



Structured Assessment 2015

Powys Teaching Health Board

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Status of report

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Summary

Context

1. The Health Board covers a population of approximately 133,000 people and has a budget of £281 million. The Health Board covers a quarter of the land in Wales and is predominantly rural with no large cities or District General Hospitals. Healthcare services are provided in its nine community hospitals and by primary and community care closer to home. Patients also receive hospital care commissioned from other healthcare organisations in Wales and England. The Health Board directly employs around 1,500 members of staff.
2. Structured Assessment examines the Health Board's arrangements that support good governance and the efficient, effective and economical use of resources. As in previous years, the work in 2015 has assessed the robustness of the Health Board's financial management arrangements, the adequacy of its governance arrangements and the management of key enablers that support effective use of resources. In examining these areas, we have considered the progress made against improvement issues identified last year¹. The audit work was structured under the following areas:
 - **Financial planning and management**, including:
 - financial health, financial planning and cost improvement plans.
 - **Arrangements for governing the business**, including:
 - strategy, structure, governance arrangements and internal control.
 - **Enablers of effective use of resources**, including:
 - change management, estates, partnership and engagement.
3. Since we reported at the end of 2014, the Health Board has undergone extensive change. The Health Board has an improved financial outlook due to the deficit of £19 million, reported in 2013-14, confirmed by Welsh Government as non-repayable and the provision of additional recurring funding of £25 million. Furthermore, Welsh Government approved the three-year strategic plan (IMTP), which sets a clear vision for the future direction of services. Other changes have taken place to the Board with five Independent Members replaced and a new Chief Executive plus a strengthened Executive team. There has also been a change to the locality structure to clarify accountability arrangements.

¹ Recommendations made in 2014 together with a summary of progress are set out in [Appendix 1](#).

Main conclusions

4. In 2014, our structured assessment concluded that:
 - the Health Board's financial position remains extremely challenging and it is unlikely to achieve a balanced financial position at the end of the current financial year;
 - the necessary changes to the Health Board's governance arrangements are not yet embedded or fully effective; and
 - the Health Board's capacity to drive change at the required pace is exacerbated by the impending departure of the Chief Executive.
5. During 2015, the Health Board has undertaken a broad range of activities to address shortcomings with its governance arrangements. Our overall conclusion from 2015 structured assessment work is that **arrangements to support good governance and the efficient, effective and economical use of resources have strengthened considerably. The Health Board is in a stronger position to achieve financial balance and drive forward transformation, providing resilience and pace of change can be sustained.**
6. The reasons for reaching this conclusion are set out below.

Financial planning and management

7. Following the injection of funding, the Health Board is likely to achieve financial balance in 2015-16 with good in-year management and scrutiny of performance. The Health Board needs to strengthen strategic financial planning to address the challenging financial environment.
8. Specifically, we found:
 - in 2014-15, the Health Board operated within its annual revenue and capital resource allocation; and
 - at the end of September 2015, the Health Board was forecasting a balanced year-end outturn position against its annual revenue resource allocation although the financial environment remains challenging.

Arrangements for governing the business

9. The Board has set a clear vision, strengthened Executive capacity, and made improvements to governance arrangements. The challenge going forward is to further refine, sustain and embed these arrangements throughout the organisation.
10. In reaching this conclusion, we found:
 - Planning arrangements have improved, as evidenced by Ministerial approval of the IMTP. The IMTP sets a clear vision with scope to sharpen its content in the next iteration.

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- A comprehensive Governance Improvement Programme and revised Executive portfolios better position the Health Board to deliver their strategic objectives. The challenge is to ensure there is sufficient resilience and capacity within the Executive team to maintain a sustainable pace of change, strengthen operational management capacity, and to ensure that it has the correct balance between locality specific and Powys-wide delivery arrangements.
 - The Board has made good progress strengthening its overall effectiveness although further work is required before it can demonstrate sustained good practice and innovation. Board members demonstrate a clear commitment to openness, constructive challenge and quality improvement.
 - The Board committee structure supports good governance and there is evidence of continual improvements to arrangements. However, some changes are still recent and therefore not embedded, and plans to address remaining gaps in quality governance need to be fully implemented.
 - Overall the Board receives adequate information to support effective scrutiny and decision making although further refinements to reporting are required.
 - Internal controls are now generally effective in meeting assurance requirements but some aspects, including risk management and the use of clinical audit, need further improvement.
 - The Health Board has strengthened its information governance arrangements with an updated strategy and implementation plan and its Information Governance Committee is functioning more effectively although more pace is required to address persistent high-risk issues.

Enablers of effective use of resources

11. The Health Board has set an ambitious change agenda and is working to strengthen its arrangements for communications, engagement and partnership working to support transformation but significant risks remain with the estate.
12. In reaching this conclusion, we found:
 - the Health Board has articulated key elements of its transformation programme and needs to ensure that can drive the necessary changes to service delivery;
 - the Health Board has made considerable progress to address the challenges with its estate and estates function, although extensive further work is required to address the poor condition of the estate; and
 - partnership working with the local authority is progressing apace, communications with the public is becoming more transparent, but much more remains to be done to gather and learn from patient experience.
13. The findings underpinning these conclusions are summarised in the next section of this report.

Recommendations

14. Earlier in 2015, as part of our 2014 Annual Audit Report and structured assessment, we issued a number of recommendations to the Health Board. We did so with an expectation that many recommendations would take more than six months to address and embed new working arrangements, because of the complexity of the required action. In [Appendix 1](#) we have provided our commentary on progress made. The Health Board has demonstrated good progress in a number of areas, but there remains more to do to address last year's recommendations in full.
15. Additional recommendations arising from 2015 structured assessment work are set out below. We will continue to track progress against recommendations made from both the 2014 and 2015 structured assessments as part of next year's audit programme.

Financial planning and management

- R1 Historically financial management at the Health Board has needed to focus heavily on securing financial balance. Whilst this will need to remain a priority, the Health Board will also need to ensure that it has the necessary capacity and skill sets to support the more strategic financial planning and transformational change set out in the Integrated Medium Term Plan.

Arrangements for governing the business

- R2 To support effective risk management the Health Board needs to better understand and state its risk appetite.

