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The team who delivered the work comprised Andrew Strong, Clare James, Dave Burrige and Urvisha Perez.

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Summary report

About this report

- 1 This report sets out the findings from the Auditor General's 2019 structured assessment work at Health Education and Improvement Wales (HEIW). The work has been undertaken to help discharge the Auditor General's statutory requirement, under section 61 of the Public Audit (Wales) Act 2014, to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
- 2 As HEIW is a new NHS body, we have taken a different approach to that at other NHS bodies this year. Our work has been completed in two phases. Phase 1 was a baseline review looking at HEIW's progress in its first eight months. Findings were fed back informally to HEIW at a board development session in June 2019. This report presents the findings of phase 2 which builds upon and follows-up the baseline review findings.
- 3 Our structured assessment work has included interviews with officers and Independent Members, observations at Board and committee meetings and reviews of relevant documents, performance and financial data.
- 4 The key focus of structured assessment is on the corporate arrangements for ensuring that resources are used efficiently, effectively and economically. The report groups our findings under four themes: governance arrangements, strategic planning, managing financial resources and managing the workforce.

Background

- 5 The Welsh Government established HEIW as a Special Health Authority in October 2018 by bringing together three predecessor organisations: Wales Deanery, NHS Wales Workforce Education and Development Services, and the Wales Centre for Pharmacy Professional Education. As the only Special Health Authority within NHS Wales, it sits alongside the seven health boards and three NHS trusts as part of the NHS family. HEIW's role is to take the lead on education, training and development, and shaping of the Welsh healthcare workforce, to help drive high-quality care for the people of Wales.
- 6 The focus of HEIW's work was initially shaped by the Remit Letter it received from the Welsh Government. This letter set out nine key areas of focus including workforce intelligence, planning and improvement; education commissioning; and careers and widening access. The letter, issued in HEIW's infancy, recognised it was in a transitional period.
- 7 We undertook our baseline review approximately six months after HEIW was established to provide early informal feedback on whether the core corporate arrangements for ensuring that resources are used efficiently, effectively and economically were in place.

- 8 We found that HEIW had a strong focus on organisational culture and values, which had been at the heart of its progress to date. This was demonstrated by high levels of staff engagement, a collegiate and flexible approach to working, and strong, supportive leadership. Key policies and procedures were in place and a clear organisational vision communicated.
- 9 We identified the main areas for improvement were risk and performance management arrangements, including the development of operational plans, but noted that plans for development were in place, and the pace was starting to pick up in these areas.
- 10 HEIW met its financial duties for 2018-19, with a small revenue underspend. The Welsh Government wrote to HEIW in September 2019 confirming its Joint Escalation and Intervention status¹ as 'routine arrangements'. The letter stated that HEIW had started well after overcoming some initial difficulties. It also highlighted that HEIW has an approved one-year plan (2019-20) and is in the process of developing a three-year integrated medium-term plan (IMTP) for 2020-23.

Main conclusions

- 11 Our overall conclusion from the 2019 structured assessment work is **that strong leadership and sound arrangements have supported effective business and a positive staff culture in 2019. A one-year plan is in place and good progress has been made to date on the three-year plan for 2020-23. Improvement opportunities exist to formalise and improve assurance arrangements.**
- 12 A summary of our main conclusions is set out below and the findings that support these are described in greater depth in the detailed report:
- 13 **The Board and committees provide strong leadership and administer their business well, but risk, board assurance, performance management and information governance are areas for further development.** The Board and its committees are demonstrating strong, collegiate leadership supported by effective administrative processes and a sound organisational structure. Risk management arrangements can be improved, and work is needed on the Board Assurance Framework (BAF) to identify and map key sources of assurance. Internal controls provide some of the assurances required but development is needed, particularly on the performance management framework and information governance.
- 14 **A clear vision and strategic objectives are in place with plans for Integrated Medium-Term Plan production but supporting operational plans and monitoring IMTP delivery are areas for further work.** There is a clear vision underpinned by strategic objectives and a continuous learning and engagement approach to IMTP development. Arrangements are in place, though timescales are tight, to ensure demand and capacity are understood and enabler plans integrated,

¹ We meet with the Welsh Government and Health Inspectorate Wales twice a year to assess all NHS bodies against the Joint Escalation and Intervention Framework.

though Digital and IT plans need work. Documented arrangements for oversight and scrutiny of performance against strategic objectives and plans are needed, along with clear KPIs and targets.

- 15 **Financial controls and policies are in place, refinements to financial reporting continue and work to strengthen asset and contract management is underway.** Despite early staffing issues, key financial controls and policies have been prioritised with timely reporting to the Board. Further work is being taken around asset and contract management to facilitate good planning, governance and use of assets, along with continued development of financial reporting to the Board.
- 16 **Excellent staff engagement has helped drive a positive culture and there are plans in place to improve workforce management arrangements.** There is a strong focus on organisational culture, staff engagement, and staff wellbeing. The job evaluation backlog has been cleared and strategies are in place to manage vacancies. Training and development plans are progressing, and work is planned to improve recorded levels of staff appraisal and completion of statutory and mandatory training.

Recommendations

- 17 Recommendations arising from this audit are detailed in [Exhibit 1](#). We will publish the management response alongside our report once received by the relevant committee.
- 18 We have also included progress on our Baseline Review learning points within the relevant section of the detailed report.

Exhibit 1: 2019 recommendations

| Recommendations | |
|--|--|
| Governance | |
| Conducting Business Effectively | |
| R1 | Given the fast pace of change within HEIW's operational and governance arrangements, HEIW should review Board and committee oversight to ensure the breadth of its work is covered and there are no gaps in scrutiny arrangements. |
| Managing risk to achieve strategic priorities | |
| R2 | HEIW's Board Assurance Framework (BAF) sets out clearly what a BAF should do and the processes involved. HEIW should now create the assurance map required by undertaking a process to identify and map the controls and key sources of assurance against the principle risks to achieving its strategic objectives. |
| R3 | HEIW should improve its risk management by determining and clearly communicating its risk appetites to ensure a consistent approach to: <ul style="list-style-type: none">a) tolerance of risk;b) assessing and scoring of risks; andc) escalation/removal of risks to/from the Corporate Risk Register. |
| Embedding a sound system of assurance | |
| R4 | HEIW should document its performance management framework, setting out: <ul style="list-style-type: none">a) operational performance management arrangements and lines of accountability; andb) what is reported to whom and by when, and Board / Committee oversight for performance management. |
| R5 | HEIW should strengthen information governance and cyber security arrangements by: <ul style="list-style-type: none">a) appointing a full-time information governance and data protection manager to complete the GDPR action plan and work towards full compliance;b) developing and reporting information governance KPIs;c) achieving certification in cyber security arrangements;d) establishing effective cyber security resources and expertise to manage risks;e) documenting a cyber security incident response plan to manage attacks; andf) completing its planned and prioritised actions swiftly. |
| Strategic Planning | |
| Developing Strategic Plans | |
| R6 | HEIW should strengthen its strategic approach to digital and IT by: <ul style="list-style-type: none">a) developing and approving a Digital and IT strategy;b) considering current capacity to deliver the Head of Digital role and whether it needs to appoint to the post;c) developing and reporting IT KPIs for challenge and scrutiny. |

