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Structured Assessment 2017 – **Betsi Cadwaladr University Health Board**

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Introduction and background

1 Our structured assessment work helps inform the Auditor General's views on Betsi Cadwaladr University Health Board's (the Health Board) arrangements to secure efficient, effective and economic use of its resources.

2 Our work in 2016 found the Health Board was laying some sound foundations to secure its future and the pace of change is increasing, although it remains in a challenging financial position and has considerable further work to do across a range of important areas.

3 As in previous years, our 2017 structured assessment work has reviewed aspects of the Health Board's corporate governance and financial management arrangements and, in particular, the progress made in addressing the previous year's recommendations. NHS bodies are facing growing financial pressures and challenging financial duties set out in the NHS Wales Finance Act (Wales) 2014. Therefore, we have also reviewed the Health Board's arrangements to plan and deliver financial savings.

4 We have also used this year's structured assessment work to gather evidence to support a pan-Wales commentary. It will set out how relevant public sector bodies are working towards meeting the requirements of the Wellbeing of Future Generations Act (Wales) 2015. This commentary will be reported separately early in 2018.

5 The findings set out in this report are based on interviews, observations at board, committee and management group meetings, together with reviews of relevant documents and performance and finance data.

6 The Health Board has been subject to substantial commentary on its governance arrangements, through our previous structured assessments and our joint work with Healthcare Inspectorate Wales (HIW), of which the latest follow up was published in June 2017[1]. In 2015, the Welsh Government placed the Health Board in Special Measures[2]. The Deputy Minister for Health issued a Special Measures Improvement Framework to the Health Board on 29 January 2016, setting out expected improvement milestones over the next two years.

7 Our structured assessment this year has not focused specifically on the steps included in the Health Board's special measures plan. However, we have commented in areas that are relevant to its special measures plan where those areas fall within the scope of the structured assessment review.

[1] **An Overview of Governance Arrangements** – Joint review undertaken by Healthcare Inspectorate Wales and the Wales Audit Office

[2] Welsh Government statement in June 2015

8 We are also aware that the Welsh Government has commissioned Deloitte LLP to undertake both a review of the Health Board's financial governance arrangements, and separately to examine capital planning arrangements at Ysbyty Glan Clwyd. On the latter, it is important to indicate that we have not undertaken any examination of these arrangements, either through structured assessment work, or otherwise.

Key findings

9 The Health Board continues to find itself in an extremely challenging position, both in terms of its finances, and performance against a number of key national targets. The Health Board continues to evolve its corporate arrangements for governance, financial management, strategy development and workforce planning but these have not yet sufficiently enabled the Health Board to be where it needs to be with its finances and performance. The findings underpinning these conclusions are summarised below.

Financial planning and management

10 We found that the Health Board continues to experience significant financial challenges and needs to develop a more transformational approach to savings schemes if it is to reduce its growing cumulative deficit.

Financial performance

11 While the Health Board has a reasonable savings delivery track record, its savings approach is not sufficiently improving the overall financial sustainability and financial standing of the organisation.

12 Over the last five years, the Health Board has set relatively ambitious savings targets. In most years, the Health Board has been successful delivering against those expectations. Over the period between 2012 and 2017, the Health Board has set savings plans targets of £193 million and has achieved £192 million. However, there is:

- a high degree of variation in the success of individual savings plans, with notable over-delivery and non-delivery; and
- a trend of cost growth during both the 2016-17 and 2017-18 financial years which have to be countered by additional short-term saving schemes.

13 For 2017-18 in particular, the plan at the beginning of the year included a £35.4 million savings target and a predicted year-end deficit of £26 million. However as the year has progressed, a growth in costs became apparent which increased the year-end deficit forecast. In recognition of this significant issue, the Health Board has developed additional savings schemes but these do not go far enough to recover the financial position to meet the original plan. Moreover, there remain risks to the achievement of the revised savings schemes. This has resulted in a

challenging position where the 2017-18 forecast deficit has been formally revised from £26 million to £36 million. This increases the three-year deficit for 2015-18 from £75.5 million to £85.3 million. As such, the Health Board will not meet its requirement to spend within allocation as set out in the NHS Finance Act (Wales) 2014 for the period 2015-18. The rolling nature of requirements set out in this Act also means that the Health Board is highly unlikely to recover its three-year cumulative position for at least another two years.

Financial savings planning and delivery arrangements

14 The Health Board's corporate arrangements for savings planning and delivery are becoming stronger, but they need to be more focused on longer-term sustainability. There is opportunity to increase the focus on service transformation, improving value and productivity, efficiency and reducing waste.

15 Corporate leadership and management of savings has been subject to numerous changes in recent years. Over the last three years, the Health Board has used an external consultancy, appointed an interim Director of turnaround and continued to be supported by a minimally staffed Programme Management Office (PMO). Revised accountability arrangements for the PMO team and a possible merging of this team with the improvement team are now broadening the focus and create the potential for extra capacity. We also found that finance department savings planning support has worked well over the last 12 months and the executive led programme review groups have helped provide structure and accountability in many instances. However, while available if specifically requested, change management, workforce planning, procurement and informatics support for saving schemes, was not systematically provided. We understand that Health Board is starting to address these issues as part of 2018-19 savings planning approaches. The Health Board also uses data and benchmarking which helps to identify scope for better efficiency and the potential for cost reduction in many areas, but this is not yet used systematically at an operational level to develop savings targets and plans.

16 While the Health Board is drawing on previous years' experience to strengthen its approach to the management of savings schemes, these are not well integrated into the Health Board's annual operating plan. At present the Health Board's savings approach is predominantly based on an annual cycle, placing too great a reliance on short-term and non-recurrent savings. It is also impacted by growth of in-year costs, which is increasing the focus on short-term solutions. There is a clear desire in the Health Board to embrace prudent healthcare[3] and value based healthcare[4] principles but they currently are not well embedded into service planning. It is encouraging that the Health Board is recognising the areas identified

[3] **Achieving Prudent Healthcare in Wales**

[4] NHS Confederation – **Value Based Healthcare**

above, and has recently created a ‘value’ steering group, chaired by the Medical Director, to help take aspects of this agenda forward.

Financial savings monitoring

17 Financial savings monitoring and scrutiny arrangements are strengthening as a result of lessons learnt from previous years and significant financial risks faced in the current year.

18 The Health Board’s approach for monitoring savings delivery at a management level is well-established. The PMO monitoring group oversees progress of financial savings plans and receives clear information on savings schemes and this information continues to improve. While overall arrangements for monitoring are relatively sound, the impact of the arrangements on the overall financial position are more of a concern.

19 Board and committee performance monitoring of savings has been sufficient to discharge a general duty to oversee the impact of financial savings. However, until recently, there has not been sufficient detail provided to enable effective challenge, support, escalation and remedial action at Board or committee level. From August 2017, the Finance and Performance Committee has started to receive more in-depth and specific reports on a division or thematic level. This has helped strengthen the focus and rigour of scrutiny. The Board has also set up a Financial Recovery Group. This is providing opportunities to strengthen oversight and scrutiny of savings plans, but this group needs to rapidly demonstrate strengthened scrutiny and a positive impact on the financial position.

Progress in addressing previous structured assessment recommendations on financial planning and management

20 In 2016, we recommended that the timeliness of financial reporting to the board needed to improve. This has been achieved through verbal briefings and presentations to in-committee and other Board sessions. The recently established Financial Recovery Group is also helping to provide regular oversight on the organisations finances. From January 2018 onwards, the Board has also brought forward its meetings to accommodate improvements in the timeliness of finance and performance meetings.

Governance and assurance

21 In reviewing the Health Board's corporate governance arrangements, we found some governance processes are strengthening, but the Board urgently needs to demonstrate a positive impact on the organisation's performance and finances. The reasons for reaching this conclusion are summarised below.

22 Our observations of the Board and its committees during 2017 shows that they are well-administered and conduct their business properly. This includes a planned cycle of business, varied agenda and transparency in public reporting. While there is a notable commitment to improve, the Board needs to strengthen decision making with a greater focus on affordability, particularly when approving plans and proposals.

23 Governance structures are well administered, but there are opportunities for further improvement and re-shaping of terms of reference of the Finance and Performance Committee. We continue to note good inter-relationship and coordination between the Board's committees through the formal Committee Business Management Group, and more informal meetings of the committee chairs. We have identified improvement in the function of the Strategy, Partnerships and Population Health Committee and Audit Committee. We also recognise the progress that the Health Board is now making on its Board Assurance Framework and assurance mapping.

24 We have however highlighted some areas where the Health Board will need to either strengthen its governance process or determine the impact of its arrangements. This relates to strengthening the flow of assurance between the officer led Quality and Safety Group and the Quality, Safety and Experience Committee. We first identified this issue in 2013. We also identified as part of this year's work, the opportunity to strengthen the clinical audit approach to better target quality priorities and risks as well as provide assurance to the Quality, Safety and Experience Committee.

25 We found that the Finance and Performance committee has a clear agenda with a positive contribution of the independent membership. We also note recent strengthening in the style of scrutiny, which needs to continue. However, there is a significant demand on the committee given the increased scrutiny and focus that is needed on finance and performance within the Health Board. The committee is overseeing a deteriorating financial position, worsening of key aspects of performance and some key capital issues and risks. Given that it also has responsibilities in other key areas, notably workforce and informatics, there is a concern that the committee's current remit is too broad to allow it to adequately focus on some of the key challenges that the Health Board is facing.

26 Whilst performance management arrangements are in place within the Health Board, these have not prevented a deterioration in performance in a number of key areas within the national delivery framework. We have identified worsening performance relating to patients waiting on the referral to treatment pathway, the follow-up outpatient waiting list and those waiting for unscheduled care. We

understand that there has been additional targeted investment, made available from November 2017 onwards, and aimed at improving performance.

27 The Health Board has made minor changes to its organisation structure during the year. This included an area that we have been concerned about for some time relating to Executive leadership of the concerns/putting things right team. Those changes are starting to have positive affect.

28 The Health Board is demonstrating that it is taking a proactive approach in preparing for the new General Data Protection Regulation requirements. However, it also needs to ensure that it improves the timeliness of responses to statutory information access requests.

Progress in addressing previous structured assessment recommendations on governance and assurance

29 The Health Board is in the process of addressing the recommendations made last year in relation to governance and assurance. Progress is summarised below relating to recommendations made last year the following areas:

- **Board development programme** – The action is complete. The Health Board adopted a thematic focused board development agenda throughout 2017.
- **Assurance mapping** – Original target date set as ongoing. Work to implement the assurance map will need to align to timeframes for strategy and planning to ensure it aligns to agreed objectives.
- **Learning lessons and putting things right** – Original target dates March to June 2017 and action remains in progress. The new accountability arrangements for the central term are starting to take effect. New systems and processes are developing, but there remains more to do to ensure lessons are effectively learnt and consistently applied.
- **Ward to board culture** – Original target dates December 2016 to May 2017. Action remains in progress. New systems and processes are developing, but there is a need for further improvement.

Other enablers of the efficient, effective and economical use of resources

30 While the Health Board is making efforts to improve its use of resources, required changes are not yet keeping pace with the Health Board's increasing service pressures. In reaching this conclusion, we reviewed aspects relating to strategy and planning, change management, workforce arrangements, use of estates and informatics.

31 The Health Board continues to have a clear programme of public engagement and a track record of gaining a wide representation of community groups. Alongside the general engagement work, the Health Board plans targeted engagement activity

where it is considering making specific changes. Once the Health Board has progressed its planning as part of its preparation for publishing its Living Healthier Staying Well strategy and IMTP, it will then need to decide whether it formally consults. This will depend on the extent of service change proposals.

32 The Health Board has continued with its Living Healthier Staying Well strategy development. It is engaged with the four North Wales Public Service Boards and development of well-being assessments, the North Wales population assessment and has developed its own local needs assessment. The Health Board has identified the further actions required for development of its 2018-2021 IMTP from October 2017 onwards. Overall, the Health Board has progressed its strategy and planning development. It will however, need to ensure sufficient clarity in its plans to help provide an effective platform for change and a financially sustainable future.

33 Change management capacity and capability is an area that has been an issue for the Health Board for some time, and we have commented on the need to strengthen its arrangements since 2014. The Health Board attempted to recruit a director of transformation. Unfortunately, this has not resulted in an appointment, and the Health Board has needed to utilise interim arrangements. We have also seen a number of changes over this time including a PMO, Programme review groups and service transformation groups but as arrangements have developed, they also have become complex, with differing structures and areas of focus. The Health Board needs to ensure that it puts in place arrangements that bring together in a cohesive and structured way, its corporate change management arrangements as well as creating effective change capacity and capability within the divisions.

34 While aspects of workforce management are reasonably effective and setting a positive tone, there remain some significant issues including reliance on a temporary workforce, recruitment challenges and low levels of clinical engagement. There are a number of positive attributes to the way the Health Board is managing its workforce. Workforce performance measures show that the Health Board performs well in some areas such as sickness absence, and compares well to other bodies in Wales. Initiatives such as the Health Board's 'step into work' and Project SEARCH programmes are offering access to work experience for people in the community facing disadvantage. The Board supported and approved the staff engagement strategy in January 2017. The strategy has a broad focus and includes work on culture, building reflective learning improvement skillsets, ward leadership, wider leadership capability development and staff recognition and awards.