Enablers of effective use of resources

- R3 The Health Board needs to establish a stakeholder reference group.
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Detailed report

Arrangements to support good governance and the efficient, effective and economical use of resources have strengthened considerably. The Health Board is in a stronger position to achieve financial balance and drive forward transformation, providing resilience and pace of change can be sustained.

16. The findings underpinning this conclusion are summarised below, grouped under the themes of financial planning and management, arrangements for governing the business and enablers of effective use of resources. Findings highlight strengths and developments, as well as the risks and challenges still facing the Health Board.

Financial planning and management

Following the injection of funding, the Health Board is likely to achieve financial balance in 2015-16 with good in-year management and scrutiny of performance. The Health Board needs to strengthen strategic financial planning to address the challenging financial environment.

17. In reaching this conclusion, we found:
- in 2014-15, the Health Board operated within its annual revenue and capital resource allocation; and
 - at the end of September 2015, the Health Board was forecasting a balanced year-end outturn position against its annual revenue resource allocation although the financial environment remains challenging.
18. The findings underpinning these conclusions are summarised in [Table 1](#) which covers the 2014-15 financial position and the 2015-16 financial management and performance of the Health Board.

Table 1: 2014-15 financial position and 2015-16 financial management and performance

Strengths and developments	Risks and challenges
<p>2014-15 financial position</p> <p>On 31 March 2014, the Health Board submitted a three-year plan running from 2014-15 to 2016-17 that showed expenditure to be significantly in excess of the anticipated resource limit over the three years. In May 2014, the Welsh Government confirmed that it was unable to approve the Health Board's plan on a medium term basis and required the Health Board to set out clear deliverables and actions for 2014-15. For 2014-15, a one year 'delivery agreement' plan was subsequently developed. The Health Board received an additional in-year revenue resource allocation of £25m in December 2014. In May 2015, the Welsh Government confirmed that the Health Board was not required to recover the £19.264m deficit incurred in 2013-14. As at the 31 March 2015, the Health Board reported that it had operated within its annual revenue and capital resource allocation.</p>	<p>2014-15 financial position</p>
<p>Key findings on the 2014-15 financial position identified as part of our audit work:</p> <ul style="list-style-type: none"> • good in-year budgetary control; • additional funding assisted the Health Board in achieving year-end financial balance; and • 90 per cent of the savings targets achieved. 	<ul style="list-style-type: none"> • Financial and Budget Strategy identified an initial 2014-15 financial gap of £27.2 million; • there was no approved IMTP in place; • Finance and Performance Committee just established; and • further scope to improve integrated business, service and financial planning.

Strengths and developments

2015-16 financial management and performance

The Health Board approved its three-year plan 2015-16 to 2017-18 at its Board Meeting on 19 March 2015. The three-year plan was subsequently submitted to Welsh Government on the 27 March 2015. The three-year plan 2015-16 to 2017-18 is a balanced plan in respect of its revenue allocation and its planned net expenditure. On submission of its three-year plan to Welsh Government, the Health Board highlighted a number of challenges and risks associated with the delivery of the plan. The three-year plan 2015-16 to 2017-18 received Ministerial approval in June 2015.

As at month six (September 2015), the Health Board is reporting a balanced position for year to date and is forecasting a balanced year-end outturn position against its annual revenue resource allocation.

Savings targets totalling £6.688 million have been built into the 2015-16 financial plan. The Health Board is reporting a small underachievement of its savings plans at month six.

Risks and challenges

2015-16 financial management and performance

The additional £25 million allocation for the life of the IMTP requires the Health Board to adopt a more innovative and transformational approach to service and financial delivery. This represents a challenge to the Health Board particularly in respect of how it configures and utilises the totality of the budget to deliver healthcare for Powys.

Continued focus needs to be maintained on delivering savings plans and ensuring that the core governance arrangements supporting financial management are fully embedded and maintained. The skills and capacity of the Finance Team is key in supporting operational teams to develop and deliver the financial plans.

The three-year financial plans are set against the assumption that a greater level of 'savings' can be achieved with English providers than Welsh providers. The 'Contract Activity' management tool being developed by the Health Board should provide timely information to support future planning.

The financial sustainability of the Health Board may be compromised from having so much reliance upon achieving savings from English providers (particularly given the funding pressures in England). Mid and North localities appear to have the greatest challenges in this context.

Strengths and developments

2015-16 financial management and performance

The Finance and Performance Committee is working effectively to scrutinise and oversee core issues. The Committee is much stronger than in 2014, with a good level of challenge from new Independent Members. The officers provided good written and verbal summaries of agenda items and responded well to challenge and questions. The Committee successfully balanced financial challenges with quality, safety and patient dignity.

Improved reporting of financial risks to the Board. The Health Board is trialling a new method for reporting risks to the financial position. In October 2015 it was reported that there were:

- £0.4 million most pressing and likely risks
- £2.6 million moderately rated risks
- £1.3 million less likely risks

The Service Reform Programme provides the majority of performance management arrangements for the savings programmes within the Transformation Programme Board accountabilities. The remaining schemes are subject to internal review as part of business as usual arrangements.

Risks and challenges

2015-16 financial management and performance

While the Health Board is tracking the savings schemes, as at October 2015 not all had documented plans in place. This reflects gaps in the IMTP process, with schemes being added to achieve a balanced plan without detailed work underpinning them. Further work has since been completed to develop individual savings plans across all areas other than Welsh Health Specialised Services Committee (WHSSC).

Focus needs to be maintained on the delivery of savings plans, the milestones within the IMTP and the wider governance arrangements in respect of financial management. Continued focus required to manage risks associated with:

- the delivery of savings plans (specifically commissioning and continuing healthcare);
- managing demand with English-based NHS Trusts;
- agency spend, which is at its highest level for some years;
- manage the risks of delivering referral to treatment times (RTT); and
- delivering improvements in continuing NHS healthcare.

The Integrated Performance Report (IPR) does not include financial reporting although work is underway to incorporate financial reporting into the IPR.

Arrangements for governing the business

The Board has set a clear vision, strengthened Executive capacity, and made improvements to governance arrangements. The challenge going forward is to further refine, sustain and embed these arrangements throughout the organisation.