Recommendations

Monitoring delivery

- R7 HEIW has not set out a framework for monitoring performance against its strategic objectives and IMTP and should:
- a) formally document arrangements for the oversight and scrutiny of performance against strategic objectives; and
 - b) work with pace to develop KPIs and targets which are clearly linked to strategic objectives, against which the Board can scrutinise performance.

Detailed report

Governance

- 19 Our structured assessment work has examined HEIW's governance arrangements. We looked at the way in which the Board and its sub-committees conduct their business, and the extent to which organisational structures and arrangements are supporting good governance and clear accountabilities. We considered the information that the Board and its sub-committees receive to help it oversee and challenge performance and monitor the achievement of organisational objectives. We also reviewed how HEIW has progressed learning points from our baseline review.
- 20 In 2019, we found that **the Board and committees provide strong leadership and administer their business well, but risk, board assurance, performance management and information governance are areas for further development.**
- 21 The Board and its committees are demonstrating strong, collegiate leadership supported by effective processes and a sound organisational structure. Risk management arrangements can be improved, and work is needed on the Board Assurance Framework to identify and map key sources of assurance. Internal controls provide some of the assurances required but development is needed particularly on the performance management framework and information governance.

Conducting business effectively

The Board and its committees are demonstrating strong and collegiate leadership with a focus on continuous learning. Clear and comprehensive administrative arrangements are in place though there is an opportunity to review Board and committee oversight to ensure no operational areas are omitted from scrutiny.

Board and committees

- 22 HEIW's Board and committees demonstrate strong leadership with a collegiate approach within and across these fora. Our observations evidenced excellent knowledge of the business from independent members (IMs), with a challenging but solutions focused approach to supporting officers. Meetings are well run, with good chairing skills and time for engaged discussion, helped by a templated approach to papers and clear expectations for officers presenting.
- 23 A stable Board is in place, made up of seven IMs and five executives. There is a proactive and continuous approach to IM development including 121s with the Chair, Board development sessions and internal induction. Service improvement stories are a standing item at Board meetings and whilst only one committee has undertaken a self-assessment to date, plans are in place for the Board and other committees to do so in 2020. Each IM has a champion role to develop understanding and provide additional perspective to the Board.
- 24 We observed a responsive approach to issues, for example the establishment of the new Education, Commissioning and Quality Committee (ECQC) in year, in addition to the two statutory committees of Audit and Assurance (AAC) and Remuneration and Terms of Service (RATS), to mitigate conflict of interest risks. A Way of Workings document revisited the committees' terms of reference to ensure clear boundaries are set particularly over risk assurance. All committees have clear terms of reference, action plans and work programmes to support effective governance. We note that whilst

ECQC is responsible for scrutiny and assurance on risk within its remit, there is no standing item for risk review on their agenda.

- 25 Given the current fast pace of change of operational arrangements and governance within HEIW, we would encourage a review of Board and committee oversight to ensure the breadth of HEIW’s work is captured by one of these fora and there are no gaps. This work should be linked to our comments later, on the Board Assurance Framework.

Arrangements that support the Board

- 26 HEIW made a good transition from shadow to operational body and put in place core arrangements swiftly. Clear standing orders including scheme of delegation are in place and were updated on a timely basis throughout 2019 to reflect changes such as to committee structures and authorities for expenditure approval, though we note that the IM champion roles have not been included in the scheme of delegation. Standing orders and financial instructions are available on HEIW’s website. Breaches are required to be reported to the Board Secretary and Director of Finance and then to the AAC and we observed the reporting of a single tender action in year. A register of all single tender and quotation actions was reported to the AAC in November and should be used to track use and identify wider issues. Our short guide on the use of single tender actions may be helpful to the Audit Committee: [Ensuring value for money in the use of single tender actions](#).
- 27 A policy register is now in place which lists all policies along with key data to enable timely review, update and communication. A sensible approach to getting these in place was taken by adopting appropriate all Wales policies and then working on HEIW specific policies through the year.
- 28 Arrangements to promote probity and propriety are in place. Registers of Interests and Gifts and Hospitality are established and reviewed regularly by the AAC. The full Register of Interests (Board and staff) was reviewed in November 2019. A Whistleblowing Policy is in place as are other key probity policies such as email and internet use.

Progress on baseline review learning points

- 29 In our baseline review, we highlighted the following learning points relating to business conduct. [Exhibit 2](#) describes the progress made.

Exhibit 2: Effective business conduct: learning points

| Learning point | Description of Progress |
|--|--|
| <p>Board versus Board development session Ensure independent members understand the functions of and their role when participating at Board meetings versus Board Development Sessions.</p> | Evidence that independent members are now comfortable with the two forums and their purpose. |
| <p>Transparency of committee meetings To improve transparency, ensure meeting details and papers of all (open) committee meeting are available on HEIW’s website.</p> | All committee dates and papers are now available on the website on a timely basis. |

| Learning point | Description of Progress |
|---|---|
| <p>Governance structure mapping As highlighted by internal audit, HEIW should map out how Board, committees and advisory groups link together. This will help highlight any gaps in assurance.</p> | <p>A basic diagram was included in the Annual Report of the Board and its three committees. Mapping of links for the new Education, Commissioning and Quality Committee could be used as a template for a wider map to set out how committees relate to each other and interact, including how steering groups feed into committees. See recommendation 1.</p> |
| <p>Scheme of delegation Update the Scheme of Delegation to include independent member champion roles and responsibilities.</p> | <p>Champion roles not included. It would be good practice to include champion roles in the scheme of delegation.</p> |
| <p>Register of single tender/quotation actions Keep a register of single tender/quotation actions and review periodically.</p> | <p>These are held by the NHS Wales Shared Services Partnership procurement team and will be reported to Audit and Assurance Committee. A register was taken to November's committee. It is good practice to keep such a register and report at least annually to AAC to track use and identify wider issues.</p> |