35 However, there also remain a number of significant workforce challenges. Since 2011, reliance on agency staff has been worsening with agency staffing costs reaching a peak of £45 million in 2016-17 although there is evidence to indicate that costs have started to reduce during 2017-18. Recruitment also remains a significant challenge particularly for hard to fill specialist areas. Given these challenges, the Health Board will need to adopt a more 'tactical' approach to recruitment to improve the appeal to clinical staff. In addition, medical and allied health training has not sufficiently met the Health Board's staffing needs. This

specifically relates to converting initial training numbers requested at an all Wales level into permanently employed north-Wales based staff over the medium to long-term. This is an issue that will require close working between the Health Board and a number of stakeholders including the Welsh Government, the deanery and other South Wales based training partners, WEDS, and local training partners in North Wales and North West region.

36 We also considered overall management capacity. We noted that the Executive Directors can be drawn into operational management issues, which is indicative of a wider need to strengthen the breadth and depth of senior management expertise below executive director level. Medical engagement and leadership has also been a significant issue for the Health Board. This area continues to require effort and we understand that the Medical Director is leading work to help strengthen arrangements.

37 We are increasingly concerned about the fragility of the senior management structure in the Mental Health division. Sickness absence has affected the continuity of senior leadership and is placing increasing pressure within that division and on senior management. The Health Board has put in place interim senior management arrangements to stabilise the existing leadership team.

38 Restructuring of the estates department resulted in some improvement, but the Health Board is struggling to allocate sufficient resources to estates and lacks an overall strategy to tackle high-risk areas. The Health Board currently has an estates portfolio valued at around £420 million. It also has the highest backlog maintenance in Wales on a risk-adjusted basis valued at £40.1 million[5]. This should reduce with new and ongoing building work and redevelopment projects, but will remain a significant challenge for the Health Board because of the age profile of its estate. The Health Board does not currently have an estates strategy but anticipates that it will be published by autumn 2018 after publication of the Health Board's strategy and plans in April 2018. At present though, the absence of a strategy makes it more difficult for the Health Board to make decisions on capital, such as disposal of estate or prioritisation and approval of new capital projects and works.

39 The Health Board is improving its use of technology, but constrained resources may affect the extent that technology is used to support service efficiency. The Health Board developed its 2017-18 Informatics Operational Plan that sets the objectives and priorities for the current year. The Health Board's informatics department has historically seen a constraint in funding and is attempting to balance its resource and focus across operational requirements and support of new initiatives, systems and developments. This may limit the extent that the Health Board can use technology to support and enable savings and efficiencies in other areas.

[5] NHS Estates, **A risk-based methodology for establishing and managing backlog Gateway reference 4102**, TSO, 2004.

Progress in addressing previous structured assessment recommendations on use of resources

40 The Health Board is in the process of addressing the recommendation made last year and in 2015 in relation to use of resources. Progress is summarised below relating to the following areas:

- **Strategy and planning, delivery of plan within timescales** – Original target date November 2017. Action remains in progress as the determinant of success is the approval of corporate strategy and plans in March 2018.
- **Change management capacity and capability** – The recommendation made in 2015. Action remains in progress because the Health Board continues to rely on consultancies and needs to build its overall capability for change.

Recommendations

41 Recommendations arising from the 2017 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. 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: 2017 recommendations

2017 recommendations	
Financial savings	
R1	Embed a savings approach based on targeting savings at areas where benchmarking demonstrates inefficiencies, to deliver longer-term sustainability.
R2	Identify where longer-term and sustainable efficiencies can be achieved through service modernisation and application of approaches such as value based healthcare, productivity improvements and invest to save.
R3	Ensure that budget holders receive the necessary specialist support from enablers such as the Programme Management Office, workforce, procurement and informatics teams when developing and delivering their savings plans.
R4	Ensure that financial savings assumptions are fully integrated into annual and medium-term plans so that savings efficiencies form part of service modernisation.
R5	Develop an approach for providing assurance to the relevant committee where delivery of saving schemes may affect service quality or performance.
R6	Further strengthen the corporate monitoring approach to ensure it supports and enables savings plans which are slipping, and encourages longer-term savings and efficiency programmes.

2017 recommendations
Governance arrangements R7 Ensure that plans presented to the Board include costed options where applicable, and contain sufficient information to indicate to the Board that they are affordable in the short, medium and long-term. R8 Review the remit of the Finance and Performance Committee with particular consideration to its breath of its current responsibilities. R9 Build on the Health Board's programme of clinical audit to ensure it: a) aligns with quality strategy priorities and risks; b) sets out patient/quality outcomes or impact as a requirement of audit planning to help it understand the value that clinical audit is contributing; and c) informs the Quality, Safety and Experience committee with clear and focussed assurance reports.
Change management R10 Consolidate, strengthen and sufficiently resource the change enabling capability of the organisation. Specifically the Health Board should: a) ensure financial savings are embedded into change programmes and plans; b) strengthen capacity and capability within centrally managed change programmes; c) strengthen change enabling capability and capacity in divisions; d) ensure workforce, informatics and other enabling resources are integral to change delivery arrangements; e) ensure clinical engagement and leadership are integral elements within change programmes; and f) strengthen accountability for progress against plans, including the annual operating plan and when developed, the Integrated Medium Term Plan (IMTP).
Workforce management R11a Work with educational partners, research partners and internal stakeholders to shape new job roles to increase the attractiveness of the job offer as part of clinical staff recruitment. R11b Increase tactical recruitment capacity to support delivery of R11a. R12 Strengthen middle and senior management skills to provide sufficient breadth of business and financial capability and to support succession planning.
Informatics R13 Increase investment in technology where this clearly will result in a greater level of returned cashable efficiencies or transformational economies.

Detailed report

The Health Board continues to experience significant financial challenges and needs to develop a more transformational approach to savings schemes if it is to reduce its growing cumulative deficit

42 Our structured assessment work in 2017 considers the actions that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. This year's work has had a specific focus on the Health Board's arrangements for planning and delivery of financial savings.

43 We have not considered detailed approaches for individual saving scheme planning and delivery, although we have looked explicitly at medicines management and informatics saving schemes to help inform our views on the overall the effectiveness savings planning and delivery arrangements in the Health Board. In addition, we have reviewed progress made in addressing previous recommendations relating to financial management. Our findings are set out below in the following structure:

- impact of approaches to savings on the overall financial standing of the organisation;
- arrangements in place to plan and deliver savings;
- monitoring and scrutiny of savings; and
- progress against recommendations made in last year's structured assessment.

While the Health Board has a reasonable savings delivery track record, its savings approach is not sufficiently improving the overall financial sustainability and financial standing of the organisation

44 Each year, the Health Board is allocated revenue by the Welsh Government to provide the resources for the Health Board to pay for locally provided and contracted healthcare services for its resident population. This allocation is known as the Revenue Resource Limit (RRL). Each year there are increases in the RRL allocated at the beginning of the year by the Welsh Government. These increases in revenue help to address inflationary costs of healthcare[6]. This includes growth in pay costs, medication costs, and increasing demand for services.

45 The Health Board forecasts its planned expenditure, which it sets against the financial allocation and other income streams. In each of the last three financial years, this has left a resource gap that the Health Board addressed in part through savings and cost control measures. However, these measures alone have not been sufficient to meet this overall resource gap with the consequence that the Health Board has operated to a planned financial deficit position at the end of the year.

46 As a result, the Health Board breached its resource limit by spending £75.9 million in excess of the £3,991 million that it was authorised to spend in the three-year period 2014-17. The following conclusions describe the effectiveness of past saving performance, and the overall impact on the financial standing of the organisation.

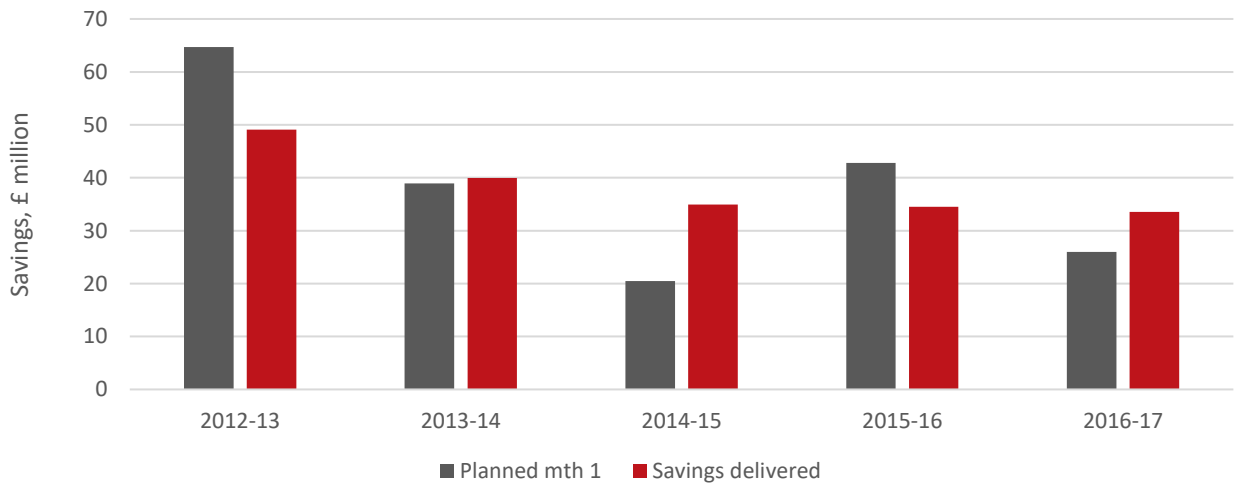
[6] Economic assumptions 2016/17 to 2020/21

The Health Board has a reasonable track record of delivering the savings targets it has identified

47 Over the last five years, the Health Board has set relatively ambitious but generally achievable savings targets. In most years, the Health Board has been successful delivering against those expectations (Exhibit 2). Over the period between 2012 and 2017, the Health Board has set savings plans targets of £193 million, and has achieved £192 million. The Health Board also increases the savings target during the year to help counter unplanned growth in service costs. This growth in costs can occur for a range of reasons including, for example, winter pressures and flu or greater need for specialist out of county placements.

Exhibit 2: summary of saving scheme delivery

The chart shows the trend of achievement of saving schemes over the last six financial years. The grey columns show savings planned at the beginning of the year (planned at month 1) versus savings reported (red columns) as delivered at the end of the year.



Source: Savings reported by the Health Board in its monitoring returns to the Welsh Government

There was a high degree of variation in the success of savings plans for 2016-17

48 In 2016-17, the Health Board's total resource gap was £60.3 million. To help address the gap, it agreed a savings plan that totalled £26 million at the start of the year. The Health Board identified 301 saving schemes to help it meet its annual savings target. Exhibit 3 provides summary analysis prepared by the Health Board on over and under-delivery against its saving schemes.

49 By the end of the 2016-17 financial year, the Health Board revised its savings target from £26 million to £30.6 million. It over-delivered against its savings plans by achieving £33.5 million in savings. While it is positive to note the over-delivery against savings plans, there was a high degree of variation in the success of savings approaches. The overall position was helped by some significant over-achievement in a small number of schemes and six 'unplanned' schemes providing £1.2 million in

savings. The scale of over and under-delivery indicates that the Health Board could further improve its savings planning and delivery arrangements. Moreover, because of growth in service costs during the year, the net effect of over-delivery of savings and increase in costs meant that even though the Health Board over-achieved its savings, it only marginally reduced its planned deficit.

Exhibit 3: summary of 2016-17 saving scheme delivery

The table describes the performance against saving schemes at the end of the financial year.

Category	Number of identified schemes	Sum of planned schemes (£)	Sum of actual scheme delivery (£)	Sum of differences between actual and planned savings (£)
Identified savings schemes over-delivering by £50,000 or more	33	6,629,474	18,213,684	11,584,210
Identified savings schemes over-delivering by £49,999 or less	35	1,912,351	2,494,636	582,285
Identified savings schemes achieved exactly the planned amount (+/- £10)	88	4,876,827	4,876,805	-22
Identified savings schemes under-delivering by £9,999 or less	20	527,359	481,078	-46,281
Identified savings schemes under-delivering by £10,000 to £49,999	19	2,340,042	1,886,318	-453,724
Identified savings schemes under-delivering by £50,000 or more	30	9,244,532	4,436,856	-4,807,676
Identified savings schemes delivering £0 (nil) savings	76	5,108,092	0	-5,108,091
Unplanned savings schemes			1,152,839	1,152,889
Total	**301**	**30,638,677**	**32,389,377**	**1,750,701**

Source: Betsi Cadwaladr University Health Board

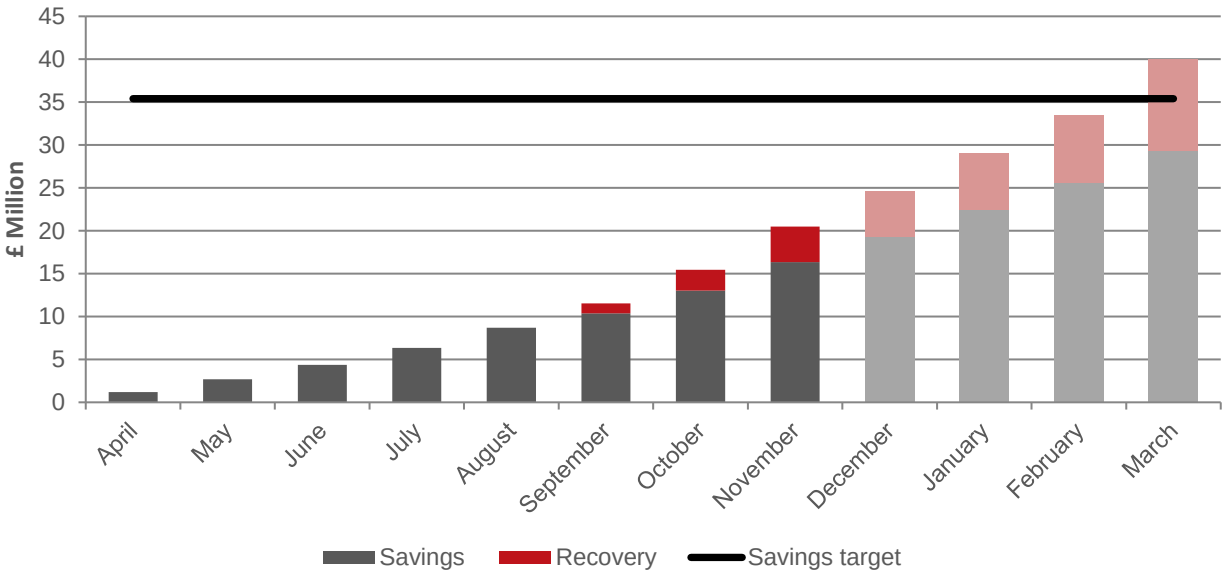
The Health Board's savings schemes do not bridge the entirety of its resource gap and the position for 2017-18 is looking very challenging

50 In 2017-18, the Welsh Government's RRL allocation to the Health Board increased by 2% to £1,383 million. The Health Board has determined its other income streams and set this against its total forecasted expenditure. This created a total resource gap of £61.4 million. The Health Board originally identified a £30 million deficit, but following discussions with the Welsh Government reduced this to £26 million. This resulted in a savings requirement of £35.4 million.