19. In reaching this conclusion, we found:

- Planning arrangements have improved, as evidenced by Ministerial approval of the IMTP. The IMTP sets a clear vision with scope to sharpen its content in the next iteration.
- A comprehensive Governance Improvement Programme and revised Executive portfolios better position the Health Board to deliver their strategic objectives. The challenge is to ensure there is sufficient resilience and capacity within the Executive team to maintain a sustainable pace of change, strengthen operational management capacity, and to ensure that it has the correct balance between locality specific and Powys-wide delivery arrangements.
- The Board has made good progress strengthening its overall effectiveness although further work is required before it can demonstrate sustained good practice and innovation. Board members demonstrate a clear commitment to openness, constructive challenge and quality improvement.
- The Board committee structure supports good governance and there is evidence of continual improvements to arrangements. However, some changes are still recent and therefore not embedded, and plans to address remaining gaps in quality governance need to be fully implemented.
- Overall the Board receives adequate information to support effective scrutiny and decision making although further refinements to reporting are required.
- Internal controls are now generally effective in meeting assurance requirements but some aspects, including risk management and the use of clinical audit, need further improvement.
- The Health Board has strengthened its information governance arrangements with an updated strategy and implementation plan and its Information Governance Committee is functioning more effectively although more pace is required to address persistent high risk issues.

20. The findings underpinning these conclusions are summarised in the following sections and tables.

Strategic planning

Planning arrangements have improved, as evidenced by Ministerial approval of the IMTP. The IMTP sets a clear vision with scope to sharpen its content in the next iteration.

21. The findings underpinning this conclusion are summarised in [Table 2](#).

Table 2: strategic planning

Strengths and developments	Risks and challenges
<p>IMTP received ministerial approval in June 2015:</p> <ul style="list-style-type: none"> the Board scrutinised and approved the IMTP before 1 April 2015; the Board has established a thorough process with an annual planning model and cycle to meet the requirements of the NHS Wales Planning Framework; and future generations and prudent healthcare are both reflected in the IMTP. 	<p>NHS Wales Planning Framework 2016-17 requires an update of the existing approved IMTP by 29 January 2016 with:</p> <ul style="list-style-type: none"> a much sharper focus on the action the Health Board plans to take, its intended impact, and how delivery will be assessed; and the need to clearly convey, through all parts of the plan, the practical actions the Health Board intends to take to follow the principles of prudent healthcare, including the anticipated benefits with a particular focus on workforce. <p>The IMTP requires a refresh to address the Welsh Government's requirements and to strengthen it to ensure a focus on outputs and outcomes.</p>
<p>The Board has set a clear vision to deliver 'truly integrated care centred on the needs of the individual'. This vision will be delivered through six inter-related aims.</p> <p>The IMTP contains three strategic challenges:</p> <ul style="list-style-type: none"> develop a rural service model with care closer to home; meet needs of demographic change and rising demand; and support sustainable rural communities during austerity. <p>The IMTP aims to deliver three strategic priorities:</p> <ul style="list-style-type: none"> Commissioning Primary and community services Integration <p>There are 10 underpinning strategic objectives, 13 delivery plans and three enabling strategies.</p>	<p>The six aims receive limited prominence in the IMTP and other key strategic documents, with the focus increasingly on the NHS Outcomes Framework. There are opportunities to test the future validity of the existing values and to strengthen linkages with other performance frameworks as part of the refresh of the IMTP.</p>

Strengths and developments	Risks and challenges
<p>The Transformation Programme consists of four core programmes and four enabling programmes.</p> <p>Success will be measured by progress in the seven domains of the NHS Outcomes Framework.</p>	
<p>The Annual Plan 2015/16 was approved in April 2015. It is clearly structured around the six locally agreed aims. For each of these, the Board has determined key strategic priorities for 2015-16. Each priority will be supported by a number of operational objectives, measures, outcomes and will link back to national and local targets or drivers. Reports to Finance and Performance Committee and the Board on delivery against the annual plan objectives are comprehensive and clear enough to support challenge.</p>	<p>It is not clear how the Health Board is monitoring and reporting progress against the individual tasks in the IMTP as these are not all set out in the current annual plan. However, the Annual Plan for 2016-17 is in development and the Health Board has indicated that it intends to ensure full alignment with the refreshed IMTP.</p>
<p>On approving the IMTP in June 2015, the Welsh Government indicated it had minor requirements around the need for the Health Board to produce the suite of NHS Wales Service Delivery Plans that link in with the IMTP.</p>	<p>Progress developing responses to the national delivery plans started slowly. The Board accepted that the Health Board needed to prioritise the development of the most important plans due to limited resources within the planning and performance team. Without these plans in place, there is a risk that the Health Board is not keeping its service planning relevant and up to date.</p>
<p>The Health Board has to understand and influence the large number of plans providers are developing for commissioned services in surrounding areas in both Wales and England. The Strategic Planning Report to the Board in August 2015 shows that the Health Board understands these challenges.</p>	<p>English providers have their own problems and instability ie Wye Valley NHS Trust is in special measures, Shrewsbury and Telford Hospital NHS Trust proposals to move services to Telford, Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust's Chief Executive resigned in September 2015 and there are waiting times issues. These will need to be kept in view to monitor the risks to service delivery and quality of care.</p> <p>A further specific challenge for the Health Board is that meaningful engagement with all providers absorbs significant resources.</p>
<p>Work is ongoing to strengthen the Planning and Performance Directorate within the existing establishment. The new team should be in place by April 2016.</p>	<p>The Director of Planning and Performance left in May 2015. An interim was appointed quickly but the post has not yet been filled permanently.</p>

Strengths and developments	Risks and challenges
More robust IMTP monitoring arrangements are in place through the Finance and Performance Committee.	

Organisational structure and leadership

A comprehensive Governance Improvement Programme, strengthened Executive team and revised Executive portfolios better position the Health Board to deliver their strategic objectives. The challenge is now to ensure there is sufficient resilience, capacity and experience within the Executive team to maintain a sustainable pace of change, strengthen operational management capacity, and to ensure that it has the correct balance between locality specific and Powys-wide delivery arrangements.