Managing risks to achieving strategic priorities

HEIW has a risk management framework though some risk registers are incomplete, risk appetite is not defined and the controls and assurances underpinning the Board Assurance Framework are not sufficiently clear

- 30 A Board Assurance Framework (BAF) is a structured way to identify and map the key risk to achieving each strategic objective, the specific controls in place to mitigate those risks, and the sources of assurance for each. This creates an assurance map, enabling alignment with committee oversight of risks and assurances.
- 31 HEIW's BAF was approved by the Board in September 2019 and will be reviewed annually by the Board and AAC. Whilst it sets out clearly what a BAF should do and the process in general terms, there is no evidence of the mapping we would expect. The BAF refers the reader to the Corporate Risk Register. Whilst the Corporate Risk Register sets out key risks and mitigations to those risks, it does not provide the assurance map that a BAF should. For the BAF to be effective, HEIW must have a good understanding of the flows of assurances from operational teams up to the Board and committees and map those that provide key sources of assurance on controls over the key risks to strategic objectives. Although HEIW has many of these elements, it needs to bring them together in an assurance map that also identifies any gaps and measures to bridge them. The BAF should be reviewed regularly by the Board to ensure effective co-ordination of assurance.

- 32 BAF arrangements are a natural extension of risk management and are reliant on good risk management arrangements to be successful. HEIW has a risk management policy with roles and responsibilities set out. Risk management training was received by the Board in February 2019, followed more recently by the senior leadership team. The training has been well received and will be rolled out further. HEIW operates a paper-based risk management process, having considered use of the DATIX risk management system it concluded its use would be disproportionate to need.
- 33 The Corporate Risk Register is reported in detail to AAC and reviewed by the executive and senior leadership teams monthly. A Corporate Risk Register should include strategic risks identified by the Board and those identified by directorates which need to be escalated (which could be operational). However, currently not all operational risk registers are in place and some are work in progress eg Digital and IT. Our review of registers and policies and discussions with officers indicate that risk appetites are not clearly understood or used. This is key for a consistent approach across HEIW to escalation and removal of risks from the Corporate Risk Register. A review of some risk registers identifies that the following attributes would be beneficial to include: risk identification date; RAG trend; committee with oversight; risk appetite; type of risk (per risk management policy). It might be helpful to consider using a risk register template across the organisation.

Progress on baseline review learning points

- 34 In our baseline review, we highlighted the following learning points relating to managing risk. **Exhibit 3** describes the progress made.

Exhibit 3: Managing risks: learning points

| Learning point | Description of Progress |
|---|--|
| <p>Board assurance framework Swift implementation of BAF (with assigned risks) and directorate registers.</p> | <p>A BAF document has been compiled and sets out useful guidance on the approach to developing a Board Assurance Framework, however there is no evidence that assurance mapping work has been done. See recommendation 2.</p> <p>Progress has been made in developing directorate and team risk registers. In updating registers HEIW should consider including the following attributes: risk identification date; RAG trend; oversight committee; tolerance / appetite; type (per risk management policy).</p> <p>Use of a risk register template could also be considered.</p> |
| <p>Risk management training Make sure staff receive appropriate training and ongoing support to ensure a consistent approach to risk management.</p> | <p>Training has now been rolled out to the Board and senior leadership team and has been welcomed.</p> |

Embedding a sound system of assurance

HEIW's system of assurance is supported by performance management and information governance frameworks although both need further development.

Performance management

- 35 HEIW is making progress to meet its target for an integrated performance management framework by 31 March 2020, though it has work to do to meet the aims for the framework, set out in its 2019-20 Annual Plan. Given HEIW's unique position in Wales, we recognise the challenges it faces in developing a framework from scratch: there are no national KPIs or benchmarks and significant data validation work to do on current data in the performance report. It is understandable that HEIW is using 2019-20 as a development year and our findings should be read in that context.
- 36 The performance report and dashboard were developed with Board input from January 2019 onwards, and formally reported to Board in September 2019. The report structure is clear and follows the aims set out in the Annual Plan to provide assurance on: projects and programmes; quality and outcomes; education, training and workforce development performance; corporate governance and management. Although content and coverage are still in development, it is pleasing to note that HEIW is starting to consider improving insight, with plans to build up historical data, triangulate data and think about control limitations.
- 37 Our review of the performance report and dashboard identified a lack of data on finance, legislative/regulatory compliance and nursing directorate performance (though we acknowledge some of this latter data is cyclical). We found ourselves asking the 'so what?' question when reading the data. There was no exception reporting for data or explanation of whether the data was good or bad, nor summary of responsive action. It is not clear what HEIW's KPIs or targets are, though we understand benchmarking is ongoing to help inform KPI targets. Whilst there is a sound base on which to develop the report and dashboard further, there is significant work to do, though we recognise this is seen as a development year by HEIW. We understand some teams are developing their own dashboards and would encourage that they ensure their own monitoring is aligned with reporting in the performance report and dashboard.
- 38 Although there is an informal timetable for monthly and quarterly performance reporting and good support and training from business partners reported by officers, there is currently no documented performance management framework setting out responsibilities, reporting, escalation arrangements, lines of accountability and Board / Committee oversight.

Quality management framework

- 39 There are no plans to develop an organisational wide quality framework, instead HEIW intends to embed quality in day to day working, monitored through a performance management framework. Given HEIW is not delivering front line NHS services this is a reasonable approach to take and its effectiveness can be revisited in future.
- 40 As we would expect, there is an established quality management framework for regulatory areas (such as medical and dental). It is pleasing to note that officers are currently looking at improvements to the

process and working with the Nursing Directorate to share good practice in helping them develop their own framework for non-regularity functions. There are clear oversight arrangements for monitoring quality through the newly established ECQC and a Quality and Postgraduate Education Support committee.