51 By November 2017, the Health Board overspent against its budget trajectory. It therefore has introduced additional financial recovery measures. However, even with this increase stretch, the Health Board has revised its overall forecast annual deficit for the year upward from £26 million to £36 million. While the Health Board has allocated the new savings requirements across divisions, delivery of the savings schemes presents a risk, particularly as a high proportion are required at year end, over the winter pressures period (Exhibit 4).

Exhibit 4: summary of 2017-18 saving scheme delivery performance and forecast

The chart shows the trend of achievement of saving schemes at month 8 of the 2017-18 financial year alongside forecast thereafter.



Source: Betsi Cadwaladr University Health Board

52 The Health Board has implemented additional financial recovery measures, processes and controls. It is positive to note that the Health Board was already aware of and is strengthening all key areas of concern relating to central savings arrangements that we have identified during the course of our work. However, as a result of the recent deterioration in financial performance, the Health Board:

- faces a risk of not achieving its revised savings target; and
- will not achieve its agreed deficit plan, ie to achieve an agreed deficit of £26 million without effective remedial action or additional financial allocation. As of November 2017, the annual forecast deficit has been revised to £36 million.

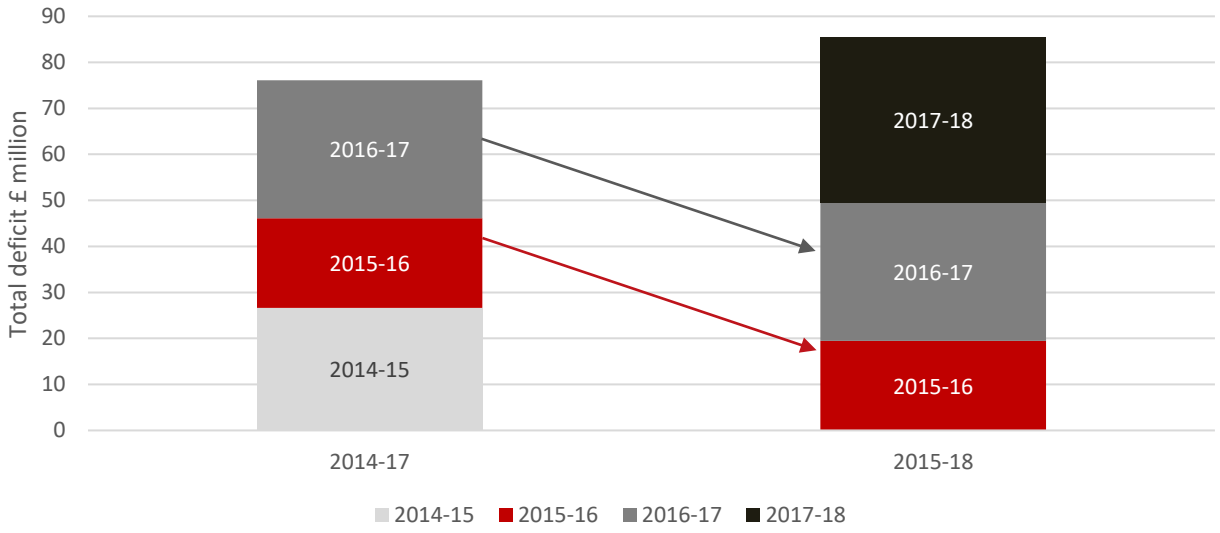
53 As part of NHS Finance Act (Wales) 2014[7] requirements, the Health Board must spend within its financial allocations over a rolling three-year financial period. As identified previously, the Health Board

[7] National Health Service Finance (Wales) Act 2014

has developed savings approaches but these do not bridge the entirety of the resource gap. The Health Board's approach to savings planning is helping to contain the overall growth in its expenditure. However, it is not significantly reducing its planned deficit within a given year, or cumulative deficit over a rolling three-year period (Exhibit 5). For example, the Health Board's three-year deficit position for the period 2015-18 is expected to be £85.3 million. The Health Board will not meet its requirement to spend within allocation as set out in the Act for the period 2015-18.

Exhibit 5: three-year cumulative financial positon (deficit)

The chart shows growth in the forecast three-year cumulative deficit financial position of the Health Board, after income, costs and savings achieved are considered.



Source: Betsi Cadwaladr University Health Board

The Health Board's arrangements for savings planning and delivery are strengthening, but its approach has been too focused on in-year cost control. There is opportunity to increase the focus on service transformation, value, improving value and productivity, efficiency and reducing waste

54 All Health Boards and Trusts in Wales have to identify savings to be able to aim to spend within their revenue allocation. For many bodies, growing cost pressures make it increasingly difficult to set a balanced budget, even with annual uplifts in funding. Traditional savings approaches across Wales have focused on cost control measures, procurement savings, recruitment freezes and changes in staff skill mix or grade mix, to name a few. Once these approaches have been exploited, health bodies will be required to think differently, because cost-cutting approaches will have diminishing returns. This section of the report considers the corporate arrangements for planning and delivering savings. We have not reviewed the design, accountability, risks or performance of individual saving schemes.

Corporate management of savings has been subject to numerous changes in recent years

55 In the Health Board, there has been a lack of continuity for the corporate management of saving schemes. This has affected the nature, scale and effectiveness of savings approaches adopted. Over the last three years, there has been reliance on an external consultancy to support programme management and a Programme Management Office (PMO) function, albeit one that was minimally staffed. The Health Board has also been unable to recruit substantively to the post of Turnaround Director, and has needed to fill this post on an interim basis. Collectively this contributed to a less than optimal and changing corporate approach to the corporate leadership and management of financial savings and one that historically focused more on reviewing savings, than enabling them.

56 In January 2016, the Finance and Performance Committee received a paper on options for the PMO, with a preferred option to create internal project management capacity in the Health Board. The pace of implementation of the new arrangements appears to have been an issue. However, new PMO accountability arrangements and changing the focus of the PMO are starting to create a positive re-shaping of this important function. This includes a clearer remit for the team and proposal to consolidate the PMO and service improvement team as a coordinated resource to build team capability and development of policy, systems and process. The aim of these changes is to allow the team to better enable delivery of savings in the future, than it has been able to do in the past.

57 To help structure the change and savings approaches, the Health Board has set up a number of programme review groups. These groups have been in place for over a year and all have executive level ownership. The distribution of responsibilities for savings through these programme review groups is better spread across the Executive team than in the past. However, the Board need to keep the arrangements under review to ensure they too help enable and facilitate improvement in the management and delivery of savings.

Arrangements to help budget holders achieve target savings have been strengthened but there is a need to make this support more proactive and systematic

58 The Health Board has recognised that senior management and service-level budget holders do not always have the necessary capacity and capability to plan, develop and deliver saving schemes and is providing additional support.

59 During 2016-17, the Health Board set up arrangements to support budget holders through the alignment of finance directorate staff to divisions and services. We understand that this process of financial support has worked well over the last 12 months. However, there were concerns raised that past approaches adopted by the external consultancy and limited number of PMO staff did not sufficiently support the delivery of changes required to achieve savings. This is an area that the new PMO has sought to address when reshaping and refocusing its team. We also understand that the workforce planning and OD teams, informatics department and the procurement team are proactively engaged when specifically called upon to provide support. However, this support was not systematically provided during the savings planning stages, with the result that not all savings schemes benefited from the input of required expertise at the initial planning and design phase. The Health Board is seeking to address this as part of the 2018-19 planning cycle.

60 The Health Board has used Welsh Government's Invest to Save scheme[8] funding on two areas only in 2016-17: electronic patient boards, and voluntary early release scheme (VERS). While we expect that use of VERS created a tangible cash benefit, the monitoring reports on the patient board implementation does not indicate whether a cashable efficiency was achieved. The concept of invest to save could be more widely used to help pump-prime required improvements, such as technology investments that result in cashable efficiency.

Data on opportunities for cost improvements does not appear to be informing the identification and design of savings plans within the Health Board

61 As identified in the previous section, the savings planning approaches in 2016-17 resulted in a large number of saving schemes. The Health Board introduced measures to encourage transformation in 2015-16 with mixture of transformational and transactional savings. However, the transformational aspects of these did not deliver the required savings. Therefore, in 2016-17 the Health Board refocused its approach on in-year cost control and transactional savings. While the number of schemes has reduced from 301 in 2016-17 to 215 in 2017-18, the number of schemes is likely to make local and central management of these schemes challenging. We also identified a number of low value schemes, and concerns were raised during interviews that the level of project administration required for these schemes was disproportionately high when considering the relatively low value of the savings likely to be achieved. This is now being addressed.

62 It is important that all health bodies across Wales understand the extent of inefficiency in the organisation. The Health Board has undertaken some analysis using Albatross benchmarking[9] to inform the finance team and budget holders on savings and efficiencies potential to help focus savings planning. This analysis provides reasonably detailed data on cost improvement opportunity. It is not clear, however, how this intelligence is used to inform identification of savings targets at an operational level, as we understand that the Health Board applied a uniform 3% savings target across the Health Board in 2016-17. The approach for allocation of savings in 2017-18 includes 0.5% cost avoidance but also provides a little more flexibility through 2% savings required from Area Teams and Hospital Teams with a further 1% as a shared target. This provides some limited option to protect services in the community that prevent growth in demand in the acute setting. The other service and corporate areas have a 3% target.

63 When constructing savings plans, it is important to consider the balance between, and effect of, recurring and non-recurring saving schemes. A greater focus on recurring and transformative schemes should make the budgetary pressure lower in following years. We found that of the total savings identified in 2016-17, 43% of these were non-recurring. When looking at the specific savings category of 'pay costs', 53% were non-recurring (Exhibit 6). This raises concerns that savings are not sufficiently built into service re-design to make them financially sustainable in the future.

[8] Welsh Government Invest to Save Invest to Save 2017

[9] Patient Cost Benchmarking

64 The above findings indicate that transformational recurring savings are not a strong feature of savings planning. The Health Board needs to develop a more sophisticated approach to the identification and design of service plans, applying appropriate data and intelligence to identify where efficiency opportunities exist.

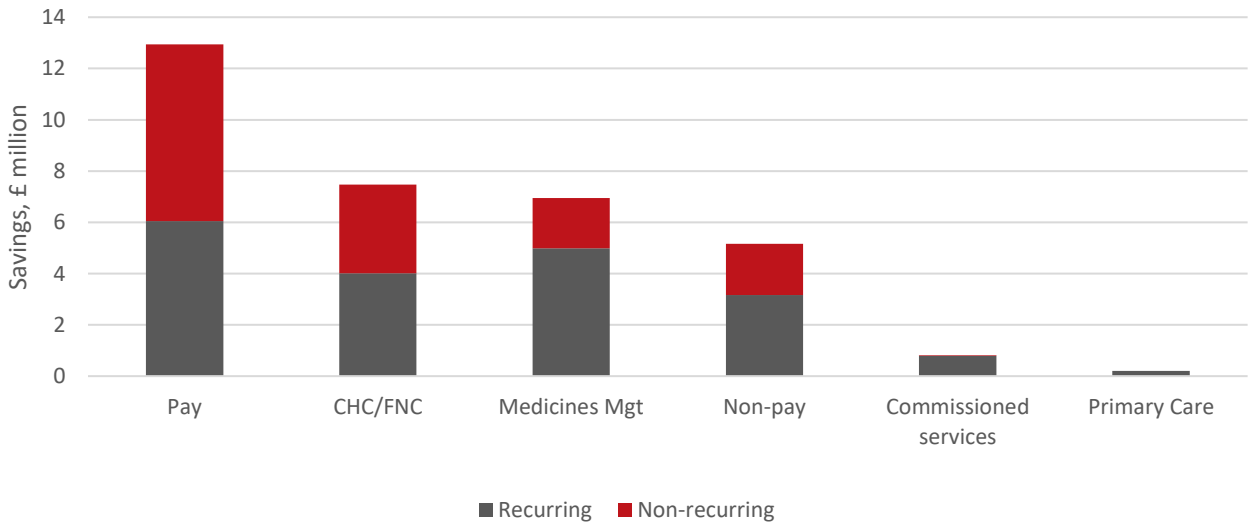
65 If the Health Board is going to demonstrate a continued trajectory of reduction in planned deficit over a number of years, there will need to be less reliance on non-recurring cost cutting measures and more focus on creation of a sustainable service models through:

- value based healthcare;
- tackling unwarranted variation in referrals and clinical pathways;
- challenging the fitness for purpose of existing models of care;
- significant and persistent attention on enhancing productivity; and
- prevention activity, but ensuring that this is delivering the required financial and quality outcomes.

