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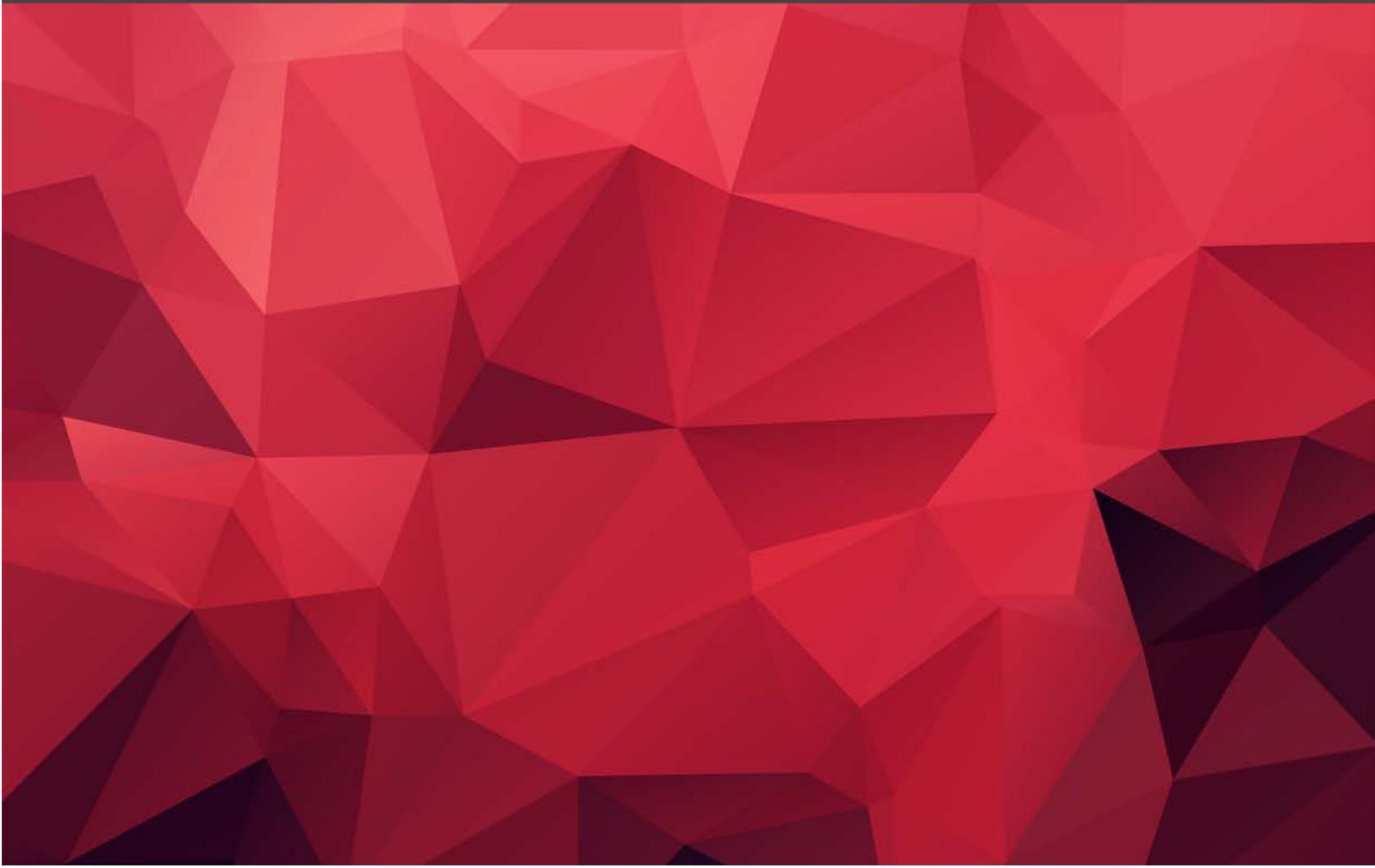
Archwilydd Cyffredinol Cymru
Auditor General for Wales

Structured Assessment 2017 – Powys Teaching Health Board

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The team who delivered the work comprised Elaine Matthews, Barrie Morris, Grace Hawkins, Steve Stark and Gareth Lewis under the direction of Dave Thomas.

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Summary report

Introduction and background

- 1 Our structured assessment work helps inform the Auditor General's views on Powys Teaching Health Board's arrangements to secure efficient, effective and economic use of its resources. Our 2016 work found the Health Board had strengthened its strategic planning, financial position and board functioning, although further work was required to improve financial management and finalise board assurance arrangements.
- 2 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. Recognising the growing financial pressures faced by many NHS bodies and the challenge of meeting the financial breakeven duties set out in the NHS Wales Finance Act (Wales) 2014, we have reviewed the Health Board's arrangements to plan and deliver financial savings.
- 3 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.
- 4 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.
- 5 The Health Board uses three quarters of its expenditure on securing healthcare from providers it does not directly manage. Services are provided in just under 200 different locations in Wales and England. Patients flow into five neighbouring health economies and further afield for specialised health services.
- 6 The Health Board and Powys County Council (the Council) have been working closely together for a number of years. There is a Joint Partnership Board and a number of services provided via Section 33 agreements including information communication technology (ICT) services. There is also a Public Service Board (PSB) established by the Wellbeing of Future Generations (Wales) Act and a Powys Regional Partnership Board (RPB) established by the Social Services and Wellbeing (SSWB) (Wales) Act.
- 7 At the start of 2017, the Health Board entered a period of closer working with the Council. The Chief Executive became Interim Strategic Director for People at the Council in addition to her current role, for an agreed period of up to 12 months, from 1 January 2017. This role, which included the responsibilities of Statutory Director of Social Services (until April 2017), came to an end in October 2017. The Director of Workforce and Organisational Development worked across both the Council and the Health Board until the end of November 2017. While these arrangements came to the end of their tenure, the Health and Care Strategy for

Powys will continue to shape and support joint working between the Health Board and the Council.

Key findings

- 8 This year's structured assessment work has demonstrated that the Health Board has continued to embed the corporate arrangements that support the efficient, effective and economical use of its resources.
- 9 The Health Board met its statutory financial break-even duty for the three-year period ending 2016-17 and has evolved its approach to the planning, delivery and monitoring of savings schemes.
- 10 Arrangements for planning and governance are broadly sound with further work ongoing to support organisational resilience and to strengthen workforce planning and information governance.
- 11 The reasons for reaching this conclusion are summarised below.

Financial planning and management

- 12 In reviewing the financial planning and management arrangements we found that the Health Board has a reasonable track record of achieving recurrent savings, strengthened monitoring arrangements and met its statutory break-even requirement for the three-year period ending 2016-17.

Financial performance

- 13 In recent years, the Health Board has set balanced financial plans, delivered most of its identified savings schemes and is broadly on track to deliver its 2017-18 planned savings. The Board approved a balanced financial plan for the year 2016-17 as part of its Integrated Medium-Term Plan (IMTP) for 2016-19. The first statutory test of this requirement was the three-year period to 2016-17 with which the Health Board was compliant.
- 14 The Health Board set an approved, balanced budget for 2017-18 as part of the three-year IMTP for 2017-21. The Health Board's longer-term health and care strategy to 2027 sets the scene for transformational service developments to be implemented with the Council. The Health Board is developing a detailed model of care which will shape the allocation of resources going forward.
- 15 Over the last five years, the Health Board has set relatively ambitious but generally achievable savings targets. While they have not achieved all the savings in any year, the Health Board has broadly delivered against those expectations in all but one year (2013-14).
- 16 The Health Board achieved financial balance in 2016-17, delivering £3.5 million of savings from identified savings schemes against a target of £4.6 million in the

IMTP. It also met its financial duty to break even over the three years 2014-15 to 2016-17.

- 17 For 2017-18 the Health Board is forecasting to achieve the full planned savings of £3.3 million, with an actual achievement at month 7 of £1.6 million against a plan to date of £1.8 million (91%). It expects to break even for the year ending 31 March 2018 through the achievement of its savings schemes; reducing expenditure on agency staffing, continuing healthcare and primary care; and a further review of balance sheet opportunities.

Financial savings planning and delivery

- 18 The Health Board has improved its approach to planning and delivery of savings schemes and recognises that savings will need to be based on more strategic transformational service changes to address future financial challenges.
- 19 In November 2016, the incoming Director of Finance and IT set the savings targets for the financial plan for 2017-18. The figure on which the targets were based was derived from the midway point between the 1% historical achievement of the NHS and the 1.5% identified as required by the recent Health Foundation report¹. All directorates were targeted with achieving savings of the order of 1.5%, with the exception of provider services pay budgets, which were required to achieve 0.75%. Further details on all the savings schemes was shared with the Finance Planning and Performance Committee in September 2017.
- 20 The savings planning process is fully integrated with the IMTP process and therefore savings plans are aligned with the risks and objectives identified within the IMTP. The IMTP for 2017-20 outlines an increasing underlying funding gap which requires additional savings to be achieved. Furthermore, the IMTP identifies that savings plans at similar levels will be required for each year through to 2019-20 to ensure continued financial balance. The savings schemes planning cycle for 2018-19 was brought forward to October 2017.
- 21 A greater focus on recurring schemes should make the budgetary pressure lower in following years. The proportion of recurring savings in 2017-18 is 82%, up from 70% the previous year. This increase shows that the Health Board is seeking to implement more transformational changes which will support its long-term strategy. The Health Board adopts the all-Wales risk assessment approach which incorporates a red, amber or green (RAG) rating. The ratings are applied consistently across all projects. We noted that the majority of schemes are rated as green and there are no red ratings. Based on our knowledge of schemes and reported performance, it is reasonable to conclude that the ratings are being applied appropriately.

¹ T Watt and A Roberts, **The path to sustainability: Funding projections for the NHS in Wales to 2019/20 and 2030/31**, the Health Foundation, October 2016.

Financial savings monitoring

- 22 The Health Board has strengthened its system for effective monitoring of financial savings which will be tested as future savings planning becomes more ambitious. The Health Board has operational monitoring processes in place at all levels of the organisation on a day to day, monthly and quarterly basis. The main operational forum, at which risks to savings plans are addressed, is the monthly Financial Plan Delivery Review team meeting. At this meeting each business partner is required to give the Director of Finance and IT an update on the progress of each scheme including the risk rating. We observed this at the October 2017 meeting. There was sufficient time to discuss schemes that had an amber rating (there were no red rated schemes), highlight the issues and consider the corrective actions needed. The Delivery and Performance Group is where Executive Director level scrutiny of savings takes place.
- 23 The Finance Planning and Performance Committee is the sub-committee of the Board that scrutinises finances and savings plans. In order to provide a further layer of scrutiny, the Health Board presented a paper at the September 2017 committee outlining changes to the reporting process. The paper included a detailed listing of progress against all savings schemes to be provided at each future meeting. At each meeting one of the locality general managers (or equivalent) gives a presentation of their savings schemes and answers questions raised by the members. The first presentation was by managers from the north locality and women's and children's services. The committee received the presentation positively, both as a means of scrutinising the savings schemes in those areas of the business and as a model for scrutinising other areas of the business.

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

- 24 The Health Board has made good progress addressing previous recommendations on financial planning and reporting.
- 25 Four recommendations are complete. They relate to the budget approval procedure; development of savings plans; arrangements for financial control and stewardship; and arrangements for monitoring and reporting achievement of savings. One recommendation, on updating standing orders and standing financial instructions is partially complete; standing orders have been updated but the update of the standing financial instructions is still in progress.
- 26 Three recommendations are on track but not yet complete. They relate to: implementing succession planning arrangements in the finance directorate; re-prioritising the budget to align it more closely with the Health Board's long-term strategy; and strengthening the evidence so that the workforce, financial, estates and ICT implications are robustly considered when developing the delivery plans as part of the IMTP.

Governance and assurance

- 27 We found that arrangements for planning and governance are broadly sound with further work ongoing to support organisational resilience and to strengthen information governance.

Strategic planning

- 28 The Health Board has an approved integrated medium-term plan and, jointly with Powys County Council, an agreed longer-term Health and Care Strategy, although more work is needed to develop underpinning plans. Strengthening the development of the plans will be considered within the development process of the directorate plans for 2018-19. Communication of the Health Board's plans has improved.
- 29 The Health Board is involved in the numerous strategic change programmes that are underway in the organisations that Powys patients access. This involvement uses considerable Health Board resources at a senior level.
- 30 The Health Board has an agreed capital programme for 2017-18 which lists intended project and equipment bids linked to the IMTP. The Health Board has developed and supported plans for a major reconfiguration of Llandrindod Wells Hospital and Machynlleth Hospital Primary and Community Care Project.
- 31 The Board is rewriting its objectives as part of the development of its 2018-21 IMTP to fit with the Health and Care Strategy and Well-being of Future Generations (Wales) Act 2015 with the intention of having the IMTP as the vehicle for taking forward the Health and Care Strategy. The Health Board has undertaken significant engagement work to inform the IMTP although the first meeting of its formal Stakeholder Engagement Group is not scheduled until January 2018.
- 32 The Planning and Performance Directorate was restructured in 2016 and four Assistant Directors were appointed. The Director of Planning and Performance is confident that they now have the right staffing structure and are supporting teams to address planning and performance requirements. However, she recognised the challenge for a small Health Board like Powys attracting and retaining staff at this level. The Health Board is taking steps to address this challenge.