22. The findings underpinning this conclusion are summarised in [Table 3](#).

Table 3: organisational structure

Strengths and developments	Risks and challenges
The Chief Executive was appointed as interim in February 2015 and then substantively in March 2015. This provided stability and minimised the disruption that could have followed the departure of the previous Chief Executive in January 2015.	
The Governance Improvement Programme 2015-16 – 2016-17, approved in October 2015, sets a clear and appropriate programme of work to address the weaknesses in governance arrangements highlighted in the Annual Audit Report 2014. Development of an Integrated Governance Handbook will improve clarity of governance arrangements across the organisation.	
The Chief Executive strengthened her Executive Team during the year making permanent appointments with redefined roles, remits and responsibilities and changes in portfolios. Executives have clear annual objectives and clarity over their individual roles and responsibilities.	Despite effort from the Health Board, appointing a Medical Director has proven to be difficult although interim appointments have been made. While critical areas such as revalidation are covered, there was a lack of momentum across this portfolio area.

Strengths and developments	Risks and challenges
<p>The Chief Executive has introduced more rigour into Executive accountability. This includes monthly Executive Delivery and Performance meetings. This is helping to ensure greater focus on progress against NHS outcomes, savings plans and the need to drive improvement by responding to recommendations from reports from auditors and other regulators.</p>	<p>Small Executive team carry large portfolios. The challenge is now to ensure there is sufficient resilience, capacity and experience within the Executive team to maintain a sustainable pace of change.</p>
<p>The Health Board has undertaken necessary changes to the leadership and management structures for its Localities and Directorates under the Director of Primary and Community Care. This reduces the number of localities to two: the North and South (including the former Mid Locality). Learning Disability services continue to be managed across Powys while Children's services are managed via the North Locality.</p>	<p>Balance of responsibilities between the centre and the localities is not yet clear and require further attention.</p>
<p>The Health Board is taking considerable steps to strengthen operational capacity and accountability:</p> <ul style="list-style-type: none"> • investing in leadership development for operational managers; and • creating an Executive and Management Group. 	<p>The challenge is to build organisational resilience and sustainability through further development of the capacity and capability of operational managers.</p>

Board effectiveness

The Board has made good progress strengthening its overall effectiveness although further work is required before it can demonstrate sustained good practice and innovation. Board members demonstrate a clear commitment to openness, constructive challenge and quality improvement.

23. The findings underpinning this conclusion are summarised in [Table 4](#).

Table 4: Board effectiveness

Strengths and developments	Risks and challenges
<p>The Chair has been in post just over a year and is making good progress to address deficiencies in governance arrangements highlighted in last year's structured assessment.</p>	<p>The Board is still missing one member with a Trade Union background. Despite a number of attempts to encourage applications this post has remained vacant for some time.</p>
<p>Five Independent Members were replaced between late 2014 and the end of 2015 which is a significant change. Recruitment was managed well and has resulted in a smooth transition to a refreshed Board.</p> <p>New Board members have undergone a comprehensive induction programme which has resulted in a smooth transition to a refreshed Board and is supporting them to quickly understand the organisation and how to fulfil their role. In December 2015 the Board were allocated lead roles or 'champions' as required by Welsh Government.</p> <p>Board members demonstrate a clear commitment to openness and quality improvement with a noticeable step up in the level of challenge and debate at both Board and committees.</p> <p>The annual Board business report for Board in June 2015 contained helpful appendices on Business Standards for Board Papers and Board Etiquette. These documents emphasised the importance of well written Board papers so that Independent Members can easily grasp the key issues quickly and their role of constructively challenging performance.</p> <p>A Board Development Programme has been established with sessions to provide continuing support to independent members to enable them to fulfil their role.</p>	
<p>Work is ongoing to improve the Health Board's self-assessed performance against governance and accountability standards which is currently at the middle level of the maturity matrix:</p> <ul style="list-style-type: none"> • 'the Health Board is developing plans and processes and can demonstrate progress with some of their key areas for improvement.' 	<p>Challenge is to ultimately get to the highest level in the maturity matrix such that:</p> <ul style="list-style-type: none"> • 'the Health Board can demonstrate sustained good practice and innovation that is shared throughout the organisation/business, and which others can learn from.'

Strengths and developments	Risks and challenges
<p>The Board now has in place the following arrangements which are supporting good governance and the effective operation of the Board:</p> <ul style="list-style-type: none"> • Board Assurance Framework has been drafted. • Annual programme of Board business and effective action log. • Papers issued in advance of meetings and a reduction in the number of papers tabled on the day. • Revised scheme of delegation approved in June 2015 aligning strategic aims and delivery responsibilities with revised Executive portfolios. • Demonstrates openness and candour: <ul style="list-style-type: none"> – refreshed internet site provides straightforward access to Board papers; – growing range of performance information in public domain; – publicly available committee papers for all committees other than finance and performance; and – Board meetings demonstrate improved levels of scrutiny and challenge with generally good responses from Executives. 	<p>Regular assurance reports are provided to the Board from all committees although they are not always from the most recent committee meeting.</p> <p>Further work is ongoing to finalise and embed arrangements for the Board Assurance Framework.</p>
<p>The Board Secretary has a clarified role to support the Chair and service the Board and its committees, resulting in more efficient administration of agendas, papers and minutes.</p>	
<p>Policies were out of date with no process in place to review. The Health Board responded positively to a critical internal audit review and now have mechanisms to review all policies and make them publicly available on the internet.</p>	

Operation of Board sub-committees

The Board committee structure supports good governance and there is evidence of continual improvements to arrangements. However, some changes are still recent and therefore not embedded, and plans to address remaining gaps in quality governance need to be fully implemented.

24. The findings underpinning this conclusion are summarised in [Table 5](#).

Table 5: operation of Board sub-committees

Strengths and developments	Risks and challenges
<p>The Board committee and sub-committee structure covers the organisation's business and governance requirements with no obvious gaps or duplications.</p>	<p>The Health Board needs to maintain this positive trajectory in the operation of committees.</p>
<p>Changes to the structure, function and membership of Board committees means that they better support the Board in delivering its strategic objectives. This includes:</p> <ul style="list-style-type: none"> revised terms of reference for Quality and Safety, Audit Committee, Finance and Performance Committee, and Information Governance Committee and Workforce and Organisational Development Committee approved by Board in September 2014; revised terms of reference for the Remuneration and Terms of Service Committee (RaTS) and Mental Health Assurance Committee (MHA) in April 2015; and recent appointment of Independent Members to chair committees that had been chaired by the Board Chair. 	<p>Terms of reference for the Charitable Funds Committee have not been reviewed since April 2010 and should be reviewed to ensure it meets current regulations.</p> <p>The MHA Committee terms of reference are not easily available on the internet.</p> <p>The committees' terms of reference do not make it clear how the underpinning operational and locality arrangements link to the committees.</p>
<p>Attendance at Board and Committee meetings is generally good, although there have been incidences of some committee meetings being inquorate and some committee meetings were cancelled during the summer. Issues with attendance and cancelled meetings are being addressed by rescheduling meetings in 2016 so that they do not coincide with the school holidays.</p>	<p>There remain challenges for ensuring that committee members get the right information in a timely way to support effective committee operation.</p>

Strengths and developments

The Audit Committee is increasingly effective in supporting the organisation's governance and internal control arrangements:

- Work plan and action log in place.
- Work plan includes annual review of:
 - assurance and risk management systems, standing orders and standing financial instructions;
 - terms of reference; and
 - inter-relationships and work programmes of other committees.