66 It is encouraging that the Health Board is recognising the areas identified above, and has recently created a 'value' steering group, chaired by the Medical Director, to help take the agenda forward. This has the potential to complement the on-going work in relation to transactional efficiency savings within the Health Board.

Exhibit 6: split between recurring and non-recurring savings achieved in 2016-17

The chart shows high reliance on non-recurring savings, particularly in the area 'pay' where non-recurring savings totalled almost £6.9 million



Source: Savings reported by the Health Board in its monitoring returns to the Welsh Government

67 There is a clear focus by the Health Board on development of annual approaches to development of saving schemes, but a lack of savings planning over the longer-term. Our evidence also indicates that the burden of savings delivery is weighted toward the last six months of the financial year. We believe these approaches are resulting in:

- lack of adoption of schemes that would otherwise deliver efficiencies in the longer term;
- lack of emphasis on sustainable efficiencies through service modernisation;
- financial and performance pressures coming together during the last six months of the year;
- schemes which are considered undeliverable within the year and then written-off; and
- lost opportunity for recurring savings.

68 The Health Board has indicated that it was already aware of these, using lessons from previous years and had already started to strengthen its arrangements, including:

- processes to reduce bureaucracy and the burden on budget holders for the management of low value schemes and transactional saving schemes under the value of £50,000;
- consolidating schemes into more meaningful programmes (albeit this will take some time as legacy schemes remain in place for the current year);
- strengthening project management on the higher risk schemes;
- increase focus on the proportion of recurring schemes;
- strengthening analytical capabilities in the PMO and service improvement team;
- planning savings on a rolling multi-year approach and spreading savings more equally within a financial year;
- implementation of an electronic system to streamline project management administration, analysis and progress reporting; and
- focusing on 'lead' indicators that give an early warning of savings delivery risk.

Whilst there is evidence that the Health Board is drawing on previous years' experience to strengthen its approach to the management of savings schemes, such schemes are not well integrated into operational plans

69 All health bodies are required to develop a three-year integrated medium term plan (IMTP). Each year the Welsh Government sets out planning guidance to help inform the basic requirements of the plans. The Health Board has an approved Annual Operating Plan (AOP) in lieu of an IMTP, which it is currently developing. The 2017-18 AOP contains a short section on finances, including overall forecast cost pressures and inefficiencies for a 12-month period.

70 The AOP identifies the total savings requirements, the planned deficit in the current year, cumulative financial position and identifies that the plan is not fully funded. While this information is provided, it is appended to, rather than integrated into, the wider elements of the AOP. This makes it difficult to understand whether achievement of the 'deliverables' that are identified in the plan will have a positive, neutral or negative affect on finances. Irrespective of this lack of clarity, and the fact that the plan was not fully funded, the Board received and adopted it.

Financial savings monitoring and scrutiny arrangements are strengthening as a result of lessons learnt from previous years and significant financial risks faced in the current year

As a rule, the Board and its Finance and Performance Committee have not received sufficiently detailed information to support effective scrutiny and challenge of financial savings

71 Board and committee performance monitoring of savings has been sufficient to discharge a general duty to oversee the impact of financial savings. However, until recently, there has not been sufficient detail provided to enable focused challenge, support, escalation and remedial action at Board or committee level. The report provided to the Board on finances includes a section on efficiency savings. This contains a high-level report on performance against target, risks, savings trend against target, planned and actual savings with a forecast broken down by risk profile. This report provides enough information to satisfy a general duty to oversee financial performance, but it does not provide sufficient detail to be able to challenge in any depth.

72 Oversight of financial performance is delegated from the Board to its Finance and Performance Committee. This committee receives the same report that the Board receives, but ahead of the Board receiving it. Given the scope of this committee, it should have more time to focus on these financial issues but again does not receive sufficient detail as part of regular reports to allow it to challenge in greater depth. In August, however, the committee did receive a more in-depth report on financial performance and recovery of the Mental Health and Learning disability division. This enabled it to discuss key areas of concern, risks, service pressures and appropriateness of recovery action. This deep dive was a helpful and challenging process and was recently repeated with a focus on continuing healthcare. These approaches are enabling a stronger style of scrutiny and challenge which now needs to be replicated across other areas of service delivery.

73 It is also important that the Health Board understands any risks that savings schemes may have on the quality and delivery of services. We have seen very little evidence of the consequence of saving schemes on performance or quality being effectively reported to the committee or Board. However, we are aware that quality impact analysis forms part of the savings planning approach.

A new Financial Recovery Group along with improved management information provide opportunities to strengthen oversight and scrutiny of savings plans, but this group needs to rapidly demonstrate an impact on the financial position

74 In our 2016 Structured Assessment report[10], we highlighted an issue relating to the timeliness of financial information going to the Board. While the Health Board has taken time to respond to this recommendation, recent rapid deterioration in the financial position has resulted in an increasing attention on finances. We are aware that the Board has met in-committee a number of times since the beginning of August. It has discussed the overall worsening of the financial position, additional savings and cost control requirements and measures to target scrutiny. In addition, the Board has formed a new Financial Recovery Group (FRG), which meets every two weeks. The group will operate on behalf

[10] **Structured Assessment 2016**

of the Board to maintain focus and oversight of the Health Board's financial position by monitoring the financial recovery plan. The group is chaired by the Chair of the Board, and includes independent members and executive membership. The group is not a permanent feature of the Board, but has in the short-term created an improved focus on savings and financial recovery.

75 Positively, the FRG:

- has more timely access to financial information, including lead indicators on high-cost activity which provide an earlier warning of cost growth and more timely;
- are considering how cost cutting measures might impact on service quality or might lead to changes that do not align with strategic direction; and
- are focusing on areas where financial recovery plan risk is the greatest.

76 However, our observations of the FRG during October 2017 indicated that it was still at the 'forming' stage and while taking an oversight on the financial position was also reflecting on its function. The overall tone of the discussion was one that was intended to focus on support and enabling rather than challenge and scrutiny. However, our view is that a scrutiny and challenge role would better help communicate the seriousness of the financial position, allow the group to take grip of the finances and strengthen accountability for remedial action. We were also concerned that for two of the greatest cost drivers, workforce and clinical decision making, there was no evidence of senior leader representation at this Group.

77 Our observation at the FRG also indicated a short-term focus on cost cutting and variability in financial and business capabilities of service management. This is inevitable given the circumstances that have led to the creation of the Group. Whilst the Health Board will clearly need to ensure that the FRG is effective in applying a clear focus on the immediate opportunities for financial recovery, it is also important that it takes the opportunity to look beyond the current year and towards a more transformational approach to financial efficiency.

Approaches for management oversight of savings through the PMO montioring group are well-established although the variable performance of savings schemes raises questions about the effectiveness of these arrangements

78 The Health Board's approach for monitoring savings delivery at a management level is well-established. The PMO monitoring group oversees progress of financial savings plans. The group includes a mix of executive, finance and programme management and it is supported by good information and analysis from the PMO team. The Health Board has recently improved the approach for reporting to enhance emphasis on project deliverables, cost growth indicators and financial outcomes. This should help the Health Board gain an earlier warning where performance is going off track. Each of the programme review groups meets monthly and reviews progress of the schemes within that programme and to determine if any further actioned is required. The programme review groups have in-depth information on individual saving schemes. We understand that the programme review groups escalate issues to the PMO monitoring group for resolution, although we are unclear how effective this is, given some recent slippage in the savings schemes. The Health Board therefore should consider how it builds enabling and support into its management and oversight arrangements.

79 In the previous section, we highlighted that the profile of actual savings delivery was weighted toward the year-end, and we thought this placed unnecessary pressure on the organisation. Savings targets reported by Finance as part of reporting to committee and the Board, however, are derived by splitting the total savings target into equal twelfths and spreading these across the year. This has a benefit of highlighting gaps against targets at an early stage but it does not represent the actual timeline that budget holders agreed to. This makes it difficult to understand the extent and impact of slippage on likely year-end savings achievement.

80 We have also considered the risk assessment approaches used by the Health Board to determine the degree of risk for savings schemes and likelihood of delivery. Until recently, the Health Board's approach has been quite variable, with risk assessments not providing a robust view on where the risks lie on saving schemes. We are aware that from the beginning of this year, the Health Board has developed a stronger approach for risk assessment, which is in the process of being adopted. This should help give greater assurance on the specific risks to saving schemes as a means to improve reporting. As a result of these approaches and progress on a number of saving schemes, there is a positive trend in the number of schemes categorised as green/low risk.

Progress in addressing previous financial planning and management recommendations

81 In 2016, we made a recommendation relating to timeliness of financial reporting to the Board. Exhibit 7 describes the progress made.

Exhibit 7: progress on the 2016 financial management recommendation

2016 recommendation	Description of progress
Financial reporting R1 Review the timing of Board meetings, with a view to improve the timeline for financial reporting to the Board.	This has been achieved through more regular and detailed verbal briefings and presentations to in-committee and other Board sessions on the financial position. The recently established Financial Recovery Group is also helping to provide regular oversight on the organisation's finances. From January 2018 onwards, the Board has also brought forward its meetings to accommodate improvements in the timeliness of finance and performance meetings. **Action complete**

Some governance processes are strengthening, but the Board urgently needs to demonstrate a positive impact on the organisation's performance and finances

82 Our structured assessment work in 2017 has examined the effectiveness of the Health Board's governance structures, board assurance and internal controls, performance management and information governance arrangements. We have also assessed progress against recommendations made in 2016. Our findings are set out below.

While there is a notable commitment to improve, the Board needs to strengthen decision making with a greater focus on affordability

83 The findings underpinning this conclusion are based on our review of the effectiveness of the Board, consideration of the growing contribution by and demand on independent members as well as board level decision making. Our findings are set out below.

84 Our observations of the Board during 2017 shows that it is generally well administered and conducts its business properly. The Board has a varied agenda, routinely publishes its papers in advance, and continues to be transparent in its business and public reporting.

85 The Board met its requirements for annual reporting for the 2016-17 financial year within the required timeframe. This included the annual quality statement, annual report and governance statement as well as a number of other documents including the health and safety, welsh language and putting things right annual reports. As part of this year's work, we have also considered its cycle of business ie its planned agenda and key requirements throughout the year. This continues to provide a good mechanism, which helps the Board and secretariat effectively schedule key aspects of its work while allowing sufficient flexibility to focus on specific risks, issues and emerging developments.

86 The Board has also recently reviewed its Standing Orders and Standing Financial Instructions, albeit the latter may change more significantly pending all Wales development work. The review of Standing Orders included some minor changes in the scheme of delegation and lines of accountability. Promisingly, the Board has explicitly delegated responsibility to meet the duties defined in the Wellbeing of Future Generations Act (2015) at Board and through all committees.

87 When considering the frequency of Board and committee meetings, formal board development and in-committee sessions, and other groups they are involved in, it is clear that there is a significant demand on independent members. There is no sign that this demand will reduce in the near future and it is likely that independent members will need to continue to contribute significantly more time than set out in their formal contractual commitment.

88 While there have been a number of positive attributes of the functioning of the Board, we are concerned about the extent of scrutiny in some specific and important instances. We have already identified earlier in this report that the Board had received and approved its annual operating plan, and that it was clear that the plan was not fully funded. We also reviewed the Orthopaedic plan proposal, which the Board has approved. The orthopaedic plan was presented to the Board as a single option with other possible service options already discounted. While we do not provide a view on the

decision, there was no evidence that the other service options were costed or which options were the most affordable for the medium to long-term.

89 Given the current and worsening financial position of the Health Board, it is of concern that we have identified examples of plans being approved without sufficient consideration of affordability. This is clearly an aspect of board effectiveness that needs strengthening as part of the wider approach to securing deficit reductions and a more sustainable financial position.

90 In 2016, we made the following recommendation relating to board effectiveness and the need to strengthen its board development activities. Exhibit 8 describes the progress made.

Exhibit 8: progress on 2016 board and committee effectiveness recommendations

2016 recommendation	Description of progress
Board effectiveness R3 The Health Board should review its Board development programme and consider how it can be used to improve the balance and quality of support and challenge provided by independent members to drive improvement.	Board development sessions have been more consistent than in the past and driven around a small number of important themes. This programme includes a number of themes including board effectiveness and developing an ambition for improvement, strategy and transformation, and developing approaches for scrutiny. **Action complete**

Governance structures are well-administered, but there are opportunities for further improvement and re-shaping of terms of reference

91 The findings underpinning this conclusion are based on our review of the governance structures and the associated assurance arrangements. Our key findings are set out below.

92 In general, the committees that we have observed were well-administered, with clear agenda that reflected the terms of reference of that committee. The Health Board continues to prepare and publish its committee papers sufficiently in advance. The committees of the Board operate in public and in a transparent way, but there is potential to use the in-committee sessions more effectively to enable scrutiny in more sensitive and confidential areas.

93 We continue to note good inter-relationship and coordination between the committees through the formal Committee Business Management Group, and informal meetings of the committee chairs. In general terms, there also continues to be good assurance reporting from committees to the Board. We have provided some specific commentary on the operation of the committees, as well as identifying areas for development and improvement, below.

94 Strategy, Partnerships and Population Health Committee – Over the last 12 months, we have noted an improvement in oversight of the ongoing development of strategy and plans by the Strategy, Partnerships and Population Health Committee. It is clear that the committee has an increasing understanding and is informed on key stages of the strategy and planning process as well as emerging strategic themes.