Information governance and cyber security arrangements

- 41 An Information Governance Steering Group reporting to AAC, was established in October 2019, and a Senior Information Risk Officer (SIRO) oversees the effectiveness of the information governance framework. However, interim arrangements for the management of information governance during 2019 have affected progress in developing an effective information governance framework. The information governance manager is currently seconded on a part-time basis and recent failure to appoint permanently means interim arrangements are set to continue.
- 42 HEIW adopted all Wales IT policies where appropriate, and has completed work on several IT policies, for example the information security and anti-virus policies, though per the latest Policy Register some appear outstanding. A digital and IT risk register remains work in progress with risk scoring and progress updates outstanding. Key IT and digital risks include incomplete GDPR activities; managing cyber-attack threats; vacancies impacting on digital enablement; and SLA agreement on key business information systems.
- 43 A Business Continuity and IT Disaster Recovery plan is in development and further work is required to assess the business impact of each IT system, a contacts list, backup location and procedures and review dates. A plan to test and evaluate the recovery plan is outstanding.
- 44 Progress on addressing the information governance requirements of the General Data Protection Requirements (GDPR) has also been affected by resource capacity. Some actions have been taken to respond to the requirements of the GDPR through:
- establishing a GDPR action plan and an Information Governance work plan;
 - requiring directorates complete Information Asset Registers;
 - completing privacy notices and privacy impact assessments; and
 - developing policies and procedures, for example, breach reporting protocol, data protection policy and information governance policy.
- 45 HEIW has yet to complete the GDPR action plan, Information Governance work plans and work towards full compliance. It recognises it can prioritise several information governance activities, which include completing:
- Information Asset Registers to identify the legal basis for information processing and the need for privacy notices;
 - the appointment of a permanent Data Protection Officer;
 - the development of the Information Governance risk register, and management through to the Information Governance steering group; and
 - the network of information asset owners and administrators to manage information assets and flows.
- 46 Staff training on information governance is essential. The all Wales Information Governance e-learning toolkit is used to train staff on information governance matters and annual training is mandatory with

compliance monitored. Although the compliance rate is improving, at November 2019 it was only 53.6% compared to a provisional (still being considered) target of 75%. Monitoring of performance at the Information Governance steering group and scrutiny at committee-level could also be strengthened by developing and reporting against key performance indicators.

- 47 Caldicott is a key element of the Information Governance and Confidentiality agenda in Wales, providing a set of recommendations and principles to help ensure that personally identifiable and sensitive information is adequately protected. It is good to see that the SIRO has been appointed at Senior Level and the Authority has been proactive in completing Caldicott Information Confidentiality self-assessment in March 2019 to assess applicability. Compliance is acceptable at 55% as an entry level assessment considering the Authority does not directly manage patient data. A new NHS Wales Information Governance Toolkit replaces the Caldicott assessments and is applicable to the whole of NHS Wales and should be completed by early 2020.
- 48 HEIW recognises the potential risks from cyber security attacks and plans to establish an integrated organisational wide cyber defence strategy and cyber resilience programme. In October 2019, in response to an update from NWIS that they were not fully supported on cyber security, a briefing paper was presented to the Executives to raise awareness of issues and a red risk around the consequences if insufficient steps are taken on cyber security was added to the corporate risk register and reported to AAC in November.
- 49 HEIW plans to take actions in 2020 to strengthen the cyber resilience programme supported by specialist resources and a reporting and governance structure. These include: working towards certification such as the cyber essentials scheme; recruiting specialist cyber resources; establishing a cyber incident response plan; and assessing cyber threats in the IT supply chain.

Tracking of recommendations

- 50 HEIW has had a recommendation tracker in place since May 2019. It is a paper-based system that tracks internal and external (WAO) audit recommendations. We will assess the effectiveness of this tracking process next year.
- 51 There is currently no tracker in place to monitor the implementation of recommendations for legislative or regulatory compliance and we encourage HEIW to establish one.

Progress on baseline review learning points

- 52 In our baseline review, we highlighted the following learning points relating to assurance systems. **Exhibit 4** describes the progress made.

Exhibit 4: Improving systems of assurance: learning points

| Learning point | Description of Progress |
|--|---|
| <p>Recommendations tracking Whilst internal and external audit are captured in HEIW recommendations tracker, this should be expanded to include Welsh Government and other recommendations.</p> | <p>Tracker now in place including Internal and External audit recommendations. There is no evidence of a tracker to monitor implementation of other regulator recommendations such as legislative or</p> |

| Learning point | Description of Progress |
|--|---|
| | regulatory compliance. HEIW should consider establishing one. |
| Performance management HEIW will need to ensure it sufficiently understands its performance, whilst the performance dashboard is still in development. | The dashboard is now in place and being reported to the Board although its development continues. As dashboard and report development continues, HEIW should consider sufficiency of content for: finance; legislative/regulatory compliance; nursing directorate content; exception reporting and the ‘so what?’ question; summary of responsive action; KPIs and targets. |

Ensuring organisational design supports effective governance

HEIW’s organisational structures appear to support effective governance with clear lines of responsibility, formal and informal cross-organisational working and effective communication.

- 53 HEIW has a clear organisational structure which is reviewed, updated and shared through an organisational chart regularly. There is a flexible approach to the structure of the organisation and changes have been made in some areas to better align roles with projects and objectives.
- 54 We found a collegiate approach to working across directorate boundaries both in sharing good practice and supporting delivery of projects. Officers reported good informal and formal communication and were also positive about the office layout in facilitating this.
- 55 As might be expected in a new organisation, lots of changes to staff advisory, steering and working groups have been made during 2019. Mapping the structure below Board and committees (leadership teams and key steering and working groups for example) could help ensure a clear picture of reporting lines and oversight.

Progress on baseline review learning points

- 56 In our baseline review, we highlighted the following learning points relating to organisational design. **Exhibit 5** describes the progress made.

Exhibit 5: Organisational design: learning points

| Learning point | Description of Progress |
|--|--|
| Clarifying remit boundaries Work with Welsh Government and regulators to clarify blurred boundaries. | Ongoing discussions between the Chief Executive and the Director General are taking place to clarify interface issues and regular meetings continue with key professional and policy leads to develop relationships and understanding. |

Strategic planning

- 57 Our work considers how the Board sets strategic objectives for the organisation and how well HEIW plans to achieve these. We examined HEIW's arrangements for monitoring progress against its objectives. We also reviewed how HEIW has progressed lessons learned through our baseline review.
- 58 In 2019, we found that **a clear vision and strategic objectives are in place with plans for Integrated Medium-Term Plan production but supporting operational plans and monitoring IMTP delivery are areas for further work.** HEIW has a clear vision underpinned by strategic objectives and a continuous learning and engagement approach to IMTP development. Arrangements are in place, though timescales are tight, to ensure demand and capacity are fully understood and enabler plans integrated. IT and digital plans need work. Clear and documented arrangements for oversight and scrutiny of performance against strategic objectives are needed.