Arrangements for addressing audit recommendations and monitoring implementation have been refreshed and strengthened:

- protocol agreed for external performance audit;
- Audit Committee receives all Wales Audit Office reports and management responses;
- Executive lead responsibility for developing/presenting the management response established and attend audit committees when reports are presented;
- well-established tracking log taken to each Audit Committee;
- Audit Committee, where appropriate, refers reports/actions to other committees for ongoing monitoring; and
- noticeable improvements in Executive responses to audit reports and a reduction in the number of longstanding recommendations that had not been cleared.

Risks and challenges

Challenge to ensuring appropriate cross referral between Audit Committee and Quality and Safety Committee eg, clinical audit reporting.

Annual self-assessment of effectiveness needed:

- To improve operation
- To inform forward work plan

Momentum in addressing outstanding audit report recommendations needs to be maintained to stop a return to a backlog position.

Further work needed to improve the structure of the audit log to show progress.

Strengths and developments

The Quality and Safety Committee continues to mature and improve arrangements:

- agenda management works well and is structured to maximise time for scrutiny and supports effective debate;
- work programme and action log in place;
- the Director of Nursing is now the Committee Executive lead and is addressing some longstanding quality and safety issues; and
- formal quality assurance approaches and reporting mechanisms are being developed eg, using the 15 Steps Challenge toolkit.

Independent Members provide good scrutiny and challenge:

- interpreting and using management information;
- triangulating information from different sources including observations; and
- maintaining pressure to report on areas where performance has not been good eg, hand hygiene audits.

Audit and Quality and Safety Committees are focused in:

- following up issues with management; and
- seeking assurance that relevant actions are being taken with sufficient pace.

Most papers for meetings are now issued in advance with a reduction of papers tabled on the day, which is an improvement on last year.

Risks and challenges

Quality and safety challenges show further improvements needed quickly around:

- Putting things right
- Learning from events
- Quality performance indicators

It will be important that the Quality and Safety Committee has confidence in the flow of assurances from the management subcommittees and groups and localities. Currently it is not known how effective these arrangements are. Whilst arrangements for locality assurance reviews are being established, the Health Board needs to map the sub-committee structures and assess assurance flow through these arrangements, linked to the development of its quality assurance framework.

A stronger focus on providing assurance on the outcome of actions is needed:

- to give Independent Members increased confidence in the assurances provided; and
- maintain a healthy balance of trust and challenge between Independent Members and Executives.

Management information

Overall the Board receives adequate information to support effective scrutiny and decision making although further refinements to reporting are needed

25. The findings underpinning this conclusion are summarised in [Table 6](#).

Table 6: management information

Strengths and developments	Risks and challenges
<p>Performance Management Framework (PMF) approved by Board in June 2015:</p> <ul style="list-style-type: none"> • high-level, well-written summary that sets the scale of the task to create a culture of continuous improvement; and • at Q2 it is on target to meet its implementation plan to operationalise the framework. 	<p>The Health Board is realistic that there is a lot of cultural change required to embed the PMF.</p>
<p>The October 2015 IPR shows significant improvements in performance reporting since 2014:</p> <ul style="list-style-type: none"> • IPR supports a full discussion of performance issues at every Board meeting. • Much clearer than the previous versions and easier to quickly assess overall performance against key measures, with less clutter. • Report provides good mix of narrative, information and data. Wide use of graphics, colour coding and trend information. • Narrative content against each measure provides an overview of key issues, variation and progress to date. Narratives often identify corrective actions and sometimes who is responsible. • Brings the IPR in line with the structure of the IMTP and NHS Outcomes Framework. 	<p>IPR is still work in progress. Further work required to address the following:</p> <ul style="list-style-type: none"> • There are some gaps in coverage with no indicators for: <ul style="list-style-type: none"> – Dignified care – Patient experience • The report is not truly integrated as it does not include financial reporting. Work is in progress to better integrate financial reporting with the IPR. • Summary could be more insightful. Does not provide a concise 'summary' of performance – it is a simple listing of areas where performance has improved and deteriorated. • Further work needed on benchmarking with other organisations and use of forecasting. • Responsibility for performance domains are aligned to lead executive portfolios but are not assigned to named staff or specific committees. • Making explicit what additional actions are required, and by whom, to improve where targets have slipped. • Concerns about data quality underpinning the IPR need to be addressed urgently eg, need to develop a data quality assurance process.

Strengths and developments	Risks and challenges
	<ul style="list-style-type: none"> Commissioned services not adequately reported.
<p>Improvements in quality of information is supporting scrutiny and decision making at Board.</p> <p>Good use of exception reports at Finance and Performance Committee in October 2015 to gain assurance on areas of poor performance.</p>	

Internal controls and risk management

Internal controls are now generally effective in meeting assurance requirements but some aspects, including risk management and the use of clinical audit, need further improvement

26. The findings underpinning this conclusion are summarised in [Table 7](#).

Table 7: internal controls and risk management

Strengths and developments	Risks and challenges
<p>Significant work has been undertaken to produce range of assurance frameworks to underpin the governance arrangements:</p> <ul style="list-style-type: none"> Board assurance system approved December 2014 Risk assurance framework approved June 2015 Performance assurance framework approved June 2015 Values and behaviours framework approved June 2015 	<p>Further work is required to ensure that the assurance frameworks work in practice and link together appropriately.</p> <p>Quality assurance framework for provided and commissioned services is in development and will in use from January 2016.</p>

