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Structured Assessment 2017 – **Aneurin Bevan University Health Board**

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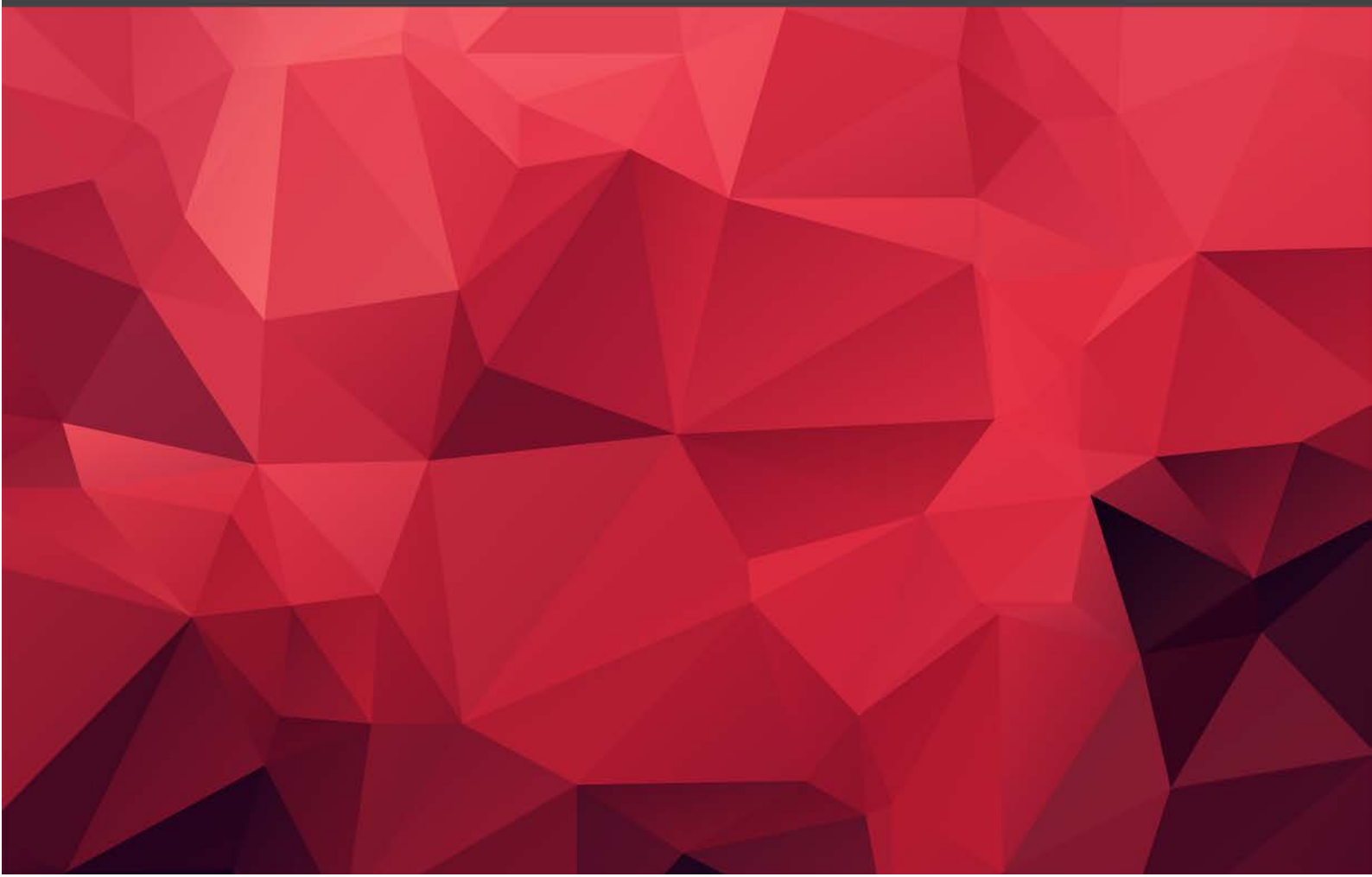

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The team who delivered the work comprised Dave Wilson, Steve Stark, Andrew Strong, Dave Thomas and John Herniman.

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The Health Board has clear ambition and is committed to improving healthcare across South East Wales but will need to further strengthen some aspects of governance, risk management, estates management and workforce planning if it is to deliver these ambitions.

Summary report

Introduction and background

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

2 Our 2016 work found the Health Board's governance and planning approaches were positively shaping the direction and performance of the organisation, but finances and continuity of independent membership remained a risk.

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. That 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 is delivering its Clinical Futures strategy which includes the building of a new specialist and critical care centre – the Grange University Hospital. This development will change the shape and delivery of health services in South East Wales and the Health Board will need to have robust financial management, governance, internal control, change-management and other support arrangements to ensure successful delivery. We have highlighted the strengths of these arrangements in this report and recommended actions that the Health Board should take to further strengthen its arrangements.

Key findings

7 Our overall conclusion from 2017 structured assessment work is that:

The Health Board has clear ambition and is committed to improving healthcare across South East Wales but will need to further strengthen some aspects of governance, risk management, estates management and workforce planning if it is to deliver these ambitions. The reasons for reaching this conclusion are summarised below.

Financial planning and management

8 In reviewing the Health Board's financial planning and management arrangements, we found that the Health Board's savings approaches are helping it to improve the overall financial position, however there are increasing financial challenges ahead.

Financial performance – The Health Board has a track record of delivering a significant percentage of its savings and on-going cost pressures and a shortfall in savings achievement presents a financial challenge to the Health Board's ability to maintain a break-even position each year

9 While the Health Board has a track record of achieving a significant percentage of its overall planned savings, it is reliant on additional non-recurring funding from the Welsh Government to achieve its statutory break-even requirement and to help meet increased demand such as 'winter pressures'.

10 The level of savings has not been sufficient to address growth in costs and this is resulting in a worsening underlying deficit position. In 2016-17 the Health Board achieved savings of £15.2 million and accountancy gains of £2 million against a target of £21.5 million. This created a shortfall of £4.3 million which then has impacted on the 2017-18 financial year. This shortfall, along with additional cost pressures has increased the underlying deficit for 2017-18 from £12.8 million (as reported in the 2016-19 Integrated Medium Term Plan (IMTP)) to £22.75 million (as reported in the 2017-20 IMTP).

11 The Health Board broke-even in 2016-17 and is forecasting to do so again in 2017-18. But, the worsening deficit position provides a major financial challenge to the Health Board in meeting its financial duty to breakeven in a rolling three-year period. While the Welsh Government is providing some annual funding uplift, the Health Board is under pressure to identify higher levels of recurring savings in future years.

12 Financial savings planning and delivery – The Health Board has implemented a more systematic framework for ensuring that its financial savings plans are identified but this is not fully effective.

13 The Health Board has improved the way it identifies savings opportunities and engages across departments. Towards the end of 2016-17 the Health Board acknowledged that the process would benefit from more corporate involvement. In response the 2017-18 planning process was corporately led and established a register of potential savings areas. The register was based on corporate analysis of performance data including benchmarking, variation analysis and horizon scanning work. This has made the process more efficient, providing budget holders with a framework within which to work and develop individual savings schemes.

14 The Health Board has tried to focus on savings schemes that produce recurring savings, with 91% of its schemes for 2016-17 yielding such savings. However, we note that the proportion of recurring savings schemes for 2017-18 has dropped to 55%. With the backdrop of a potential worsening deficit, the Health Board is not

achieving sufficient levels of recurring savings and is not yet identifying larger transformational changes. Its financial plan focus is on releasing savings to re-invest in out-of-hospital care and avoid future cost growth. The Health Board is in the process of building the new Grange University Hospital which it sees as delivering much needed transformational changes but this hospital is not expected to be operational and start making savings until early 2021.

Financial savings monitoring – The Health Board has good arrangements in place to monitor, report and scrutinise savings schedules

15 The Health Board has a good structure in place to monitor savings schemes at all levels of the organisation but the level of detail available to operational managers, executives members and independent members varies.

16 At an operational level the Health Board has well established meetings in place including the Medicines Management Board and Divisional Assurance meetings. At these meetings, detailed discussions take place based on reports for each division's savings schemes. This provides a sound forum for scrutinising the performance of each scheme and identifying at an early stage any schemes that are under-delivering and need corrective action.

17 At a corporate level, Finance Reports are provided to the Finance and Performance Committee and the Board which include a section on savings performance and an analysis of savings scheme performance with risk ratings. The level of detail provided to executives and independent members at these meetings is at a strategic overview level, often showing divisional or cross-cutting headlines. This level of information is sufficient to discharge a general duty to oversee the impact of financial savings but is not sufficient to enable members to further scrutinise or recommend action to address underperformance of individual savings schemes.

Governance and assurance

18 In reviewing the Health Board's corporate governance and board assurance arrangements we found that the Health Board has a clear vision and long-standing governance arrangements that with some improvement will help it deliver improved health services in South East Wales. The reasons for reaching this conclusion, are summarised below.

Strategic planning – The Health Board has ambitious aims to reshape healthcare across South East Wales, underpinned by its Integrated Medium Term Plan and Clinical Futures Strategy; it is working hard to develop detailed plans around community and existing hospital services

19 The Health Board has ambitious aims to reshape healthcare across South East Wales, underpinned by its Integrated Medium Term Plan and Clinical Futures Strategy. This is a significant level of change and the Health Board will be phasing its delivery over the four years leading up to the opening of its Specialist Critical Care Centre – the Grange University Hospital in early 2021. The Health Board is working hard to develop detailed plans around primary and community care and existing hospital services.

Organisational structure – The Health Board's management structure has served it well to date and it may need to review this further as it implements its Clinical Futures Strategy

20 The Health Board's organisational management structure has served it well to date. Since the Health Board was established in 2009, the structure has absorbed challenges such as the impact of new technology, increased demand, changes in treatments, development of community services and changes to Welsh Government priorities. The Health Board has commissioned reviews of accountability arrangements across and within Divisions that indicate that accountability is generally clear throughout the organisation. However, whilst responsibilities have been allocated based on a 'best fit' within the management structure, some officers' spans of control are considerable and may not be sustainable. It is important therefore that, as the Health Board prepares to deliver healthcare differently through its Clinical Futures Strategy, it is assured that the management structure remains fit for the future.