Board and committee effectiveness and internal controls

- 33 The Board and committees have clear terms of reference with the active involvement of members. The Board approved revised Standing Orders and a separate Scheme of Reservation and Delegation of Powers in January 2017. The scheme provides greater detail to ensure that there is no ambiguity in relation to roles and responsibilities.
- 34 The Board Secretary has ensured that all the committee terms of reference have been reviewed and self-assessments carried out. Action logs are maintained and reviewed for the Board and each committee at every meeting. Items that need to

be escalated to the Board are agreed at the end of every meeting. Annual reports were prepared and approved by the Board in July for each committee. The only omission was the work programmes for the Board and each committee which for 2017-18 were only finalised from August 2017 onwards. While we were assured that all the committees were working to draft work programmes, it is important that work programmes are finalised and issued earlier in the year.

- 35 All Board papers are now public and available on the internet unless they need to be confidential. In-committee sessions are reported to the Board, aiding transparency. It is important that links are reviewed regularly and kept live. The Board Secretary reviews all papers before they are made public on the internet to ensure that they do not contain information that should not be made public and that they comply with the General Data Protection Regulation (GDPR).
- 36 From our attendance at committees and reviews of committee agendas and papers, we have seen that the committees are functioning well.
- 37 Two experienced independent members have moved on due to reaching the end of their terms of office. New independent members have been strong appointments and have settled in quickly, resulting in a smooth transition period. Independent members participate in regular Board development sessions following a programme that is scheduled but also responsive to events.
- 38 The internal control environment has further improved during the year. Internal audit has a broad ranging programme focusing on areas of risk and where there was concern that improvement was needed. Despite significant activity to improve assurance over recent years, the Head of Internal Audit Opinion for 2016-17 was again rated as 'limited assurance'. The Board met its annual reporting requirements.
- 39 Good progress has also been made to strengthen clinical audit and counter fraud services, as recommended in last year's structured assessment. However, it is of significant concern that the Health Board has failed to made effective use of National Fraud Initiative (NFI) as part of its arrangements to prevent and detect fraud. The Health Board has recently undertaken a review of its NFI data matches and has prioritised this work to be taken forward during January 2018 and beyond, focusing on the small number of high priority matches first. It is important that the Health Board ensures that the matches it receives from the NFI are reviewed and where necessary investigated in a timely manner.
- 40 In addition to reviewing the actions taken to address our 2016 structured assessment recommendations, we also considered the effectiveness of the Health Board's arrangements to manage and respond to our audit recommendations. The Board Secretary provides updates on progress addressing audit recommendations from both internal and external audit and exception reports on recommendations where there has been little or slow progress. The Board Secretary is liaising with NHS Wales Shared Services Partnership (NWSSP) Audit and Assurance service to make use of their recommendation tracker database.

Organisational structure

- 41 Work continues to strengthen organisational resilience and capacity. The Health Board has been working on a refresh of the operating model that was implemented during 2016. The focus for this work will be on the operational delivery arm of the Health Board, within the Primary, Community Care and Mental Health Directorate.
- 42 A recent challenge for the Health Board will be replacing the Director of Primary and Community Care and Mental Health who will be joining Cwm Taf UHB from the end of 2017. Arrangements have been put in place with the current Director of Nursing taking on responsibilities for community services, women's and children's services, mental health and learning disabilities. The Chief Executive will lead on primary care with support from the Programme Director for Primary Care while the Medical Director will provide clinical leadership. An interim Director of Nursing has recently been appointed.

Risk management and assurance frameworks

- 43 The Board has an approved assurance and risk management framework, which is now embedding across the organisation. In January 2017, the Board approved a suite of documents to underpin its governance arrangements: the risk management framework; the assurance framework; and the corporate risk register. Directorate level assurance frameworks have been in place since the end of June 2017 with a programme of spot checks and self-assessment developed and rolled-out. Work is also continuing on the committee risk registers to draw together relevant risks for each committee from the corporate risk register, assurance framework and relevant directorate risk registers.
- 44 We have been observing the assurance arrangements at Board and committee level. The arrangements on de-escalating corporate risks, as suggested by the Executive Committee, have strengthened. They now include a review by the relevant committee before approval by the Board.
- 45 While these arrangements could appear bureaucratic and have taken some time to develop, they are intended to provide a 'golden thread' so that high level risks that emerge within the services are visible and can be escalated as necessary to the Board. One example of a high level risk that has been escalated for the Health Board is risk CR10, service failure of in and out of hours GMS care. Shropdoc, the provider of out of hours primary care medical services to Powys, Shropshire, Telford and Wrekin was facing financial challenges and the NHS commissioners in Powys, Shropshire, Telford and Wrekin agreed some interim support. The Board has been fully engaged in considerations and decisions to ensure the continuity of care to local patients. Internal audit will be undertaking a review of the risk assurance measures early in 2018 to test how well the arrangements are working in practice.

Performance management arrangements

- 46 The Health Board is working to improve performance management arrangements for both provided and commissioned services. The Board approved a new framework for improving performance in September 2017. This framework supports overall Board assurance on the management of the major risks to the delivery of strategic objectives and the delivery of quality patient care.
- 47 The Health Board has been strengthening commissioning arrangements since 2015 and approved a new strategic commissioning framework in November 2016. The framework sets out the arrangements needed to support effective commissioning. The aim is to ensure the organisation has the right strategy, people, processes and structures in place; and a model which reflects the values and arrangements of NHS Wales. It sits alongside the commissioning assurance framework which provides a mechanism to review concerns about finances and performance of commissioned services. An internal audit report in May 2017 gave a reasonable assurance rating as to the effectiveness of the system of internal control in place to manage the risks associated with commissioning.
- 48 The Finance Planning and Performance Committee reviews an integrated performance report at each meeting, as does the Board. The integrated report covers the performance of services which are both delivered by the Health Board, and those commissioned from other organisations. Delivery against plan and performance against measures was good at the end of quarter two of 2017-18, as reported to the Board in November 2017. All six of the aims have a consolidated positive position against measures and against delivery of the plan. Nine of the ten strategic objectives with associated performance measures reported a positive consolidated performance against measures in quarter two. Eight of 12 strategic objectives have a consolidated positive position of delivery against plan. Areas that are not meeting target are discussed in detail by the Board and committees.
- 49 The north and south localities provided detailed presentations on performance of services in their areas to the Patient Experience, Quality and Safety Committee at the February 2017 and March 2017 meetings. Committee members were interested in the presentations, asked lots of questions and were provided with satisfactory answers about performance of services provided by the community hospitals.

Arrangements to manage the workforce efficiently, effectively and economically

- 50 Work is underway to identify the workforce elements of the IMTP delivery plans, while systematic scrutiny of workforce management arrangements have resulted in improvements in some workforce metrics. Workforce planning is a key focus for the Health Board and is reflected in one of the six strategic aims and one of the 12 strategic objectives.
- 51 Workforce plans as set out in the IMTP are in development. The plans show that recruitment is required in a number of areas, subject to business case approval,

and some delivery plans require support in development of training. Reviews are also underway for existing workforce capacity and staff skill mix in some areas.

- 52 Internal audit carry out reviews across the domain of workforce management each year. The report on workforce planning in September 2017 says the Health Board can take reasonable assurance from its arrangements. The major risk for the Health Board continued to be the ability to recruit to key clinical posts. Work was continuing to improve the recruitment and retention of workforce at all levels within the Health Board. The risk to recruitment is on the corporate risk register and is kept under review by the Workforce and Organisational Development Committee.
- 53 It is important that the Health Board has efficient recruitment processes. Total recruitment time is one measure as delays in making job offers can result in applicants withdrawing and increase the use of temporary staff to cover vacant posts. The Health Board has improved the time taken to go through all the steps from almost 90 days in 2013-14 to 65 days in 2016-17 which is similar to the all Wales average. The Director of Workforce and OD is reviewing ways to speed up recruitment.
- 54 During the year there has been an increase in the turnover rate of staff. In the twelve months to October 2017 the rolling turnover increased to 11.55%, up from 9.21% in the previous October. While the Health Board has an exit questionnaire in place, we heard that some leavers were reluctant to complete it. Further work is needed to improve collection of information from staff leaving the organisation and making use of this intelligence.
- 55 The Health Board has maintained a watchful eye on bank and agency staffing. The Health Board needs temporary nurses because they have between 27 and 30 nurse vacancies at any one time. Spend on agency is monitored as part of the monthly finance report. A new Temporary Staffing Unit covering both nursing and medical staff was set up during the year which is expected to improve arrangements, for example, through stronger links with rostering. Internal audit is undertaking a review of Agency and Consultancy Spend which will report in 2018.
- 56 A number of areas of workforce management have shown some improvements during the year, and are better than other Health Boards, although the Welsh Government targets were not met. These areas are: sickness absence rates; statutory and mandatory training compliance levels; performance appraisal and development review (PADR) rates; and medical revalidation rates.

Information governance, information management and technology

- 57 Information governance is an area of risk given limited staff capacity and the need to implement the EU General Data Protection Regulations. Our structured assessment reports in the last three years have focused on the Health Board's continuing efforts to strengthen information governance delivery and oversight arrangements.

- 58 The Head of Internal Audit opinion for 2016-17 raised concerns within the domain of information governance and IT security which was rated overall as limited assurance.
- 59 The Board Secretary is Executive Lead for Information Governance and is the senior information risk owner (SIRO). She manages the small information governance team whose workload remains challenging despite attempts to place the emphasis on each directorate to take ownership of its information governance, supported by directorate information governance champions. The information governance champions are not responsible for information governance within directorates but do provide a local source of basic advice and ensure information guidance is kept high on local agendas. The information governance champions group has replaced the Information Governance Management Group (IGMG) which was not effective. The champions are looking at ways to measure the performance and effectiveness of the champions group, and progress reports will be provided to the IMTGC. The information governance team has undertaken an assessment against the Information Commissioner's Office '12 Steps to Readiness' General Data Protection Regulation (GDPR) guidance note. An additional member of staff has been proposed to help prepare for GDPR, without which we were told that the Health Board could find it difficult to meet compliance by the required deadline.
- 60 Arrangements under Wales Accord for Sharing Personal Information (WASPI) and Caldicott: Principles into Practice assessment (C:PiP) are improving. However, increases in the number and complexity of Freedom of Information and subject access requests are impacting on the ability of the information governance team to do other work.
- 61 The information governance policy schedule notes that key information governance policies and procedures are in place, and some of the document review dates have been extended until May 2018, due to work being taken forward nationally to review policies in readiness for the introduction of the GDPR.
- 62 The corporate risk register for September 2017 highlights the following risk as high: CR8 Lack of a robust and stable ICT system. Actions required are to strengthen the ICT infrastructure to ensure stable ICT platform for the Health Board and Council that is flexible and future proofed. The Director of Finance is the Executive Lead for IT and has been in post throughout 2017 bringing some stability to the information management and technology (IM&T) portfolio which changed three times during 2016.
- 63 It is unclear whether the joint IM&T service is effectively resourced to meet the delivery requirements from a Health Board perspective. Although IT staffing structures are in place, they are currently under review. In addition to this, there has not been any recent user satisfaction surveys carried out to gauge IT users' views of the service provided. The service desk is not fully meeting its service level agreement (SLA) regarding the time taken to answer calls, which is currently running at 80%.

- 64 The current (2016-18) Joint ICT Strategy has gone through a major refresh, and has been aligned to the Digital Health and Social Care Strategy for Wales and looks to meet the Welsh Government's requirements of all Health Boards to have a Strategic Outline Programme (SOP). We were told that it will be customer focussed and include reference to the Welsh Community Care Information System (WCCIS), and it is anticipated that the revised strategy be finalised early in 2018.
- 65 Cyber security is covered under the information security policy. An ICT Incident Response Procedures document is also in place, following an internal cyber security review by ICT staff at the Health Board and the Council and the world-wide Wannacry malware attacks.

Recommendations

- 66 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.
- 67 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	
Board and committee work programmes	
R1	Board and committee work programmes were not approved at the start of the financial year. While we were assured that all committees were working to draft work programmes, we recommend that all Board and committee work programmes are finalised before the start of the next financial year.
Increasing staff turnover rates	
R2	The rolling turnover rate of staff in the 12 months to October 2017 increased to 11.55%, up from 9.21% in the previous October. This rate was the highest in Wales. While the Health Board is trying to address this issue, we recommend that the Health Board undertakes further work to understand the reasons behind the increasing workforce turnover rate and take actions to address the rise.
IT and information governance	
R3	IT services are provided under a Section 33 agreement with the Council. The service desk is not meeting its service level agreement (SLA) regarding the time taken to answer calls. There has not been any recent user satisfaction surveys carried out to gauge IT users' views of the service provided. We recommend that a survey of user satisfaction with IT services is undertaken.

Detailed report

The Health Board has a reasonable track record of achieving recurrent savings, strengthened monitoring arrangements and met its statutory break-even requirement for the three-year period ending 2016-17

- 68 Our structured assessment work in 2017 considers the actions that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. This year's work has had a specific focus on the Health Board's arrangements for planning and delivery of financial savings.
- 69 We have not considered detailed approaches for individual saving scheme planning and delivery, although we have looked explicitly at medicines management saving schemes to help inform our views on the overall effectiveness of savings planning and delivery arrangements in the Health Board. In addition, we have reviewed progress made in addressing previous recommendations relating to financial management. Our findings are set out below in the following structure:
- impact of approaches to savings on the overall financial standing of the organisation;
 - arrangements in place to plan and deliver savings;
 - monitoring and scrutiny of savings; and
 - progress against recommendations made in last year's structured assessment.