Strengths and developments	Risks and challenges
<p>Internal controls are generally effective:</p> <ul style="list-style-type: none"> • much improved counter fraud service with higher visibility of the counter fraud officer resulting in staff confidence to report concerns and an increase in investigative work; • Annual Governance Statement (AGS) and Annual Quality Statement (AQS) were reported in line with requirements; • AQS is clear, honest, easy to understand and publicly accessible; and • well-planned/delivered programme of internal and capital audit work. 	<p>Further opportunity to use the AGS, AQS and Health and Care Standards to support continuous improvement and learning:</p> <ul style="list-style-type: none"> • strengthen operational assurance statements; and • move to less annualised approach.
<p>Corporate Risk Register is available on the internet.</p>	<p>Risk Management Strategy and Policy need to be updated following limited assurance internal audit report in May 2015. Mechanism for escalating risks from the operational risk register to the Board needs to be clarified.</p> <p>Further work is ongoing to understand the organisation's risk appetite This will be important to fully inform the Health Board's approach to risk management.</p>
<p>The Health Board has a clinical audit plan to support its improvement agenda. The plan reported to Quality and Safety in June 2015 provides clear information on progress in delivering the range of local clinical audits and All Wales National Audit and Outcome Reviews.</p> <p>The Clinical Audit Strategy 2013-14 – 2015-16 was approved in 2013. Further work is underway to review and develop this strategy.</p>	<p>Clinical audit is not yet playing a full role for quality improvement and its contribution to Board assurance is not established. In reviewing the clinical audit strategy the Health Board should consider how clinical audit links to strategic risks and objectives.</p>

Strengths and developments	Risks and challenges
<p>Work is underway to implement and embed the new Health and Care Standards:</p> <ul style="list-style-type: none"> • In April 2015 a paper announcing the launch of the new standards was presented to the Board. • In June a paper to Board reported further work was underway to take forward and embed the new standards, which are used to underpin the work of Healthcare Inspectorate Wales. • A steering group is taking this work forward and a clear plan is in place. The Health and Care Standards are now a standing item on the Quality and Safety Committee agenda. 	

Information governance

The Health Board has strengthened its information governance arrangements with an updated strategy and implementation plan and its Information Governance Committee is functioning more effectively although more pace is required to address persistent high-risk issues

27. The findings underpinning this conclusion are summarised in [Table 8](#).

Table 8: information governance

Strengths and developments	Risks and challenges
<p>The Information Governance Committee is beginning to work more effectively and it has met regularly in 2015. It now has a work plan in place describing the sources of assurance.</p>	

Strengths and developments	Risks and challenges
<p>The Health Board has made improvements to its scrutiny of information governance issues. This includes a stronger focus on key assurances and managing risks:</p> <ul style="list-style-type: none"> • The Information Governance Committee has developed a clearer work programme. This covers areas such as progress reports against the strategy and compliance against national standards. • The Health Board has updated its Information Governance Strategy and Implementation Plan 2015-18. This sets out a clear implementation plan and seeks to address any internal/external concerns. 	<p>There remain some persistent areas where progress is slow:</p> <ul style="list-style-type: none"> • reducing the level of Data Protection Act breaches; • implementing data recovery and business continuity arrangements; • issues with data quality; and • low take-up of training on issues such as information handling. <p>The Committee now needs to ensure that scrutiny focusses on the areas of high risk and that traction is gained in addressing persistent issues.</p>
<p>Joint working with Local Authority has improved ICT service resilience and reduced IT risk. The Section 33 agreement provides a good basis for further collaborative working.</p>	

Enablers of effective use of resources

The Health Board has set an ambitious change agenda and is working to strengthen its arrangements for communications, engagement and partnership working to support transformation but significant risks remain with the estate

28. In reaching this conclusion, we found:
- the Health Board has articulated key elements of its transformation programme and needs to ensure that can drive the necessary changes to service delivery;
 - the Health Board has made considerable progress to address the challenges with its estate and estates function, although extensive further work is required to address the poor condition of the estate; and
 - partnership working with the local authority is progressing apace, communications with the public is becoming more transparent, but much more remains to be done to gather and learn from patient experience.
29. The findings underpinning these conclusions are summarised in the following sections and tables.

Change management

The Health Board has articulated key elements of its transformation programme and needs to ensure that can drive the necessary changes to service delivery

30. The findings underpinning our conclusion are summarised in [Table 9](#).

Table 9: change management

Strengths and developments	Risks and challenges
<p>The Transformation Programme now has clear Executive leadership and is providing focus to deliver its constituent parts, namely:</p> <ul style="list-style-type: none"> • Commissioning • Service Reform Programme (medium term) • Strategic Delivery Model Programme (longer term) • The repatriation of adult mental health services 	<p>The approach to transformation is relatively new within the Health Board and many of the programme boards have only recently been established:</p> <ul style="list-style-type: none"> • the Service Reform Programme Board was established in May 2015; and • the Strategic Delivery Model Programme Board was established in July 2015. <p>Further work is needed to ensure that these programmes can start to deliver at the necessary pace. Also required is sufficient linkage between annual savings plans, the IMTP and the transformation programme.</p>
<p>Strategic planning paper to the Board in August 2015 provided a clear update on progress and challenges within the existing strategic change programmes around the border of Powys.</p>	<p>Linking in with the large number of strategic change programmes takes up significant resources.</p>
<p>The MHA has overseen repatriation of mental health services following a comprehensive plan to return services to the Health Board on 1 December. This is the first element of the transformation programme to be delivered.</p>	<p>Transfer of the service currently provided by Aneurin Bevan UHB is deferred until summer 2016. A transition board will oversee the transfer process but the additional risks and impact need to be fully assessed.</p>
<p>The Values and Behaviours Framework was approved by the Board in June 2015. The Framework 'will be a key enabler in developing a culture of continuous improvement required in order to become a high performing organisation'. Chat to Change and other organisational development initiatives are preparing staff for changes ahead. The values are being incorporated into the refresh of the IMTP.</p>	

Estates

The Health Board has made considerable progress to address the challenges with its estate and estates function although extensive further work is required to address the poor condition of the estate