Board and committee structures are sound and well administered

21 We observed good relationships and coordination of agenda between committees and the Board. The Health Board reviewed committees and their membership in May and September 2017 to take account of the changes of independent members. We noted that agendas, covering reports and supporting information are sometimes overly long and often stretch into several hundred pages. As new independent members settle into their roles it is important that they receive relevant information and some context, and that important information is highlighted to support effective scrutiny and informed decision making. We are aware the Health Board has and continues to work to improve its approach.

22 Board and committee business is mostly conducted in the open section of meetings where members of the public are able to attend. Some reports may contain confidential or sensitive information and these are considered in the closed 'in committee' session of the meeting. To further improve transparency, there is scope for some agenda items that may have previously been considered in the 'in

committee' session of the meeting to be more appropriately discussed in the public session. The Health Board is committed to improving transparency and we observed one committee Chair challenging why some reports were not considered in the public session of the meeting.

23 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 in the following areas:

24 Board assurance and effectiveness – The action is incomplete. The Health Board has not developed a board assurance framework choosing not to progress until the new Chair and Board were in place. However, it has started to address the development needs of new Board members through a Board Development Programme.

Risk management – Committees maintain an overview of key risks but could be better supported by the information they receive

25 The Health Board recognises that its corporate risk management is not fully effective and has started to review its arrangements. During 2017, the Board and its committees received reports and risk assessments regularly for information. However, whilst the risk registers included a risk rating and planned mitigating actions, it was unclear how the mitigating actions would reduce the assessed risk rating, and some risks had remained at the same rating for several years indicating that mitigating actions were having little or no effect. The Executive Team held a workshop in October 2017 facilitated by NHS Shared Services and its Internal Audit Service to begin the process of rationalising and reworking the Health Board's approach to risk management and its reporting. This remains 'work in progress' but planned changes should help the Health Board to implement its Clinical Futures Strategy, by improving risk management arrangements.

Internal controls – Internal controls are generally effective in meeting current assurance requirements but some aspects, including the use of clinical audit, need further improvement

26 Internal controls are generally effective within the Health Board although there are areas that it could improve. All internal and external audit reports and Counter Fraud Services reports are presented to, and considered by the Audit Committee and where appropriate other committees. Committees will request follow up reports or refer matters to other committees or the Board where they consider it appropriate. Arrangements to gain assurance from clinical audits need strengthening by improving planning of local clinical audit work and reporting assurances into the Quality and Patient Safety committee.

Information governance – The Health Board has the foundations of good information governance and as it prepares for the new General Data Protection Regulations, this will be challenging within current available resources

27 The Health Board completed a Caldicott Information Confidentiality self-assessment in April 2017 and assessed itself at 89% compliant. It has identified Caldicott and information governance improvement actions that are underway in 2017-18.

28 The Health Board's performance in 2016-17 for responding to information requests within the required timeframe, was 84% in respect of Freedom of Information Act requests and 96% in relation to Data Protection subject access requests.

29 The Health Board is strengthening its information governance arrangements ahead of the 2018 General Data Protection Regulation (GDPR) implementation, but there may be resource implications if it is to effectively meet the requirements of GDPR. It will need to ensure that it meets the timeliness of responses to statutory information access requests which are expected to rise once GDPR is implemented.

Performance management – The Health Board actively manages performance and can demonstrate positive performance in some areas

30 The Health Board continues to monitor performance regularly and has improved its processes since our last Structured Assessment. Within divisions, managers are held to account for delivery of improved performance and the Executive Team maintains a strategic overview and provides further challenge.

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

31 The Health Board has established arrangements to manage its resources such as assets, workforce and information technology but these will need further development to support delivery of corporate objectives. The reasons for reaching this conclusion are summarised below.

Change management – The Health Board has established arrangements to support service improvement and is building programme and change management capacity to deliver its Clinical Futures Strategy

32 The Health Board manages change using a range of approaches. It has a Toolkit for Leading and Managing Workforce Change. Its Aneurin Bevan Continuous Improvement Team (ABCi) has developed over time and the Health Board puts in place other change delivery arrangements proportionate to the scale of planned changes. For example, it has established a Delivery Board to coordinate and manage implementation of its Clinical Futures Strategy. This has helped support

delivery of its corporate objectives. To help deliver its Clinical Futures Strategy and IMTP, it will become increasingly important that it builds on its current approaches ensuring that the organisation has adequate capacity and skills to manage change using recognised project management approaches and methodologies and that it evaluates success of its change management in practice.

33 The Health Board has started to update Service Change Plans to support the IMTP. The Health Board's Planning Team aims to improve consistency of content of these plans and intends to issue guidance to managers on their completion in line with guidance from the Welsh Government due to be issued in October 2017.

34 The Health Board is in the process of addressing the recommendations made last year in relation to effective delivery of change. Progress relating to recommendations made in the following areas is summarised below:

- Adopt an agreed and formal change management approach and develop core staff capabilities for those managing change – The Health Board has not yet developed a standard change management approach. The action is incomplete.
- Develop capacity and infrastructure to facilitate the delivery of the Integrated Medium Term Plan, Service Change Plans and the specialist critical care centre. Actions are on track but not yet complete. The Health Board has recruited additional capacity to support change management, developed a Delivery Board structure for the Clinical Futures Strategy and ABCi continues to explore change management opportunities.

Workforce management – The Health Board understands its workforce pressures and is addressing key areas such as sickness absence and excessive use of agency and locum staff. It has not developed an organisation workforce plan or quantified future staff needs to deliver its Clinical Futures model

35 The Health Board understands its workforce pressures and is addressing key areas such as sickness absence and excessive use of agency and locum staff. It has not developed an organisation workforce plan that quantifies future staff needs based on an updated clinical model needed to deliver its Clinical Futures Strategic approach.

Assets and estates – The Health Board does not have an estates plan or up to date condition surveys of its buildings. Decisions around the acquisition, maintenance and disposal of its estate are therefore not strategically managed

36 The Health Board does not have an Estates Strategy and at the time of our Structured Assessment it did not have up to date accurate records of the condition of its buildings. However we understand that work has taken place to bring estate stock condition information up to date. As the Health Board prepares for the opening of the Grange University Hospital and new community based services, it is

important that the Health Board understands its current portfolio to help it map out future needs and plan accordingly.

Partnership working – The Health Board has developed positive partnerships through its Neighbourhood Care Networks and engagement for example with Public Service Boards

37 Partnership working is well embedded across the Health Board, Neighbourhood Care Networks are well established and provide a valuable working environment in which the Health Board works with other health professionals. The Health Board is an active member of the five local Public Service Boards and Regional Partnership Boards, and its Public, Partnerships and Well-being Committee maintains oversight of the Health Board's roles within partnership arrangements. Its 2014 Engagement Strategy shows clear commitment to listening to and engaging with citizens and staff, although references to 'listening events' in 2015 suggest this strategy would benefit from being reviewed, refreshed and updated.

ICT and technology – The Health Board faces ongoing challenges around the delivery and funding of information technology services.

38 The Health Board faces ongoing challenges around the delivery and funding of information technology services. Its Strategic Outline Programme (SOP) for 2016-2021 is based on out of date resource assumptions, it continues to operate legacy systems from prior to the Health Board's creation in 2009 and capacity has been stretched as the Informatics Department acts to protect the Health Board from risks such as cyber-attacks.

Recommendations

39 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.

40 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
Savings schemes monitoring and reporting
R1 The Health Board should provide more detail to executives and independent members in respect of progress against savings schemes. This should help them to provide sufficient scrutiny and challenge to schemes which are off target.

2017 recommendations
Board and committee papers R2 The Health Board should ensure that Board and Committee members receive appropriate information to help them make sound decisions and effectively scrutinise by: a. ensuring adequate time to consider agenda items during meetings; b. ensuring that reports highlight important information relevant to the Board or committees remit; c. provide access to additional or background information; and d. ensure that agenda reports are of a reasonable length that members can reasonably be expected to read before the meeting.
Risk management R3 The Health Board should review risk management arrangements to ensure that corporate risks are appropriately escalated and managed by: a. developing upon its current risk reports to ensure that the context of the risk and progress in managing it are clearly set out; and b. revising the risk rating based on the mitigating actions.
Internal control R4 The Health Board should ensure that clinical audits provide assurance within an assurance framework, linked to the organisation's strategic objectives.
Information technology and information management R5 The Health Board should ensure resources allocated to information technology and information management provide sufficient capacity to meet the Health Board's plans.
Estate management R6 The Health Board should develop an Estates Strategy that reflects the current condition of its buildings and supports delivery of the Clinical Futures Strategy.
Engagement R7 The Health Board should review, refresh and update the Engagement Strategy – 'Hearing and acting upon the voice of our staff and citizens'.