Setting the strategic direction

HEIW has a clear vision underpinned by strategic objectives developed with input from the Board, staff and stakeholders and evidence of continuous improvement.

- 59 HEIW has set and communicated its vision to staff and stakeholders. It has a long-term focus and puts patients at its core. Although not subject to the Well-being of Future Generations Act, the principles are aligned with its vision.
- 60 HEIW's seven strategic objectives flow from the vision and are clearly set out in its 2019-20 Annual Operating Plan. For each objective an executive summary sets out key milestones to be delivered by the end of 2020.
- 61 HEIW has developed and submitted its first Workforce Strategy for Health and Social Care in Wales to the Welsh Government. It is key to much of HEIW's vision and objectives and was developed using extensive engagement with a wide range of over 1,000 stakeholders.
- 62 The vision and objectives were developed through extensive internal engagement and a reasonable level of external engagement (given the short time frame), with final approval from the Board. HEIW undertook greater external engagement for the IMTP using various approaches both formal and informal such as: roadshows and stakeholder events throughout Wales; specific 121 meetings with key stakeholders; and regular stakeholder bulletins. Communication in HEIW is viewed as everyone's business and seen as central to success. HEIW committed on its website to develop a stakeholder map and model though its ambitions have been constrained by the capabilities of the NHS wide platform. It is working through these issues and meanwhile uses regular stakeholder bulletins and publicised events to ensure good communication. Given the importance and scale of stakeholder engagement we would encourage it to continue to find solutions to developing the interactive website model.
- 63 During 2019 the strategic objectives have been reviewed and updated for the three-year IMTP period 2020-23 to better align with activities and accountabilities.

Developing strategic plans

HEIW has strengthened its planning approach and is aiming to develop an approvable IMTP for 2020-23 although timescales are tight to ensure required resources are fully understood and enabler plans are aligned

- 64 HEIW is working to an 'approved' Annual Operating Plan (AOP) for 2019-20. It is applying lessons learnt from developing the AOP, including Welsh Government feedback, to its development of a 2020-23 IMTP. Key challenges identified included planning capacity and capability, ensuring effective two-way stakeholder engagement and integrating other elements such as financials into the plan. It is pleasing to see that many of these (and other) learning points have been addressed as set out below.
- 65 An outline plan and timescales for development went to the Executive team in May 2019 with updates following in July and September. The plan includes time for Board input and scrutiny, senior team sharing of initial proposals (crucial to ensuring co-ordination of plan elements) and stakeholder engagement.
- 66 There are clear roles and responsibilities for developing the IMTP. The Planning and Performance team (the Team) are leading on its development and have provided training materials and support to teams developing underpinning plans which have been welcomed and valued. The guidance has enabled good progress in a relatively short time, with a consistent approach across the organisation. The guidance on formulating objectives for the IMTP included promoting the use of PESTLE analysis in considering opportunities and threats; ensuring consideration of A Healthier Wales and the Well-being of Future Generations Act, and considering the support needed from enablers. Templates were also provided for developing directorate project submissions. As part of IMTP post project learning, we suggest that HEIW should consider refreshing the training materials and tools and developing them into a planning 'toolkit' for future years.
- 67 At the time of our review, much of the work to assess operational demand and capacity was ongoing as was the development of enabler plans such as finance, workforce, and IT and digital. All three of these enabler plans are being drafted currently with a view to December completion ready for IMTP submission in January 2020.
- 68 Benchmarking is in its infancy and has not played much part in this IMTP's development. HEIW should ensure that its benchmarking feeds into next year's IMTP development. Next year, we will review whether benchmarking has started to support service modernisation and improvement.
- 69 The Director and Assistant Director of Planning have engaged with their respective NHS peer groups throughout the year and participate in NHS wide planning activities, and staff planning capability is being improved through planning academy training.
- 70 The 2019-20 Annual Operating Plan includes the IT and digital activities required to support Plan delivery, but there is no IT and digital strategy in place although there are plans for its development in 2020-21. The IT and digital objectives for 2021-23 are currently being drafted for IMTP completion by January 2020.
- 71 Executive level responsibility for IT and digital remains with the Director of Workforce and Organisational Development supported by the Assistant Director of Planning and Performance. This has been an interim arrangement, however the appointment of a Head of Digital has been frozen. We would recommend that HEIW continue to consider capacity to deliver the Head of Digital role and the

need to appoint to post. HEIW has yet to develop and regularly report IT and digital performance indicators against which performance can be monitored.

Progress on baseline review learning points

- 72 In our baseline review, we highlighted the following learning points relating to strategic planning. **Exhibit 6** describes the progress made.

Exhibit 6: Improving strategic planning: learning points

| Learning point | Description of Progress |
|--|--|
| <p>Stakeholder engagement Timing of engagement with and feedback to key stakeholders in both your and their planning cycle will be critical. Look to develop clear website sign posting for stakeholders including trainees and potential trainees.</p> | <p>Comprehensive engagement with stakeholders throughout 2019. HEIW committed on its website to develop a stakeholder map and model and given the importance and scale of stakeholder engagement we would encourage it to continue to find solutions to developing the interactive website model.</p> |
| <p>Development of AOP and IMTP Action key lessons learnt from AOP in developing IMTP. Consider ways to increase planning capacity and capability both short and long term.</p> | <p>Lessons learnt evidenced clearly through approach to IMTP development in 2019. HEIW should ensure that benchmarking, which is currently in early stage of development, feeds into future IMTP development. As part of the IMTP post project learning HEIW should consider refreshing the training materials and tools and developing them into a planning ‘e-toolkit’ for future years.</p> |
| <p>Operational strategies and plans Think about how you will go about making informed choices on competing proposals given finite resource.</p> | <p>Head of Planning and performance is developing a streamlined approach to business case submission which should in part tackle this.</p> |

Monitoring delivery of the strategic plan

HEIW now has a performance report and dashboard in place but KPIs are still in development and documentation of arrangements for oversight and scrutiny of performance against strategic objectives and IMTP are recommended.