31. The findings underpinning our conclusion are summarised in [Table 10](#).

Table 10: estates

Strengths and developments	Risks and challenges
<p>While there are longstanding significant estates and assets risks relating to health and safety compliance, the Health Board is starting to make inroads to address fire, asbestos and electrical compliance. £3 million capital funding was approved in January 2015 which included the discretionary capital allocation plus additional Welsh Government funding for specific projects and these were completed by year-end.</p> <p>Further compliance works have been identified in 2015-16. A Business Justification Case has been submitted to Welsh Government to request funding to address compliance and health and safety risks.</p>	<p>In October 2015, the Q2 capital report highlighted the extent of the estates and compliance works required at an estimated value of £68.5 million. Improvements to the estate on this scale will not be possible without a comprehensive estates strategy. There is a significant risk to the estate if this funding is not granted. If funding is granted, there is a risk around delivery as there are capacity gaps.</p>
<p>The Quality and Safety Committee receives assurance reports on health and safety and compliance issues around the estate eg, water compliance and testing.</p> <p>The Audit Committee has seen progress on delivery of the large number of compliance recommendations from internal audit reports.</p>	
<p>There is now established assurance reporting on capital to Finance and Performance Committee. Good probing by Independent Members at Finance and Performance Committee in October about the need to take a broader strategic view about capital spending and to ensure there is a sufficient focus on patient dignity when considering schemes.</p>	<p>Following structured assessment in 2014, we made a recommendation that the Health Board should develop a robust estate strategy which addresses key compliance concerns. The Health Board's Strategic Outline Programme addresses the compliance works in the short to medium term. Going forward, there is a need to develop a longer term estates strategy to set out how estates and assets will be designed to meet future care pathway models.</p>

Strengths and developments	Risks and challenges
<p>Considerable progress has been made to address longstanding weaknesses in the estates function moving towards one that is appropriately skilled, motivated and managed.</p>	
<p>Plans are in place to redevelop Llandrindod Hospital. The Health Board is addressing shortfalls in governance arrangements to ensure there are necessary assurance mechanisms during the project.</p>	
<p>The Health Board is in the process of reviewing the governance arrangements for the capital programme and project controls. This will rationalise ways of working and increase the transparency in the way it identifies and prioritises scheme requests.</p>	
<p>Two major estates disposals are expected to provide income to support the capital programme:</p> <ul style="list-style-type: none"> • the refurbishment of the Patti Wing, Ystradgynlais Hospital is enabling the relocation of the Mental Health team from the Larches which was sold for £0.136 million; and • Mansion House, Bronllys Hospital, disposal is anticipated to generate around £0.45 million with marketing of the property to take place at the end of September 2015. 	<p>Achieving the Mansion House sale at a good price is dependent on securing interest from the market.</p>

Stakeholder engagement and partnership working

Partnership working with the local authority is progressing apace, communications with the public is becoming more transparent, but much more remains to be done to gather and learn from patient experience

32. The findings underpinning our conclusion are summarised in [Table 11](#).

Table 11: stakeholder engagement and partnership working

Strengths and developments	Risks and challenges
<p>The integration agenda has moved forward rapidly in 2015. The Health Board now has:</p> <ul style="list-style-type: none"> • three Independent Members with links to Powys County Council; and • the Director of Primary and Community Care has extensive experience of integration between health and social care from his previous work in Scotland. 	
<p>There is tangible progress with the One Powys strategy and transformational board activities:</p> <ul style="list-style-type: none"> • Agreeing revised Governance structure. These will meet the increased scope and pace of change for integration required by Welsh Government while also addressing concerns about levels of member involvement and meet Health Board requirements for separation of Board and executive functions. • A joint Organisational and Partnership Development Programme Board is taking forward work around Leadership, Management and Team Development. This is supporting a coherent approach to enable individuals within the two organisations to work together. • A seminar is planned to develop a joint vision for staff engagement. • The set up of Older People’s Integrated Care Teams in two areas of Powys. 	<p>The risks to the Health Board with the integration agenda are high. The Health Board needs to ensure the governance and performance arrangements to underpin any future integration activities are robust.</p>
<p>The Health Board has made good progress with its communications including approval of an updated strategy in October 2015. The strategy aims to raise awareness and understanding of the work of the Health Board by ensuring clear, effective and timely engagement with staff, patients, the public and stakeholders.</p> <p>Investment in communications is helping to address weaknesses highlighted by an independent review of communications in 2014.</p>	<p>There are separate strategies for overall communications, external stakeholder engagement and patient experience. Each strategy has a different Executive lead and it will be important to co-ordinate on the delivery.</p> <p>Further work is needed to make sure that all approved strategies and reports are easily available on the internet.</p>

Strengths and developments	Risks and challenges
<p>Progress with communications is evidenced by:</p> <ul style="list-style-type: none"> • Chat to Change programme supporting employee engagement across the organisation; • the Chief Executive is sending personal greetings cards to individual staff to express thanks; • the major refresh of the internet site that has increased the openness of the organisation making Board and committee papers easily accessible; • the annual report is bright and clear; • using social media to make Board meetings more accessible eg, a YouTube video of the patient story from the AGM has been viewed almost 100 times; • an accessible short form of the IMTP which is also available on the website; and • the Chief Executive is improving her visibility by using Twitter. 	
<p>External Stakeholder Engagement Strategy approved August 2015. The aim of this strategy is to provide a clear, high level and enduring framework within which the Health Board can develop increasingly effective and appropriate means of engaging with its many and varied stakeholders. This will support the delivery of the change agenda.</p>	<p>There is not a stakeholder reference group meaning the Health Board is not using this useful method of gathering views.</p>
<p>There are good examples of improvements to the approach to capturing and sharing patient stories. However, the Health Board needs to undertake more work before this is a comprehensive and sustainable approach. Progress has been evidenced through:</p> <ul style="list-style-type: none"> • participation in the national initiatives to respond to Improving Healthcare White Paper 'Listening and learning to improve the experience of care: Understanding what it feels like to use services in NHS Wales (June 2015)'; • positive Board discussion in June 2015 on the further development and use of Patient Stories; 	<p>It is essential that the Health Board improves learning from patient experience through the agreement and implementation of a Patient Experience Strategy.</p> <p>Examples of avenues used by other Health Boards that could be developed are:</p> <ul style="list-style-type: none"> • friends and family test to allow comparison with England; • regular surveys of patients; • use of social media to monitor trigger words to allow live feedback; and • reports on percentage of patients providing feedback on services.