Detailed report

The Health Board's savings approaches are helping it to improve the overall financial position, however there are increasing financial challenges ahead

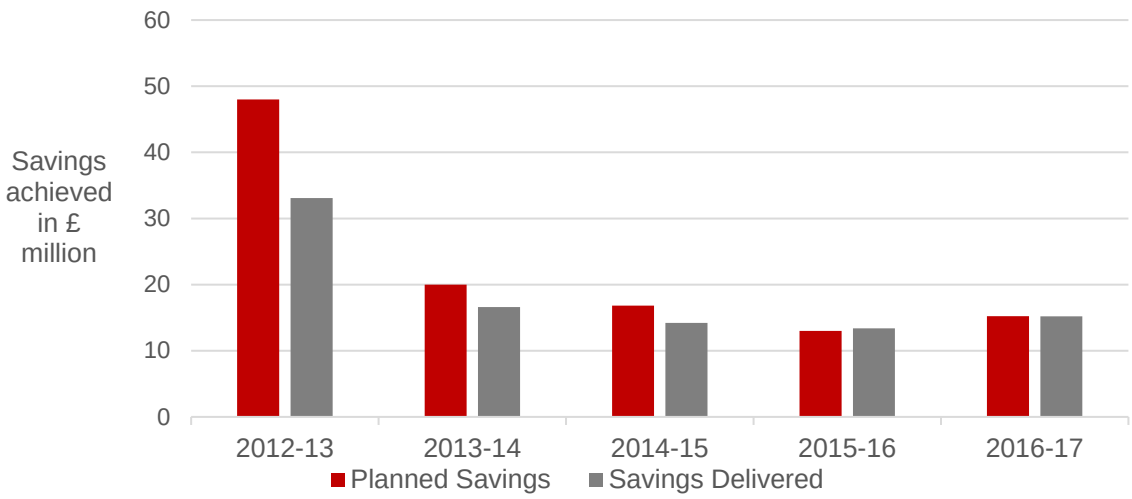
41 The Health Board has clear ambition and is committed to improving health care across South East Wales but will need to further strengthen some aspects of governance, risk management, estates management and workforce planning if it is to deliver these ambitions. The findings underpinning this conclusion are detailed below.

42 In addition to commenting on the Health Board's overall financial position, our structured assessment work in 2017 has considered the actions that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. We have assessed the corporate arrangements for planning and delivering financial savings in the context of the overall financial position of the organisation. A detailed examination of individual savings plans was beyond the scope of this review. However, we have considered the approach in the area of medicines management and this has informed our overall views on the effectiveness of the organisation's approach to the planning and delivery of savings. Our findings are set out below.

The Health Board has a track record of delivering a significant percentage of its savings and on-going cost pressures and a shortfall in savings achievement presents a financial challenge to the Health Board's ability to maintain a break-even position each year. The Health Board has been largely successful in delivering its planned savings in the last two years

43 Over the last five years, the Health Board has set relatively ambitious but generally achievable savings targets. In the last two years, the Health Board successfully delivered against those expectations (Exhibit 2).

Exhibit 2: summary of saving scheme delivery 2012-13 to 2016-17



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

44 As at month 7 for 2017-18, the Health Board is forecasting a year-end achievement of 95% of its identified savings. It has also reported an actual achievement of £11.1 million against a plan to date of £11.6 million at month 7.

45 Each year the Health Board receives a revenue resource allocation from the Welsh Government. The funding received by the Health Board from the Welsh Government includes an assumption. Currently, it assumes that the Health Board will deliver savings and deliver financial balance spend within its allocation. Then ongoing cash releasing savings of between 1% and 1.5%.

46 The Health Board was compliant with this statutory requirement for the three-year period 2014-17. While savings have contributed to achieving this statutory requirement, the Health Board continues to be reliant on additional funding negotiated with the Welsh Government throughout the year. For example in 2016-17, the Health Board received additional funding of £9.9 million, which helped it to achieve financial breakeven for that year.

There has been some variation in the success of savings schemes

47 While it is positive that the Health Board has a track record of achieving savings, there has been a high percentage of individual savings schemes underachieving or overachieving against the planned savings. For example in 2016-17, out of 108 savings schemes, 21 schemes achieved £10,000 or more than planned and 22 schemes achieved over £10,000 less than planned. Exhibit 3 provides a summary analysis prepared by the Health Board on over and under-delivery against its saving schemes.

48 For 2016-17, the Health Board identified 108 savings schemes with a total of £15.2 million. Of these savings, 30 schemes underachieved by a total of £1.3 million and 32 schemes overachieved by a total of £1.3 million.

Exhibit 3: summary of 2016-17 saving scheme delivery

Category	Number of identified schemes	Sum of planned schemes (£'million	Sum of actual delivery (£'million)	Sum of variance (£'million)
Identified schemes – over-delivered by up to £10,000	10	0.3	0.4	0.1
Identified schemes – over-delivered by £10,001 to £50,000	15	4.9	5.2	0.3
Identified schemes – over-delivered by over £50,000	7	1.4	2.3	0.9
Identified schemes – delivered planned amount	46	2.6	2.6	0
Identified schemes – under-delivered by up to £10,000	8	1.4	1.4	0
Identified schemes – under-delivered by £10,001 to £50,000	13	1.1	0.8	-0.3
Identified schemes – under-delivered by over £50,000	9	3.5	2.5	-1.0
Total	**108**	**15.2**	**15.2**	**0**

Source: 2016-17 Month 12 savings report from Aneurin Bevan University Health Board

The level of savings has not been sufficient to address the whole of the deficit

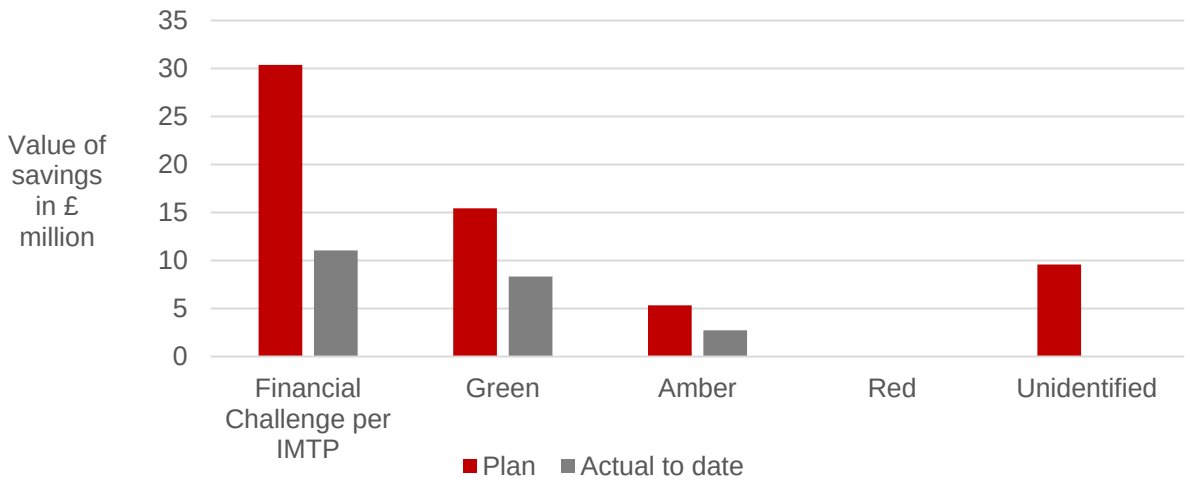
49 The Health Board's 2016-19 Integrated Medium Term Plan[1] showed that the underlying deficit going into 2017-18 was forecast to be £12.8 million. As identified in Exhibit 2 above, the Health Board has a reasonably good track record of delivering savings schemes against its plans. For 2016-17, the Health Board achieved savings of £15.2 million from identified schemes and £2 million from accountancy gains against a target of £21.5 million in the IMTP. This resulted in a shortfall of £4.3 million.

50 Despite the savings made by the Health Board during 2016-17, the underlying deficit carried forward into 2017-18 increased by £10 million to £22.75 million. With additional cost pressures for 2017-18 the overall reported deficit for that year was

[1] The Integrated Medium Term Plan is a three-year rolling plan which includes a section outlining the Health Board's Financial forecast outturn and assumptions and shows each of the three years covered by the plan. As a rolling plan, it is updated on an annual basis.

reported to be £30.4 million. Exhibit 4 shows the progress that the Health Board is making against this target.

Exhibit 4: summary of 2017-18 savings scheme performance at month 7



Source: 2017-18 month 7 savings report from Aneurin Bevan University Health Board.

Financial Challenge per IMTP – this is the overall savings required as reported in the IMTP.

Green means that the Health Board expects the savings to be achieved.

Amber means that the Health Board may not achieve all of the savings.

Red would mean schemes the Health Board does not expect to achieve and there are none.

Unidentified means that the Health Board has not yet identified savings schemes.

51 For 2017-18, the Health Board has identified 271 savings schemes with a total value of £20.8 million. At month 7, the Health Board forecast:

- 65 schemes that would underachieve by a total of £2.5 million; and
- 28 schemes that would overachieve by a total of £1.3 million.

52 As shown in Exhibit 4, at month 7, there are unidentified savings schemes totalling £9.6 million which are required to achieve the planned IMTP outturn at the end of the year, an increase of £2.1 million since month 5.

53 Therefore, although savings plans are contributing towards reducing the forecast deficit, the fact that the Health Board is not achieving all of its savings schemes, together with on-going cost pressures and cost growth, means that the underlying deficit is not being fully addressed. As at month 7 of 2017-18 the Health Board has received £15 million of recurring funding from the Welsh Government in order to help it aim to break-even for 2017-18 but there is a reported residual deficit at month 7 of

£1.440 million which is putting greater pressure on the Health Board to identify higher level of savings.

The Health Board has implemented a more systematic framework for ensuring that its financial savings plans are identified but this is not fully effective

54 Each year the Health Board has to identify savings schemes in order to be able to aim to spend within its revenue resource allocation. Savings targets are generally set at a high level based on a percentage of spend which is then cascaded down to budget holders to identify the individual savings scheme plans. The planning and development of these plans is an integral part of the IMTP process and the Health Board has a network of business partners in place across various departments to support budget holders in the development and implementation of plans. Each Division is assigned a lead from each of these departments covering areas such as Finance, Procurement, Workforce, Planning, Informatics, Medicines Management and Clinical Leads. Development of plans is therefore a joined up process across the Health Board and these business partners are in attendance at on-going monitoring meetings to support the delivery process. This section of the report comments on improvements made by the Health Board in the savings planning process. The Health Board has improved the way it approaches the identification of savings opportunities and engagement across departments.

