updates will be provided on a quarterly basis.	June 2017	Chief Operating Officer
R12	Undertake a further evaluation of the corporate governance capacity to ensure that	Assurance that the Health Board has sufficient capacity to ensure that all	Yes	Yes	Discussions have commenced with the Interim Chief Executive and Director of Corporate	May 2017	Director of Corporate Governance

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	the Health Board has sufficient governance capacity and capability within the organisation to provide the necessary assurances to the Board. The views of independent members on what assurances are needed should be sought as part of this evaluation.	required assurances are in place.			Governance to agree a plan to address the recommendations. The outcome of this will be shared with the Governance Co-ordinating Group (Chair and Independent Members) at their meeting in May 2017.		
R13	Strengthen tracking arrangements for external audit recommendations by providing more detailed information to the Audit Committee on the extent to which both performance and financial audit recommendations have been completed, and ensure that all action plans are monitored through to completion by the	Effective arrangements are in place to ensure that external audit recommendations are implemented and have the required impact		Yes	Paper presented to the Management Executive meeting on 20 March 2017 IM&T sub-committee receive a report of all IT related audits and actions, as well as update of outstanding actions at every meeting Nutrition and Catering committee receive a report on all audits – including WAO audits with updates on actions, at every meeting. This is	March 2017 December 2016	Director of Finance Director of Therapies and Health Sciences

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	relevant committees of the Board.				also reported to the QSE committee. Learning disabilities HIW audit actions and progress reported to QSE committee HIW eye care AMD audit actions and progress reported to Cardiff and vale UHB eye healthcare group and QSE committee.	February 2017	Director of Therapies and Health Sciences

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