In recent years, the Health Board has set balanced financial plans, delivered most of its identified savings schemes and is broadly on track to deliver its 2017-18 planned savings

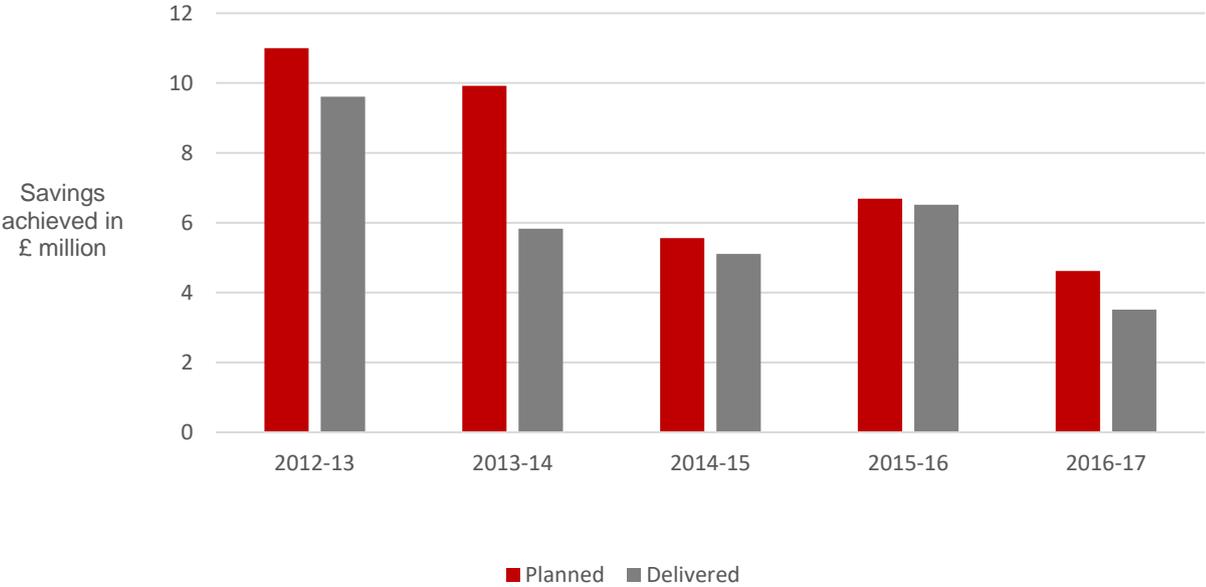
- 70 Each year, the Health Board is allocated revenue by the Welsh Government to provide the resources for the Health Board to pay for locally provided and contracted healthcare services for its resident population. This allocation is known as the Revenue Resource Limit (RRL). Each year there are increases in the RRL allocated at the beginning of the year by the Welsh Government. These increases in revenue help to address inflationary costs of healthcare. This includes growth in pay costs, medication costs, and increasing demand for services.
- 71 Over a three-year rolling period the Health Board has a statutory responsibility to spend within the limits of these allocations. The Board approved a balanced financial plan for the year 2016-17 as part of its IMTP for 2016-19. The first statutory test of this requirement was the three-year period to 2016-17 with which the Health Board was compliant.
- 72 The Health Board set an approved, balanced budget for 2017-18 as part of the three-year IMTP for 2017-21. The Health Board's longer-term health and care strategy to 2027 sets the scene for transformational service developments to be implemented with the Council. The Health Board is developing a detailed model of care which will shape the allocation of resources going forward.
- 73 The Health Board has received an additional structural funding allocation each year since 2014-15 because the Welsh Government recognised a long standing structural financial imbalance which reflected the Health Board's commissioning role and the dynamic that it brings. Therefore, the Welsh Government agreed to provide ongoing structural assistance from 2014-15, of £25 million per year. This funding has enabled the Health Board to produce a balanced IMTP approved by the Welsh

Government each year since 2015-16. While the Welsh Government did not include the structural funding allocation of £16.864 million in the original allocation, the Health Board is in discussion with the Welsh Government regarding future years.

74 Over the last five years, the Health Board has set relatively ambitious but generally achievable savings targets. While they have not achieved all the savings in any year, the Health Board has broadly delivered against those expectations in all but one year (2013-14) (Exhibit 2).

Exhibit 2: summary of saving scheme delivery

The chart shows the trend of achievement of saving schemes over the last five financial years. The red columns show savings planned at the beginning of the year versus savings reported as delivered at the end of the year.



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

75 The Health Board has a reasonably good track record of delivering savings schemes against its IMTP plan. For 2016-17 the Health Board achieved savings of £3.5 million from identified schemes. While this was a good achievement, there was a shortfall of £1.1 million against the target of £4.6 million in the IMTP.

76 While it is positive that the Health Board has a reasonably good track record of achieving savings, there has been some variation between under-achieving and over-achieving schemes. Exhibit 3 provides summary analysis prepared by the Health Board on over and under-delivery against its saving schemes. For 2016-17 the Health Board set the target of £4.6 million with 32 reportable savings schemes. Of these savings schemes, there were nine that under-achieved by £1.5 million and six schemes that over-achieved by £0.4 million.

Exhibit 3: summary of 2016-17 saving scheme delivery

Category	No of identified schemes	Sum of planned schemes (£million)	Sum of actual delivery (£million)	Sum of variance (£million)
Identified schemes – over-delivered by £10,001 to £50,000	3	0.453	0.531	0.078
Identified schemes – over-delivered by £50,001 – 100,000	2	0.248	0.428	0.180
Identified schemes – over-delivered by over £100,000	1	0.200	0.316	0.116
Identified schemes – delivered planned amount	17	1.412	1.412	0
Identified schemes – under-delivered by £10,000 to £50,000	3	0.196	0.102	-0.094
Identified schemes – under-delivered by £50,001 to £100,000	2	0.191	0.050	-0.141
Identified schemes – under-delivered by over £100,000	4	1.916	0.673	-1.244
Total	32	4.616	3.512	-1.105

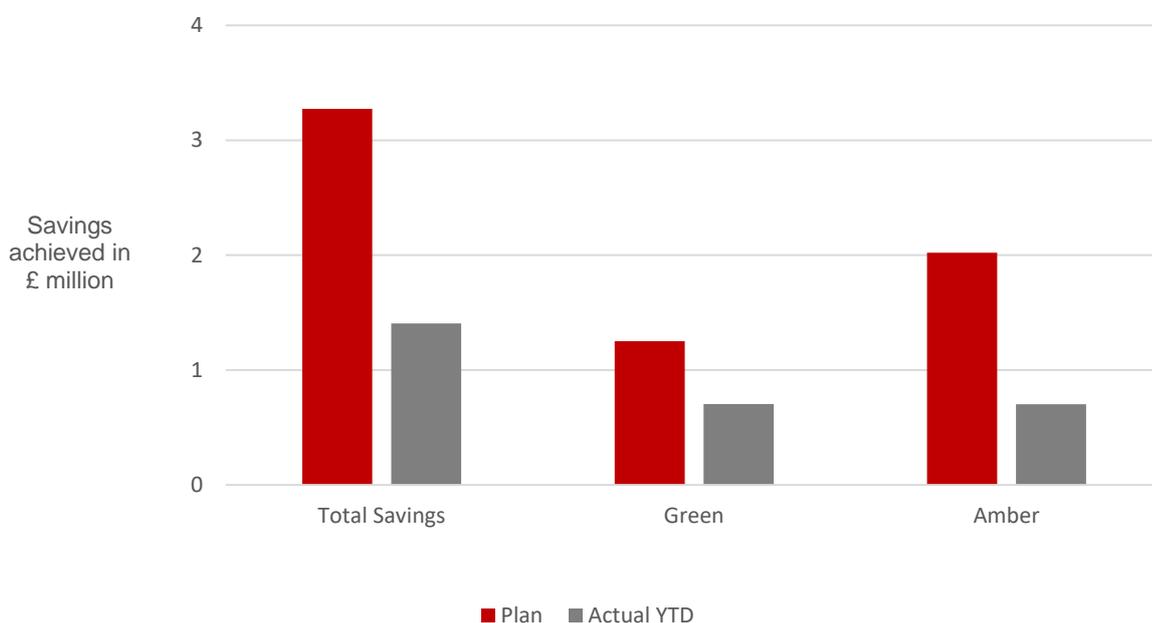
Source: Savings as reported by Powys Teaching Health Board at month 12 2016-17

- 77 We note from the 2016-19 IMTP that the underlying gap going into 2017-18 was forecast to be £nil but that the IMTP for 2017-20 shows that the underlying funding gap for 2017-18 increased to £6.4 million. This was a similar situation for 2016-17 which showed a £nil deficit for 2016-19 IMTP but now shows a gap of £1.5 million in the 2017-20 IMTP. Therefore, although savings plans are contributing towards reducing the gap, the fact that the Health Board is not achieving all of its savings schemes together with on-going cost pressures means that the underlying gap will be difficult to address. This puts pressure on the Health Board to identify a higher level of recurring savings that may not be realistic or achievable.
- 78 The Health Board's IMTP for 2017-20 indicated a financial gap of £3 million in 2017-18 with plans to achieve a balanced position over the three-year period. This plan was approved by the Welsh Government. For 2017-18 the Health Board identified 46 reportable savings schemes with a total of £3.3 million. Savings schemes are split between commissioned services, which make up just over half of schemes (51%), medicines management (13%), continuing healthcare (6%) and other schemes covering pay and non-pay in provider services (29%).
- 79 At Month 6 there were 17 schemes that were under-achieving by £0.21 million and 13 schemes that were over-achieving by £0.16 million. For 2017-18 the Health Board is forecasting to achieve the full planned savings of £3.3 million, with an actual achievement of £1.4 million against a plan to date of £1.5 million (93%) at Month 6.

80 The requirement for savings has since reduced to £3.3 million and Exhibit 4 shows the progress that the Health Board is making against this target as at Month 6.

Exhibit 4: summary of 2017-18 savings scheme performance at Month 6

The chart shows the total level of planned savings for the year compared to the actual year to date at Month 6. The chart also analyses the year to date figures across the risk categories.



Source: 2017-18 Month 6 savings report from Powys Teaching Health Board

81 Given the variation in the outcome of savings schemes there is a risk that the Health Board may not be able to achieve the level of savings that are required or that it is unable to continue to over achieve in some schemes to compensate for others. This could adversely affect its ability to break even. To address this risk, the Director of Finance and IT told us that where a scheme is not delivering that the scheme owner is responsible for coming up with another scheme to achieve the savings.

82 The month 7 position for 2017-18 thus far reports an overspend of £0.769 million with a forecast of breakeven at year end. This is an improving position compared to the projected overspend of £1.750 million projection from the IMTP and compared to month 5 which had an overspend of £0.879 million. As reported to the Board in November 2017, the breakeven forecast recognises the imbalance within the plan. The Health Board is planning to achieve breakeven through actions to:

- reduce spend on agency staffing;
- maintain underspend levels on continuing healthcare costs;
- reduce primary care costs; and

- further review balance sheet opportunities.

83 The Health Board is currently on track with their savings targets for the year but are reliant on unidentified savings and accountancy gains to break even at year end. Even so, the Health Board is reporting that it is confident it will meet the requirements set out in the NHS Wales Finance Act (Wales) 2014.

The Health Board has improved its approach to planning and delivery of savings schemes and recognises that savings going forward will need to be based on more strategic transformational service changes to address future financial challenges

- 84 Following a period of change in the Director of Finance position during 2015 and 2016, the current Director of Finance and IT has been in post since October 2016 which has brought stability to the financial planning process as well as strengthening arrangements. The internal audit report on Financial Planning and Cost Improvement Programme in 2016-17, which was issued in January 2017, provided a rating of limited assurance. A follow-up report, on Financial Planning, issued in August 2017 demonstrated that the Health Board had made improvements in all areas of financial planning and the arrangements were rated as reasonable assurance.
- 85 The Director of Finance and IT designed the savings targets for the financial plan for 2017-18. The figure on which the targets were based was derived from the midway point between the 1% historical achievement of the NHS in recent years and the 1.5% identified as required by the recent Health Foundation report. All directorates were targeted with achieving savings of the order of 1.5%, with the exception of provider services pay budgets, which were required to achieve 0.75%.
- 86 The Audit and Assurance Committee received a report on savings schemes in September 2017 setting out in detail the Health Board's approach to setting savings across the organisation. The report explains how the Health Board is working in collaboration with other NHS Wales organisations in order to share ideas, innovation and experiences across the range of services with a view to delivering more efficient services. The savings identified through this process vary by organisation from 0.7% to 2.9%, with the Powys target at 1.1%. In total, the Health Board has estimated that £10 million cost reductions could be realised over the coming three-year period (average 1.3% per year) across the total range of services split across community and primary care and commissioned services.
- 87 The savings planning process is fully integrated with the IMTP process and therefore savings plans are aligned with the risks and objectives identified within the IMTP. Each directorate is required to submit an IMTP return which outlines the budget, risks and savings plans in detail. Savings plans have been developed as part of the IMTP process involving 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.
- 88 The Director of Finance and IT recognises the benefit of starting the planning process early for developing savings plans. The 2017-18 planning process started soon after he arrived at the Health Board in November 2016. A report to the Board in January 2017 set out the funding allocation for 2017-18 and savings requirements. For the 2018-19 financial year the Director of Finance and IT has brought forward the planning process to October 2017 to allow business partners and budget holders

more time to consider and develop the savings plans required to deliver the target savings. The discussion around this process was observed during our attendance at the monthly Financial Plan Delivery Review meeting in October 2017.