95 As part of this year's work, we considered the relationship between the Strategy, Partnerships and Population Health Committee and the Finance and Performance Committee in the context of capital estates decisions. We noted that the Strategy, Partnerships and Population Health Committee is responsible for oversight of strategy and plan development and delivery, and the Finance and Performance Committee is responsible for major capital and related estate approvals. We observed an item on estate disposal that the Finance and Performance Committee approved, but it was not clear if some of the aspects of disposal would align to emerging plans and strategy currently in development. This highlights a need to ensure strategic fit of capital and estate changes, whether, investing or disinvesting, particularly once the IMTP and estates strategy are developed.

96 An additional challenge for the Strategy, Partnerships and Population Health Committee is its role in oversight of the partnership agenda. Currently the committee receives update reports from Public Service Boards and other significant partnerships. The partnership arrangements in particular for this Health Board have the potential to be highly complex and challenging. The Board will need to keep its approach for scrutiny and oversight of partnerships under review to ensure arrangements are proportionate and effective.

97 Quality, Safety and Experience Committee – As part of the overview of governance arrangements conducted jointly by the Healthcare Inspectorate Wales and Wales Audit Office we have recently commented on the quality and safety assurance arrangements. We have not reviewed these arrangements further as part of this year's Structured Assessment. During our interviews we did not identify specific concerns relating to the function of the committee. However, we were told of concerns relating to the formal flow of assurance between the executive led Quality and Safety Group into the Quality Safety and Experience Committee. This is an area that we have identified as an issue since 2013. The Committee has itself identified that this needs resolving and is seeking improvement.

98 Finance and Performance Committee – We have considered the operation of the Finance and Performance Committee as part of our focus on financial savings. We have observed good administration of the committee as well as a clear agenda and a positive contribution of the independent membership. We have also seen some strengthening in the style of scrutiny. The committee adopted a stronger scrutiny style recently in relation to Mental Health Division and Continuing Healthcare finances, and helped the committee to gain a fuller understanding of the extent of issues. Most recently this resulted in the committee not endorsing proposed continuing healthcare plans until the Committee could gain assurance that the team developed sufficient actions to deliver financial recovery. This type of scrutiny and gatekeeping will be required in future to ensure high standards of management proposal and action.

99 Whilst the committee has shown some strengthening in its scrutiny style it is overseeing a deteriorating financial position, worsening of key aspects of performance and some key capital issues and risks. A concern therefore emerges about the Committee's capacity to adequately scrutinise this growing list of challenges, noting the breadth of its functions, which also include the oversight of Informatics services and aspects of workforce and OD. Given the deterioration in the financial position, it is perhaps unsurprising that a new Financial Recovery Group has been established. Noting that the group has been set up as a temporary measure, it would still be helpful to have greater clarity on the respective roles of the FRG and the finance and performance committee in relation to the scrutiny of financial performance and reporting to the Board.

100 Audit Committee – The Audit Committee is actively engaged in the Board Assurance Framework development and considers the governance and control arrangements of the Health Board's other committees. This year has seen the Audit Committee adopt formal processes for reviewing the annual reports of the other committees. This has helped improve the rigour of the committee annual report approval process and has helped provide moderation and consistency of reporting. The agenda is effectively planned around key business dates, such as the review of annual reports and statements, Head of Internal Audit Opinion, Accounts and the External Audit of the Accounts. The committee has clear terms of reference, undertakes self-assessment reviews and regularly reviews its cycle of business.

Board assurance framework arrangements are developing well, supported by key internal controls which are continuing to strengthen

101 As part of last year's structured assessment approach, we considered arrangements that health bodies have in place to assess, plan and provide assurances as part of a board assurance framework approach. Our commentary in last year's report identified that the Health Board has been developing its system of assurance and developed an interim 'Corporate Risk Assurance Framework' (CRAF). We have reviewed the progress made since last year as well as key aspects of internal control. Our findings are outlined below.

102 Board assurance arrangements – Over the past year, there has been a clear focus on strengthening Board assurance framework arrangements. The Audit Committee held a development session in May 2017 to progress board assurance arrangements. This helped to shape thinking around board assurance processes, needs and format while also helping to identify gaps in assurance. Since this session, the Health Board has also been working with peer support from Cwm Taf University Health Board. This has helped to share approaches, lessons and receive challenge and support. The Health Board has continued its board assurance development approach over the summer and is in the process of developing a three-strand approach for its board assurance framework. This includes:

- a board assurance framework narrative document which defines the shape of the overall governance arrangements;
- an assurance map which is used to determine assurance requirements and how these assurances will be obtained; and
- corporate risk management arrangements.

103 The Health Board now needs to implement and embed these arrangements, aligning the introduction to the timeline for IMTP approval. This should help the Board structure to its assurances around objectives set out in the plan.

104 Key internal controls – As part of this year's structured assessment, we have considered the operation of key controls. This included internal audit and capital audit, local counter fraud services, clinical audit plans, and post-payment verification work as well as processes to help ensure compliance with policy and procedures.

105 Our work has identified a regular and comprehensive programme of internal audit work with sufficient resources to deliver it. The Internal Audit team complete the audit programme within the required timeframe, although delivery can be pressured towards the end of the calendar year. This work last year was summarised in a Head of Internal Audit report that gave reasonable assurance overall for

2016-17. Interviews indicate that so far this year, there is an increasing trend of limited assurance reports. The Health Board has indicated that this is a result of focus by internal audit on key areas of risk.

106 As part of the internal audit programme, we have also considered the work of the capital audit team. Their recent work on a major capital project at the Health Board has identified a range of issues that the Health Board needs to address and apply lessons learnt. As a result of this work, the Health Board needs to ensure sufficient strengthening of internal controls, assurance flows and improved responsiveness to risks and issues, on its other ongoing and planned capital projects.

107 The Health Board is strengthening its process for tracking Internal Audit and External Audit recommendations. It has introduced a new system that monitors the progress against target deadlines. Where progress is not sufficient, it issues automated reminders to officers. The Health Board routinely report progress on Internal Audit and External Audit recommendations to the Audit Committee. The approach is providing an improved understanding on progress against recommendations. However, the reports indicate that a number of recommendations have not been completed within the indicated timeframe. There may need to be a stronger management focus on this in future if this trend continues.

108 There is a clear local counter fraud services work plan. This team is sufficiently resourced and includes a balance of work spread across the domains of strategic governance, inform and involve, prevent and deter and hold to account as required in the NHS protect standards. The counter fraud annual report provides an honest view on areas that are progressing well and those requiring further improvement. We also understand that the local counter fraud services responds positively to views of key stakeholders to help strengthen its programme of work.

109 Post Payment Verification team visits are completed as planned for General Medical Services (GMS), Ophthalmology and Pharmacy contractor payments. In addition, they have now started to include GMS visits for their managed practices. The team has successfully identified recoveries totalling around £38,000 and their work acts as a tool to deter fraudulent behaviour and provide assurance on compliance with policy and process.

110 The Health Board has a clinical audit plan for the period 2017-18, which the joint Audit and Quality, Safety and Experience committee approved, in November 2017. The Health Board has developed a clinical audit framework to help distinguish the differing oversight roles of the two committees. A significant focus of the 2017-18 plan is on national clinical audit initiatives and some rolling corporate clinical audits. The Health Board will benefit in future by strengthening how it:

- shapes the nature of local clinical audit to align with quality strategy priorities and quality risks;
- sets out patient/quality outcomes or impact as a requirement of audit planning to help it understand the value that clinical audit is contributing; and
- reports clinical audit assurances into the Quality, Safety and Experience committee.

111 The audit committee receives a quarterly conformance report which provides a good perspective on the level of conformance with procedures on procurement, payroll, accounts receivable and loses, and special payments. This shows that controls are in place, there are processes to monitor conformance with the controls, and that the Health Board is taking improvement action where necessary.

112 The Health Board has a formal policy for Declarations of Interest that requires all Board members and all staff on pay band 8c and above to complete. There are 753 staff that meet these criteria, but from a

low baseline in September when only 132 employees had submitted their response, the Health Board has significantly improved this to 667 declarations submitted in November 2017. This movement is positive and reflects improved processes, systems and focussed effort. The Health Board will need to build on this momentum by ensuring the declarations of interest are routinely included in line management discussion with employees, or through the appraisal process.

113 The Health Board has a range of policies and procedures in place, and is currently working to strengthen its policy control arrangements and supporting systems because:

- some policies are out of date, some significantly so;
- there is no single point of access for policies;
- version control needs strengthening; and
- there needs to be a process to ensure policies are reviewed at appropriate intervals.

114 In 2016, we made the following recommendation relating to board assurance. Exhibit 9 describes the progress made.

Exhibit 9: progress on 2016 recommendations

2016 recommendation	Description of progress
Board assurance R2 The Health Board should build upon its assurance mapping work and work towards a board assurance map to complement the corporate risk register, and ultimately the IMTP.	As identified in the commentary above, the Health Board has now shaped its overarching approach for its board assurance arrangements and now needs to implement these. The Health Board should now look to align the timing of the assurance mapping process to the corporate planning timeline to ensure that it links assurances to organisational objectives and priorities. **Target date set as 'ongoing'.** **Action in progress**

Whilst performance monitoring arrangements are in place within the Health Board, these have not prevented a deterioration in performance in a number of key areas within the national delivery framework

115 Health bodies in Wales are set and held to account on a range of national measures and targets that are set out in the NHS Wales Delivery Framework 2017-18[11]. In addition to these national targets, health bodies can set local measures and targets to focus on areas particularly pertinent to them. We have reviewed corporate performance monitoring and reporting arrangements as well as the trend in performance against key targets. Our key findings are set out below.

[11] **NHS Wales Delivery Framework 2017-18**

116 As part of this year's structured assessment, we have considered overall progress against the national delivery framework measures that the Health Board reports on monthly and have highlighted key areas of concern. Given our review took place halfway through the financial year, we have considered overall progress over the 12-month period from September 2016 to September 2017. Our work has indicated that the Health Board has made some improvements in performance on measures notably in the national performance domains of staying healthy, safe care, effective care and individual care. Irrespective of the like for performance improvement over the last 12 months, the Health Board is failing to meet over 70% of the national targets and performance has deteriorated in important areas.

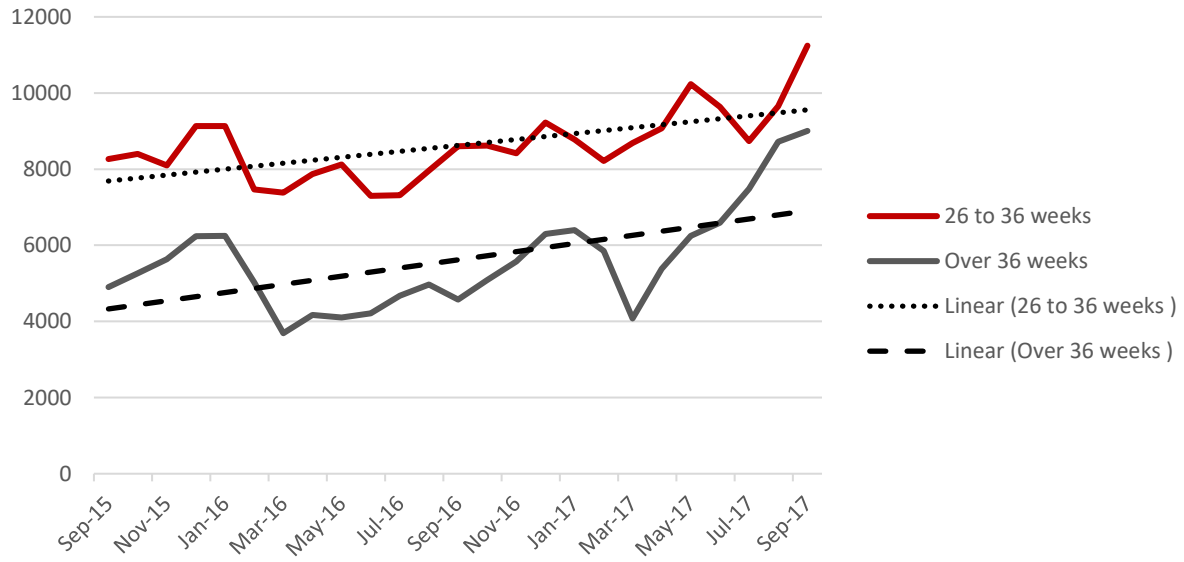
117 The most significant area of concern relates to timely care where the Health Board is only achieving 5 out of 18 national standards. The areas where the Health Board is meeting or near to the national standards include red 1 ambulance response times, 31 day cancer targets and 24 and 72 hour stroke assessments. However, there is a significant and deteriorating position relating to patients:

- waiting less than 26 weeks from referral to treatment (83.1% against a target of 95%);
- waiting less than 36 weeks from referral to treatment (8,781 patients against a target of 0 patients);
- spending less than 4 hours in A&E (80.2% against a target of 95%);
- spending 12 hours or more in A&E (859 against a target of 0); and
- overdue their target date on the follow up waiting list (70,530 against a plan of 55,000).

We have, in particular identified the long-term growth in referral to treatment delays (Exhibit 10).

Exhibit 10: referral to treatment, September 2015 to September 2017

Change in the numbers of patients waiting on the referral to treatment target waiting beyond the 26-week and 36-week target.