55 The Health Board has improved the way it identifies savings opportunities by taking a ‘top-down’, ‘bottom-up’ approach to identifying savings. Towards the end of 2016-17 the Health Board acknowledged that the process for identifying savings schemes would benefit from more corporate direction and involvement. Therefore, for 2017-18 the planning process was corporately led (top-down) and resulted in the establishment of a register of potential savings areas, based on corporate analysis of performance data including benchmarking, variation analysis and horizon scanning work. This has made the savings planning process more efficient and provided budget holders with a framework within which to work and develop individual savings schemes.

56 The Health Board also takes a collaborative approach to identifying and implementing savings schemes with other organisations such as other Health Boards, national efficiency groups and GP Practices in order to identify and plan savings schemes. In particular, the Health Board has representation at the newly formed All Wales Pharmacy meeting. This allows the Health Board to share knowledge and good practice to help it identify and implement additional savings schemes that are consistent with the wider Health sector.

57 The Health Board has a Medicines Management Programme Board (MMPB) chaired by the Chief Operating Officer at which divisional heads present plans and an update on a rolling basis throughout the year. The attendance at these meetings had previously been variable with some divisions having poor attendance. However, over

the last year, the attendance by divisions has been much improved which has provided more buy-in by departmental officers and budget holders and provides more opportunity for cross-department discussions around identifying, implementing and monitoring schemes.

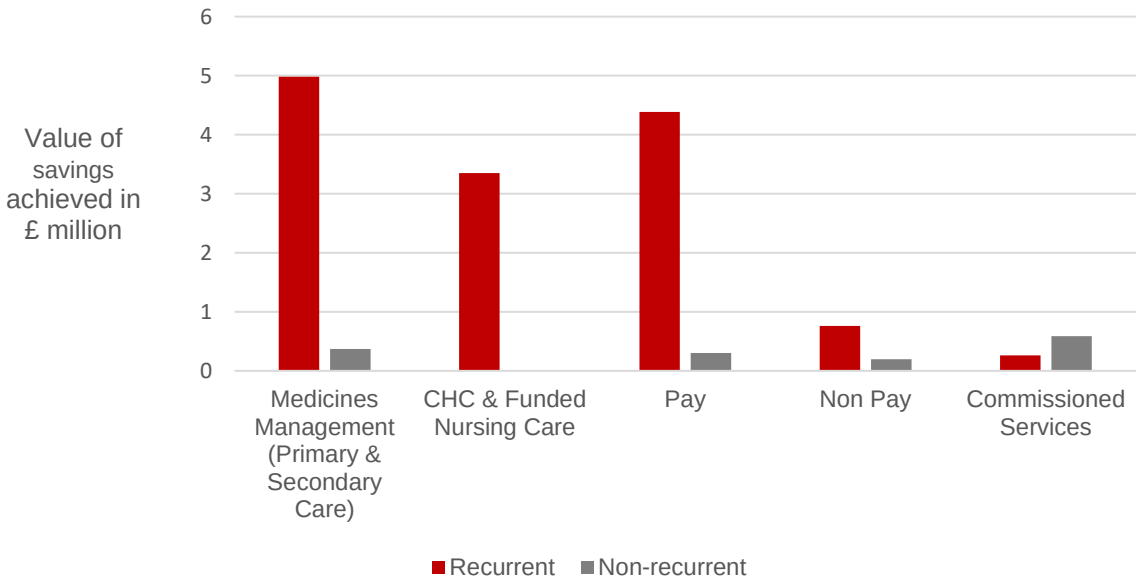
The Health Board's savings schemes are aligned with the IMTP but it has not yet developed larger scale transformational schemes to address the underlying deficit

58 The savings planning process is integrated into the IMTP process with each division being required to submit a return which outlines the budget, risks and identified savings plans in detail. While this is good practice we note that at the time that the 2017-18 to 2019-20 IMTP was finalised and submitted, the Health Board had not developed all plans required to fully address the deficit.

59 Savings plans that have been developed as part of the IMTP process involve officers from various departments ensuring that the appropriate mix and level of resources are considered and made available within the constraints of the Health Board's existing resources.

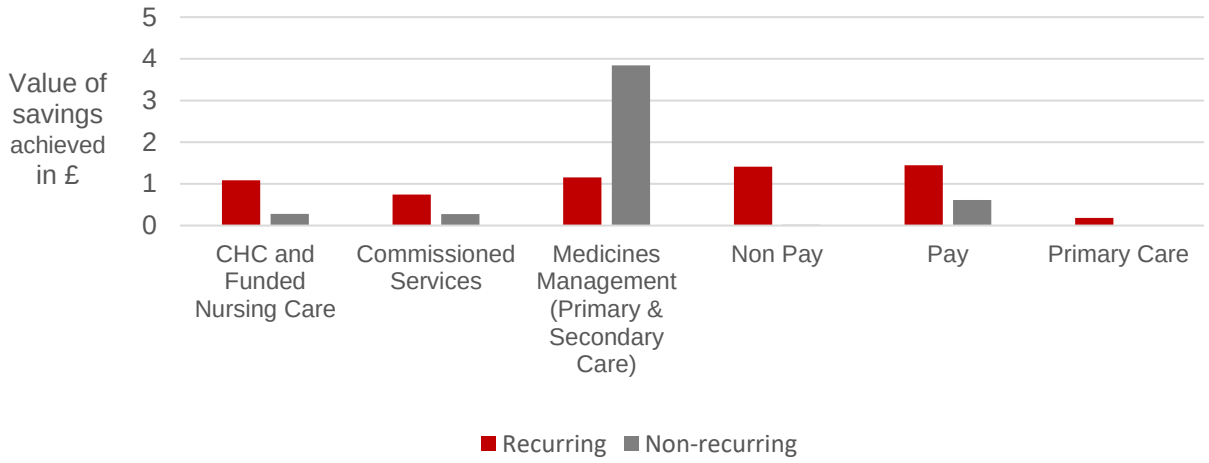
60 When constructing savings plans, it is important to consider the balance between, and effect of, recurring and non-recurring saving schemes. A greater achievement of recurring schemes should make the budgetary pressure lower in following years. We found that 91% of the savings schemes identified in 2016-17 related to recurring savings (Exhibit 5) but that this dropped to 55% in 2017-18 (Exhibit 6).

Exhibit 5: analysis of savings achieved in 2016-17 between recurrent and non-recurrent



Source: 2016-17 month 12 savings report from Aneurin Bevan University Health Board

Exhibit 6: analysis of savings achieved at month 7 in 2017-18 between recurrent and non-recurrent



Source: 2017-18 month 7 savings report from Aneurin Bevan University Health Board

61 As previously identified, the 2017-20 IMTP reports an increasing underlying deficit which will require the Health Board to achieve additional savings in order to achieve financial balance. Furthermore, the plan identifies a deficit of £15 million for 2017-18 and a need to recover this position by 2019-20. Notwithstanding the challenges the Health Board faces in achieving the current year's savings, there is a risk that future savings or funding from the Welsh Government may not be able to recover the deficit without wider transformational changes to the way it delivers services.

The Health Board has strengthened its arrangements for monitoring and scrutinising savings schemes

The Health Board has a good structure in place to monitor savings schemes at all levels of the organisation but the level of Board and Committee information limits scrutiny of underperfoming schemes

The Health Board has improved its financial reporting process, and mechanisms are in place to monitor savings delivery

62 In 2017-18, the Health Board has developed a savings scheme database as a replacement for the individual spreadsheets that divisions were using. This was piloted in one division and due to the success has since been rolled out across the Health Board. The database contains detailed information about each scheme. This allows users to record reasons for changing saving scheme risk rating so that the monitoring process can become more efficient and effective.

63 The Health Board also introduced additional information into its monthly Finance reports. This is a table of data showing the progress of savings schemes ranked by risk. This highlights the level of achievement and clarity about any financial gap. This additional information is reported at divisional level and is included in the reports that are submitted to the F&P committee and the Board.

64 Operational managers meet monthly in their teams to scrutinise progress in delivering savings on a scheme by scheme basis. They decide what corrective action they need to take to deliver the agreed level of savings. The output from these meetings is a clear set of actions to implement the required corrective action. We found evidence of such discussions at the operations team meeting, the medicines management operations team and at divisional assurance meetings. We also found evidence that where corrective action had been identified and implemented, this had resulted in an improved position with the forecast achievement of savings plans.

Whilst the Board and Committees receive information on the overall financial position and performance, reports lack detail on specific underperforming savings schemes. Therefore Members are less able to scrutinise delivery and hold Executive to account

65 At a corporate level, monthly and bi-monthly meetings such as the Medicines Management Programme Board, the Financial and Performance (F&P) Committee and the Executive Board provide an additional level of scrutiny. The Director of Finance also meets with Executive members and the Chief Executive to discuss the overall financial position within divisions based on mid-year and year-end financial performance including delivery of savings. In addition to formal meetings, Finance, Divisional Leads and other staff maintain informal communication on a day-to-day basis to monitor the delivery of savings schemes.

66 The level of detail in the reports submitted to the F&P Committee and the Executive Board are at a higher level, generally at divisional level, and do not therefore provide scheme level detail. We have noted that the F&P Committee receives additional information in the form of tabular data and graphs but in both cases only high level narrative detail is provided on the risks associated with the schemes. Given the high risks associated with the delivery of savings schemes and the backdrop of a significant underlying deficit, the Health Board may benefit from providing more detail to the Committee and Board. This should include information on any underperforming schemes and the proposals for corrective action, so that executives and independent members may offer further scrutiny and obtain additional assurance that the plans can be achieved.

The Health Board has a clear vision and long standing governance arrangements that with some improvement will help it deliver improved health services in South East Wales

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

The Health Board has ambitious aims to reshape healthcare across South East Wales, underpinned by its Integrated Medium Term Plan and Clinical Futures Strategy; it is working hard to develop detailed plans around community and existing hospital services

68 The findings underpinning this conclusion are based on our review of the Health Board's approach to strategic planning and the arrangements which support delivery of strategic change programmes underpinning its Integrated Medium Term Plan (IMTP). Our key findings are set out below.