- 89 As part of the financial planning process the Director of Finance and IT and the Assistant Director of Finance assess the level of savings required overall in order to achieve balance at year end. Each locality is then given a percentage level of savings that it has to achieve which is based on the anticipated growth for the locality and a proportion of the pay award. The agreed percentage can therefore be different between localities. The savings plan highlights a proposal for where the savings are to be made. The approach is then viewed on a bottom line basis which gives budget holders more flexibility to achieve the desired outcome across different areas if this is needed.
- 90 One example of the more transformational approach is where the Health Board has collaborated with GP partners to identify additional opportunities for savings and efficiencies. As a result of this collaboration the Health Board and GP partners in south Powys have jointly invested in a Community Interest Company. One project is to disinvest in the old quality and efficiency incentive scheme, whereby GPs were incentivised to change prescribing habits, and employ pharmacists to provide support services to GP practices in the south locality of Powys. This has provided the benefit of more frequent reviews of GP prescribing habits as well as maintaining horizon scanning of future opportunities. As the pharmacists work across all GP practices in the locality this also brings more efficiency to the process.
- 91 The Health Board has acknowledged that effective monitoring of its workforce requirements, particularly when considering the need for temporary staff, is paramount to making savings. In light of this the Health Board has established a Temporary Staffing Unit whereby any requirements for temporary staff are submitted to the Unit which accesses the most cost-effective source of staff.
- 92 Another aspect of transformational change is identifying ways in which the Health Board can introduce more efficient medical assistance in order to avoid emergency admissions to acute services which can be costly. The virtual wards have been running in south Powys since 2012 and operate by employing medical staff locally in order to provide medical assistance and advice as a way to prevent unnecessary emergency admissions. During 2016-17 the Health Board identified and implemented a virtual ward in the north locality across mid and north Powys. The south Powys virtual ward has demonstrated that a 12% reduction in unscheduled care conveyances to hospital can be achieved and sustained. An analysis of unscheduled care conveyances in north Powys has shown that base line performance is different therefore a target of an 11% reduction has been set. The in-year cost improvement target for the virtual ward for 2017-18 is £0.430m and it is expected to be fully delivered.
- 93 When constructing savings plans, it is important to consider the balance between, and effect of, recurring and non-recurring saving schemes. A greater focus on recurring schemes should make the budgetary pressure lower in following years. **Exhibit 5** shows that 70% of the savings schemes identified in 2016-17 related to recurring savings and that in 2017-18 this percentage increased to 82%. This increase shows that the Health Board is seeking to implement more transformational changes which will support its long-term strategy.

Exhibit 5: analysis of savings schemes identified between recurrent and non-recurrent



Source: 2016-17 and 2017-18 savings plans from Powys Teaching Health Board

- 94 As noted above, the IMTP for 2017-20 outlines an increasing underlying gap which requires additional savings to be achieved. Furthermore, the IMTP identifies that savings plans at similar levels will be required for each year through to 2019-20 to ensure continued financial balance. Notwithstanding the challenges the Health Board faces in achieving the current year's savings, there is a risk that future savings may not be achievable or may not be sufficient to address the underlying gap without wider transformational changes to the way it delivers services. This is a particular challenge for the Health Board as it commissions 75% of its services from other providers where it does not control the service. Work has been undertaken by the commissioning team to strengthen the contracts that the Health Board has with these organisations and they are developing an understanding of the services they want to commission going forwards as part of their longer-term planning.
- 95 The development of savings schemes is a collaborative process involving the locality managers, business partners and other staff as required. At the heart of this is a project initiation document which provides a detailed 'road map' of each project. We have reviewed examples of project initiation documents and note that the following areas are considered:
- assessment against the Health Board's objectives
 - assessment against the prudent healthcare principles
 - project background, aims and assumptions, including SMART objectives
 - expected outputs of project and links to other projects
 - resource requirements, particularly workforce
 - quality and equality impact assessments

- stakeholder management and engagement
- profiled financial and non-financial benefits
- project milestones and actions
- risk assessment

- 96 Risk assessment is initially recorded as part of the project initiation document but is updated on a regular basis by the business partner and locality manager and reported into the regular monitoring and reporting process. The Health Board adopts the all-Wales risk assessment approach which incorporates a red, amber or green (RAG) rating. The ratings are applied consistently across all projects. As noted in **Exhibit 4**, the majority of schemes are rated as green and there are no red ratings. Based on our knowledge of schemes and reported performance, it is reasonable to conclude that the ratings are being applied appropriately.
- 97 When profiling savings schemes it is important to ensure that not only is the value of savings realistic but the timing of those savings is also realistic. It is pleasing to see that as part of the project initiation document process the Health Board gives thought to the timing of the savings so that those responsible for delivering the savings have reasonable expectations put upon them. We note that the profile of savings throughout the year is fairly even although there are examples, such as with the virtual ward, where the Health Board has phased the savings after the first quarter as recognition of the time it takes to establish the savings scheme.
- 98 Wherever possible it is also important for the Health Board to have a multi-year view of savings and not to just focus on short-term savings. From our review of the project initiation documents it is again pleasing to see that there are some projects where the Health Board has taken a longer-term view of the output and savings, an example being the virtual ward which is a three-year project.
- 99 Our discussions with management have not identified any schemes that have adversely affected the quality of service provided or patient safety. In fact some of the schemes implemented suggest an improvement to the delivery of services and patient care. Examples of this include the virtual ward and the investment in the rheumatology service.

The Health Board has strengthened its system for effective monitoring of financial savings which will be tested as future savings planning becomes more ambitious

- 100 As noted above the Health Board operates a RAG rating for each savings scheme based on the all-Wales definitions. Each scheme and its rating is informally monitored on a day-to-day basis by the business partners and locality managers but also formally on a monthly and quarterly basis. As such this provides sufficient advance warning and reporting of risky schemes so that corrective action can be taken. The localities also meet with external stakeholders on a regular basis throughout the year, particularly GP partners and other service providers, to ensure the savings schemes they lead on are kept on track.
- 101 At the locality level there are monthly meetings of each of the localities at which savings plans are discussed and actions agreed as appropriate. These meetings are attended by the locality general manager, the finance business partner and other locality staff as required. There are also informal

project meetings and telephone calls between locality staff and finance business partners on a day-to-day basis.

- 102 The main operational forum at which risks to savings plans is addressed is the monthly Financial Plan Delivery Review team meeting. At this meeting each business partner is required to give the Director of Finance and IT an update on the progress of each scheme including the risk rating. We observed this at the October 2017 meeting. There was sufficient time given to discuss schemes that had an amber rating (there were no red rated schemes), highlight the issues and consider the corrective actions needed. In each case the Director of Finance and IT was clear in summarising the work required and in some cases made a request for additional information to be provided at the next meeting. Furthermore, the Director of Finance and IT gave clear instructions that, should corrective action not be possible, alternative solutions would need to be identified. The Delivery and Performance Group is where Executive Director level scrutiny of savings takes place.
- 103 The Financial Planning and Performance Committee is the sub-committee of the Board that scrutinises finances and savings plans. However, it is noted that the level of detail in the reports being submitted to the committee and the Board have been at a higher level, generally at locality/cross-cutting theme level, and have not therefore provided the scheme level detail to allow detailed scrutiny. In response to Independent Members' requests for additional information, the Executive presented a paper at the September 2017 committee outlining changes to the reporting process. The paper included a detailed listing of progress against all savings schemes to be provided at each future meeting. At each meeting one of the locality general manager (or equivalent) gives a presentation of their savings schemes and answers questions raised by the members. This change is intended to provide a further layer of scrutiny where executives and members have the opportunity to query the actions being taken to bring schemes back on track. While the effectiveness of this is yet to be fully assessed it is reasonable to conclude that the Health Board has taken the necessary steps to ensure that regular and sufficient scrutiny is in place at all levels of the organisation.
- 104 The first presentation, in November 2017, was by managers from the north locality and women's and children's services. The committee heard that savings planning started in January 2017 and was supported by an analytical methodology, taking account of comparative benchmarking and costing information. The north locality agreed to focus their efforts on:
- reviewing packages of care for adults and children under continuing healthcare (CHC);
 - admissions avoidance for commissioned services, mostly through the virtual ward;
 - engagement and challenging inappropriate charges for services provided under contract by Shrewsbury and Telford Hospitals NHS Trust;
 - prescribing; and
 - pay and non-pay in provided services by reducing agency spend and matching bed capacity with the available substantive workforce.

- 105 The committee asked a number of questions to gain assurance on the programme for medicines management, virtual ward, challenges reducing spend on agency staff, and how the localities work together. They were content with the information provided and confirmed that they were looking forward to continuing with this increased level of scrutiny during the year ahead. The committee also received a report on the budget setting exercise for 2018-19 and the subsequent two years providing them with an understanding of the process for budget setting based on analysing cost pressures and testing of existing savings assumptions for 2018-19.

The Health Board has made good progress addressing previous recommendations on financial planning and reporting

- 106 In 2016 we made the following recommendations relating to financial management. **Exhibit 6** describes the progress made against the eight individual actions. Four recommendations are complete. They relate to the budget approval procedure; development of savings plans; arrangements for financial control and stewardship; and arrangements for monitoring and reporting achievement of savings. One recommendation, on updating standing orders and standing financial instructions is partially complete; standing orders have been updated but the update of the standing financial instructions is still in progress.
- 107 Three recommendations are on track but not yet complete. They relate to: implementing succession planning arrangements in the finance directorate; re-prioritising the budget to align it more closely with the Health Board's long-term strategy; and strengthening the evidence so that the workforce, financial, estates and ICT implications are robustly considered when developing the delivery plans as part of the IMTP.

Exhibit 6: progress on 2016 financial management recommendations

2016 recommendation	Description of progress
<p>R1a Strengthen current arrangements for financial planning by implementing succession planning arrangements, underpinned by a robust process of skills evaluation and gap analysis of key competencies for those staff that may be required to deputise in periods of absence.</p>	<p>Recommendation on track but not yet complete The Director of Finance and IT has completed an evaluation of skills and potential vacancies within the finance department over the next couple of years. He is working closely with the NHS Wales Finance Academy to develop emerging talent within the NHS for senior roles. He hopes to replace the current Deputy Director of Finance, who is due to retire in March 2018, through the talent pipeline initiative and mentor them to provide an understanding of the Director of Finance role including working at Board level. An individual has not yet been appointed for this role.</p>
<p>R1b Strengthen current arrangements for financial planning by reviewing budget approval procedures, ensuring that appropriate approval and formal sign off is achieved at the correct stage of the process.</p>	<p>Recommendation complete The budget allocations were approved by members of the Executive Management Team at the Board and Finance and Performance Committee meetings through agreement of the Resource Plan 2017-18. However, we noted that, under Health Board Standing Orders directorate heads are required to acknowledge receipt and their acceptance of budget allocation and responsibilities by return of a signed acceptance within 28 days of the notice from the Chief Executive. For 2017-18 not all letters were signed within this deadline. This issue was identified and reported by internal audit. However, we have concluded that this risk is mitigated due to the budget allocations being approved as part of the Board and Finance and Performance Committee meetings and discussions on the Resource Plan. All Executives have now returned signed letters for their area of responsibility.</p>
<p>R1c Strengthen current arrangements for financial planning by reviewing the process in place for the development of the savings plans whilst ensuring that the detailed plans support the long-term strategy of the Health Board.</p>	<p>Recommendation complete The process for development of savings plans has been strengthened considerably in 2017-18 and has been brought forward for 2018-19 as set out in the main section of this report.</p>

2016 recommendation	Description of progress
<p>R1d Strengthen current arrangements for financial planning by re-prioritising the budget to align it more closely with the Health Board's long-term strategy.</p>	<p>Recommendation on track but not yet complete The Health and Care Strategy for Powys was approved by the Board on 22 March 2017. Prioritisation of the Health Board's budget will be considered as part of the process being put in place to develop the 2018-21 IMTP. The work to further develop the Health and Care Strategy for Powys, and Health Board's risk and assurance processes will inform this work. Therefore, this recommendation is to remain in place.</p>
<p>R1e Strengthen current arrangements for financial planning by strengthening the evidence so that the workforce, financial, estates and ICT implications are robustly considered when developing the delivery plans and providing details for each within the Integrated Medium Term Plan.</p>	<p>Recommendation on track but not yet complete Workforce, ICT, Financial and Estates implications are not formally considered as part of the approved IMTP. Our review has highlighted that there continues to be a number of instances where the financial implications are stated as 'Funding to be identified to support resources required', indicating that service delivery plans are not underpinned by robust financial analysis and require further development.</p>
<p>R2a Strengthen current arrangements for financial control and stewardship by ensuring Standing Orders and Standing Financial Instructions are updated and reviewed periodically.</p>	<p>Recommendation partially complete Revised and strengthened Standing Orders and a Scheme of Reservation and Delegation were approved by the Board on 25 January 2017. There is now a stipulation that these must be reviewed annually. The Board Secretary has worked with the all Wales Board Secretary's group to update the model Standing Orders which have been submitted to the Welsh Government. The Director of Finance and IT is working to update the Standing Financial Instructions together with the all Wales Directors of Finance Group.</p>

2016 recommendation	Description of progress
<p>R2b Strengthen current arrangements for financial control and stewardship by reviewing the financial control environment to ensure that appropriate processes are in place and are being adhered to.</p>	<p>Recommendation complete The finance directorate continue to work with operational and corporate teams to provide guidance and challenge where required in financial matters. The finance directorate has been addressing the matters raised in limited assurance internal audit reports received in 2016-17, with improvements seen in the General Ledger and Financial Planning reports, which have now been assessed in 2017-18 as substantial and reasonable respectively. Central procurement guidance has been drafted and is due to be finalised before the end of the calendar year. This sets out Health Board staff responsibilities and the required interaction with the NHS Wales Shared Services Partnership (NWSSP) procurement service in the purchase of goods and services. This will run alongside the 'Buying Goods and Services' guidance currently held on the shared drive.</p>
<p>R3 Strengthen current arrangements for financial monitoring and reporting by improving reporting of the achievement of the saving plans.</p>	<p>Recommendation complete Arrangements for financial monitoring and reporting the achievement of savings plans has been considerably strengthened. The Finance, Planning and Performance Committee asked for further information to provide assurance at locality level. The north locality presented the first session in November 2017.</p>

Arrangements for planning and governance are broadly sound with further work ongoing to support organisational resilience and to strengthen information governance

108 Our structured assessment work in 2017 has examined the Health Board's arrangements for governance and use of resources in the following areas: strategic planning, Board and committee effectiveness and internal controls, organisational structure, risk management and assurance frameworks, arrangements to manage the workforce efficiently, effectively and economically, performance management arrangements, information governance and ICT and technology. We have also assessed progress against recommendations made in 2016. Our findings are set out below.