Source: Stats Wales

118 We understand that the Health Board will be targeting some additional monies to improve elective waiting times, particularly focussing on patients most delayed. Depending on the approach adopted, the Health Board may find it challenging to increase elective activity at the same time as the Health Board is responding to unscheduled care demand over the winter period. At present, the Health Board is struggling to balance the demand across different parts of the Health system and at different times of the year including unscheduled care pressures that affect elective care productivity.

119 As part of this year's work, we considered how performance is reported to the Board and its committees. In general, the content of performance reporting presents a clear dialogue that indicates actual performance data, trend, positioning in Wales, accountability, and improvement/recovery actions. The Board's Integrated Quality and Performance Report (IQPR) provides a summary of performance, and follows the delivery framework domains as well as containing detail where performance is off track.

120 The performance reports presented to the committees follow the same style and content as the report presented to the Board. The IQPR split into two parts that are clearly allocated to either the Finance and Performance Committee and the Quality, Safety and Experience Committee. While this allows scrutiny on the content prior to the Board meeting, there is opportunity to provide:

- targeted information to help committee members understand patterns of variation; and
- stronger focus on patient, population and well-being outcomes.

121 Performance reporting on the progress of delivery of the Annual Operating Plan is through the Strategy Partnerships and Population Health Committee. The Health Board's reports indicate progress against the plan is off track at quarter two. The Health Board should review its approach for performance monitoring against delivery of plans, and how the Health Board responds to slow or non-delivery. This is particularly important in light of the Integrated Medium Term Plan that is currently in development.

Recent changes to the organisational structure have proceeded as planned

122 As part of the recent overview of governance arrangements, conducted jointly by the Healthcare Inspectorate Wales and the Wales Audit Office, we commented on the changes to structure from the old clinical programme group structure to the new secondary care, area and mental health divisional structure. We published this work in June 2017, and therefore we did not seek to review the effectiveness of the current organisational structure as part of this year's structured assessment. We have however considered recent changes to the structure at an executive portfolio level, and identified specific factors during interviews and observations.

123 Since our 2016 structured assessment work, the Director of Corporate Services post has been removed and those responsibilities for the teams within that function have been redistributed to other executive directors. Those changes have now taken place. The communications function has now moved to the Chief Executive's office, and information governance and risk management teams have moved within the remit of the Board Secretary.

124 The changes also included an area that we had been concerned about since 2014. This related to the executive responsibility for complaints, concerns and incidents. From May 2017, the responsibility for that team transferred to the Executive Director of Nursing and Midwifery. The reasoning behind this

change is to help join up the complaints and incident management process to care-based quality improvement initiatives. Interviews indicate that:

- the transfer of the team into the nursing directorate has been successful;
- the concerns response backlog is reducing; but
- more work is now needed to strengthen the lessons learnt processes.

125 In 2016, we made the following recommendation relating to embedding continuous quality improvement throughout the organisation's structures. Exhibit 11 describes the progress made.

Exhibit 11: progress on 2016 recommendations

2016 recommendation	Description of progress
Learning lessons R4a The Health Board should look at further steps to improve clinical leadership and ownership of Putting Things Right processes, to support the improvement needed in response times and learning from complaints, incidents and claims. R4b The Health Board should strengthen its processes for systematically reporting, cascading and implementing lessons learnt.	The Health Board has realigned the clinical leadership and ownership of putting things right processes to the portfolio of the Executive Director of Nursing and Midwifery. We understand that more work is required still to ensure lessons are effectively identified, shared and applied. It is positive however that the Health Board is making good in-roads into its concerns backlog. A new graphical system for analysing, interpreting and reporting near real-time analysis on patterns of complaints, concerns and incidents as well as a range of other factors is being rolled out. This new 'ward safety dashboard' system allows users, whether ward based nursing teams, middle and senior management, to assess patterns of quality or harm and identify remedial action sooner. **Original target dates March to June 2017. Action remains in progress.**
Culture R5 Work to support a positive and open culture from ward to board needs to expand beyond the most challenged teams to help the wider organisation understand and apply positive values and behaviours.	The Executive Director of Nursing and Midwifery and Medical Director are leading on quality improvement initiatives. This includes improving work on harms, mortality, leadership walkabouts, concerns data and the new 'ward safety dashboard' as mentioned above. While these are positive, there clearly remains more to do. The Health Board is focusing on patient experience and is setting up systems in the hospital and primary care settings to

2016 recommendation	Description of progress
	listen to patient feedback, and analyse and respond to complaints and incidents. We are also aware that the Health Board is looking to introduce values-based recruitment, although recruitment remains a significant challenge for the Health Board. A recent peer review relating to Healthcare Associated infection indicated that there remain some significant pockets in the organisation where the Health Board needs to address cultural issues. **Original target dates December 2016 to May 2017. Action remains in progress.**

Good information governance foundations are in place, and the Health Board has recognised and is investing resources to meet new General Data Protection Regulation requirements

126 All Health Bodies need to ensure that they maintain the security, confidentiality and accessibility of patient records and other sensitive information. This requirement is enforced through the Freedom of Information Act (2000), NHS Caldicott requirements, and present Data Protection Act 1998 legislation that is soon to be replaced by the new General Data Protection regulation[12].

127 The introduction of the General Data Protection Regulation (GDPR) comes into force on 25 May 2018 and introduces some significant changes to data protection requirements and principles. GDPR introduces changes to the rights and freedoms of the data subject and these include the following changes:

- mandatory reporting to the Information Commissioner's Office within 72 hours of all data breaches where there is a risk to the rights of the data subject;
- scope of the act now extends beyond the boundary of Europe, for data processing of European data subjects. This might affect Health Bodies that participate in global research studies;
- penalties for breach of policy can extend to an upper limit of 4% of turnover, or €20 million (whichever is the greater);
- changes in rights including right to access, right to be forgotten, erasure and improving clarity of consent; and
- reduction in the timescales allowed for responding to subject access requests to 30 days.

128 The Health Board, led by the Senior Information Risk Officer, which is incorporated within the role of the Board Secretary, has recognised the legislative changes early and has a transition programme underway to assess readiness and implement the new requirements under the GDPR. Although some progress has been made, a number of activities remain in progress. These include developing and

[12] The EU General Data Protection Regulation

completing an Information Asset Register, Privacy Impact Assessments for information flows and processing and further developing the network of information asset owners. Aligned to GDPR, Caldicott is a key element of the Information Governance and Confidentiality agenda in Wales. It provides organisations working in Health and Social Care with a set of recommendations and principles to help ensure that personally identifiable information is adequately protected[13]. Our work this year has identified that the Health Board has completed a Caldicott Information Confidentiality self-assessment in April 2017 and currently assess themselves at 88% compliant. We also identified that the Health Board has a number of Caldicott and information governance improvement actions underway in 2017-18. These include:

- developing and implementing guidance and training for staff on the use of data protection impact assessments and increasing compliance to staff information governance training;
- developing an information asset register to meet GDPR requirements;
- mapping information flows and information sharing arrangements with third parties;
- reviewing the information governance strategy and records management policy; and
- rolling out the information governance toolkit to primary care GP practices.

129 In addition to this compliance activity, the Health Board needs to ensure that it responds to information access requests relating to the Freedom of Information and Data Protection Acts. The Health Board's performance in 2016-17 for responding to information requests within the required timeframe reported in the April 2017 Annual Information Governance report was:

- 70% in respect of Freedom of Information Act requests, against a requirement of 100%; and
- 75% in relation to Data Protection subject access requests, against a requirement of 100%.

130 Overall, the Health Board is demonstrating that it is taking a proactive approach in preparations for the new data protection legislation. However, it also needs to ensure that it improves the timeliness of responses to statutory information access requests. The Health Board may need to keep its information governance team resources under review over the next 6 to 12 months to ensure that it balances these requirements.

[13] Information Governance and Caldicott

While the Health Board is making efforts to improve its use of resources, required changes are not yet keeping pace with the Health Board's increasing service pressures

There is a clear programme of engagement on the strategic direction, but the Health Board is yet to consider how it will engage the public on service change as plans start to form

131 The findings underpinning this conclusion are based on our review of arrangements in place to effectively engage with stakeholders and work with partners. Our key findings are set out below.

132 As part of recent work, we identified that the Health Board's public engagement approach is now more comprehensive than we have seen in the past. The Health Board has developed a clear programme of engagement with the aim of gaining a wide representation of community groups. The Health Board has adopted national guidance and developed a systematic approach for determining the forms of engagement required. This includes a comprehensive and continuous programme of engagement activities either arranged by the Health Board or attending other partners and community events. These are focused on the emerging strategic direction as part of Living Healthier Staying Well, as well as gaining general feedback on the Health Board's services. To date, the Health Board has attended over 80 events, including:

- open sessions for staff in the acute and some community sites to help take views and discuss strategic direction of the Board;
- engagement with partnership forums such as the Stakeholder Reference Group and Public Service Boards to help align strategic fit with other organisation's corporate plans and partnership plans;
- discussion with a range of community groups on the strategic direction; and
- targeting groups who represent people sharing protected characteristics as defined in the Equality Act 2010.

133 Alongside the general engagement work, the Health Board plans targeted engagement where it is considering making specific changes. However, while there is no requirement to consult on strategy or IMTP, the Health Board will need to ensure that it has the appropriate arrangements in place to engage, and if necessary consult with the public and other key stakeholders on any plans to re-shape health services in North Wales.

While the strategic planning process has progressed well, the Health Board will need to develop strategy and plans which both are financially balanced and provide sufficient clarity on changes to its services

134 The findings underpinning this conclusion are based on our review of the Health Board's approach to strategic planning. We have also considered the progress made in addressing the recommendation in 2016. Our key findings are set out below.

135 All Health Bodies are required to develop an integrated medium term plan. The Welsh Government however, informed the Health Board that it did not expect it to prepare integrated medium term plan for the period 2017-2020. Instead, the Welsh Government required the Health Board to develop an approvable plan early in 2018 for the 2018-2021 period.

136 Since our 2016 Structured Assessment, the Health Board has developed an overall approach to planning which included a requirement to develop:

- the Living Healthier Staying Well strategy;
- an annual operating plan for the period 2017-18; and
- an integrated medium term plan for the period 2018-2021.

137 As part of the recent overview of governance arrangements[14] conducted jointly by the Healthcare Inspectorate Wales and the Wales Audit Office, we raised a concern about the lack of clarity relating to strategy and plan development in April relating to the latter part of 2017. The Health Board has since developed a range of clear actions for the remainder of the 2017 calendar year, and has reported their progress to the Strategy, Partnerships and Population Health Committee.

138 The Health Board has continued with its Living Healthier Staying Well strategy development. The Health Board engages with the four North Wales Public Service Boards and it contributed to development of well-being assessments, the North Wales population assessment and the Health Board's own local needs assessment. In addition to this work, the Health Board is continuing with the three strands of the living healthier staying well strategic approach; those being improving health and reducing inequalities, care closer to home and acute care. Our interviews have indicated that the Health Board is starting to pursue an outcomes oriented approach. The Health Board is also now working with the International Consortium for Health Outcomes Measurement (ICHOM)[15] with a particular focus on Respiratory and Ophthalmology. The focus on outcomes is an increasingly positive direction of travel. This work should help the Health Board align patient centred outcomes, population outcomes and potentially wider outcomes and objectives as part of the Wellbeing of Future Generation (Wales) Act 2015[16].

139 The Health Board has identified the further actions required for development of its 2018-2021 IMTP from October 2017 onwards. This includes finalising commissioning intentions, development of service transformation group plans and key deliverables for 2018-19. The Health Board commissioned a consultancy earlier in the year to undertake service and demand modelling. The consultancies completed its work in October 2017. The outputs of this work are being used to inform the Health Board and help to shape the work of its service transformation groups. These groups are focusing on the following areas:

- improving health
- primary care
- planned care
- unscheduled care

[14] An Overview of Governance Arrangements

[15] International Consortium for Health Outcomes Measurement

[16] Well-being of Future Generations (Wales) Act 2015

- children's services
- community services
- mental health

140 While this gives assurance on progress to date, it appears there is little time for the service transformation groups to form their plans by the end of December 2017 as part of the wider IMTP development. We also heard during interviews that the service transformation groups are at a mixed state of maturity. Some, such as the planned and unscheduled care groups, may struggle, given immediate service pressures that they are facing.

141 The Board received and adopted its 2017-18 annual operating plan on 18 May 2017. The plan contains reasonable assessment of the population health challenges; including those that are most life threatening or create greatest risk of ill health. Those major conditions help to shape and focus much of the content of the annual operating plan. While it is positive that there is clear analysis of population need, the plan contains a vast number of actions; over 309 were required to be completed by the end of quarter 2 alone. Moreover, many of these are basic management tasks, performance measures rather than actions, lack specificity, not well-grouped into programmes and are not easily measurable from a health outcome or impact perspective. In contrast to this, however, we are aware that there are a number of service-led initiatives and projects at differing stages including vascular, ophthalmology, orthopaedic, stroke and SuRNICC that are more coordinated around programmes of work.

142 Overall, there has been progress with both strategy and integrated medium term planning. However, it is clear from the current annual operating plan approach that in the context of the IMTP, the Health Board will need to:

- better integrate financial savings and costs into the plan (as identified earlier in this report); and
- set out programmes of work and provide sufficient clarity to enable a change and transformation at the required pace.

143 In 2016, we made the following recommendation relating to strategic planning. Exhibit 12 describes the progress made. As noted, this recommendation is still in progress, and given that it still encapsulates the fundament issues around strategic planning, we do not propose making further recommendations at this stage.