69 The Health Board's Clinical Futures strategy, initially developed in 2004, sets out the strategic direction for modernising clinical services. It states that Clinical Futures is 'a clinically owned and led programme that seeks to rebalance the provision of care in Gwent, enabling citizens to play a more active role in their well-being, providing more services in a community setting (using its Neighbourhood Care Networks as the foundation for this), working with partners to develop integrated teams that work at a locality level to support individuals' independence and recovery, and ensuring world class hospital services for people when they need them'.

70 Delivery of the Clinical Futures Strategy including the building and commissioning of the Grange University Hospital will involve significant further changes to existing local health services. The services will be phased in over the next four years, with completion expected in 2021. This major change programme will affect staff, buildings, systems, processes, partners and patients during its implementation. Plans to deliver these changes are well underway, although the Health Board is yet to finalise some important aspects of its plans relating to community and existing hospital services.

71 The current IMTP sets out the Health Board's vision, values and ways of working, key service sustainability and service change priorities for the three years up to March 2020. It received ministerial approval in accordance with the requirements of the NHS Wales Planning Framework and the duties set out by section 175(2) of the National Health Service (Wales) Act 2006 by the Welsh Government on 16 June 2017. At this stage the is considering its IMTP 2018-21 when the Clinical Futures

Strategy is due to be implemented in full. Its detailed planning will help to inform this new IMPT.

The Health Boards management structure has served it well to date and it may need to rreview this further as it implemenmts its Clinical Futures Strategy

72 The findings underpinning this conclusion are based on our review of the Health Board's current organisational structure and capacity in the context of the Health Board's strategic direction and planned changes in healthcare services.

73 In our 2016 structured assessment, we reported that the Health Board had commissioned consultants to undertake an accountability review. In response to the review, the Health Board has focussed on priorities associated with improving processes, governance and ensuring that lines of accountability around decision making are clear.

74 The Health Board has adapted its organisation management structure to accommodate new technologies, increased demand, changes in preventative treatments, development of community services and changes to the Welsh Government priorities over time. However, as the Health Board prepares to implement its Clinical Futures Strategy it is important that it is assured that it has both the right skills and management structure that are fit for the future.

Board and committee structures are sound, but meetings are not always run effectively

75 The findings underpinning this conclusion are based on our review of the effectiveness of the board, its governance structures and assurance arrangements. Our key findings are set out below.

76 The Health Board met its annual reporting requirements. At its Annual General Meeting held on 26 July 2017, Executive Directors and the Chief Executive presented the Health Board's Annual Report 2016/2017, Annual Accounts 2016-2017 and its Annual Quality Statement 2016-2017. The Health Board's Governance Statement 2016-17 provides an overview of the governance and assurance framework in operation. This includes the 'Standing orders and reservations and delegation of powers' and 'Standing financial instructions' that set out how the Health Board conducts its business. The Health Board approved changes to the Scheme of Delegation in January 2017, relating to a change in financial limits for the Associate Director of Efficiency and Effectiveness who is the operational lead for continuing healthcare packages, but the Standing Financial Instructions remain unchanged since 2014.

77 The Health Board is transparent in its conduct and decision making at public Board and Committee meetings. The Board and committees conduct business in open sessions where members of the public may attend. Some items, such as those of a confidential or sensitive nature are considered in the closed 'in committee' section of the meetings. To further improve transparency, there is scope for some agenda items that may have previously been considered in the 'in committee' session of the

meeting to be more appropriately discussed in the public session. The Health Board is committed to improving transparency and we observed one committee Chair challenging why some reports were not considered in the public session of the meeting. The committees that we have observed were well administered, with clear agendas that reflected the terms of reference of that committee. There is good cross-referral of items between committees to ensure effective assurance flows and oversight. The committee chairs also prepare a short report and present this and any key issues to the Board, for assurance.

78 Although the Health Board regularly reviews its governance arrangements, we noted that Board and Committee papers are often several hundred pages and some meetings during 2017 lasted over five hours. As a result, important information in reports may not be drawn to the attention of Board and Committee Members and items towards the end of agendas may not be fully considered.

79 We have provided some specific commentary on the operation of the Board and its committees, as well as identifying areas for development and improvement, below.

80 The Board meets monthly with alternate public and development meetings. It publicises agenda and reports on its website for business conducted in the public sections of its Board meetings and as the title suggests, these meetings are open to members of the public, staff and the media.

81 The Board receives annual reports from each of its committees setting out what the committee members consider the committee has achieved during the previous year and its future plans. The Board considered the 2016-17 annual reports at its July 2017 meeting.

82 The Board also reviews its committee membership regularly. The Board approved changes to committee membership at its meeting in May 2017 and made further changes at its September 2017 meeting following the appointment of its new Chair of the Health Board.

83 At each Public Board meeting there is a ‘Patients Story’ intended to provide Board Members with an insight into patients’ experiences of accessing local health services. In 2017, the focus was mostly on the services, with presentations made by staff not the patients themselves. This suggests that the Board does not get the most from the patient stories.

84 Board development meetings provide an opportunity for executive team members to brief all board members on key business issues and initiatives and to hear from representatives from external bodies. These meetings help independent members to understand Health Board business better in preparation for future discussions at the Public Board or committee meetings and create the opportunity for the Board as a collective to help shape their priorities, direction, engage in strategy development and other significant aspects of business.

85 The Audit Committee continues to play a core part in the governance arrangements. The Committee regularly reviews Internal and External Audit reports and monitors the Health Board’s progress in responding to recommendations, ensuring that all recommendations are fully addressed in a timely way. Meetings are well attended

with good questions to report authors that shows that its members have a good understanding of the report content and key issues. 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.

86 The Quality and Patient Safety Committee supports the Board in discharging its responsibilities regarding quality and safety of healthcare and services provided and secured by the Health Board. We observed the September 2017 meeting of this committee and noted a good mix of informative presentations and relevant reports, informed discussion on key issues and good attendance by officers to present reports and answer questions.

87 The Quality and Patient Safety Committee is supported by the Quality and Patient Safety Operations Group. The operations group considers committee agenda items when reports are in draft and is able to advise the committee on important issues. The operations group met on 18 August 2017 in preparation for the committee meeting on 13 September 2017. The operations group report was not introduced or discussed at the committee meeting because the meeting was running late. It is unclear how the work of the operations group adds value to the Quality and Patient Safety Committee.

88 The Information Governance Committee advises the Board on quality and integrity, safety and security; and appropriate access and use of information and information technology. We observed the meeting held on 4 September 2017. In addition to the minutes and actions from its previous meeting and a verbal report, the agenda included 12 reports for the meeting to consider. The agenda was in line with the committee's terms of reference and covered current issues on which the Health Board would need assurance, but one item was discussed for over 45 minutes which contributed to the meeting exceeding its planned three-hour duration. The meeting due to be held on 6 November 2017 was cancelled pending the appointment of the new Independent Member who would chair the Information Governance Committee

89 The Public Partnerships and Wellbeing Committee supports and advises the Board on its responsibilities in regard to actively promoting and improving public health and well-being. In accordance with the Health Board's responsibilities under the Wellbeing of Future Generations Act 2015 (the Act), public bodies have established Public Service Boards (PSB)[2]. The Health Board established this committee to help meet its responsibilities under the Act and to coordinate its engagement and contributions to the five PSBs within its geographic boundaries. We observed the committee meeting on 14 September 2017. The agenda was in line with the committee's terms of reference and focused on partnership matters. The committee

[2] The purpose of Public Services Boards (PSBs) is to improve the economic, social, environmental and cultural well-being in its area by strengthening joint working across all public services in Wales.

is clearly in its formative/development stage and in some ways, such as engagement with PSBs, can only move at the pace of external partners.

90 The Finance and Performance Committee supports the Board by scrutinising and identifying action to improve the Health Board's performance and financial arrangements and position. We did not observe this committee but did review agenda and minutes of its meetings. The agenda of the April 2017 meeting is in line with the committee's terms of reference and the minutes of the previous meeting show that the committee considered detailed reports to enable it to provide the Board with adequate assurance. This committee was previously chaired by the Chair of the Health Board and will in future be chaired by one of the new independent members, who at the time of our assessment had not been appointed.

91 In 2016, we made the following recommendation relating to board effectiveness and the need to strengthen its board development activities. Exhibit 7 describes the progress made.

Exhibit 7: progress on 2016 board and committee effectiveness recommendations

2016 recommendation	Description of progress
Board assurance[3] and effectiveness **R3** Build upon the early work on assurance framework development by reviewing the quality and clarity of articulation of the Health Board's corporate objectives.	Whilst work is taking place to address this recommendation, the position remains largely unchanged. A Board Assurance Framework has not been developed and agreed. **Action incomplete**
R4 Identify the key threats to achieving the corporate objectives and determine what additional assurances may be required to help the Health Board achieve those objectives.	Whilst work is taking place to address this recommendation, the position remains largely unchanged. A Board Assurance Framework has not been developed and agreed. **Action incomplete**

[3] The HM Treasury Guidance on Assurance Frameworks (2012) defines an assurance framework as: 'An assurance framework is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect.

2016 recommendation	Description of progress
R5 Review the Board development programme and the specific development needs to support new Board members during the coming year.	As in other Health Boards, several Independent Members of Aneurin Bevan University Health Board have reached the end of their term and have been replaced by new Independent Members. The Health Board plans to ensure that all new Independent Members access the national induction training and it is supplementing this training by specific tailored induction at the Board Development sessions and one to one meetings with Executive Members. **Action ongoing**

Committees maintain an overview of key risks but could be better supported by the information they receive

92 The findings underpinning this conclusion are based on our review of the effectiveness of risk management arrangements. Our key findings are set out below.

93 The Health Board approved its revised Risk Management Strategy in January 2017 noting that further development work to prepare 'how to' guides for staff was underway.

94 Corporate risks are routinely reported to committees and the Board, which enables agendas to be shaped to focus on areas of concern. Risks are reported using coloured graphics to highlight those that are rated highest. However, risks are sometimes presented to committees without a covering report setting the risks in context, therefore Members are left to interpret risk assessments themselves in the absence of trend information or details of corrective actions.