The Health Board has an approved integrated medium-term plan and, jointly with Powys County Council, an agreed longer-term Health and Care Strategy, although more work is needed to develop underpinning plans

- 109 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 the IMTP. Our key findings are set out below.
- 110 The Health Board has an IMTP that was approved by the Board and the Welsh Government for 2017-20. This is the third year running that the Health Board's IMTP has been approved. The Health Board has a well-established vision, six strategic aims and 12 objectives which have been in place for a few years and which remained unchanged for the IMTP 2017-20.
- 111 The process for developing the refreshed IMTP 2017-20 was shared in a document to the Finance, Planning and Performance Committee in March 2017. The draft IMTP was developed through a series of Board development sessions and approved at Board on 25 January 2017. The draft was submitted to the Welsh Government on 27 January. The Welsh Government provided comments on the draft which was amended and the final IMTP was approved by the Board on 22 March 2017, subject to minor amendments, and submitted it to the Welsh Government on 31 March as required. The Welsh Government approved the IMTP on 14 June 2017 with a small number of conditions.
- 112 In previous years, service delivery plans have been developed separately from the IMTP and have been taken to the Finance, Planning and Performance Committee for scrutiny. The NHS Wales Planning Framework for 2017/20 stipulated that the delivery plan processes have been streamlined; there is no longer a requirement to submit local delivery plans to the Welsh Government although organisations still need to plan for these important services and reflect the key areas of intended improvement in their three-year plans.
- 113 The internal audit review of the Health Board's performance management arrangements to deliver the IMTP provided reasonable assurance overall. The report was taken to the Audit and Assurance Committee on 9 May 2017 and the committee noted that the report highlighted the need for further refinement and improvement of underpinning plans. The management response to the internal audit report on the IMTP stated that assurance on the development of plans to deliver organisational priorities will be sought as part of the follow-up review. Furthermore, strengthening the development of

the plans will be considered within the development process of the directorate plans for 2018-19. A follow-up review of the IMTP development process is currently underway by internal audit.

- 114 At 175 pages long, the IMTP for 2017-20 was significantly shorter than the IMTP for 2016-19 which was more than 300 pages long. While two easy read summaries of the annual plan were prepared for stakeholders and staff in 2016, the Health Board decided that a single version was sufficient for all audiences in 2017. Communication of the Health Board's plans has improved through the production of this everyday version which gives an accessible summary and is available to access on the Health Board's website. Understanding of the strategy has significantly improved according to the Health Board's NHS staff survey results for 2016 which shows an increase in staff awareness of the organisation's long-term goals of 58%, up from 39% in 2013.
- 115 The Public Service Board (PSB) for Powys is a statutory strategic partnership established under the Well-being of Future Generations (Wales) Act 2015 to improve the economic, social, environmental and cultural wellbeing of Wales. The PSB is made up of the Council, the Health Board, the fire and rescue service and Natural Resources Wales and it replaced the Local Service Board that was established in April 2016. The PSB has an approved and published Powys Wellbeing Assessment and the Wellbeing Vision to 2040 is currently out for consultation. The Wellbeing Plan is due to be published in May 2018 and will replace the current One Powys Plan. One of the four local objectives is that People in Powys will be healthy, socially motivated and responsible. This links with the Health and Care Strategy which is the vehicle through which to develop health and care services in the medium term to 2027.
- 116 The Health Board is also part of the Powys Regional Partnership Board (RPB) established by the Social Services and Wellbeing (SSWB) (Wales) Act. Its key role is to identify key areas of improvement for care and support services in Powys. The Board has also been legally tasked with identifying integration opportunities between social care and health.
- 117 The Health Board, together with the Council and other stakeholders, have developed a ten-year Health and Care Strategy through public engagement and structured around the wellbeing objectives as set out in the Well-being of Future Generations (Wales) Act 2015. The strategy contains a vision for health and care in Powys, to 2027 and beyond. Whilst the strategy does not describe the detail of the developments at this stage, it does outline the proposed direction for the future: promoting wellbeing; offering early help and support to people; tackling the big four diseases that limit life; and providing joined up care. The strategy outlines the desire to provide as much care as possible in Powys. The Board approved the strategy in March 2017 and it was officially launched in July 2017. The Health Board is rightly proud of this achievement producing the first joint health and care strategy in Wales.
- 118 Phase 2 of the Health and Care Strategy is currently under development with officers, clinicians and professionals from both organisations shaping the detail of the outcomes for 2027, as well as the ambition measures and how it will be delivered. A public stakeholder engagement event will take place in December 2017 followed by broader public engagement. The intention is that the strategy will be presented for consideration by the Health Board's Board and the Council's Cabinet in January 2018.
- 119 The Health Board has undertaken considerable engagement with stakeholders during the year on the development of the Health and Care Strategy. However, for a number of years the Health Board has not had a stakeholder reference group, which is a breach of standing orders. In 2015 they approved the stakeholder engagement strategy and in 2016 they agreed a new terms of reference for the group and have been working with stakeholders to agree membership for more than 12 months. An internal

audit report on stakeholder engagement and communication, which was taken to the Audit and Assurance Committee in May 2017, provided an overall rating of reasonable assurance although it raised concerns about the impact on the Health Board of not having a stakeholder reference group. The Health Board held planning workshops with stakeholders in October 2017 and is continuing to actively work towards establishing a formal stakeholder reference group with a first meeting scheduled in January 2018.

- 120 The Health Board is involved in the numerous strategic change programmes that are underway in the organisations that Powys patients access. This involvement uses considerable Health Board resources at a senior level. The Director of Planning and Performance regularly updates the Finance, Planning and Performance Committee on strategic planning in the commissioned services and there have been a number of presentations on the various change programmes underway in provider services. Further details were provided by the Future Fit team who made a presentation on the Pre-Consultation Business Case and Consultation Process for Shrewsbury and Telford to the Board in September 2017. A formal 14-week public consultation on the plans will start after NHS England approval is given. Other major plans affecting Powys patients are Aneurin Bevan UHB's development of the new Specialised and Critical Care Centre, which is now known as The Grange, and the Hereford and Worcestershire Sustainability Transformation Plan affecting Wye Valley NHS Trust services.
- 121 The Health Board has an agreed capital programme for 2017-18 which lists intended project and equipment bids linked to the IMTP. The Health Board has developed and supported plans for the major reconfiguration of Llandrindod Wells Hospital and Machynlleth Hospital Primary and Community Care Project.
- 122 Revised guidance for the IMTP development for 2018-21 was issued by the Welsh Government during October 2017 which confirms that the national delivery plan priorities should be outlined within the IMTP. The Director of Planning and Performance told us that the IMTP will also reflect the influence of the Welsh Government's national strategy to deliver its key priorities for the rest of this Assembly term, Prosperity for All, and the emerging findings from the parliamentary review on health and social care. The IMTP will continue to focus on commissioning, primary care and community care and moving towards regional working. The Director of Planning and Performance and the Director of Finance made a presentation to the Finance, Planning and Performance Committee in November 2017 on progress developing the IMTP for 2018-19 – 2020-21.
- 123 A Board development session was held in September 2017 with staff from the Future Generations Commissioner for Wales' office to review the current vision as set out in the IMTP 2017-20 against the wellbeing objectives. The Board agreed to rewrite its IMTP objectives to fit with the Health and Care Strategy with the intention of having the IMTP as the vehicle for taking forward the Health and Care Strategy. The Health Board's Delivery Planning Steering group is taking forward this work and a formal status update will be provided for all plans in March 2018 as part of the final IMTP submission.

124 The Planning and Performance Directorate was restructured in 2016 and four Assistant Directors were appointed for planning; commissioning; capital and estates; and performance management. There has been some movement during 2017 with both the Assistant Director Planning and the Assistant Director for Performance Management moving on. The Director of Planning and Performance is confident that they now have the right staffing structure and supporting teams to address planning and performance requirements. However, she recognised the challenge for a small Health Board like Powys attracting and retaining staff at this level. The Health Board is taking steps to address this challenge.

The Board and committees have clear terms of reference with the active involvement of members

- 125 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.
- 126 In January 2017, the Board approved the revised Standing Orders and a separate Scheme of Reservation and Delegation of Powers. While NHS Wales Board Secretaries have been working together to revise the model standing orders that NHS Wales issued in March 2014, the Health Board needed current documents to reflect the revised committees and new organisational arrangements. The amendments to the standing orders take into consideration the appropriate legislation that set up the Health Board and legislation that has come into force since 2014.
- 127 The Scheme of Reservation and Delegation of Powers sets out the appropriate level in the organisation where decisions can be made. The revised scheme provides greater detail to ensure that there is no ambiguity in relation to roles and responsibilities, including making it explicit that the Chief Executive Officer is the Accountable Officer. The Board Secretary confirmed to the Board that in deciding what to retain and what to delegate, full account had been taken of the principles set out by Welsh Ministers.
- 128 The Board Secretary has ensured that all the committee terms of reference have been reviewed and self-assessments carried out. Action logs are maintained and reviewed for the Board and each committee at every meeting. Items that need to be escalated to the Board are agreed at the end of every meeting. Annual reports were prepared and approved by the Board in July for each committee. The only omission was the work programmes for the Board and each committee. The Board Secretary's report in March 2017 said that the Board and committee work programmes for 2017-18 were being aligned to the IMTP, corporate risk register and assurance framework and would be reviewed at the board development session in April 2017 with final versions going to the Board for approval in May 2017. However, the programme of Board business had not been published by the end of November 2017 and the work programmes for committees for 2017-18 were issued from August 2017 onwards. The Board Secretary assured us that all the committees were working to draft work programmes but it is important that work programmes are finalised and issued earlier in the year.
- 129 All Board papers are now public and available on the internet unless they need to be confidential and in-committee sessions are reported to the Board, aiding transparency. While the Health Board's internet pages for each committee provide access to agendas and papers, at the time we reviewed them the introductory sections state that there are links to terms of reference, annual reports and work programmes that were missing. It is important that links are reviewed regularly and kept live. The

Board Secretary reviews all papers before they are made public on the internet to ensure that they do not contain information that should not be made public and that they comply with the GDPR. The Board and committees are still run with paper documents despite attempts by the Board Secretary to increase the use of electronic documents. There are potential savings from reducing the amount of paper used and time taken to print out documents and potential increases in effectiveness of working electronically.

- 130 The Board in March 2017 agreed that, as set out in standing order requirements, all committees constituted for the 2016-17 financial year would continue in 2017-18 with the same terms of reference apart from two; the Information Management Technology and Governance Committee, which made a minor amendment to its delegated powers and authority, and the Mental Health and Learning Disabilities Committee, which would in future meet bi-monthly rather than quarterly. The Board also agreed to establish two new committees, the Pharmaceutical Applications Committee and the Psychological Therapies Management Committee, in line with Welsh Government requirements.
- 131 From our attendance at committees and reviews of committee agendas and papers, we have seen that the committees are functioning well. Independent members raise pertinent questions and usually receive satisfactory responses from executive directors or their representatives. There is some tension evident as to the level of detail that the independent members feel they need to gain assurance balanced against getting too involved in the operational business of the organisation and requesting a lot of information that takes time to collate. It is important to continue the dialogue and find ways forward that meet everyone's requirements. One example of where this has worked out is around the level of information provided on the savings plans and performance to the Finance, Planning and Performance Committee.
- 132 Two experienced independent members have moved on due to reaching the end of their terms of office. New independent members have been strong appointments and have settled in quickly resulting in a smooth transition period. In September 2017 the Board agreed that four committees would continue with the same Chairs, while three committee Chairs have moved around and will be settling into their new roles over the next few months.
- 133 All Board members (executive directors and independent members) participate in regular Board development sessions. The Board Secretary strives to produce a programme that is scheduled but also responsive to events. The programme is a mix of sessions that can be aligned to strategic planning and capital programme development, requested by Board members, requested by an external organisation such as the Bevan Commission, emerging issues, or governance requirements. In response to a question on whether there was a network that coordinates the development of a board development programme with other health boards, the Board Secretary advised the Patient Experience, Quality and Safety Committee in March 2017 that a Board Secretaries peer group meets on a monthly basis and some of the board development work is discussed in this forum. Independent members interviewed confirmed that while most sessions they had attended were useful, not all of them were, with a suggestion that they would welcome more presentations from external speakers. Independent members also told us they can raise issues of concern with the Chair to escalate if need be. The Chair carries out an annual appraisal for each independent member which were all completed by the end of September 2017.