Exhibit 12: progress on the 2016 strategic planning recommendation

2016 recommendation	Description of progress
Strategy and Planning R6 The Health Board must maintain focus on developing its strategy and plans to ensure it meets its own challenging timescales.	As identified above, the Health Board has continued to focus on progressing its planning and strategy development in line with its timetable. The challenge now is to ensure that there is sufficient clarity within the plan and strategy to provide a platform for effective and expedient change. **Original target date November 2017. Action remains in progress, in accordance with the Health Board's plan development timetable**

Change management arrangements are developing, but the Health Board will need to keep these under review to ensure the pace and effectiveness of programme delivery

144 Change management capacity and capability is an area that has been an issue for the Health Board for some time, and we have commented on the need to strengthen its arrangements since 2014. We have seen some changes since 2014, and while the overall change resource has grown, it has also become more complex, with differing areas of focus.

145 While the Health Board is struggling to balance its finances and aspects of performance now, the future is likely to present even greater challenge. The Health Board's own data indicates over the long-term that there is likely to be growth in the older population. It has also identified potential growth in prevalence of Cancer, Diabetes, heart conditions, Stroke and visual impairment. At the same time the Health Board's medium-term financial forecasts do not indicate proportionately increasing financial income. This provides a compelling argument for service transformation and a sufficient pace of change. To this end, we have considered the change management capacity and focus of the existing groups, although we recognise that change structures may also be embedded at a divisional level. This function and capacity is described in Exhibit 13.

Exhibit 13: corporate programme and change capacity

Group	Role	General area of focus
PMO monitoring group	This group comprises of Executive, finance and project management office representatives. The group oversees the work of the Programme Review Groups, the overall financial savings positions and the greatest significant risks to achievement of savings schemes.	Financial savings
PMO team	This resource has been limited to three members of staff over the past 12-18 months. This has resulted in it developing and concentrating on monitoring and gatekeeping the large number of saving schemes. While this activity has taken much of the capacity of the team in the past, new systems that help to administer and report progress processes are now in place. As a result, the team intends to better support adoption of professional project and programme management practices going forward.	Financial savings
Service improvement team	This team has around 15 staff. This team has been operationally distributed and have been supporting incremental improvement although we understand that in some instances they have been drawn into supporting operational issues. Current proposals indicate that the group will merge with the PMO team, but it is unclear whether this will create additional transformational change capacity.	Continuous improvement

Group	Role	General area of focus
Programme Review Groups	The groups were set up in 2016 up to oversee planning and delivery of a collection of savings schemes. These groups are executive led and include Programme Management Office, finance and operational management. The Programme Review Groups report into the Programme Management Office monitoring group.	Financial savings
Service Transformation Groups	These groups have been set up since 2015-16. They are focused on developing a divisional plans and shaping service design as part of the IMTP development. We are unclear the extent of change management capacity within these groups.	Service change
Consultancies	The Health Board has stopped using consultants to oversee and drive the corporate change management arrangements. A consultancy was employed to support capacity and demand modelling. This work completed in Autumn 2017. The Health Board is currently seeking to appoint further consultancy capacity to drive focused unscheduled care service changes. This demonstrates a continuing shortfall in expertise and change management capacity.	Financial savings Strategy development Service change and improvement

146 It remains unclear how the PMO and the Programme Review Groups, which focus on financial turn-around, are working with or alongside the Health Board's service transformation groups. We understand currently that the service transformation groups do not report into the PMO or the PMO monitoring group. It is also not clear whether the groups duplicate functions, overlap or ensure that the activity of one group does not compromise the effectiveness of others. The Health Board needs to ensure that its approach to drive change does not become fragmented. It would therefore benefit by clearly setting out the shape and design of the entirety of change structures.

147 The Health Board has recognised that it needs to strengthen its leadership capability and capacity to coordinate turnaround and transformation. Over the last 12 months, the Health Board has sought to recruit at different times a director of turnaround and a director of transformation but was unsuccessful at appointing both times. The Health Board needs to ensure that there is sufficient change leadership capacity; this will be even more important once the IMTP and Living Well Staying Healthy strategies are developed.

148 In 2015, we made the following recommendation relating to change management capacity. When we reported progress in 2016, the Health Board had not fully addressed this recommendation. Exhibit 14 describes the progress made.

Exhibit 14: progress on 2015 change management recommendation

2015 recommendation	Description of progress
Change management capacity and capability R6 The Health Board should move away from over-reliance on external consultants by creating/identifying dedicated in-house capacity and capability to support: • change management; and • service transformation.	As identified in the commentary above, the Health Board continues to experience change management capacity and capability challenges, which are requiring additional external support. While work is continuing to strengthen in-house resources, progress is not sufficient to provide assurance that complex whole-system organisation-wide change will be successfully managed. **Recommendation made in 2015, no target date set. Action remains in progress**

While aspects of workforce management are reasonably effective and setting a positive tone, there remain some significant issues including reliance on a temporary workforce, recruitment challenges and low levels of clinical engagement

149 As part of this year's work, we have considered workforce arrangements including aspects of workforce performance, specific initiatives underway or planed and risks and challenges.

150 Workforce performance measures reported to the Board show that areas such as sickness absence, although not hitting the national target is regularly in the top two performing health boards in Wales. The Health Board has developed arrangements to help analyse patterns of sickness absence and help to adapt its approach to sickness absence management.

151 Medical staff appraisals are above target at 98.5% completion and we understand that medical revalidation arrangements are working well. However, appraisal and Personal Development Review for non-medical staff is low and there appears to be a greater issue in estates and secondary care.

152 The Health Board is adopting workforce approaches to support the wider community in a way that aligns with several aspects of well-being of future generations by targeting factors affecting deprivation, economic mobility and equality:

- The Health Board has initiated a 'step into work' programme that supports individuals in the community who have been unemployed for extended periods and are finding it difficult to obtain employment. While this initiative is about creating work experience opportunities, we understand that placements are unpaid. The Health Board may wish to consider an approach to remuneration upon reviewing the lessons learnt from this promising pilot.
- The Health Board has also initiated the Project SEARCH programme. This is a nine-month long school-to-work internship for disabled students that will take place entirely at the Health Board. This includes a combination of classroom instruction, career exploration, and on-the-job training and support.

153 The Board supported and approved the staff engagement strategy in January 2017. The strategy focuses on culture, building improvement skillsets, ward leadership, staff recognition and wider leadership capability development. The approach includes but is not limited to:

- organisational development using 3D (discover, debate and deliver) methodology and ward leadership development;
- a successful awards ceremony in 2016 which is being repeated in November 2017;
- the introduction of the Seren Betsi award to recognise staff who 'go the extra mile'. The Health Board has evaluated the award approach after an initial pilot, and is continuing on a regular basis; and
- development of leadership capability. This involved the procurement of external consultancy services and was resourced using charitable funds. The Health Board should consider the sustainability of this approach in future for this important area of work.

154 The Health Board recognises in the Annual Operating Plan 2017-18 that it will be required to build a strong workforce through engagement, development and workforce transformation. Key deliverables in that plan though only focus on short-term actions and are not strategic. The Health Board has developed a new workforce modelling tool to enable it to analyse and scenario plan. It now needs to consider how it uses these tools to support transformation initiatives. This may require the further development of systems and tools, or a reshaping of the workforce function, particularly in relation to organisation design.

155 Medical engagement has been a significant issue for the Health Board, and it was identified during our interviews as an issue that still needs to be addressed. The 2016 Patterns of Medical Engagement in the Welsh Health Boards report indicates the level of medical engagement is low in the Health Board, and is particularly the case for consultant grade. A particular concern for the Health Board was identified in the survey relating to medical staff not having information to help them understand the financial implications of decisions they made. This aligns to our observation in a number of meetings that indicated limited medical representation when discussing finances of the Health Board. Medical engagement is core to safe, effective and efficient services in terms of both efficient operational practice and shaping future services. It is also key to productive and good value based healthcare. This area continues to require effort and we understand that the Medical Director is leading work to help strengthen engagement activity.

156 A significant and longstanding challenge is the Health Board's reliance on agency staff. This has been an issue since the formation of the Health Board and has become worse with agency staffing costs reaching a peak of £45 million in 2016-17, but is now reducing in 2017-18.

157 Changes including IR35 taxation requirements, Welsh Government agency rate cap and increased internal controls may help to contain or partially reduce costs in the short-term. Ultimately though, the most significant challenge the Health Board is facing in relation to its workforce, is recruitment. The recruitment challenges have gone back many years, and the reliance on agency staff to fill substantive gaps has grown over time. Our findings show:

- A new recruitment group is adopting different approaches including focusing the timing of recruitment exercises around graduation times. The Health Board has also started to recruit graduates conditionally before registration to prevent it losing potential candidates.

- There is a new website and promotional video to communicate the benefits of working and living in North Wales.
- Feedback from staff indicates that even though there is no recruitment freeze, it is difficult to get timely sign off to recruit. The Health Board needs to guard against short-term vacancy control measures aimed at saving money actually resulting in greater costs if it then has to fall back to costly agency use or outsourcing to improve performance.
- Recruitment remains a challenge but appears to be more successful in particularly hard-to-recruit areas when there is clarity on the design of services. This has been noted particularly with tertiary models such as vascular and the trauma 'offer' in the Emergency Department in Ysbyty Gwynedd. More could be done however to design an offer for new staff whether lifestyle, educational, research, or innovative practice opportunities.
- We understand that there are frequently over 500 vacancies in the Health Board. While operational systems help facilitate recruitment, a more tactical approach is needed. This should ensure that the offer to potential candidates positively differentiates the Health Board. This could include further developing research and development opportunities, enhancing opportunities and links to universities or creation of specific roles and development opportunities.
- Medical and allied health training coordinated by key NHS and university partners has not sufficiently met the Health Board's staffing needs particularly relating to converting initial training placements into permanently employed north-Wales based staff.

158 As part of our work we considered overall executive level capacity. It was frequently mentioned to us during interviews that the Executive team are drawn into operational management issues which other senior management should be dealing with. As identified earlier in the report, we also have highlighted concerns relating to variable business and financial capability at a middle to senior management level. This particularly related to delivery of savings and spending within budgetary allocation. Both these issues are indicative of an organisation that needs to strengthen the breadth and depth of management expertise. The Health Board should re-assess how it addresses this issue both to strengthen the organisation's overall management capability and to support succession planning.

159 We are also increasingly concerned about the fragility of the senior management structure in the Mental Health division. Our observation at committees and the Board as well as a number of interviews indicated that sickness absence has denuded the leadership within this division at a crucial time when it is attempting to take forward work to address significant concerns about mental health services in North Wales. We are aware that these factors may have contributed to overspending against budget and we heard of delays in finalising and recruiting to the division's management structure.

Restructuring of the estates department resulted in some improvement, but the Health Board is struggling to allocate sufficient resources to estates and lacks an overall strategy to tackle high-risk areas

160 During 2015, the Health Board re-structured some divisions, which included bringing together the functions of estates and facilities within one division. This had a positive effect leading to better allocation of funding between the estates and facilities functions.

161 The Health Board currently has an estates portfolio valued at around £420 million. Nearly 60% of the estate is over 30 years old. The Health Board has the highest backlog maintenance in Wales on a risk-adjusted basis valued at £40.1 million[17], as of 2016-17. Around £20 million of its backlog is categorised as high risk. In contrast, the next largest 'high risk' backlog maintenance for a health body in Wales is £4 million. The Health Board's own backlog maintenance should reduce with new and ongoing building work and redevelopment projects, but will remain a significant challenge because of the age profile of its estate.

162 The Health Board uses a scoring mechanism across a number of criterion to allocate its limited funding for capital works. There is a capital programme sub-group, which considers each of the schemes put forward to receive discretionary capital. The capital programme sub-group prioritises schemes based on a number of factors including risk, statutory compliance, financial balance and alignment to the operational plan. While this group allocated £14.4 million for schemes in 2017-18, the bids submitted for the financial year amounted to over £30 million.

163 NHS Wales' estate dashboard data shows that the Health Board's estate performance has declined. This is particularly in relation to physical condition and statutory and safety compliance, over the period 2013-14 to 2015-16. It also did not meet any national estate targets in 2016-17. This may be the reason driving such a high proportion of work on reactive rather than planned work. Currently, reactive work accounts for 59% of activity. The Health Board's capital resources are not enabling it to keep pace and effectively manage the risks associated with its aging estate portfolio.

164 The Health Board does not currently have an estates strategy. Its development is reliant on the approval of the Health Board's Living Healthier, Staying Well strategy. The division anticipates that it will publish an estates strategy by autumn 2018. At present though, the absence of a strategy makes it more difficult for the Health Board to make or prioritise decisions on capital, such as disposal of estate and approval of new capital projects.

The Health Board is improving its use of technology, but constrained resources may affect the extent that technology is used to support service efficiency

165 The Health Board developed its Informatics Strategic Outline Programme (SOP) for 2017-2020 and submitted this to the Welsh Government. It has also developed a 2017-18 Informatics Operational Plan that sets the objectives and priorities for the current year. The Health Board's informatics department has historically seen funding constraints and within this environment is attempting to balance its resource and focus across:

- the day-to-day operational aspects of maintaining and supporting the current technology infrastructure throughout the Health Board;
- taking on new requirements such as technology support for the Health Board managed GP practices and IT aspects of new capital projects; and

[17] NHS Estates, **A risk-based methodology for establishing and managing backlog Gateway reference 4102**, TSO, 2004.

- supporting new initiatives and developments that enable clinical service transformation, major system implementation and efficiencies.

166 Our work on savings indicated that the informatics department, while needing to make savings in its own department, is supporting technology projects in other parts of the organisation to create efficient ways of working. We understand that the informatics department's own financial constraints are limiting the extent to which it can enable savings in other areas. The Health Board needs to revisit how it is funding functions which themselves have the potential to generate wider efficiency savings for the Health Board.