Strengths and developments	Risks and challenges
<ul style="list-style-type: none">• a Patient Experience Strategy exists in draft format and a workshop is planned for February 2016;• a combined concerns and patient experience team;• a refreshed Patient Experience Steering Group launched in October 2015; and• the Head of Nursing – Projects has had patient experience allocated to their portfolio.	

Appendix 1

2014 structured assessment recommendations

The 2014 structured assessment recommendations and a summary of progress made against each are set out below.

Recommendation	Summary of progress
Financial planning and management	
<p>R1 Some savings schemes are unrealistic and the lead-in time required to deliver on some of the more complex savings schemes can be significant. Approaches to securing savings alongside the financial planning and delivery processes still needed to be strengthened.</p> <p>Strengthen the financial planning, delivery and monitoring processes to support the achievement of the annual savings plans.</p>	<p>The Director of Finance now has a plan in place for each savings scheme (other than WHSSC) to support robust monitoring and risk management although further work is needed to ensure all plans meet the required standard.</p> <p>The Chief Executive established a Delivery and Performance Group, which is strengthening Executive oversight of all aspects of performance.</p> <p>The Finance and Performance Committee carries out monitoring of finances and saving schemes. The Committee receives detailed assurances in respect of the organisation's financial performance and scrutinises progress against the savings plans.</p>
Arrangements for governing the business	
<p>R2 While the Health Board doesn't yet have an approved IMTP it has identified high-level strategic themes and challenges. However, these have not yet been translated into a prioritised delivery plan or programme, making transformation to future models and pathways of care unclear.</p> <p>Formulate strategic and operational plans that support the transformation to future models and pathways of care. Develop a corporate-level approach for monitoring and scrutiny of delivery of strategic plans and organisational objectives.</p>	<p>The Health Board has an approved IMTP and annual plan for 2015-16. Strategic and operational plans are in development through the Transformation Programme.</p> <p>The Transformation Board provides detailed reports on progress to the Board and more detailed exception reporting to the Finance and Performance Committee. The governance arrangements were reviewed and revised during the year and further work is being undertaken to develop the reporting for the Transformation Programme in line with the new programmes that are being established. A high level programme plan sets out key milestones to 2018-19.</p>

Recommendation**Summary of progress**

R3 While the Health Board has delegated accountability for delivery into its localities, there is a need to design a performance accountability model that mirrors the delegated management approach. The locality model is evolving, but there have been some issues such as the degree to which accountability and processes are centralised or devolved.

Clarify the lines of accountability for localities in a documented PMF.

The Health Board redesigned the locality structures to ensure clarity of purpose and lines of accountability to the Director of Primary and Community Care. In June 2015, the Board approved a PMF that clarifies the lines of accountability for localities. The PMF is a high-level plan, with further work underway to develop the implementation plan. It is not yet embedded, with 2015-16 acting as a transition year towards this. The framework sets out lines of accountability, escalation steps and the broad phases towards creating a performance culture.

R4 In 2012, I recommended that the Health Board develops a Board Assurance Framework to help it assess its overall risks and develop and design the required programme of assurances and oversight. The Health Board has not yet finalised such a framework.

Finalise and implement a robust Board Assurance Framework.

Significant work has been undertaken on corporate governance arrangements including the development of a range of assurance frameworks:

- Board assurance system approved December 2014
- Risk assurance framework approved June 2015
- Performance assurance framework approved June 2015
- Values and behaviours framework approved June 2015
- Quality assurance framework in development

A Board Development Session took place on 27 October 2015 to provide training on purpose and use of a Board Assurance Framework, alongside development of Risk Appetite and Risk Tolerances. Further work is underway to refine and embed these arrangements. It will be important for the Health Board to test that these arrangements work as intended once established.

Recommendation**Summary of progress**

R5 Observations at Board and Committees indicate that Independent Members collectively demonstrate challenge. However, there is variation in the depth of challenge, scrutiny and questioning.

Develop a programme of support for Independent Members to improve their ability to scrutinise the Health Board.

A Board Development Programme has been established with sessions to provide continuing support to independent members to enable them to fulfil their role. The annual Board business report for Board in June 2015 contained a helpful appendix on Board Etiquette.

R6 The Board and its committees can only function effectively if they have appropriate information to allow them to discharge their duties. This year's work indicates that information generally supports effective management and governance but improvements are needed in some areas.

Improve committee support by ensuring papers are of good quality, and ensuring papers and minutes are always distributed in an appropriate timeframe.

There is now a Board Administration Cycle in place setting clear timescales for issuing minutes and paper. Minutes now circulated to Board and Committees in draft for amendment in advance of meetings.

There has been some improvement in the timeliness of issuing of agendas and distribution of papers and minutes. However, there are still instances where papers are not issued with enough time to allow for independent members to read them, most recently with the Finance and Performance Committee in December which had to be postponed.

The Board report template was revised to provide information required by the Board and its committees. The annual Board business report for Board in June 2015 contained a helpful appendix on Business Standards for Board Papers. This document emphasised the importance of well written Board papers so that Independent Members can easily grasp the key issues quickly.

Further work is needed to ensure that all Board and committee papers are presented to the same high standards.

Recommendation	Summary of progress
<p>R7 The Information Governance Committee is not yet providing the right level of oversight and assurance to ensure the organisation has effective arrangements to comply with key information legislation.</p> <p>Strengthen the arrangements of the Information Governance Committee to ensure effective oversight and assurance for information governance.</p>	<p>There have been some improvements in the functioning of the Information Governance Committee and it has met regularly throughout the year. It has a work plan in place describing the sources of assurance. Further work is needed to review and refresh the terms of reference and its work programme to focus on areas of highest risk and address persistent issues.</p>
<p>Enablers of effective use of resources</p>	
<p>R8 There remain overall weaknesses in the management of assets and estates.</p> <p>Develop a robust estate strategy and ensure key compliance issues are addressed.</p>	<p>The Health Board has submitted a Business Justification Case to the Welsh Government to address the compliance issues highlighted in internal audit reports. The extent of the estates and compliance works required has been assessed at an estimated value of £68.5 million, which is a significant challenge.</p> <p>Further work on the estate strategy will be developed longer term as part of the Estates Programme within the Transformation Programme.</p>

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