- 134 The internal control environment has again improved during the year. Internal audit has a broad ranging programme focusing on key risks to the organisation. It will, however, take time to embed all the necessary improvements to assurance arrangements throughout the organisation. Despite significant activity to improve assurance over recent years, the Head of Internal Audit Opinion for 2016-17 was again rated as 'limited assurance'. The Head of Internal Audit's opinion stated that the Board can take 'limited assurance' that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. The Audit and Assurance Committee on 31 May 2017 expressed its disappointment, particularly as they were the only Health Board in Wales to get an overall 'limited assurance' rating. The Board Secretary advised that it was important that care was taken to put the opinion in context as the Chief Executive and Board had encouraged internal audit to focus on areas of risk and where there was concern that improvement was needed. It is also the case that strengthened assurance arrangements take time to embed throughout an organisation.
- 135 The Board met its annual reporting requirements. The Annual Report and Accounts for 2016-17 were presented to the Annual General Meeting on 19 July 2017 which was brought forward from September last year. This report includes the Accountability Report and Annual Quality Statement. The Health Board has clearly set out its revised governance arrangements in the Accountability Report. The Chief Executive as accountable officer concluded that 'while in many areas the Board has a generally sound system of internal control that supports the achievement of its strategic aims and objectives further strengthening and embedding of sound control, risk and assurance arrangements is needed. Together with the Board I will continue to drive improvements and will seek to provide assurance for our citizens and stakeholders that the services we provide are efficient, effective and appropriate and designed to meet patient needs and expectations'.
- 136 Good progress has also been made to strengthen clinical audit and counter fraud services. During 2016 and the first part of 2017, counter fraud services were provided by Hywel Dda UHB. However, the Health Board was not receiving the required level of service. The Audit and Assurance Committee in March 2017 discussed the possibility of changing service providers. The Director of Finance and IT arranged for the service to transfer to Abertawe Bro Morgannwg UHB and they appointed a new Local Counter Fraud Specialist (LCFS) to work in Powys from September 2017. A revised annual counter fraud work plan has now been produced and agreed with the Director of Finance and IT. During July 2017, NHS Protect Senior Quality and Compliance Inspector (SQCI) carried out a quality assurance site visit. While a verbal update was provided after the interviews, the final written report has not yet been shared with the Audit and Assurance Committee as intended.
- 137 The Health Board is a mandatory participant in the National Fraud Initiative (NFI). In January 2017, the Health Board received 2,499 data-matches through the NFI web application. Data-matches highlight anomalies which when reviewed can help to identify fraud and error. Whilst we would not expect the organisation to review all data-matches, some of the matches are categorised as 'recommended matches'. These are matches considered to be of high risk and therefore recommended for early review. The Health Board included one recommended match. The NFI web-application, which records the findings of the Health Board's review of its data-matches, shows that as at 20 November 2017, the Health Board had reviewed only one of the data-matches. It is of significant concern that the Health Board had failed to make effective use of NFI as part of its arrangements to prevent and detect fraud. The Health Board is due to provide data for the next NFI exercise (NFI 2018-19) in October 2018. The Health Board has recently undertaken a review of its NFI data-matches and has prioritised this work to

be taken forward during January 2018 and beyond, focusing on the small number of high priority matches first. It is important that the Health Board ensures that the matches it receives from the NFI are reviewed and where necessary investigated in a timely manner.

- 138 In 2016 we reported that while it is recognised that a range of clinical audits have taken place over the last 12 months, more robust coordination of the Health Board's clinical audit programme is needed. Internal audit reported on clinical audit in 2016-17 and found the Health Board could take limited assurance from their arrangements. We recommended that the Health Board needs to develop and implement a strategy for clinical audit to ensure that it plays a full role for quality improvement and its contribution to board assurance is clear. The Clinical Audit Strategy for 2017-20 was approved by the Audit and Assurance Committee in May 2017. The recently formed Operational Management Group was set up to ensure that all areas of the organisation are considered in the Clinical Audit Plan and that the importance of assurance across the whole of the patient journey is recognised. Internal audit are currently carrying out a follow-up audit of the implementation of the clinical audit recommendations from 2016-17 and are due to report in 2018.
- 139 In addition to reviewing the actions taken to address our 2016 structured assessment recommendations, we also considered the effectiveness of the Health Board's arrangements to manage and respond to our audit recommendations. The Board Secretary provided the Audit and Assurance Committee in May 2017 with a presentation on the progress being made addressing audit recommendations from both internal and external audit and exception reports on recommendations where there has been little or slow progress. The Board Secretary is liaising with NHS Wales Shared Services Partnership (NWSSP) Audit and Assurance service to make use of their recommendation tracker database. This would simplify access to live tracking on progress against all recommendations although the date for its roll out is not yet available.
- 140 In 2016 we made the following recommendations relating to board and committee effectiveness and internal controls. **Exhibit 7** describes the progress made. Two recommendations have been completed on clinical audit and counter fraud arrangements but further work is required to develop a recommendations tracker.

Exhibit 7: progress on 2016 board and committee effectiveness recommendations

2016 recommendation	Description of progress
<p>R5</p> <p>While it is recognised that a range of clinical audits have taken place over the last 12 months, more robust coordination of the Health Board's clinical audit programme is needed. The Health Board needs to develop and implement a strategy for clinical audit to ensure that it plays a full role for quality improvement and its contribution to board assurance is clear.</p>	<p>Recommendation complete</p> <p>The Clinical Audit Strategy for 2017-20 was approved by the Audit and Assurance Committee in May 2017.</p>
<p>R6</p> <p>While counter fraud services became well established during 2015 and early 2016, they have subsequently deteriorated. The Health Board should establish a robust and sustainable counter fraud service.</p>	<p>Recommendation complete</p> <p>The counter fraud service has transferred to Abertawe Bro Morgannwg UHB and they have appointed a new Local Counter Fraud Specialist (LCFS) to work in Powys from September 2017.</p>
<p>R7</p> <p>While an exception report on progress against audit recommendations is taken to every other Audit and Assurance Committee, the committee should review the full recommendations tracker at least annually.</p>	<p>Recommendation on track but not yet complete</p> <p>The Board Secretary provided the Audit and Assurance Committee in May 2017 with a presentation on the progress being made addressing audit recommendations from both internal and external audit. Progress addressing all recommendations continues to be slow.</p> <p>The Board Secretary is developing a recommendations tracker database which would simplify access to live tracking information although the date for its roll out is not yet available.</p>

Work continues to strengthen organisational resilience and capacity

- 141 The findings underpinning this conclusion are based on our review of the effectiveness and design of the organisation's structure. Our key findings are set out below.
- 142 In 2015, our structured assessment concluded that the challenge is to ensure that there is sufficient resilience, capacity and experience within the Executive team to maintain a sustainable pace of change, strengthen operational management capacity, and to ensure that it has the correct balance between directorate specific and Powys-wide delivery arrangements. The Health Board made changes to the structure during 2016 moving from a primarily, locality-based delivery focus to a more centralised, directorate led structure under ten directorates. The structure is based on the Leading Organisational Change and Renewal model which describes where and how the critical work gets done across an organisation to deliver its strategy. The structure separated commissioning from the

locality delivery side by allocating commissioning to the Director of Planning and Performance while provision of services directly by the Health Board continued to be delivered through the two localities under the Director of Primary and Community Care and Mental Health. All workforce responsibilities moved from the localities to the Director of Workforce and Organisational Development while finance and ICT moved to the Director of Finance. The localities remained with two new Locality General Managers taking up posts in 2016 and 2017.

- 143 During 2017, the Health Board has been working on a refresh of the operating model. The Director of Workforce and Organisational Development told the Workforce and Organisational Development Committee that the Executive Management Group and the Local Partnership Forum had participated in workshops to review the current operating model. Following this initial work, an outside company, Operasee, was selected for their specialist level of knowledge because the Health Board did not have the internal capacity to provide. The focus for this work will be on the operational delivery arm of the Health Board, within the Primary, Community Care and Mental Health Directorate. It is anticipated that the review will be completed by the end of November 2017.
- 144 There was stability in Executive level during most of 2017, with no vacancies in substantive executive director roles and only one interim director. A recent challenge for the Health Board will be replacing the Director of Primary and Community Care and Mental Health who will be joining Cwm Taf UHB from the end of 2017. Arrangements have been put in place with the current Director of Nursing taking on responsibilities for community services, women's and children's services, mental health and learning disabilities. The Chief Executive will lead on primary care with support from the Programme Director for Primary Care while the Medical Director will provide clinical leadership. An interim Director of Nursing has recently been appointed.

The Board has an approved assurance and risk management framework, which is now embedding across the organisation

- 145 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.
- 146 In our 2016 structured assessment we concluded that while the process of developing a comprehensive board assurance framework has been prolonged, the board now understands its assurance requirements and further work is in progress to finalise and effectively implement it. The Board Secretary, as part of the governance improvement programme, has responsibility for ensuring a well-governed organisation, and has progressed a number of actions to improve governance arrangements during 2017.
- 147 In January 2017, the Board approved a suite of documents to underpin its governance arrangements:
- the risk management framework will help build and sustain an organisational culture that encourages appropriate risk taking, effective performance management and organisational learning in order to continuously improve the quality of the services provided and commissioned. The risk management framework sets out a multi-layered reporting process, which comprises of the assurance framework and corporate risk register, directorate risk registers, local risk registers and project risk registers.
 - the assurance framework provides an overview of the Executive Committee's assessment of the adequacy of the controls and assurance arrangements in place to aid the delivery of the Health

Board's 12 strategic objectives. The Board Secretary advised that the gaps in control identified in the assurance framework were being addressed through the IMTP development and directorate planning process.

- the corporate risk register documents the risks escalated from directorate risk registers due to them being rated 'high' after consideration of current controls, thus warranting the attention of the Board. The Board Secretary noted that it had been agreed that any risks scored at 12 or above should be escalated to the corporate risk register for consideration and discussion by the Board. The Board Secretary advised the Board that further work was needed to review and refine directorate risk registers to ensure that they underpin and appropriately inform the corporate risk register. It was noted that the corporate risk register had therefore been populated by Executive Directors as part of the assurance framework development process.

- 148 The Board Secretary told us that the directorate level assurance frameworks have been in place since the end of June 2017 with a programme of spot checks and self-assessment developed and rolled-out from July 2017 onwards. The spot checks currently cover information governance and records management issues and will be extended in 2018-19. A formal evaluation of the spot check process took place at the end of September 2017 which will inform the development of a rolling programme of spot checks and self-assessment toolkit.
- 149 We have been observing the implementation of the assurance arrangements at Board and committee level. The corporate risk register was discussed at Board in July 2017. The Executive Committee recommended that two new risks were escalated up from directorate risk registers: lack of preparedness for the General Data Protection Regulations (CR9); and service failure of in and out of hours GMS care (CR10). The Board approved these two risk escalations to the corporate risk register.
- 150 The Executive Committee also recommended reducing the score of two risks: inability to attract, recruit and develop qualified staff with the appropriate skills and competencies required across primary and community care (CR7); and ineffective financial planning (CR3). The Board debated the de-escalation of these risks focusing on the additional measures that had been put in place to further mitigate the risks. After some discussion, the Board agreed that these risks should not be de-escalated at that point but referred to the appropriate committee for further detailed review and the committee could make a recommendation to the Board on the risk and the score.
- 151 The Workforce and Organisational Development Committee debated risk CR7 at its meeting in August 2017 and further details are set out in the workforce section of this report. The review of risk CR3 has progressed more slowly. It was briefly discussed by the Finance, Planning and Performance Committee in November 2017, and the committee agreed that the Board Secretary would reword the risk. CR3 is now 'Breach of statutory duty to achieve a breakeven position' and the controls remain the same. The Board agreed to the change in wording at the meeting in November 2017.
- 152 The Audit and Assurance Committee maintains an oversight role for the assurance framework risk management arrangements. The Board Secretary presented the corporate risk register to the committee meeting in September 2017. She advised the committee that directors had been working with their respective teams to cleanse local and directorate risk registers and that these had been reviewed by the Executive Committee in July, alongside the corporate risk register. It was noted that Directors were in the process of further refining directorate risk registers and that a further session with the Executive Committee took place at the end of August, where registers were moderated and used to inform a review of the corporate risk register and the assurance framework.

- 153 Work is also continuing on the committee risk registers to draw together relevant risks for each committee from the corporate risk register, assurance framework and relevant directorate risk registers. The Chair of the Finance, Planning and Performance Committee said in the November 2017 meeting that he was looking forward to having the committee risk register to hand when discussing the work programme.
- 154 While these arrangements could appear bureaucratic and have taken some time to develop, they are intended to provide a ‘golden thread’ so that high level risks that emerge within the services are visible and can be escalated as necessary to the Board. One example of a high level risk that has been escalated for the Health Board is risk CR10, service failure of in and out of hours GMS care. Shropdoc, the provider of out of hours primary care medical services to Powys, Shropshire, Telford and Wrekin was facing financial challenges and the NHS commissioners in Powys, Shropshire, Telford and Wrekin agreed some interim support. The Board has been fully engaged in considerations and decisions made to ensure the continuity of care to local patients. Internal audit will be undertaking a review of the risk assurance measures early in 2018 to test how well the arrangements are working in practice.
- 155 In 2016 we made the following recommendation relating to assurance and risk management. **Exhibit 8** describes the progress made.