167 The Health Board continues to have a legacy from its predecessor organisations that includes ageing IT systems infrastructure and separate instances of the same system or different systems supporting similar functions across its sites. This makes support of the systems challenging and can inhibit standardisation of clinical practice, efficient workflow across sites, and consistency and timeliness of information reporting. This issue is not easy to resolve, and will need a strategic approach that aligns both with national strategy and the Health Board's own corporate strategy and plans.

168 The Health Board implemented the Welsh Patient Administration System (WPAS) in November 2016 in Ysbyty Glan Clwyd. However, there are a number of issues that are not fully resolved. This is affecting the quality and timeliness of information reported and is requiring additional remedial work. The Health Board has put the rollout of the WPAS to its other acute sites on hold until the issues in Ysbyty Glan Clwyd have been fully resolved.

169 The Health Board has formed a digital transformation board to set the direction for digital working across the Health Board, improve user and service engagement and agree IT priorities and initiatives. The Health Board is also setting up a clinical informatics network to provide an improved link between clinicians and the informatics department.

170 Processes are in place to identify and track informatics issues and risks the Health Board faces. This includes:

- the risk of potential threats arising from cyber-attacks. The Health Board recently updated and approved its Information and IT security policy in 2017. This may help mitigate some of these risks if the policy is effectively adopted;
- A backlog of clinical coding. The Health Board has provided both additional permanent and temporary resources for coding activity and plan to clear the backlog by June 2018;
- IT Business Continuity and Disaster Recovery plans are not consistently developed, approved and tested in all divisions;
- pace and effectiveness of ongoing national plans for deployment of the remaining Laboratory Information Management System modules, the new Welsh Emergency Department system and the new Welsh Community Care Information System;
- effectiveness of support and delivery provided from NHS Wales Informatics Service and monitoring service levels; and
- concerns over the safe and secure storage of paper medical records.

Appendix 1

The Health Board's management response to 2017 structured assessment recommendations

Exhibit 15: management response

The following table sets out the 2017 recommendations and the management response.

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
Financial savings						
R1 Embed a savings approach based on targeting savings at areas where benchmarking demonstrates inefficiencies, to deliver longer-term sustainability.	To ensure that plans are financially sustainable in the long-term, and targeted and shaped around areas of inefficiency.	Yes	Yes	The Health Board's savings approach is based upon a transformation path; from a focus on stabilisation, to improvement and toward longer-term sustainability. Benchmarking is actively used as a tool to identify areas for improvement, and this approach has been refined for 2018-19 planning purposes. This approach has identified opportunities which, if fully implemented, would allow the Health Board to return to financial balance by year 3 of the forthcoming three-year planning period. As part of the approach to delivering change, the Health Board has developed a consistent approach through the BeTTER resource (Betsi Transformation & Efficiency Resource). This will be used consistently across improvement projects in the future.	31 March 2018	Executive Director of Finance

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
				Each saving scheme is managed through a Programme Review Group, each led by an Executive Director.		
Financial savings R2 Identify where longer-term and sustainable efficiencies can be achieved through service modernisation, and application of approaches such as value-based healthcare, productivity improvements and invest to save.	To ensure savings approaches link to longer-term financial sustainability within services, through service modernisation.	Yes	Yes	A Value Steering Group under the leadership of the Medical Director has been established to oversee the development of a value based framework, which will support the identification and delivery of opportunities around transformation, variation and standardization. Building on the Deloitte work in 2013, the Health Board has identified opportunities for savings and productivity improvements across the organization. Please see response to R1 for further details.	31 March 2018 31 March 2018	Executive Medical Director Executive Director of Finance
Financial savings R3 Ensure that budget holders receive the necessary specialist support from enablers such as the Programme Management Office, workforce, procurement and informatics teams when developing and delivering their savings plans.	To ensure those most challenged are enabled to develop and deliver against plans.	Yes	Yes	The planning approach for next year will result in a number of Transformation Groups, which will be responsible for delivering transformational change across the Health Board; along with Enabling Groups which will focus on cross-cutting corporate themes (such as workforce change).	31 March 2018	Executive Director of Finance

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
				A review of Corporate Services will also be undertaken with a view to ensuring that the support provided to the organisation is appropriate.	30 June 2018	Chief Executive
Financial savings R4 Ensure that financial savings assumptions are fully integrated into annual and medium-term plans so that savings efficiencies form part of service modernisation.	To ensure that efficiencies are an integral part of, rather than an addition to service planning.	Yes	Yes	The Development of the IMTP for 2018-21 incorporate savings proposals to ensure that securing efficiencies is an integral component of Planning.	31 March 2018	Executive Director of Finance
Financial savings R5 Develop an approach for providing assurance to the relevant committee where delivery of saving schemes may affect service quality or performance.	To ensure that there is full awareness of any detriment to performance or quality of service as a consequence of delivery of plans.	Yes	Yes	The relationship between the PMO Monitoring Group, chaired by the CEO and which monitors the impact on performance or quality, and the relevant committees will be reviewed as part of our plans for next year.	31 March 2018	Executive Director of Finance

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
Financial savings R6 Further strengthen the corporate monitoring approach to ensure it supports and enables savings plans, which are slipping, and encourages longer-term savings and efficiency programmes.	To ensure: • management's oversight of savings is effective at keeping savings plans on track and intervening when there is evidence of slippage; • the FRG is clear about the focus of its work and approach, and can demonstrate that it is achieving the purpose for which it was created; and	Yes	Yes	This will be reviewed by the new Turnaround Director.	31 March 2018	Executive Director of Finance pending the appointment of the Turnaround Director.

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
	• there is effective on-going scrutiny and challenge on savings as part of the routine work of the Finance and Performance Committee, supported by the necessary management information.					
Governance arrangements R7 Ensure that plans presented to the Board include costed options where applicable, and contain sufficient information to indicate to the Board that they are affordable in the short, medium and long-term.	To ensure that the Board makes good choices that balance cost, quality and outcome and that it does not overcommit its resources.	Yes	Yes	Plans will identify costs and affordability where this can be achieved within known resource assumptions. Where proposals have clear and expected additional costs, such as orthopaedic waiting times, reduction of the need for dialogue with Welsh Government regarding resource availability will be made explicit.	Ongoing	Executive Director of Finance

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
Governance arrangements R8 Review the remit of the Finance and Performance Committee with particular consideration to its breath of its current responsibilities.	To ensure that the committee can continue to provide effective scrutiny within the context of an increasingly challenging environment.	Yes	Yes	Whilst recognising that the Finance and Performance Committee's Terms of Reference are fairly broad, this reflects the deliberate decision of the Health Board to embed integrated governance arrangements so that the financial and operational performance are seen together. Given the deteriorating financial position, the Health Board has created a Financial Recovery Group to provide additional scrutiny and challenge on the detail of the financial position and improvement trajectory. These arrangements are evolving, and are not seen as a permanent feature of the Health Board's governance arrangements. Therefore, it would be potentially destabilizing to significantly revise the terms of reference of the F&P Committee that are changed at this stage. The Committee's terms of reference will be reviewed as part of the regular annual review and committee annual reporting process in the Spring. At that point, the Committee can consider them in the light of six months operation of the FRG.	May 2018	Acting Board Secretary

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
Governance arrangements R9 Build on the Health Board's programme of clinical audit to ensure it: • aligns with quality strategy priorities and risks; • sets out patient/quality outcomes or impact as a requirement of audit planning to help it understand the value that clinical audit is contributing; and • informs the Quality, Safety and Experience committee with clear and focussed assurance reports.	To maximise the value of and assurance from the clinical audit resources.	Yes	Yes	a) The Health Board's Clinical Audit Programme for 2017-18 includes Consent, Record Keeping, Discharge Planning and Informing GPs of Discharge within 48 hours. Additional BCUHB wide projects are Hospital Acquired Thrombosis, Rapid Response to Acute Illness, Ward Quality & Safety Audit, HARM Dashboard, Antimicrobial Audit, Prescription Chart Audit (including antibiotic, O2, medication errors, VTE), Infection Control and Reducing Mortality. A number of these areas are specifically mentioned within the Health Board's Quality Improvement Strategy, eg Hospital Acquired Thrombosis, Healthcare Associated Infections, Rapid Response to Acute Illness, Reducing Pressure Ulcers, Medication Errors and Reducing Mortality or contribute to the overarching priorities of our strategy to be Safe, Effective and Caring.	Ongoing	Executive Director of Therapies and Health Sciences.

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
				b) The clinical audit areas, noted in a) above, have patient quality outcomes; and/or impacts on patients; and/or ensure the organisation is legally/ethically compliant, eg Consent Audit ensures legal/ethical compliance. Compliance with record keeping standards contributes to maximising patient safety and quality of care, supports professional best practice and assists information governance compliance. The form used to register local audits does contain a section in which the clinical team are required to document the improvements to patient care that will be delivered through the audit. The form also asks why the audit is being completed, eg DATIX, concern, risk, NICE or AWMSG. A number of areas also contribute to the Health Care Standards eg HAPU (HCS Standard 2.2), Falls (HCS Standard 2.3), Medication (HCS Standard 2.6) and Infection Prevention (HCS Standard 2.4). All new Clinical Audits will be reviewed to make sure they comply with the recommendation and propose outcomes and impacts.	Ongoing	Executive Director of Therapies and Health Sciences

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
				c) Clinical Audit reports to QSE via the QSG and provides an Annual Report to the Joint Audit and Quality, Safety and Experience Committee. The QSG has started to escalate selected areas of concern to the QSE according to risk eg Stroke (December 2017), Mortality Report (November 2017) and Falls (August 2017). The QSG is planning to invite leads for selected National Audits to present at meetings in the coming year. In addition, HQIP and the National Clinical Audit and Patient Outcomes Programme are developing a National Clinical Audit Benchmarking report for some audits highlighting the top five indicators for each report. This is not yet available in Wales. The Corporate Annual Audit Plan will be agreed by QSG prior to being presented to QSE Committee.	Ongoing June 2018	Executive Director of Therapies and Health Sciences/ Executive Director of Nursing and Midwifery and Executive Medical Director Executive Director of Therapies and Health Sciences

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R10 Consolidate, strengthen and sufficiently resource the change enabling capability of the organisation. Specifically the Health Board should: • ensure financial savings are embedded into change programmes and plans; • strengthen capacity and capability within centrally managed change programmes; • strengthen change enabling capability and capacity in divisions; • ensure workforce, informatics and other enabling resources are integral to change delivery arrangements;	To ensure that overall change capacity is sufficient and aligned to deliver required pace and effectiveness of changes required in the strategy and IMTP.	Yes	Yes	The change management capacity and capability is being reviewed. A plan will be put in place by 31 March 2018, with supporting structures and processes being established by 30 June 18 for delivery of results by 31 March 2019.	31 March 2018 30 June 2018 31 March 2019	Chief Executive

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
• ensure clinical engagement and leadership are integral elements within change programmes; and • strengthen accountability for progress against plans, including the annual operating plan and when developed, the Integrated Medium Term Plan.						
Workforce management R11a Work with educational partners, research partners and internal stakeholders to shape new job roles to increase the attractiveness of the job offer as part of clinical staff recruitment. R11b Increase tactical recruitment capacity to support delivery of R11a.	To ensure that the Health Board maximises its recruitment potential to avoid leaving services short staffed or costly agency placements.	Yes	Yes	The Workforce and Organisational Development (WOD) has good links with educational partners and continues to engage with them in respect of our commissioning needs, working closely with nursing and other clinical colleagues. WOD is also an active member of the North Wales regional workforce board and embraces multi-agency working, which looks to define future working requirements across all sectors.	Ongoing. Position to be reviewed October 2018.	Director of Workforce and OD

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
			Yes	A discussion paper will be presented to the Executive Team in January, which aims to launch a new attraction, recruitment and retention strategy. This must be seen however within the context of our on-going relationship with our shared services colleagues and the need to be more flexible with existing resources within WOD.	June 2018	Director of Workforce and OD
Workforce management R12 Strengthen middle and senior management skills to provide sufficient breadth of business and financial capability and to support succession planning.	To ensure sufficient depth of management capability, delegated authority and to support succession planning.	Yes	Yes	The Head of Organisational Development is aware of the requirement to enhance middle and senior management skills and initiatives that were started in 2017 will continue into 2018 with a further commitment to a training needs analysis approach.	June 2018	Director of Workforce and OD
Informatics R13 Increase investment in technology where this clearly will result in a greater level of returned cashable efficiencies or transformational economies.	To maximise the value of informatics to support wider service efficiencies.	Yes	Yes	Increased investment has occurred during 2017-18 in Informatics in fundamental areas such as clinical coding and the development of key post – namely Chief Medical Information Officer and three Area based Medical Information Officers who will support the Chief Information Officer in prioritising schemes of work.	Complete	

Recommendation	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
				The Digital Transformation Group has now been established and has had its inaugural meeting in November 2017. This will be the forum for agreeing priority investments and ensuring the annual plan, the IMTP and the Strategic Outline Plans (SOP) have been prioritised by the service and clinical leads. Further business cases are under development of efficiency projects such as telemedicine, mobility and digital records – including resource for business analysis, technical support to cope with expanding business as usual services which are becoming more complex due to evolution of technology and legislation such as mobile, GDPR, cyber security mitigation. A balance will need to be achieved between ensuring core services and change projects. These business cases will be submitted to appropriate local and national forums for consideration and will be an ongoing process as part of annual planning.	Complete June 2018 and annually as part of the organisational budget setting and planning process.	Executive Medical Director - Evan Moore - (Dylan Williams)

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