- 73 As reported earlier, there is currently no documented performance management framework in place which sets out what is reported to whom, frequency and Board / Committee oversight for performance management. However, although work in progress, a performance report and a dashboard are in place. The performance report format is clear and sets out progress on strategic objectives well via the

programmes and projects underpinning them. Information presented includes milestones, deadlines, responsible officers, progress status and RAG ratings. There is additional exception reporting on any projects RAG rated red. The dashboard summarises this and provides key data measures, and monitoring will strengthen as the report and dashboard develop.

- 74 However, there are no KPIs nor targets in place against which the Board can scrutinise performance, they are not linked clearly to strategic objectives and as reported earlier content is still in development. Whilst it may not be appropriate for all strategic objectives to have measurable KPIs, we would ordinarily expect KPIs to be linked to a strategic objective.
- 75 The performance report was presented to the September Board meeting for the first time, followed by a 'Mid-Year Review of Annual Plan' paper at the November Board to provide an update against commitments in the Annual Plan for 19/20 at the mid-year point. That document provides a detailed narrative description of progress against each strategic objective and the projects underpinning them, but no linked KPI or data from the performance report that we might expect to see alongside.
- 76 It also worth noting that given a significant part of 'day to day' activity involves change, would encourage HEIW to consider the need to establish a programme management office to manage change.

Progress on baseline review learning points

- 77 In our baseline review, we highlighted the following learning points relating to monitoring of the strategic plan. **Exhibit 7** describes the progress made.

Exhibit 7: Improving monitoring of the strategic plan: learning points

| Learning point | Description of Progress |
|--|---|
| <p>KPIs and monitoring of delivery Be clear about PIs v KPIs. Identify suitable benchmarks. Don't forget about providing insight with data.</p> | <p>Work in progress. See recommendation R7</p> |

Managing financial resources

- 78 We considered the action that HEIW is taking to achieve financial balance and create longer-term financial sustainability. We have assessed the financial position, the approach to financial planning, financial controls and stewardship, and the arrangements for financial monitoring and reporting. We also reviewed the progress made in taking forward the learning points from our baseline review.
- 79 Our work in 2019 found that **Financial controls and policies are in place, refinements to financial reporting continue and work to strengthen asset and contract management is underway.** Despite early staffing issues, key financial controls and policies have been prioritised with timely reporting to the Board. HEIW now has the necessary capacity and capability for financial planning with clear roles and responsibilities established. Further work is being taken around asset and contract management to facilitate good planning, governance and use of assets, along with continued development of financial reporting to the Board.

Financial planning

HEIW has established its financial planning arrangements, but needs to better understand its future capital and revenue needs

- 80 After a difficult start due to changes in key staff and a reliance on temporary finance staff, HEIW now has the necessary capacity and capability for financial planning with clear roles and responsibilities established. The production of the one-year 2019-20 financial plan and the Commissioning and Training Plan 2022-23 (which had significant finance input) are informing the development of the first three-year financial plan, which should be ready for inclusion in the 2020-23 IMTP.
- 81 Budgets appear to be based on realistic assumptions with the retained knowledge of staff from predecessor bodies, and extensive NHS Wales financial planning experience of new recruits bringing valuable knowledge and skills. Budgeting for new areas of spend such as capital and other accommodation costs where the historic information is not available are more challenging.
- 82 HEIW is working on establishing an Asset Management Strategy, a Fixed Asset Register and a complete list of all leases held. These will help ensure that buildings and equipment can be controlled, maintained and refreshed when required, and to inform planning and budget discussions with the Welsh Government. Although the current annual discretionary capital allocation is only £100,000 and the capital requirements of HEIW are relatively low, it is important that there is a clear picture of equipment and other assets for effective planning and use.
- 83 Given the largest element of expenditure is commissioned through other organisations, financial planning and budgeting require significant estimation in particular regarding the recruitment, bursary take-up and attrition of trainees for the year ahead. Progress has been made in establishing the necessary skills and expertise within HEIW and financial planning and budget management will continue to evolve. HEIW underspent in its first financial period to 31 March 2019 so there is no urgent requirement to identify efficiencies, cost improvement or savings plans, however HEIW should ensure it pursues efficiencies where it can.

Progress on baseline review learning points

- 84 In our baseline review, we highlighted the following learning points relating to financial planning. **Exhibit 8** describes the progress made.

Exhibit 8: Improving Financial Planning: learning points

| Learning point | Description of Progress |
|--|---|
| Ensure there are linked procurement, contracting and commissioning strategies in place with clear management arrangements. | The Commissioning and Training Plan has been approved and procurement arrangements understood by key staff involved in the process. |
| Compile a lease register and fixed asset register. | HEIW plans to complete these in order to provide a list of leases and assets as at 1 April 2020. |

| Learning point | Description of Progress |
|--------------------------------------|---|
| | Ensure this is done and compile an asset inventory to ensure assets not on the fixed asset register are also captured for a full picture. |
| Develop an asset management strategy | This is currently outstanding and is considered low priority due to the low level of assets held. |

Financial management and controls

HEIW is putting in place effective financial management controls but there is more to be done on asset and contract management

- 85 Budget responsibilities are clear with budget holders signing up to budgets and receiving management support from Finance Business Partners. Support provided has improved in year as vacancies have been filled, but some budget holders would like more support on contracting arrangements. Guidance was issued setting out the budget setting process. This was used for the Annual Financial Plan and is being used for the three-year financial plan.
- 86 A Contracts and Agreements Register was compiled in November 2019 which identified several arrangements that need to be revisited, updated and agreed with third parties, including out of date contracts. This work is being prioritised to ensure that arrangements are compliant with public procurement arrangements and that the risk of service withdrawal at short notice and need for single tender actions are reduced and managed.
- 87 A Register of Interests is maintained by the Board Secretary which is formally reviewed annually. A Declaration of Interest Policy is incorporated into the Policy for Standards of Business Conduct. It is intended to report the register annually to the AAC.
- 88 A Counter Fraud Strategy was approved in May 2019 by the AAC. The NHS Counter Fraud Service provided 30 days service to HEIW in 2019-20 most of which was awareness raising through presentations, briefings and newsletters. Presentations to date have been to senior leadership team and finance staff, with further rollout planned. As a new organisation, HEIW has not yet participated in the National Fraud Initiative.
- 89 The Auditor General is undertaking further work to examine the effectiveness of counter fraud arrangements across the public sector in Wales, with a view to publishing his findings in summer 2020. His work will be informed by local fieldwork commencing in late 2019.