Exhibit 8: progress on 2016 assurance and risk management recommendation

2016 recommendation	Description of progress
<p>R4 Once the board assurance framework has been approved by the Board, it will be necessary for the Health Board to ensure that the system of assurance is understood and effectively implemented by:</p> <ul style="list-style-type: none"> a) embedding the arrangements across the organisation; b) undertaking a programme of self-assessment; and c) revising the assurance framework based on lessons learned. 	<p>Recommendation complete</p> <p>The governance improvement programme has made good progress implementing the elements that underpin SO8: Ensuring a Well Governed Organisation.</p> <p>The assurance frameworks were approved by the Board in January 2017 and work has continued throughout the year to embed the arrangements across the organisation.</p> <p>A programme of spot checks and self-assessment is underway at directorate level.</p> <p>The corporate risk register is considered at every Board meeting.</p>

The Health Board is working to improve performance management arrangements for both provided and commissioned services

- 156 The findings underpinning this conclusion are based on our review of the effectiveness of performance management arrangements. Our key findings are set out below.
- 157 Following detailed discussions at the Finance Planning and Performance Committee, a new framework for improving performance was discussed and approved by the Board in September 2017. The objective of this framework is to ensure that information is available which enables the Board and other key personnel to understand, monitor and assess the organisation's performance, enabling appropriate action to be taken when performance against set targets deteriorates, and support and promote continuous improvement in service delivery. This framework supports overall Board assurance on the management of the major risks to the delivery of strategic objectives and the delivery of quality patient care.
- 158 The Finance Planning and Performance Committee in September 2017 also heard that further detail on performance is received at Director level and the Delivery and Performance Group of the Executive Committee gets further exception reports and discussions. In order to ensure the continued improvement of reporting and to strengthen the assurance to the Finance, Planning and Performance Committee and Board, workshops on performance management and reporting will be undertaken with relevant officers in preparation for reporting against quarter two performance.
- 159 The Health Board has been strengthening commissioning arrangements since 2015. The Board approved a strategic commissioning framework in November 2016 and developed by the commissioning development programme in line with the requirements of the 2016-17 annual plan. The framework sets out how the Health Board should be commissioning and the arrangements needed to support effective commissioning. The aim is to ensure the organisation has the right strategy, people, processes and structures in place; and a model which reflects the values and arrangements of NHS Wales. The framework describes the 'commissioning cycle' which can be applied at any level. The cycle spans the stages and processes of identifying needs within a population and then planning how to meet those needs in the most appropriate and cost effective way. There are currently around 200 providers.
- 160 The commissioning assurance framework was set up in 2015 to ensure a safer, more holistic and robust understanding of the services currently commissioned with a rules-based approach to escalation when issues arise within the services provided by the commissioned service. It is currently being used by the Health Board across 14 NHS organisations spanning five health economies across England and Wales. It is at different points of implementation with different providers.
- 161 The commissioning assurance framework is used as a basis for reports to the Finance Planning and Performance Committee. As at October 2017, three providers in England were in special measures and two providers were at level 4 escalation according to the framework. A recent presentation on Wye Valley NHS Trust highlights that while it came out of special measures in November 2016 the services it provides are still of concern. The Patient Experience, Quality and Safety Committee also received a detailed presentation on the commissioning assurance framework and Wye Valley NHS Trust in October 2017. It is important that both committees are clear about the different aspects they are focusing on so that there is no duplication of effort but key elements of assurance are covered.

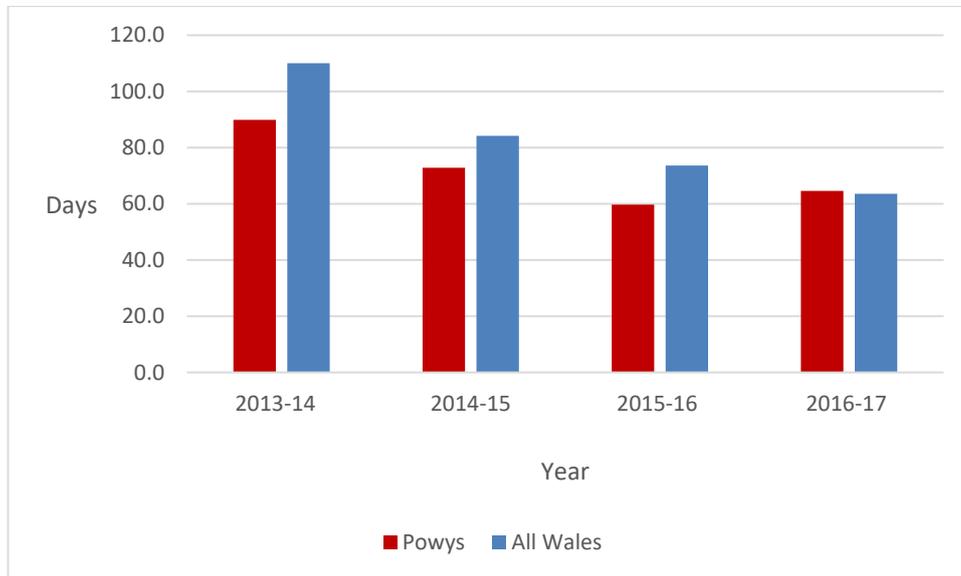
- 162 An internal audit report taken to the Audit and Assurance Committee on 9 May 2017 gave a reasonable assurance rating as to the effectiveness of the system of internal control in place to manage the risks associated with commissioning. Most of the areas tested were rated at substantial assurance although concerns were raised in two areas; contracting arrangements and poor or incomplete quality and safety information from providers. The management response states that all recommendations should be addressed by the end of June 2017. A follow-up review of commissioning is underway and due to report in 2018.
- 163 Regarding the performance of services that are both provided and commissioned, the Finance Planning and Performance Committee and the Board review the integrated performance report at every meeting. The report is structured around the measures identified in the Welsh Government NHS Outcomes Framework and the delivery against actions in the Health Board's annual plan. The most recent Board meeting in November 2017 heard that delivery against plan and performance against measures is good at the end of quarter two of 2017-18. All six of the aims have a consolidated positive position against measures and against delivery of the plan. Nine of the ten strategic objectives with associated performance measures have a positive consolidated performance against measures in quarter two. Eight of 12 strategic objectives have a consolidated positive position of delivery against plan. Areas that are not meeting target are discussed in detail by the Board and committees.
- 164 The north and south localities provided detailed presentations on performance of services in their areas to the Patient Experience, Quality and Safety Committee at the February 2017 and March 2017 meetings. Committee members were interested in the presentations, asked lots of questions and were provided with satisfactory answers about performance of services provided by the community hospitals.

Work is underway to identify the workforce elements of the IMTP delivery plans, while systematic scrutiny of workforce management arrangements have seen improvements in some workforce metrics

- 165 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.
- 166 Workforce planning is a key focus for the Health Board. One of the Health Board's six strategic aims is: Always with our staff – further developing a sustainable, skilled, engaged and content workforce including wherever possible those who work with us but may not be directly employed by us. One of the 12 strategic objectives is: Develop a sustainable, skilled, engaged and content workforce fit to meet the needs of the population of Powys. Because it is primarily a commissioning organisation, the total pay bill for staffing is far lower than elsewhere with only 19% of the total revenue budget compared to 70-80% in other health boards in Wales.
- 167 Workforce plans as set out in the IMTP are in development. The Workforce and Organisational Development Committee received a paper in June 2017 bringing together all the workforce elements from the IMTP. The plans show that recruitment is required in a number of areas, subject to business case approval, and some delivery plans require support in development of training. Reviews are also underway for existing workforce capacity and staff skill mix in some areas.

- 168 Internal audit carry out reviews across the domain of workforce management each year. The report on workforce planning in September 2017 says the Health Board can take reasonable assurance from its arrangements. The overall objective of this review was to ensure that the workforce elements within the IMTP service plans that have been developed by directorates are aligned to longer-term service planning. The workforce strategy and assurance reporting were both rated as substantial assurance. Further work was recommended so that staff levels are derived from detailed resource plans. This was because plans for 2017-20 were based on current establishment levels although there is an intention to transition to a needs basis for the next IMTP.
- 169 The Director of Workforce and OD confirmed to the committee in June 2017 that the major risk for the Health Board continued to be the ability to recruit to key clinical posts. She assured the committee that work was continuing to improve the recruitment and retention of workforce at all levels within the Health Board. The risk to recruitment is on the corporate risk register.
- 170 The Workforce and Organisational Development Committee debated risk CR7 at its meeting in August 2017. The committee concluded that the risk description should be reworded to 'Gaps in the skills and competencies required to operate safe and effective services'. The committee agreed that this risk was now rated 12, down from 16. The committee agreed that the risk should be subject to regular review by the committee as part of its committee risk register and that on this basis the de-escalation was agreed. Subsequently, when the risk was returned to the Board, they were notified of emerging staffing issues and so it was agreed that the risk would need to remain as a high rated risk (16). This decision was discussed and supported by the Workforce and OD Committee when it met on 3 October 2017. Further risks have arisen due to the introduction by the Welsh Government of a medical agency locum cap and following a risk assessment the Executive Committee added additional controls to the risk register for CR7.
- 171 It is important that the Health Board has efficient recruitment processes. Total recruitment time is one measure as delays in making job offers can result in applicants withdrawing and increase the use of temporary staff to cover vacant posts. Total recruitment time is measured from advert placed to all pre-employment checks completed. An additional step was implemented from April 2016 where an unconditional offer letter is also issued once pre-employment checks are complete. Exhibit 9 shows that the Health Board has improved the time taken to go through all these steps from almost 90 days in 2013-14 to 65 days in 2016-17 which is similar to the all Wales average. The Director of Workforce and OD told us that she is reviewing ways to speed up recruitment.

Exhibit 9: total recruitment time for Powys and the all Wales average

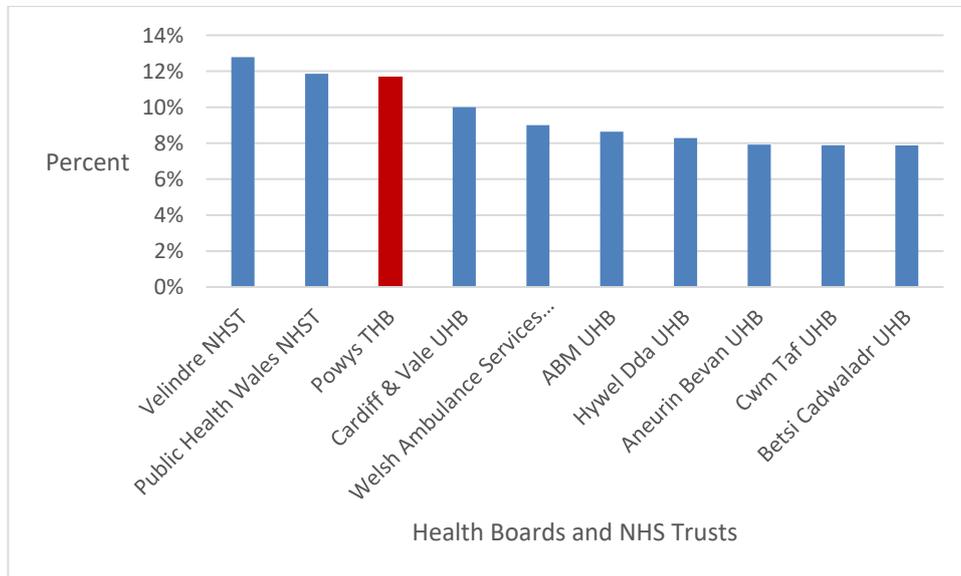


Source: NHS Recruitment Services; 2013-16 database of recruitment activity, 2016-17 TRAC recruitment system.

Note: Does not include vacancy approval.

172 During the year there has been an increase in the turnover rate of staff. In the 12 months to October 2017 the rolling turnover increased to 11.55%, up from 9.21% in the previous October. The highest levels were in the Allied Health Professionals at 14.88% followed by Nursing & Midwifery Registered with 13.91%. While it is difficult to make direct comparisons, Exhibit 10 shows that the turnover rate was the highest of the health boards in Wales as at March 2017.

Exhibit 10: turnover of staff in Health Boards and NHS Trusts for all staff groups, March 2017



Source: Electronic Staff Record Business Intelligence Workforce Performance Measures, May 2017.

- 173 The Health Board has been undertaking work to understand why there has been an increase in staff turnover. The August 2017 committee received a recruitment and retention update which heard that a recruitment task and finish group has been established to explore ways of improving the Health Board’s recruitment and a number of actions have been agreed and are in the process of being delivered. The committee was told that over 29% of staff leavers were due to Age/Flexi/Early/Ill Health Retirement. The Health Board understands that Powys has an older population and consequently an older workforce. However, analysis of the figures show that another 29% of departures were voluntary but the reason was either ‘other or not known’. Members discussed the reasons for staff leaving the organisation and the reluctance to complete an exit questionnaire at the October 2017 committee. The Staff Side Representative noted that she had spoken to staff leaving the organisation and had encouraged them to complete an exit interview but staff were reluctant to complete a questionnaire. One of the Independent Members suggested that staff should be invited to take part in a face to face exit interview rather than a questionnaire. It is important that efforts are made to understand the reasons behind these resignations and the reluctance of staff to discuss why they want to leave. While the staff Chat to Change programme is carrying out some work in this area, further work to unpick this issue would help to understand turnover rates.
- 174 The Health Board has maintained a watchful eye on bank and agency staffing. The Health Board needs temporary nurses because they have between 27 and 30 nurse vacancies at any one time. Spend on agency is monitored as part of the monthly finance report. The month 7 finance report to the Board stated that the Health Board is reviewing the use of agency staff and seeking to replace agency staff with the use of bank staff, or where it is found financially beneficial, the use of enhanced payments for substantive staff. In addition, a revised national rate has been agreed for ‘on contract’ agencies and therefore the use of ‘off contract’ agencies will be targeted for reduction in future months. A new Temporary Staffing Unit covering both nursing and medical staff was set up during the

year which is expected to improve arrangements, for example, through stronger links with rostering. Internal audit is undertaking a review of Agency and Consultancy Spend which will report in 2018.