95 The risk dashboard presented to the Board in September 2017 included 41 risks. The Health Board rated 16 risks as 'extreme', 23 as 'high' and two as 'moderate'. In reporting the trend since the last Board meeting, the report showed three new risks, one had increased and 37 had remained unchanged. Risk ratings frequently remain unchanged, sometimes for several years and it is unclear how risk ratings will change as a result of planned mitigating actions. This suggests that the Health Board is monitoring risks but not managing risks effectively. Executive Directors recognise that the Health Board needs to improve the way it manages risk. The Executive Team held a workshop in October 2017 facilitated by NHS Shared Services and its Internal Audit Service to begin the process of rationalising and reworking the Health Board's approach to risk management and its reporting. This remains 'work in progress' but planned changes should help the Health Board to implement its Clinical Futures Strategy, by improving risk management arrangements.

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

96 The findings underpinning this conclusion are based on our review of internal control arrangements. Our key findings are set out below.

97 As part of this years structured assessment, we have considered the operation of key controls. This included internal 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.

98 Reporting of internal controls and related matters – All internal and external audit reports and Counter Fraud Services reports are presented to and considered by the Audit Committee, and where appropriate, other committees. In addition, the Audit Committee allocates time before its meetings to speak privately with individual auditors or the Counter Fraud Manager throughout the year. Executive officers consider actions the Health Board will take in response to recommendations and assigns responsibilities for delivery. The Audit Committee receives a report tracking progress in responding to internal and external audit recommendations, it requests follow up reports on progress in implementing recommendations and calls Executives in to account as appropriate.

99 Internal audit – The Executive Team considers the Internal Audit risk assessment to help inform discussion on the audit programme for the coming year. The Internal Audit operational plan 2016-17 and audit strategy to 2018-19 set out how internal audit will review the effectiveness of the Health Board's governance arrangements, including the internal control systems. The Director of Finance works closely with the Head of Internal Audit to review internal control arrangements. As at December 2017, Internal Audit reports that of its 2017-18 audits, five are completed, 17 are in progress and one report is in draft. Eighteen audits are planned to be completed in the remaining third of the financial year, which appears challenging to achieve.

100 Local counter fraud services – Local counter fraud arrangements are an integral part of the Health Board's internal control arrangements. The Director of Finance agrees the annual work plan with the Head of Counter fraud. The Head of Counter Fraud then reports progress against the plan and findings of any specific investigations to the Audit Committee. During 2016/17, the LCFS carried out 58 investigations into suspected fraud and recovered £25,527 from these investigations.

101 The Head of Counter Fraud's report on compliance against NHS Protect standards (Fraud, Bribery and Corruption) 2016-17 indicated that the Health Board was compliant with the requirements of the standards. This included a clear risk-based approach to the counter fraud work and a monitoring matrix used to ensure that recommendations made are implemented and reviewed. The Head of Counter Fraud reported that the Health Board had a good reporting structure in place between the Lead Local Counter Fraud Specialist (LFCS) and the Director of Finance.

102 Clinical audit plans – The Health Board engages with the National Clinical Audit programme and carries out local clinical audit work focussing on local risks. In a 2016-17 report, Internal Audit assessed clinical audit as providing 'limited

assurance'. It identified shortcomings in the clinical audit programme and highlighted concerns over whether organisation-specific clinical risks were being identified and mitigated. Whilst it was recognised that some local clinical audits were taking place throughout the Health Board, the report concluded there was a lack of a risk-based approach to these audits.

103 Post-payment verification[4] – The Audit Committee maintains a focus on post payment verification, receiving reports in February 2017 and April 2017 showing progress that had been made. The Committee was assured that the post payment verification data was demonstrating a positive trend and further updates would continue to be provided.

104 Guidance to staff and Independent Members – The Health Board has a range of policies and procedures in place. The Board approved the 'revised Policy and Procedure for the Management of Policies, Procedures and Other Written Control Documents' in May 2017, noting that this was an overarching control policy within the organisation.

105 Policies and procedures are accessible on the Health Board's intranet and in addition, Independent Members receive hard copies of policies and procedures. The Director of Finance and Board Secretary will provide additional guidance and support as appropriate on more specialist areas such as procurement.

106 Compliance with policy and procedures – There are weaknesses in the approval processes around the use of agency and locum staff. Whilst the Health Board has stopped the use of off contract agency staff, spend on contract agency staff continued to exceed the budget 2016-17 in by over £11 million.

The Health Board has the foundations of good information governance and whilst as it prepares for the new General Data Protection Regulations, this will be challenging within current available resources

107 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 NHS Caldicott requirements, Freedom of Information Act (2000) and present Data Protection Act 1998 legislation that is soon to be replaced by the new General Data Protection (GDPR) regulation.[1]

108 NHS Caldicott requirements are a key element of the information governance and confidentiality approach in Wales. They provide organisations working in Health and Social Care with a set of recommendations and principles to help ensure that personally identifiable information is adequately protected[2]. Our work this year has identified that the Health Board completed a Caldicott Information Confidentiality

[4] The purpose of the PPV process is to provide assurance to Health Boards that the claims for payment made by primary care contractors are appropriate and that the delivery of the service is as defined by NHS service specification and relevant legislation.

[1] EU General Data Protection Regulation
[2] Information Governance and Caldicott

self-assessment in April 2017 and currently assesses itself at 89% compliant. We also identified that the Health Board has a number of Caldicott and information governance improvement actions underway in 2017-18. These include:

- completing the roll-out across the divisions of the Information Governance steward programme and establishing divisional information governance groups;
- further embedding information governance awareness and knowledge across divisions, for example, the risks to information confidentiality from potential cyber security breaches;
- increasing compliance to staff information governance training (at March 2017 this is was 83%); and
- developing arrangements to meet GDPR requirements and raising staff knowledge and awareness of the new requirements.

109 Freedom of information requests (FOIs) and Data Protection subject access requests. 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, as reported in the April 2017 Annual Information Governance report was:

- 84% in respect of Freedom of Information Act requests; and
- 96% in relation to Data Protection subject access requests.

110 General Data Protection Regulations (GDPR) – The introduction of the 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;
- reduction in the timescales allowed for responding to subject access requests to 30 days;
- 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); and
- changes in rights including right to access, right to be forgotten and erasure and improving clarity of consent.

111 The Health Board, led by the Senior Information Risk Officer has started to respond to the legislative changes and has a transition programme underway to assess readiness for and implement the new requirements under the GDPR. Although some progress has been made a number of activities to identify further improvement

actions remains in progress. These include developing and completing an Information Asset Register, completing Privacy Impact Assessments for information flows and processing and further developing the network of information asset owners.

112 The Health Board is strengthening its information governance arrangements ahead of the 2018 GDPR implementation. It needs to update its information governance strategic approach and align this to the national digital Health and Social Care Strategy. The Health Board continues to be challenged by limited resources to provide guidance and mandatory training on information confidentiality whilst implementing new and effective arrangements to meet the new GDPR legislative requirements.

113 Overall, the Health Board is demonstrating that it is taking a proactive approach in making preparations for the new data protection legislation but there may be resource implications if it is to effectively meet the requirements of GDPR. The Health Board also needs to ensure that it meets the timeliness of responses to statutory information access requests which are expected to rise once GDPR is implemented. The Health Board may need to keep its resources under review over the next six to 12 months to ensure that it balances these requirements.

The Health Board actively manages performance and can demonstrate positive performance in some areas

114 The findings underpinning this conclusion are based on our review of the effectiveness of performance management.

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[5]. 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 some key targets. Our key findings are set out below.

[5] NHS Wales Delivery Framework 2017-2018

Despite improved performance in some key areas, not all targets are being met

116 As part of this year's structured assessment, we have considered overall progress against the national delivery framework measures routinely reported to and monitored by the Finance and Performance Committee and the Board in its Integrated Performance report. These reports provide a comprehensive and detailed analysis of performance using graphical illustrations showing trends and performance against targets. The introduction to the report highlights overall progress and areas of concern. Whilst the report shows the actions either planned or already taking place that are intended to improve performance, these actions are not always SMART (specific, measureable, achievable, realistic or time bound). This makes it difficult for Independent Members to hold Executive to account. As a result, Committee and Board Members are reassured that performance is being addressed, but not always assured by understanding how. The integrated performance reports are presented alongside the finance monitoring reports. Although the timing of these reports is intended to align performance with spending, in practice the links are not clearly articulated or highlighted. The Health Board has the opportunity to consider how it can better align reporting and move towards more integrated reporting.

117 The following information is drawn from the Health Boards Quarter 2 Integrated Performance report for 2017-18 which identified good progress in the following areas:

- the number of patients waiting over eight weeks for diagnostics;
- the number of outpatient appointments overdue their follow-up target date;
- Did Not Attend (DNA) rates for outpatients;
- sickness absence rate; and
- Children and adolescents with mental health services' (CAMhS) patients waiting less than 28 days.

118 It also highlighted areas of concern over:

- four hour A&E waiting times;
- 12 hour A&E waiting times;
- the number of ambulance handovers over 60 minutes;
- 36 week RTT performance in relation to Ophthalmology; and
- Primary Care Mental Health Measures in both assessment and intervention.

119 Exhibit 8 shows that the Health Board has made improvements in some key areas but based on this mid-year performance data, it has not yet achieved planned target performance in several areas. The Quarter 2 Integrated Performance report 2017-18 shows the Health Board was failing to meet 35% of the national and local targets.

Exhibit 8: the following table sets out some of the Health Boards performance against key targets

Measure	Target	March 2017 or baseline	September 2017
Patients waiting more than eight weeks for a specified diagnostic intervention	0	2,491	2,201
Patients who did not attend (DNA) a new outpatients appointment – specific specialities	Reduce	6.5%	5.6%
Sickness absence rate	12 month reduction	5.1%	4.8%
CAMhS measure of 80% of patients waiting less than 28 days	Reduce	6.5%	5.6%
% of patients waiting less than four hours in all A&E facilities until transfer, admission or discharge	95%	79%	86%
Number of patients waiting 12 hours or more in all A&E facilities until transfer, admission or discharge	0	573	325
The number of ambulance handovers over 60 minutes	0	151	142
Patients waiting more than 36 weeks for treatment (RTT)	0	975	1485
Patients waiting less than 26 weeks for treatment – referral to treatment (RTT)	95%	90.5%	88.1%
Assessments by Local Primary Mental Health Specialists within 28 days of referral	80%	83.4%	73.8%

Source: The Health Board's Integrated Performance Report – November 2017

Performance management arrangements are embedded

120 In our 2016 Structured Assessment report, we stated that 'The Health Board had revised the delivery framework to ensure that milestones were clearly defined and aligned. The Health Board had started work on updating Service Change Plans which would form part of the draft IMTP that would be considered by the Board in January 2017'. In this year's Structured Assessment, we find that the Health Board has introduced Service Change Plans across the organisation and these are now embedded within the IMTP 2016-19. Service plans also include outcomes but the Health Board recognises that it needs to do more work to define and embed outcomes clearly in its service planning arrangements.

121 During the introduction of Service Change Plans, managers were allowed some discretion in completion of the plans. We are informed that the Health Board's planning team aims to improve consistency of content of these plans and intends to issue guidance to managers on their completion in line with recent planning guidance from the Welsh Government.

122 Within divisions, managers are held to account for delivery of improved performance around budgets and spending, workforce pressures, performance indicators, and quality and safety. The output from these reviews include issues to be discussed at the next review meeting, notes of key issues and actions the division plans to take. This output is then reviewed by the Executive Team. This level of operational scrutiny alongside the routine reporting of performance demonstrates a positive performance management culture.

The Health Board has established arrangements to manage its resources such as assets, workforce and information technology but these will need further development to support delivery of corporate objectives

123 Our structured assessment work in 2017 has examined the Health Board's arrangements for a number of enablers of effective use of resources, including change management, workforce, assets and estates, partnership working and use of technology. We have also assessed progress against recommendations made in 2016. Our findings are set out below.

The Health Board has established arrangements to support service improvement and is building programme and change management capacity to deliver its Clinical Futures Strategy

124 The findings underpinning this conclusion are based on our review of arrangements in place to support the delivery of improvement, change and transformation. Our key findings are set out below.

125 The Health Board does not have a specific policy or guidance around change management although in March 2017 it revised its Toolkit for Leading and Managing Workforce Change, originally developed in 2014. The purpose of the toolkit is to provide a framework for the process to manage and lead workforce change initiatives.

126 In last year's Structured Assessment, the Health Board said 'It recognised the need for an agreed approach to supporting formal change management programmes'. In our 2017 Structured Assessment we find that the Health Board has recruited

additional change and programme management capacity and put in place change management arrangements.

127 The Aneurin Bevan Continuous Improvement team (ABCi) was established in 2013 with the aim of supporting staff by helping them to improve the services they provide. It sought to use improvement methodologies and create space for innovation by bringing organisations and professionals together to co-create solutions. In the last year, the team has supported network events, supported on-going falls improvement projects and helped to develop Advanced Care Plans within nursing homes.

128 The Health Board's larger scale change programmes are the development of the Grange University Hospital and delivery of the Clinical Futures Strategy. The Health Board has recruited additional change managers and requested additional funding from the Welsh Government to further boost change management capacity by recruiting people with specific skills and knowledge needed to deliver these major initiatives.

129 The Grange University Hospital is a capital development and its building is being programme managed using PRINCE II principles. The Grange University Hospital is a key feature of the Clinical Futures Strategy and the development of new and improved services is being monitored and managed through a delivery board chaired by the Chief Executive. The delivery board is advised by the existing Stakeholder Reference Group and is supported by six work streams as follows:

- service redesign
- workforce and organisational development
- strategic capital and estates
- communication and engagement
- supporting infrastructure
- information technology

130 The Health Board has recruited some additional management capacity to support its management of the Clinical Futures Strategy, but recognises that this will, in itself not be sufficient. It has therefore requested additional resources to support change management from the Welsh Government.

131 In 2016 we made the following recommendations relating to change management. Exhibit 9 describes the progress made.

Exhibit 9: progress on 2016 change management recommendations

2016 recommendation	Description of progress
Supporting effective delivery of change **R1** Adopt an agreed and formal change management approach and develop core staff capabilities for those managing change. **R2** Introduce a programme management office and ensure there is sufficient capacity and infrastructure to facilitate the delivery of the Integrated Medium Term Plan, Service Change Plans and the specialist critical care centre.	The Health Board has recruited additional capacity to support change management, developed a Delivery Board arrangement for the Clinical Futures Strategy and ABCi continues to explore change management opportunities. It has not yet developed a standard change management approach. **Actions are on track but not yet complete**

The Health Board understands its workforce pressures and is addressing key areas such as sickness absence and excessive use of agency and locum staff. It has not developed an organisation workforce plan that quantifies future staff needs based on an updated clinical model needed to deliver its Clinical Futures model

132 The findings underpinning this conclusion are based on our review of arrangements to manage the workforce efficiently, effectively and economically. Our key findings are set out below.

133 Through its IMTP, the Health Board recognises and seeks to address the significant challenges for the existing workforce as:

- skills shortages, recruitment challenges;
- the ageing workforce profile;
- Deanery rota and training standards compliance;
- provision of seven day and extended services for a number of professional groups;
- specialist skills spread too thinly on existing hospital site configuration; and
- increasing demand across the healthcare system.

134 The Health Board is working hard to develop a workforce plan that addresses these challenges and supports its Clinical Futures Strategy, but a detailed plan has not yet been approved. The original clinical model used to support the business case for the Grange University Hospital in 2013-14 needs to be refreshed, particularly in relation to community services. The Health Board intends that the clinical model will inform the developing workforce plan.

135 The organisational development team's business partners work closely with operational managers to assess workforce needs, and recruit and train staff to meet these needs. For example, it has been proactive in developing new non-medical roles to support service delivery, such as practice based pharmacists and enhanced nurse practitioners as part of a programme of workforce modernisation. The Health Board has also started to introduce new roles such as advanced nurse practitioners and physician assistants.

136 In 2016, the Health Board tackled its high levels of 'off contract' nurse agency staff spend. It approved a communication campaign 'Our staff looking after our patients', increased bank staffing numbers, use of overtime and overseas recruitment. The Health Board continues in its aim to reduce the use of locum doctors and agency staff by escalating the approval process, setting out clear direction about the use of agency and locum staff and seeking to change attitudes around the use of agency and locum staff, but it remains a challenge.

137 The Heath Board has a structured approach to assessing training needs through annual appraisal meetings and links to the re-validation process. The November 2017 Integrated Performance Report shows that 73.6% of staff had a personal appraisal development review as at September 2017 against a target of 80%. Training needs are recorded in personal development plans which are then collated in the Health Board's Electronic Staff Record system. Although this is a structured approach to collating staff training needs, in practice places on training events are allocated based on individual applications. The November 2017 Integrated Performance Report showed that only 53.3% of staff completed statutory or mandatory training against a target of 85%. The Health Board cannot therefore be assured that it is using training resources most effectively to train staff appropriately.

138 The Health Board continues to reduce absence from work due to sickness. The November 2017 Integrated Performance Report shows that during August and September 2017, sickness absence was 4.8% against a baseline in March 2017 of 5.1%.

139 Communication across the Health Board is good. The Executive Team provides a variety of opportunities where managers communicate and listen to staff. Formal communication is generally through management structures and this is supplemented by highly visible and less formal contact between Executive members and staff in their work settings. Executive Members attend staff meetings when invited and the Health Board's 'Ask the Chief Executive' opportunities enable staff to engage directly with the Chief Executive. The introduction of the Senior Leaders Forum in the last year also brings together Divisional Directors with the Executive to discuss emerging issues.

140 However, there remains more to do. While the 2016 all-Wales staff survey showed improvement in some areas since the 2013 survey, the areas of communication and management responsiveness remain an issue. The results of the staff survey were reported to the Board in March 2017 and it undertook to:

- develop a communication strategy;

- develop and circulate detailed divisional reports where specific issues can be addressed with the local management teams and within the IMTP;
- further interrogate the survey results to identify specific issues at either divisional or organisational level; and
- establish a staff engagement/staff survey forum to pick up on key organisational wide issues and ensure that they are taken forward effectively.

The Health Board does not have an estates plan or, at the time of our Structured Assessment, up to date condition surveys of its buildings. Decisions around the acquisition, maintenance and disposal of its estate have therefore not been strategically managed

141 The findings underpinning this conclusion are based on our review of arrangements in place to support estate and asset management. Our key findings are set out below.

142 The Health Board does not have an estates plan or, at the time of our Structured Assessment, up to date condition surveys of its buildings. Decisions around the acquisition, maintenance and disposal of its estate have therefore not been strategically managed. However, we understand that work has taken place to bring estate stock condition information up to date.

143 The Health Board's estate includes approximately 70 buildings. Condition surveys carried out over ten years ago are updated annually through a desk based review. The Health Board has received the results from its 'six facet' survey that it anticipates will improve the accuracy of the condition surveys, support the finalisation of the estates strategy and help target backlog maintenance work of existing estate.

144 In the absence of an Estates Strategy, the Health Board has some processes in place to help it use assets effectively across the organisation but these lack strategic direction. For example, its Accommodation Review Group considers requests for more or less space within buildings and the Health Board works with an external organisation to improve the energy efficiency of its buildings. However we understand that work has taken place to bring estate stock condition information up to date.

The Health Board has developed positive partnerships through its Neighbourhood Care Networks and engagement, for example with Public Service Boards, but needs to update its engagement strategy

145 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.

146 The Health Board works effectively in partnership with other health bodies. It has developed Neighbourhood Care Networks (NCN's) which include representatives from Public Health, general practitioners (GP's), District Nursing and Medicines

Management, the third sector and the Health Board's Clinical Lead, The NCN's aim to:

- be mechanisms to enable change and promote engagement;
- facilitate collaboration across the Health Board, local authorities, Public Health Wales, the third sector, housing services and local communities;
- facilitate the integration of services; and
- enable a changed workforce skill mix and estate to support more delivery in primary care.

147 The Health Board engages with the five Gwent Public Service Boards and it contributed to development of well-being assessments. An Executive Director and Independent Member attend each Public Service Board and the Public Partnerships and Well-being Committee receives regular updates as the Public Service Boards continue to develop.

148 The Health Board is also represented at the Regional Partnership Boards for Children and Young People, Mental Health and Learning Disabilities, Carers, Health and Social Care Housing and Adults with Complex Needs.

149 The Health Board set out its intentions to engage in its 2014 Engagement Strategy 'Hearing and acting upon the voice of our staff and citizens'. This included listening events in 2015 and is now likely to be out of date as the Health Board prepares to communicate and engage over the shape of new health services developing through its Clinical Futures Strategy. It will be important for the Health Board to develop and agree an updated communications and engagement framework.

The Health Board faces ongoing challenges around the delivery and funding of information technology services

150 The Health Board developed its Informatics Strategic Outline Programme (SOP) for 2016-21 and submitted this to the Welsh Government in October 2016. Whilst aligned to the national Digital Health and Social Care Strategy, the majority of the capital and revenue funding required to deliver the SOP has not been fully committed. The Health Board has not reprioritised the SOP based on currently available sustainable national resource levels or sought Board approval for the revised strategic approach. It has since developed a 2017-20 Informatics Medium Term Plan, which sets the informatics objectives and priorities for the next three years.

151 The Health Board has requested divisions to put forward proposed business cases for IT enabled initiatives to deliver service change, efficiencies and modernisation. The Health Board established a pre-investment panel in 2017 to review and challenge business cases before they are submitted to the capital sub group. The Informatics Department plays a key advisory role in supporting the business case development process and informing decision making about the best use of IT and deploying secure and resilient technology solutions.

152 The Health Board's Informatics Department has historically borne reductions in capital and revenue funding 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 IT infrastructure used throughout the Health Board and replacing ageing technologies and systems to improve systems resilience, for example, upgrading the desktop platform used and data centre controls in 2017;
- taking on new requirements such as technology support for Health Board initiatives, for example, investigating Skype for business for tele-health and digital health initiatives and Microsoft Office 365 for cloud based emails, and IT aspects of new capital projects including the commissioning of the new Grange University Hospital; and
- supporting new initiatives and developments such as emergence of technologies which support clinical service transformation where required, for example, the deployment of electronic forms for electronic data capture, major system implementation and also national IT initiatives.

153 The Health Board continues to have a legacy from its predecessor organisations prior to its creation in 2009 that includes ageing IT systems infrastructure, replacement of legacy IT systems. For example, Theatres system and other systems that support similar functions across its sites, including the pathology system. This makes support of the systems challenging and could inhibit standardisation of clinical practice, efficient workflow across sites, and consistency and timeliness of information reporting.

154 The Health Board faces risks from cyber security attacks and the reducing level of investment on IT infrastructure and informatics resources increases the risk of potential threats arising from cyber-security attacks. The Health Board recently updated and approved its Information and IT security policy in 2017, which may help mitigate some of these risks if the policy is effectively adopted by staff. Whilst the NHS 'Wannacry' cyber-attack in May 2017 did not seriously affect the Health Board, it did impact on the Informatics Department as staff assessed the threats, patched or upgraded IT systems. Since the NHS 'Wannacry' cyber security attack, the Health Board has been updating the IT asset register for the network devices used, upgrading ageing wireless access points and replacing older and unsupported operating systems and devices such as Windows Server 2003 and Windows XP. Although, the Health Board has almost replaced Windows Server 2003 and Windows XP devices, unlike some other Health Boards, it does not have a dedicated IT resource within its IT team to identify, assess and address cyber security risks in an integrated strategic approach.

155 The Health Board's Key IT Performance Indicators (KPIs) are narrow in focus. They measure performance such as the IT service desk and call resolution, not key service issues such the cause and impact of incidents and proactive fault diagnosis and resolution.

156 The Health Board identifies, manages and tracks local and national informatics issues and risks including the:

- pace, timeliness and effectiveness of ongoing national plans for deployment of the remaining national IT systems including the 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 of service performance levels;
- IT Business Continuity and Disaster Recovery plans that have been developed, approved and tested in some Health Board Divisional areas;
- potential use of networked devices not procured or managed by the Informatics Department, for example, cash registers in catering facilities and medical devices used by clinical divisions. These devices could pose a potential cyber security threat if there are vulnerabilities within their technical security design and they are connected to the Health Board's IT network. The Health Board has identified a number of medical devices used across divisions, for example, foetal monitors, ultrasounds and MRI scanners, that potentially could use out-of-date operating systems and which cannot be easily upgraded; and
- concerns over the safe and secure storage of paper medical records in the Health Board locations and the availability of healthcare records when required.

Appendix 1

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

The Health Board's management response will be inserted once the response template has been completed. The appendix will form part of the final report to be published on the Wales Audit Office website once the report has been considered by the board or a relevant board committee.

Exhibit 10: management response

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

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R1	**Savings schemes monitoring and reporting** The Health Board should provide more detail to Executives and Independent Members in respect of progress against savings schemes. This should help them to provide sufficient scrutiny and challenge to schemes which are off target.	Better success in delivery of savings schemes.	Yes	Yes	Current reporting to Board and Finance and Performance Committee (F&PC) provides a summary of savings plans, risk and deliverability. We will look at how to enhance the reporting to ensure that the level of delivery/financial risks is clearly understood both at Board level and where further scrutiny is required at F&PC. This is in addition to the detailed information which is already produced monthly to support Divisional financial assurance meetings.	30 April 2018	Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R2	**Board and committee papers** The Health Board should ensure that Board and Committee Members receive appropriate information to help them make sound decisions and effectively scrutinise by: a. ensuring adequate time to consider agenda items during meetings; b. ensuring that reports include information relevant to the Board or committees remit; c. provide access to additional or background information; and d. ensure that agenda reports are of a reasonable length that members can reasonably be expected to read before the meeting.	Better informed decision making.	Yes	Yes	The Health Board during 2017 has undertaken a range of review work with regard to Board and Committee arrangements and adjustments made where required prior to the conclusion of the Structured Assessment. The Health Board will introduce a new format for Board and Committee Reports, which will also require an assessment of the five ways of working in the Well Being of Future Generations Act.	A range of work already completed and ongoing. Introduction from April 2018.	Board Secretary Board Secretary

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R3	**Risk management** The Health Board should review risk management arrangements to ensure that corporate risks are appropriately escalated and managed by: a. developing upon its current risk reports to ensure that the context of the risk and progress in managing it are clearly set out; and b. revising the risk rating based on the mitigating actions.	Better management of risks.	Yes	Yes	The Health Board undertook a range of revision work to its approach to corporate risk management in 2017 prior to the conclusion of the Structured Assessment with additional training provided for the Board and Executive Team. New reporting formats adopted. The Board is in the process of further developing its approach and will introduce a documented risk and assurance framework following development work planned in line with the risk of non-delivery of the IMTP.	Ongoing End of May 2018	Board Secretary Board Secretary

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R4	**Internal control** The Health Board should ensure that clinical audits provide assurance within an assurance framework, linked to the organisation's strategic objectives.	Clearer focus on local clinical risks.	Yes	Yes	The Quality and Patient Safety Committee and Audit Committees have actively engaged with regard to Clinical Audit. Work is being undertaken on the quality and safety assurance framework in which Clinical Audit plays a key role. Regularised reporting and scrutiny of clinical audit will be made to these Committees and will be a tool used by the Health Board in the delivery of its IMTP.	End of May 2018	Medical Director/ Board Secretary

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R5	**Information technology and information management** The Health Board should ensure resources allocated to information technology and information management provide sufficient capacity to meet the Health Boards plans.	Clarity of expectations around improved IT within available resources.	Yes	Yes	A Strategic Outline Plan was developed for the Welsh Government in October 2016, which asked for a cost analysis to implement the Welsh Government E-Health and Care Strategy to assess the potential resource implications for Wales. The Health Board is currently revisiting the Strategic Outline Plan and Strategy in the light of the financial context and has also developed a new IMTP for Digital with ten priority areas linked to this Plan. The Health Board has undertaken a review and benchmarking exercise in order to develop a sustainability business case which recognises the need for further investment in core services. This has been discussed at a pre-investment panel and also shared at Board. It is being progressed as part of the IMTP of 2018-19. The Health Board has also made a significant investment	March 2019	Director of Planning and Performance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
					in preparation and readiness for the Welsh Community Care Information system which is one of the key priority areas and a key enabler of the integration agenda. It is recognised that this is also to carry out the largest and most complex programme of work in some time.		
R6	**Estate management** The Health Board should develop an Estates Strategy that reflects the current condition of its buildings and supports delivery of the Clinical Futures Strategy.	Clarity of long-term plans for the estate to support decision making.	Yes	Yes	The Health Board has recently completed a Six Facet condition survey of all premises in order to provide guidance and evidence for a full strategic estates review. This will be developed into an overarching board estates strategy to sit alongside the clinical futures programme and the IMTP.	September 2018	Chief Operating Officer
R7	**Engagement** The Health Board should review, refresh and update the Engagement Strategy – 'Hearing and acting upon the voice of our staff and citizens'.	Up to date plan showing how the Health Board aims to engage with staff and citizens.	Yes	Yes	The Health Board will undertake a review and refresh its Citizen Engagement Strategy in line with the Clinical Futures Programme and IMTP.	July 2018	Chief Executive/ Associate Director of Engagement

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
					The Health Board will also continue to take forward its programme of staff engagement in line with the Clinical Futures Programme.	Ongoing and reviewed monthly as part of the Clinical Futures Delivery Board.	Director of Workforce and OD

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