Progress on baseline review learning points

- 90 In our baseline review, we highlighted the following learning points relating to financial management. **Exhibit 9** describes the progress made.

Exhibit 9: Improving financial management: learning points

| Learning point | Description of Progress |
|--|--|
| Identify contracts and compile a contract register | <p>This has now been done, but it has highlighted further work that is needed to put appropriate contractual arrangements in place for several services being provided.</p> <p>HEIW should ensure this work is progressed speedily so that all contracts are within their contractual period to ensure:</p> <ul style="list-style-type: none"> • procurement regulations are complied with; • only services required are included; • risk of single tender actions is minimised; and • value for money is obtained. |

Oversight and scrutiny of financial performance

Reporting and scrutiny arrangements have improved during the year with more detailed financial information now being provided although continuous improvement is recommended

- 91 Since July 2019, the Board has received a more detailed finance report, including an appendix setting out each directorate's financial performance. The report is easy to understand and puts the financial position in context with resource planning activities and other key performance matters such as student numbers.
- 92 Since October 2019, the Board has also received the full Monthly Monitoring Return (MMR) submitted to the Welsh Government. Such a transparent approach is commendable, though Board reporting could be further improved by providing a more digestible summary. In general, use of dashboards, KPI and exception reporting could be considered. The finance reporting team intend reviewing reporting against good practice set out in the Finance Academy's Good Practice for Financial Board and Committee Reporting. We would also recommend they review the good attributes of a finance report as set out in Appendix 1 to our 2016 report 'Comparative Report of NHS Reporting' (previously provided to the Board Secretary).

Progress on baseline review learning points

- 93 In our baseline review, we highlighted the following learning points relating to financial reporting. **Exhibit 10** describes the progress made.

Exhibit 10: Improving financial reporting to Board: learning points

| Learning point | Description of Progress |
|--|--|
| <p>Opportunity to look at good practice in financial reporting to Board with aim to provide insight into operational areas and really use finance as an enabler.</p> | <p>HEIW has improved the information provided to Board which now includes more of each Directorate's financial performance. Detail is also provided on action required to achieve financial balance.</p> <p>It intends to review the Finance Academy best practice guide for financial reporting to the Board to refine the information presented.</p> <p>HEIW should continue to develop improvements by also considering:</p> <ul style="list-style-type: none"> • the good attributes of a finance report as set out in Appendix 1 to our 2016 report 'Comparative Report of NHS Reporting'; and • revisiting Monthly Monitoring Reporting to the Board. |

Financial performance

HEIW is forecasting a break-even position for the year ended 31 March 2020

- 94 HEIW reported a revenue underspend of £68,000 for the six months of activity to 31 March 2019 and broke-even against its capital budget. It worked closely with the Welsh Government during the period, monitoring the financial position and agreeing final budget changes to broadly match its revenue needs. The Welsh Government is content with this approach in this transitional period.
- 95 For the seven months to 31 October 2019, HEIW is reporting a net underspend in its revenue resource budget of £1,234,090 (1% of its revenue resource budget) and is forecasting to break-even at the year end. There are significant variances in the Nursing (£1,658,917 underspend) and Medical and Pharmacy Directorates (£961,633 overspend) which are understood and serve to highlight the difficulty in setting budgets during a period of increased student recruitment to training places. The changing number of funded students has an impact on setting commissioning budgets and will continue to do so going forward. This is explained in the finance report and variances are within reasonable tolerances given budget sizes and recruitment challenges.
- 96 Proposals are currently being considered for the £100,000 capital budget. HEIW will continue to work closely with the Welsh Government throughout the year to ensure final allocations are reasonable and realistic.

Managing workforce productivity and efficiency

- 97 We considered the action that HEIW is taking to ensure that its workforce is well managed and productive. We assessed arrangements for addressing training and development needs and action to engage and listen to staff and address wellbeing needs. We also reviewed the progress made in taking forward the learning points from our baseline review.
- 98 **Excellent staff engagement has helped drive a positive culture and there are plans in place to improve workforce management arrangements.** There is a strong focus on organisational culture, staff engagement, and staff wellbeing. The job evaluation backlog has been cleared and strategies are in place to manage vacancies. Training and development plans are progressing and work is planned to improve recorded levels of staff appraisal and completion of statutory and mandatory training.

Managing the workforce

HEIW has cleared its job evaluation backlog, has low sickness rates, and has strategies in place to manage its vacancies, however there is scope to strengthen workforce performance metrics

- 99 Our baseline review highlighted challenges with recruiting to key posts and completing timely job evaluation in line with NHS Wales Agenda for Change pay bands. Despite these challenges the organisation has continued delivering on its agenda, albeit in some areas pace has been affected.
- 100 Positively, in September 2019 HEIW cleared its job evaluation backlog. There are now 22 members of staff trained to undertake job matching panel duties, including two trade union members. This has helped address much of the recruitment bottleneck.
- 101 Whilst HEIW appears to hold significant vacancies (38 as at December 2019), these pose a low risk to the organisation as strategies have been put in place to manage them, such as using agency staff and temporary secondees. Given that the organisation is still evolving, it has at times taken the decision to add to the workforce as business needs occur and hold posts until a service is ready to recruit, for example the transformation roles in the Nursing Directorate. In addition, full-time equivalent vacancies are lower as many are for part-time posts. HEIW hopes to recruit to vacant posts within 12 months and as at December 2019 nine posts (FTE 6.3) are out to advert. However, some vacancies have been difficult to recruit to for example the Director of Finance and Corporate Services. For these posts it might be helpful to review the barriers to successful recruitment.
- 102 HEIW follows the 'NHS Wales Managing Attendance at Work Policy' and has designed an absence management course for managers. The training takes a preventative approach to illness prevention with tailored adjustments for staff and a compassionate management approach. A positive approach to well-being and culture appear to be reflected in their low levels of sickness absence: 0.7% in June 2019, compared to the Wales average of 5.4%.
- 103 Workforce matters are scrutinised through the performance report, reported to the Board for the first time in September 2019. The corporate performance section details workforce metrics with an accompanying narrative. The performance dashboard shows numbers of staff in post, leavers and starters. Given the current vacancy issues and use of agency staff, HEIW should consider including data on vacancies, agency staff and turnover rates.