175 A number of areas of workforce management have shown some improvements during the year although the Welsh Government targets were not met:

- Sickness absence rate at October 2017 was 4.62% which is just off the local target of 4.42%. This is better than the NHS Wales sickness rate of 5.1% although different staff profiles make it hard to make a direct comparison. Even so, over the last 12 months, 24,819 WTE days were lost which is the equivalent of over £2 million lost in a year. Main reasons for sickness absence continue to be anxiety, stress and depression and musculoskeletal problems which account for nearly 43% of all sickness. The Workforce and Organisational Development Committee received a detailed paper on attendance management across the Health Board in December 2017 to provide more detail on the underlying issues and actions that are being taken to strengthen attendance management.
- Statutory and mandatory training compliance levels in October 2017 were 79% which was better than the local target of 74% and the Welsh average of 63%. However, they do not meet the Welsh Government target of 85%. The committee received a presentation on statutory and mandatory training in January 2017 and on paper at the August 2017 meeting highlighting that positive improvements have been made in the last 12 months, although the rate of improvement has slowed slightly. The paper set out the actions that were being undertaken across the organisation to improve training rates.
- Performance appraisal and development review (PADR) rates have improved and stood at 78.8% in October 2017. This is below the national target of 85% and the local target of 81% but better than the all NHS Wales rate of 64%. Internal audit's report on Personal Appraisal Development Reviews (Quality Assessment) provided reasonable assurance. The Workforce and Organisational Development Committee received a detailed paper on PADRs across the Health Board in December 2017 setting out actions taken to improve PADR completion rates during the last six months. By working closely with directorates there has been a positive shift of 4.7% in the overall position over the past six months across the Health Board.
- Medical revalidation rates are 90%. We reported in March 2017 on arrangements for securing NHS consultant services at the Health Board. Our review of job planning and revalidation concluded that job planning and appraisal arrangements for directly employed consultants are generally working well, although the Health Board could clarify and standardise its approach across the organisation.

Information governance is an area of risk given limited staff capacity and the need to implement the EU General Data Protection Regulations

- 176 The findings underpinning this conclusion are based on our review of the effectiveness of information governance arrangements. Our key findings are set out below.
- 177 Our structured assessment reports in the last three years have focused on the Health Board's continuing efforts to strengthen information governance delivery and oversight arrangements. In 2016 we concluded that information governance remains a concern although recent changes have strengthened strategy development, leadership and assurance arrangements.
- 178 Within the domain of information governance and IT security, the Head of Internal Audit opinion for 2016-17 was rated overall as limited assurance. This was due to the limited assurance rating on the review of Information Governance and Resilience. This review focused on arrangements to enable the integration of the ICT functions between the Council and Health Board and support the delivery of the Joint ICT Strategy and overarching IMTP. The audit identified a number of issues concerning governance, risk management and security, recovery and restoration procedures and physical and environmental controls. A follow-up review is underway to assess progress against the recommendations.
- 179 Internal audit also completed a follow up review on the 2015-16 Data Quality limited assurance report. This review reported significant progress implementing the recommendations, resulting in a reasonable assurance rating.
- 180 The Information Commissioner's Office (ICO) Report Follow Up and Records Management Follow Up were completed in 2017 and achieved reasonable assurance ratings. There are two other information governance reviews currently underway on GDPR and disaster recovery. Breach of information governance standards and legislative requirements (General Data Protection Regulations) is on the corporate risk register as a high level risk, recognising the importance of strengthening information governance arrangements.
- 181 The Information Management, Technology and Governance Committee (IMTGC) oversees information governance assurance on behalf of the Board. The IMTGC terms of reference were updated in March 2017 and the committee gained an additional independent member, bringing membership up from three to four. The IMTGC has met four times during 2017 and all meetings have been quorate. Observations at IMTGC show that it is functioning well. The IMTGC work programme for 2017-18 was only provided and approved in October 2017. This is a breach of standing orders as committee work programmes should be agreed in March.
- 182 The Health Board has an information governance strategy and implementation plan for 2015-18 that was approved by the Board in June 2015. The IMTGC received a presentation on the quarter 1 priorities at the April 2017 meeting. This included an awareness of the need to work with partners outside of the Health Board as part of its information governance arrangements.
- 183 The IMTGC has recently developed a committee risk register, drawing together relevant risks from the corporate risk register, assurance framework and directorate risk registers. The first draft of the committee risk register was discussed at the October 2017 IMTGC meeting and contains five risks, one of which, relating to GDPR, has recently been escalated to the corporate risk register.
- 184 The Board Secretary is Executive Lead for Information Governance and is the senior information risk owner (SIRO), a leadership role taking ownership of the organisation's information risk policy and

information risk management. She manages the information governance team which is a team of two (part-time) staff, a level of support that has stayed the same in recent years and continues to cover a large portfolio of information governance duties. The information governance team's role has changed to be more focused on setting advisory policies, guidance and spot checks, with more emphasis on each directorate taking ownership of its information governance, supported by directorate information governance champions. However, the team's workload remains challenging due to its capacity and the amount of time they spend on subject access requests (SAR) for patients to access their medical records and Freedom of Information requests which limits the time they can spend on other areas of compliance.

- 185 The information governance champions have been nominated by directors and their role is to be the conduits of good information governance in their directorates. The information governance champions are not responsible for information governance within directorates but do provide a local source of basic advice and ensure information guidance is kept high on local agendas. The information governance champions group has replaced the Information Governance Management Group (IGMG), which was reinstated in 2016 but was not effective. The information governance champions group has a more senior membership than the IGMG. The champions are looking at ways to measure the performance and effectiveness of the champions group, and progress reports will be provided to the IMTGC. Early indications are that these roles have been taken on with some enthusiasm but it is too early to say how effective these arrangements are.
- 186 The information governance team has undertaken an assessment against the ICO '12 Steps to Readiness' GDPR guidance note. They have completed an overview of where they currently are as an organisation and identified gaps, setting out steps they need to take to comply with the regulations in an action plan. There are also proposals for an additional band 5 member of staff for 12-18 months to help prepare for GDPR, without which we were told that the Health Board could find it difficult to meet compliance by the required deadline.
- 187 The Health Board has signed the Wales Accord for Sharing Personal Information (WASPI) and there are two trained facilitators in the information governance team. They participate in the multi-organisational mid and west Wales regional WASPI quality assurance group to review and agree new protocols. The WASPI template is used to develop new, and replace old, sharing protocols.
- 188 The Medical Director took on the role of Caldicott Guardian when she started in post in January 2017. As reported to the IMTGC in October 2017, the Caldicott: Principles into Practice assessment (C:PiP) 2016-17 is undertaken annually to assess whether arrangements are in place to ensure that patient information is handled appropriately. The Health Board has improved its overall score to 92% (up from 88% in 2015-16). This compares favourably with other health boards, the majority of which scored between 85-89%. Progress against the plan is reported to and monitored by the information governance champions' group.
- 189 The IMTGC receives a performance report on compliance with key information governance standards and legislation. The most recent report in October 2017 highlighted an increase of 45% in Freedom of Information (FOI) requests for April to September 2017 compared to the same period in 2016. The IMTGC heard that work has been undertaken to assess the reasons for delays in responses as 31% of FOI responses breached the 20 day limit. Reasons related to the quality and timeliness of responses prepared by service leads and executive sign off, and the increase in volume and complexity of requests. A range of actions have been implemented to try to address these issues although the

increase in volume of requests is impacting on the ability of the information governance team to do other work.

- 190 The 2016-17 C:PiP outturn report states information governance training compliance as 83% as of August 2017. In addition, role specific training has been identified and delivered for the following roles: Caldicott Guardian, SIRO, information governance team, SAR representatives, key FOI contacts, information asset owners, and WASPI facilitators. There is appropriate communication and training for all staff on matters relating to general information handling. There is specific training for high-risk areas, such as social care interface, children and vulnerable adult, and clinically sensitive information.
- 191 The information governance policy schedule notes that key information governance policies and procedures are in place, and some of the document review dates have been extended until May 2018, due to work being taken forward nationally to review policies in readiness for the introduction of the GDPR. The organisation has a policy in place which sets out requirements for compliance with data protection, freedom of information, Caldicott and WASPI. There is also a clear and appropriate IT policy for security and use of technology which is effectively disseminated to all relevant staff. The controls in place ensure that effective controls, measures and technologies appropriate to the organisation are put in place to protect the key IT and information assets. The Board Secretary is in the process of looking at the roles of the Caldicott Guardian, SIRO and DPO to clarify their responsibilities and make clear what their remits are.
- 192 The corporate risk register for September 2017 highlights the following risk as high: CR8 Lack of a robust and stable ICT system. Actions required are to strengthen the ICT infrastructure to ensure stable ICT platform for the Health Board and Council that is flexible and future proofed. The Directorate of Finance and IT is responsible for information management and technology (IM&T) strategy and services for the Health Board. This includes the strategic development of the IT infrastructure and the implementation of major projects, procurement and IT modernisation and the operation of the Section 33 agreements held with Powys County Council² for the provision of IT services. The Director of Finance is the Executive Lead for IT and has been in post throughout 2017 bringing stability to this portfolio which changed three times during 2016.
- 193 It is unclear whether the joint IM&T service is effectively resourced to meet the delivery requirements from a Health Board perspective. Although IT staffing structures are in place, they are currently under review. In addition to this, there has not been any recent user satisfaction surveys carried out to gauge IT users' views of the service provided. The service desk is not fully meeting its service level agreement (SLA) regarding the time taken to answer calls, which is currently running at 80%.

² Joint IT provision with Powys County Council under Section 33 of the Local Government (Miscellaneous Provisions) Act 1982.

- 194 The 2016 structured assessment noted that there was a 'clear IM&T strategy and plans in place for governing IM&T based on IMTP strategic objective 7 (Secure Innovative ICT solutions built on a stable platform)'. The current (2016-18) Joint ICT Strategy is undergoing a major refresh, and has been aligned to the Digital Health and Social Care Strategy for Wales and looks to meet the Welsh Government's requirements of all Health Boards to have a Strategic Outline Programme (SOP)³. We were told that it will be customer focussed and include reference to the Welsh Community Care Information System (WCCIS), and it is anticipated that the revised strategy be finalised early in 2018.
- 195 Cyber security is covered under the information security policy. An ICT Incident Response Procedures document is also in place, following an internal cyber security review by ICT staff at the Health Board and the Council (which identified the need to improve in some technical areas and also around staff training and awareness), and the world-wide Wannacry malware attacks.

³ The Strategic Outline Programme (SOP) for Informatics at all health boards were in response to the circulation of the Digital Health and Social Care Strategy by the Welsh Government in December 2015. The SOPs aim is to support the central planning and funding allocation by the Digital Health and Care team within the Welsh Government, and should identify the Informatics programme of work that the health bodies plan to undertake for the following five years.

Appendix 1

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

Exhibit 11: management response

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

Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R1 Board and committee work programmes were not approved at the start of the financial year. While we were assured that all committees were working to draft work programmes, we recommend that all Board and committee work programmes are finalised before the start of the next financial year.	Support the effective running of the Board and committees.	Yes	Yes	The delays were due to staffing issues that are now resolved. Work on the development of work programmes for 2018-19 has begun and arrangements are in place for them to be agreed and reported to the Board in line with the end of March requirement.	31 March 2018	Board Secretary

Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
<p>R2 The rolling turnover rate of staff in the 12 months to October 2017 increased to 11.55%, up from 9.21% in the previous October. This rate was the highest in Wales. While the Health Board is trying to address this issue, we recommend that the Health Board undertakes further work to understand the reasons behind the increasing workforce turnover rate and take actions to address the rise.</p>	<p>Support the retention of staff.</p>	<p>Yes</p>	<p>Yes</p>	<p>A focused piece of work on staff turnover and assessment will be included in the 2018 – 2021 Integrated Medium Term Plan.</p>	<p>31 March 2019</p>	<p>Director of Workforce and OD</p>
<p>R3 IT services are provided under a Section 33 agreement with the Council. The service desk is not meeting its service level agreement (SLA) regarding the time taken to answer calls. There has not been any recent user satisfaction surveys carried out to gauge IT users' views of the service provided. We recommend that a survey of user satisfaction with IT services is undertaken.</p>	<p>Improve the IT service.</p>	<p>Yes</p>	<p>Yes</p>	<p>In the latter half of 2017 a satisfaction survey linked to logged calls was introduced. In 2018 we will look to establish a full survey and introduce a PTHB service management board to monitor, manage and amend the SLA.</p>	<p>31 December 2018</p>	<p>Director of Finance and IT</p>

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