104 The AAC scrutinises workforce matters in more detail, receiving updates in areas such as job evaluation, recruitment and mandatory training compliance.

Progress on baseline review learning points

105 In our baseline review, we highlighted the following learning points relating to workforce management. **Exhibit 11** describes the progress made.

Exhibit 11: Improving workforce management: learning points

| Learning point | Description of Progress |
|---|--|
| <p>Vacancies Ensure reporting is clear on whether posts are vacancies or future potential posts.</p> | <p>The organisation is now clear about which posts are vacant, filled by agency workers and on hold.</p> |

Training and development

HEIW is progressing its training and development plans, has introduced a values-based appraisal scheme, and has plans in place to improve low appraisal and mandatory training rates.

- 106 Our baseline review found that in its first six months, HEIW was focusing on developing a People and Organisational Development Strategy, delivering statutory and mandatory training, and getting a staff appraisal process in place.
- 107 The People and Organisational Development Strategy (which also houses the workforce plan) is due to be launched in December 2019. Staff were consulted on the draft strategy at roadshows across Wales with feedback reported to the executive team, and the intention to share results with staff shortly. Staff have also had the opportunity to feed into a separate training and development plan, currently in draft.
- 108 It is pleasing to see that HEIW is aiming for a ‘careers’ approach in its employment of staff. It is looking at succession planning, coaching and mentoring, and upwards and sideways job opportunities. A leadership and management programme is also in development, with the aim of launching next year.
- 109 However, at October 2019, HEIW’s statutory and mandatory training rate was reported as 49.5%, well below the 85% national target. All statutory and mandatory training modules have been available on ESR since April 2019. A report to the November 2019 AAC highlighted that the People Team is trying to improve compliance, by communicating with staff through several forums and offering ESR training. The report also highlights issues with recording compliance for staff working across more than one organisation. The main complication being how to seek assurance where statutory and mandatory training has been completed at other health bodies, without double counting. HEIW reported that moving forward the performance report will split training compliance for core HEIW staff and staff on other types of contracts. To improve compliance with the national target, HEIW may wish to take a risk-based approach to prioritising statutory and mandatory training.
- 110 In April 2019, HEIW introduced its values-based appraisal scheme. It was developed in consultation with staff and aims to help staff review their performance using the organisation’s 23 behaviours on a

six-monthly basis. Amendments to the system have been made for Medical staff (subject to a separate appraisal system) to avoid duplication. Managers are encouraged to take a coaching style approach to appraisal discussions with emphasis on staff ownership. A value-based 360-degree appraisal has been mandated for managers but is also available for others. We would encourage HEIW to clearly link the 360-degree approach to an individual's Personal Development Plan rather than their appraisal. This can be a more effective way of obtaining honest and valuable feedback. The People Team is completing a quality checking exercise on a sample of completed appraisals.

111 In October 2019, HEIW's appraisal rate was recorded at just 11.4%, significantly below the national target of 85%. A report to the November 2019 AAC suggests the low completion rate is due to inaccurate information on the electronic staff record (ESR). Records held by the People Team, suggest the actual appraisal rate is 76%. The People Team is addressing this issue through ESR training and awareness and there are plans in place to integrate appraisals into the ESR system. We would expect HEIW to progress this issue swiftly and see the appraisal rate and the accuracy of ESR data to improve over the coming months.

Progress on baseline review learning points

112 In our baseline review, we highlighted the following learning points relating to training and development. **Exhibit 12** describes the progress made.

Exhibit 12: Improving training and development: learning points

| Learning point | Description of Progress |
|--|--|
| <p>Statutory and Mandatory training Ensure delivering statutory and mandatory training is a priority.</p> | <p>HEIW still has a low statutory and mandatory training compliance rate (49.5%) and is not meeting the 85% national target. The People Team is taking steps to improve compliance. HEIW should consider taking a risk-based approach to prioritising training completion in its actions to improve compliance towards the national target.</p> |

Staff engagement and wellbeing

HEIW has strong organisation values and behaviours, is acting on the results of the staff survey and has a focus on staff wellbeing and engagement.

- 113 Our baseline review found that HEIW is building a strong organisational culture, with staff engagement being a positive feature. HEIW's NHS staff survey results were favourable compared to other NHS bodies.
- 114 HEIW continues to promote its values and behaviours. It introduces them at inductions, displays posters and ensures they are the starting point for policy development. Senior leaders support and demonstrate the values, for example, the Chief Executive holds quarterly open-door sessions and offers one-to-one sessions for staff.

- 115 HEIW had a 65% response rate to the 2018 NHS staff survey with results presented to staff at the June 2019 staff conference. In response to the findings a staff survey improvement plan has been developed. The plan is overseen by the Executive Team and the staff led Culture Group. The Culture Group (now the Staff Engagement Group) will be tasked with owning and implementing the improvement plan. Feedback from staff that the survey may not have been relevant to all staff groups has led to a changed approach for next year with the intention to use an NHS wide pulse survey, developed and delivered by the NHS for the NHS.
- 116 HEIW has a strong focus on staff wellbeing. It has a Health and Wellbeing Network with links into the national wellbeing network. Together the two networks have developed a health needs assessment for NHS staff to complete, being piloted at HEIW. HEIW's approach in using itself as a testing board for new NHS wide initiatives is positive and just one example of how it aims to live the values it is leading on throughout Wales. The health needs assessment closed at the end of October 2019 and the information will be used to develop HEIW's wellbeing strategy. In the meantime, HEIW is planning and running several wellbeing initiatives. These include free fruit on pay day, introducing a weekly wellbeing hour, exploring options for an employee assistance programme², lunch time walks and local gym concession. It is also exploring ways to make meetings more accessible for remote working staff not based in South Wales.
- 117 HEIW is working towards several nationally recognised accreditations such as Stonewall accreditation and the Corporate Health Standard. It has signed up to Time to Change and will be the first in Wales to have the Communication symbol, which recognises communication with disabled people.

² HEIW currently uses Cardiff and Vale University Health Boards employee assistance programme but the waiting times are long.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru