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# Structured Assessment 2019 – Powys Teaching Health Board

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The team who delivered the work comprised Elaine Matthews, Barrie Morris and Gail Turner-Radcliffe under the direction of David Thomas.

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# Summary report

## About this report

- 1 This report sets out the findings from the Auditor General's 2019 structured assessment work at Powys Teaching Health Board (the Health Board). The work has been undertaken to help discharge the Auditor General's statutory requirement, under section 61 of the Public Audit (Wales) Act 2014, to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
- 2 Our 2019 structured assessment work has included interviews with officers and Independent Members, observations at Board and committee and reviews of relevant documents, performance and financial data.
- 3 The key focus of structured assessment is on the corporate arrangements for ensuring that resources are used efficiently, effectively and economically. Auditors also reviewed the progress made to address previous recommendations. The report groups our findings under four themes – governance arrangements, strategic planning, managing financial resources and managing the workforce.

## Background

- 4 Our 2018 structured assessment concluded that the Health Board had broadly sound arrangements in place for governance, strategic planning and use of resources, noting that work to strengthen some arrangements was ongoing. The Health Board was working hard to tackle workforce challenges and maintaining financial performance. However, it was facing challenges in relation to the condition of the estate and managing medical equipment. The Health Board delivered a balanced financial position in 2018-19 and looks likely to do so for 2019-20. It met its duties to break even over the rolling three-year period 2016-17 to 2018-19 and to have an approved integrated medium-term plan (IMTP).
- 5 The IMTP is the vehicle for delivering the co-produced long-term health and care strategy for Powys, A Healthy Caring Powys, published in 2017. This in turn is designed to meet the longer-term ambitions of the Powys Wellbeing Plan. The Health Board is working closely with Powys County Council (the Council) and other stakeholders to deliver the North Powys Well-being Programme and has significant capital programmes underway to modernise facilities at Llandrindod Wells and Machynlleth hospitals.
- 6 The Welsh Government wrote to the Health Board in September 2019 confirming its Joint Escalation and Intervention<sup>1</sup> status as 'routine arrangements' and indicated that the Health Board had continued to build on the progress made over recent years.

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

- 7 As this report provides a commentary on key aspects of progress and issues arising since our last structured assessment, it should be read with consideration to our [2018 review](#).

## Main conclusions

- 8 Our overall conclusion from 2019 structured assessment work is that **the Health Board's arrangements provide strong foundations for delivering its vision. The Board has a clear understanding of which arrangements require further development and has focused action to deliver improvements.**
- 9 Arrangements for the effective conduct of business are maturing and supported by a comprehensive annual governance programme. The Committee restructure looks appropriate although the new arrangements are taking time to embed. The Board Assurance Framework (BAF) and corporate risk register are comprehensive, regularly reviewed and used to support effective scrutiny of controls and assurances. The BAF is supported by a well-documented risk management system and revised statement of risk appetite. Work to address weaknesses in operational risk management is continuing. There is a robust performance management framework for provided and commissioned services. Delivery of the IMTP priorities and outcome measures is largely on track against planned delivery although concerns continue for many commissioned services. However, there is scope to accelerate improvements to arrangements for quality governance, clinical audit and information governance. Recommendations tracking is now in place.
- 10 The strategic direction for health and care in Powys is well established. Once fully implemented, changes to structures and leadership arrangements should support the delivery of the IMTP. The Health Board has reflected and learned from developing previous IMTPs. Workforce, digital and environment plans to deliver on the wellbeing objectives are close to being finalised in partnership with the Council.
- 11 Whilst improvements have been made around financial planning, delays signing budget letters persist. The financial management and controls of the Health Board appear robust. The Health Board has made good progress in addressing the National Fraud Initiative (NFI) matches. While some of the planned savings schemes will not be delivered, the Health Board is on track to deliver a break-even position at the year-end. The oversight and scrutiny of the financial performance have seen some improvement, but further progress is needed.
- 12 The Health Board has overseen improvements to workforce productivity and efficiency and has ambitious plans to improve recruitment and retention. Work is underway to improve compliance with statutory and mandatory training targets. The IMTP sets out innovative plans in partnership with others to improve training and development provision. The Health Board continues to demonstrate its commitment to improving staff engagement and wellbeing.
- 13 Our findings are considered in more detail in the following sections.

## Recommendations

- 14 Recommendations arising from this audit are detailed in [Exhibit 1](#). The Health Board's management response to these recommendations and our final report will be available on our website when considered by the relevant committee. The Health Board will also need to address the outstanding recommendations made in previous years.

### Exhibit 1: 2019 recommendations

Recommendations	
<b>Governance</b>	
R1	<p>There are some issues with the functioning of the Performance and Resources Committee. The Committee does not always receive reports on finance and performance for scrutiny before the Board. Finance papers have also been issued after the main set of papers reducing the time available for preparation. Although the Committee's work plan indicates that it will receive reports on savings delivery at each meeting, this is not always the case. The Health Board should:</p> <ul style="list-style-type: none"><li>a) review the schedule of meetings to ensure the timing of meetings supports effective detailed scrutiny of finance and performance by Committee;</li><li>b) ensure that finance papers are produced and distributed in a timely manner; and</li><li>c) provide reports on the delivery of savings to each meeting to support scrutiny of how the non-delivery of certain schemes will be mitigated to ensure that the 2019-20 break-even position is delivered.</li></ul>
R2	<p>Board committees were restructured and streamlined in 2019. The Health Board should evaluate the whole of the new committee structure to ensure that decision making, assurance and scrutiny are appropriate and that mental health, information governance and workforce have sufficient coverage in the new committees.</p>
<b>Managing workforce productivity and efficiency</b>	
R3	<p>The All Wales Attendance at Work Policy was recently implemented with the delivery plan developed in partnership with Trade Unions. The Health Board should evaluate and report on how the change in approach is working in practice for staff and managers.</p>

# Detailed report

## Governance

- 15 As in previous years, our structured assessment work has examined the Health Board's governance arrangements and the way in which the Board and its sub-committees conduct their business, and the extent to which organisational structures are supporting good governance and clear accountabilities. We considered the information that the Board and its sub-committees receive to help it oversee and challenge performance. We also reviewed progress made in addressing previous recommendations.
- 16 In 2019, we found **the Health Board is generally well led and well governed and has made changes to the way it operates to improve effectiveness. There is scope to make further improvements to arrangements for risk management, information governance and clinical audit.**

### Conducting business effectively

**Arrangements for the effective conduct of business are maturing and supported by a comprehensive annual governance programme. The committee restructure looks appropriate although the new arrangements are taking time to embed.**

- 17 The Board has an experienced Chair and Independent Members (IMs) who work well together. There is one IM vacancy. The Health Board has agreed with the Welsh Government's Public Bodies Unit that it can seek to recruit a replacement to support diversity and better reflect the local population.
- 18 The Chief Executive provides strong leadership of the organisation. There have been more changes to the executive team during 2019 with the departure of some experienced executives. The use of succession planning and development of Assistant Directors limited disruption to the smooth running of the Board. Recent substantive appointments to executive director posts for nursing and therapies mean the Board will be up to full strength by the end of the year. Executive Directors participate in an executive development programme to promote good team working. Some Executive Director posts have been re-evaluated to better reflect the complexity of working in Powys, which should support retention and future recruitment.
- 19 There is a published Board development plan providing structured support for all members to become more effective in formulating strategy, ensuring accountability and creating a positive culture to work as a single cohesive unit. The planned introduction of electronic board administration before the end of 2019-20 should help ensure papers are delivered in good time, support new ways of working and deliver savings on administration costs.
- 20 Committees of the Board have been fundamentally restructured and streamlined for 2019-20 following a review of the effectiveness of the previous arrangements. Committees that have ceased include: the Information Management, Technology and Governance Committee; the Mental Health and Learning Disabilities Committee; and the Workforce and Organisational Development (OD) Committee.

Committees that have been refocused include: the Experience, Quality and Safety Committee (formerly Patient Experience, Quality and Safety Committee), the Performance and Resources Committee (formerly Finance, Planning and Performance Committee) and the Audit, Risk and Assurance Committee (formerly Audit and Assurance Committee). A new Strategy and Planning Committee has been established. The restructure is intended to support greater integration of strategic development and Board oversight and governance, while reducing the volume of management information seen at committee level. This means that management reports that were on the predecessor committees' agendas will go to the Executive Committee sub-groups for escalation to the relevant committee if there are areas of concern. The Board has welcomed these changes to better utilise independent members' time and increase focus on strategy and planning.

- 21 Early indications are that the committees are working well although some essential business was slow to be transferred from the old committees to the new. For example, following the last meeting of the Information Management, Technology and Governance Committee in January 2019, information governance performance was not reported until the Performance and Resources Committee meeting in October 2019. Going forward, we note that the work plan for this Committee includes another update on information governance key performance metrics four months later in February 2020.
- 22 Board and committee meetings are quorate, well organised, provide a good level of scrutiny and challenge, and run to time. It will be important to evaluate the impact of the whole committee restructure to ensure that decision making, assurance and scrutiny are appropriate and that mental health, information governance and workforce have sufficient coverage and air time in the new committee structure.
- 23 The Health Board has a comprehensive annual governance programme to support the achievement of the IMTP priority to deliver good governance. Revised standing orders were approved by the Board in November 2019 following the issue of the updated national template. These model standing orders have been appropriately adapted for the Health Board's circumstances. The scheme of delegation was issued at the same time and clearly sets out which matters the Board delegates to officers, committees and others. All committee terms of reference were approved by May 2019 and the Board demonstrates a commitment to meeting in public. Following the establishment of the new committees, members undertook self-assessments demonstrating a commitment to continuous improvement.
- 24 Changes to committee structures in-year meant that approval of the Board and committee workplans was delayed until the summer. Most committees produced annual reports for 2018-19 demonstrating how each committee provided assurance. The quality of papers and cover papers remains variable and the Health Board is undertaking work to improve focus on key aspects as well as providing training to authors to improve report writing.
- 25 The executive team meets regularly as the Executive Committee, which is the executive decision making committee of the organisation. Last year the Committee

reported to the Board as part of the Chief Executive's report. The Committee now provides a more detailed standalone report to the Board, including reports on the activity of its sub groups, providing more transparency and assurance. However, the Executive Committee has not yet produced an annual report or work plan in line with its terms of reference.

- 26 Last year we reported that the Health Board did not have a Register of Gifts, Hospitality and Sponsorship. In July 2019, the Board approved a new policy on standards of behaviour for employees and IMs. The policy sets out arrangements for appropriate declarations of interest and a record of offers of gifts, hospitality or sponsorship, including whether they were accepted or refused. The Health Board is planning to implement an electronic system to support declaration recording and promote the policy across the organisation. Declarations of Interest for all Board members were published as required on the internet in October 2019.
- 27 Standing Orders require three advisory groups. On a positive note, the focus of the Local Partnership Forum was recently refreshed to ensure alignment with the Board's programme of business. Administration of the group has been strengthened and the Board received the minutes for the first time in September 2019. Progress has been slower with the Stakeholder Reference Group which was established in September 2018. The group has not met in 2019 although members have been consulted five times on matters including Brexit planning and service changes. The Stakeholder Reference Group terms of reference and membership will be reviewed to ensure the group meets the needs of the organisation alongside other methods of stakeholder engagement. Last year we recommended that a Healthcare Professionals' Forum should be in place to provide a balanced, multidisciplinary view of healthcare professional issues and to advise the Board on local strategy and delivery. The Health Board recognises the importance of establishing one and plans to take this forward before March 2020.

### Managing risks to achieving strategic priorities

**The BAF and corporate risk register are comprehensive, regularly reviewed and used to support effective scrutiny of controls and assurances. The BAF is supported by a well-documented risk management system and revised statement of risk appetite. Work to address weaknesses in operational risk management is continuing.**

- 28 A significant amount of work has been undertaken in recent years to produce a comprehensive BAF that addresses the assurance requirements of the organisation. The Board first approved the BAF and risk management framework in January 2017. In March 2019, the BAF was updated to reflect the IMTP's four core and four enabling wellbeing objectives. The BAF is under regular review and development and the Board received updated BAFs in July and November 2019.
- 29 The corporate risk register adequately captures the Health Board's risks to achieving its objectives. The Board is confident using the corporate risk register with individual risks, risk appetite and controls regularly reviewed and revised.

Together the BAF and corporate risk register provide good coverage of controls and assurances. However, they are complex documents which may benefit from a more methodical organisation of the controls and sources of assurance.

- 30 The Risk and Assurance Group was established in January 2019 as a sub group of the Executive Committee. The group is reviewing the key risks to delivery including: scrutinising the detailed mapping of assurances; considering the adequacy of assurance arrangements; and identifying gaps in control for action. The corporate governance team is supporting this methodical approach to embedding a risk and assurance culture.
- 31 Risk management across the organisation is maturing with a revised risk appetite and risk management framework in place. The framework clearly sets out the hierarchy of risk registers used in the Health Board and the relationship between strategic and operational risks. However, Internal Audit's follow-up review of risk management provided limited assurance in May 2019. It found weaknesses with risk registers at directorate and department level and a lack of oversight by directorate, Board committees and Executive Committee. In response to the Internal Audit report, a risk management toolkit will be issued to support staff to articulate, record and manage risks. The annual governance programme sets out key milestones to introduce a comprehensive risk and assurance training programme for staff at all levels of the organisation.

### Embedding a sound system of assurance

**There is a robust performance management framework for provided and commissioned services. Delivery of the IMTP priorities and outcome measures is largely on track against planned delivery although concerns continue for many commissioned services. However, there is scope to accelerate improvements to arrangements for quality governance, clinical audit and information governance. Recommendations tracking is now in place.**

- 32 The Health Board approved its framework for improving performance in July 2017 and is revising processes for monitoring and reporting on performance. The format of the integrated performance report template changed for 2019-20 after being in place since November 2016. The Performance and Resources Committee welcomed the more concise style of reporting and its stronger links to the BAF, which was achieved without loss of focus on the key issues for scrutiny. We found that the latest performance overview on one page highlights clearly where there are performance concerns. The information provided on each page provides a clear assessment of metrics and progress against the directorate plan. There are also explicit links to audit and assurance reports and recommendations. The intention to include comparisons with performance at other health boards is welcomed although has not yet been actioned. However, since the change to committee structures, the Performance and Resources Committee has yet to receive the performance report for more detailed scrutiny ahead of Board meetings.

- 33 There are robust monitoring and performance processes below the Executive Committee through the Delivery and Performance Group which receives monthly and quarterly updates at directorate level. The group also reviews each directorate's whole performance twice a year covering the equivalent of the Welsh Government's Joint Executive Team (JET) process against delivery of the IMTP.
- 34 In 2018-19, delivery against plan and performance against measures were good overall. Challenges continue with some providers of commissioned services, which is recognised in the high level corporate risk, 'some commissioned services are not sustainable or safe, and do not meet national targets'. A large number of controls are in place for commissioned services and 15 providers are monitored closely through the commissioning assurance framework. Where there are concerns about a provider's performance, a regular report to Performance and Resources Committee sets out the areas of concern and escalation process. In October 2019, five providers were in special measures or a higher level of escalation, which continues to be a concern. The Chief Executive and Directors liaise regularly with organisations at high levels of intervention. The quality performance report for provided and commissioned services is presented to each meeting of the Experience, Quality and Safety Committee. The report to the Committee in December 2019 contained a lot of information but would benefit from more systematic presentation.
- 35 The Auditor General will be undertaking separate and more detailed work on quality governance in 2020. However, we have noted as part of this structured assessment that the Chief Executive is leading work to strengthen clinical quality governance and has established a Quality Governance Group under the Executive Committee. A clinical quality framework is in development. An initial version of the framework was presented to the Experience, Quality and Safety Committee in December 2019 providing members with the opportunity to understand and shape the contents.
- 36 The Health Board continues to struggle to make best use of clinical audit to provide assurance on the quality and safety of clinical services. The clinical audit improvement plan for 2018-2020 was issued in June 2018 following limited assurance by Internal Audit but it has not yet been implemented. The Experience, Quality and Safety Committee received a clinical audit progress report in December 2019 setting out progress against the audit plan. The Executive Committee is undertaking work to strengthen clinical audit.
- 37 The 2018-19 annual report for Putting Things Right, Claims and Compensation highlighted that the management and handling of concerns and serious incidents required further improvement. Actions were identified to address these areas. Performance in responding to concerns within 30 working days at the end of March 2019 showed average compliance was 59% against the target of 75%. Performance had increased to 62.7% at the end of June. Resources to support the complaints process have increased following difficulties meeting the 30-day response times. The Putting Things Right policy was updated in July 2019 and further work is underway to strengthen the serious incident process.

- 38 There have been difficulties with health and safety arrangements with limited assurance provided by Internal Audit in October 2018 and a report from the Health and Safety Executive (HSE) in January 2019 on arrangements for manual handling and protecting staff from violence and aggression. The Health Board produced an action plan to address the contraventions to HSE regulations by revising relevant policies and improving training. The health and safety report to the Experience, Quality and Safety Committee in December 2019 highlighted good progress in many areas including enhanced resources for health and safety administration and training for managers. There are also plans for the HSE to provide an update for Board members to clarify their health and safety responsibilities.
- 39 Information governance arrangements continue to be challenging. Leadership of information governance has been inconsistent during the year moving from the Board Secretary to the Medical Director and then to the interim Board Secretary. There is no agreed information governance framework although the Health Board emphasised that all-Wales information governance policies are in place.
- 40 Internal Audit has produced a number of reports relating to information governance. The Internal Audit review on records management identified issues with a number of aspects of the records management framework, one of which was storage. The Health Board produced an improvement plan in November 2019 to address these concerns and to ensure compliance with the legal and regulatory framework in which the Health Board should manage all health, employee and corporate records.
- 41 A report to evaluate and determine the adequacy of systems and controls in place for dealing with requests for information under the Freedom of Information Act provided limited assurance. This report highlighted that information governance resources were light in comparison with other health boards. As a consequence, the Health Board recently increased resources by one whole time equivalent and the staff have joined the Directorate of Corporate Governance. The interim Board Secretary is reviewing ways of working and processes to ensure that all the resources in her team are used effectively and efficiently. On a positive note, Internal Audit's report on the General Data Protection Regulation (GDPR) provided reasonable assurance as did two other reports on IT, covering cyber security and IT infrastructure.
- 42 The Health Board continues to make good use of internal audit to focus on appropriate areas of risk and improvement. The Head of Internal Audit opinion for 2018-19 stated that the Board can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Several significant matters required management attention with moderate impact on residual risk exposure until resolved. Of concern was the high number of reports following up on limited assurance reports that reported limited assurance for a second time,

demonstrating that work to address recommendations had not moved at sufficient pace.

- 43 Last year's structured assessment highlighted that while the Health Board had reported to the Audit and Assurance Committee on progress against recommendations, a full recommendation tracker had not been seen by the Committee for two years. This year has seen good progress with a new tracker established based on the spreadsheet adopted by the Welsh Ambulance Services NHS Trust. The Risk and Assurance Group, working with the Head of Risk and Assurance, has been updating the tracker to show progress implementing recommendations and will continue to do so as part of its work programme. The tracker now includes all audit recommendations made by internal and external audit since 2017-18. Work is underway to include all recommendations made by Healthcare Inspectorate Wales and the Health and Safety Executive. Where progress to address recommendations is too slow, the accountable officer will be required to give an account of progress to the Committee.
- 44 Internal Audit reported on Assurance on Implementation of Audit Recommendations in September 2019 and gave a reasonable assurance rating for the revised process for responding to its recommendations. The Audit, Risk and Assurance Committee now receives and discusses reports on progress against recommendations at each meeting.
- 45 However, the Health Board has made slow progress implementing our recommendations. Thirty-five recommendations from six reports were added to the tracker. In November 2019, seven recommendations were reported as complete, but 15 recommendations are outstanding beyond the agreed date. New completion dates have been agreed.

#### Previous structured assessment recommendations

- 46 In 2018 we made the following recommendations in relation to governance. [Exhibit 2](#) describes the progress made.

Exhibit 2: progress on 2018 governance recommendations

2018 recommendation	Description of progress
<p>R1 The Health Board does not have a register of gifts, hospitality and sponsorship. The Health Board should establish a register and:</p> <ul style="list-style-type: none"> <li>a) provide training to staff on completion of the register of gifts, hospitality and sponsorship including the requirement for a nil response if nothing is received; and</li> <li>b) clarify how often this document should be received by the Audit and Assurance Committee.</li> </ul>	<p><b>Recommendation complete</b> Policy approved in July. Work ongoing to implement, provide training and ensure updates go to the Audit Risk and Assurance Committee.</p>
<p>R2 Standing Orders state the requirement for a Healthcare Professionals' Forum, but the Health Board does not have one. The Health Board should establish a Healthcare Professionals' Forum to advise the Board on local strategy and delivery.</p>	<p><b>Recommendation on track but not yet complete</b> Development of the Healthcare Professionals' Forum terms of reference will commence before the end of March 2020.</p>
<p>R3 While the Health Board has provided regular reports on outstanding recommendations, it does not have an audit recommendations tracker. The Health Board should implement an audit recommendations tracker covering internal and external audit.</p>	<p><b>Recommendation complete</b> New tracker implemented covering internal and external audit recommendations.</p>
<p>R4 The Health Board's internet pages do not provide access to current policies such as the counter fraud policy. The Health Board should update its internet site to provide easy access to current policies and strategies.</p>	<p><b>Recommendation not completed</b> The counter fraud policy is still not available on the Health Board's internet pages. The website does not enable easy navigation to key corporate policies. Some policies that are available are out of date e.g. the Standards of Behaviour Framework Policy dates from 2015.</p>

2018 recommendation	Description of progress
<p>R5 The timing of the Finance, Planning and Performance Committee business cycle does not allow detailed scrutiny of the most recent financial report in advance of the Board meeting. The Health Board should review its arrangements to allow detailed scrutiny of the monthly financial reports.</p>	<p><b>Recommendation completed</b>  Arrangements will be reviewed to consider how to improve the timing of information for the Committee ahead of Board.  However, the timing of reports to committee and Board is still out of sequence and we have made a new recommendation to address this.</p>
<p>R6 Report cover papers vary in the way in which they are completed which may limit the ability of Board members to focus on the most important areas. The Health Board should improve report cover papers to ensure that they highlight important aspects of reports rather than just describe the content or purpose of the report.</p>	<p><b>Recommendation on track but not yet complete</b>  The Health Board accepts that further work is required to improve Board papers and has set up training on report writing: Process and Standards for Executives.</p>
<p><b>Information governance</b></p>	
<p>R10 All-Wales information governance policies have been developed but the Health Board had not adopted them, nor completed a review of its own internal policies. The Health Board should review its own information governance policies and adopt the all-Wales information governance policies.</p>	<p><b>Recommendation completed</b>  All Wales information governance policies have been adopted. An information governance improvement plan will be agreed in December.</p>
<p>R11 Powys County Council approved the Powys Joint ICT Strategy 2018-2020, but the Health Board has not yet approved it. The Health Board should work with Powys County Council to update and agree a joint strategic plan for ICT.</p>	<p><b>Recommendation on track but not yet complete</b>  The issues, challenges and approach of the Digital Strategic Framework were discussed at the Board Development Day in September 2019. The Digital First Framework was approved by the Council in November 2019. The Health Board intends to approve the framework in January.</p>

2018 recommendation	Description of progress
<b>Information governance</b>	
<p>R12 Stratia Consulting undertook the NHS Wales External Security Assessment, but the Information Management, Technology and Governance Committee has not seen the report. The Health Board should:</p> <p>a) ensure that the Information Management, Technology and Governance Committee has reviewed the policy; and</p> <p>b) establish that the Health Board has the appropriate level of assurance on its cyber security arrangements.</p>	<p><b>Recommendation complete</b></p> <p>Internal Audit reported on Cyber-Security: Follow-up of Stratia Report in March 2019. The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with cyber security was reasonable assurance.</p>

## Strategic planning

- 47 Our work considers how the Board sets strategic objectives for the organisation and how well it plans to achieve them, using the resources that it has or can make available.
- 48 Our 2019 structured assessment work has found that **the Health Board has a strong approach to strategic planning and is changing structures and leadership arrangements to deliver its vision. Underpinning plans are developing in collaboration with partners and are on track for delivery in-year.**

### Setting the strategic direction

**The strategic direction for health and care in Powys is well established. Once fully implemented, changes to structures and leadership arrangements should support the delivery of the IMTP.**

- 49 The strategic direction for Powys is clearly established for the long, medium and short term and supports the requirements of A Healthier Wales and the Well-being of Future Generations (Wales) Act 2015. The context is set by the Powys Public Service Board's Towards 2040, Well-being Plan and the ten-year Powys integrated Health and Care Strategy, which was approved in 2017. The 2019-2022 IMTP received ministerial approval. The IMTP is the Health Board's vehicle for delivering the ten-year strategy.
- 50 The Board endorsed the organisational development (OD) framework and operating model in May 2019 to support delivery of the Health and Care Strategy and the IMTP. The model is based on strategy, people, processes, structures and culture. The Board has been fully engaged in the development of the OD framework which was developed in consultation with staff and with the trade unions

through the local partnership forum. The framework was amended following consultation demonstrating good engagement with staff.

- 51 The OD framework sets out changes to structures and resources across most directorates and aims to strengthen professional clinical leadership and clarify line management accountabilities. Capacity will be strengthened through the creation of new Assistant Director posts. The most significant changes are to the Directorate of Primary, Community and Mental Health, which sees the removal of the locality structures. The framework has been implemented in phases, starting with senior leadership structures. Oversight of delivery of the framework will be by the Performance and Resources Committee and Board.
- 52 The recent committee restructure created a Strategy and Planning Committee with a role of providing the Board with assurance that planning arrangements are appropriately designed and operating effectively. This Committee is a significant change for the Health Board, although it is clear the Committee will not replace the Board's role in setting strategy. This Committee provides an opportunity to spend time on the detail of underpinning plans and to be more future focused. Early meetings discussed the Committee terms of reference and how to distinguish between what goes to this Committee and what needs to go to the Performance and Resources Committee. Meetings have considered plans for North Powys, workforce, public health, mental health, and respiratory services. The discussions were informed and demonstrated good scrutiny.
- 53 The Executive Committee has established a Strategy, Planning and Commissioning Group. This group focuses specifically on strategic planning issues and commissioning developments. It discusses and approves papers before they go to the Strategy and Planning Committee.
- 54 The Health Board is committed to engaging well with the public, staff and stakeholders and it is confident it is engaging well. This view is endorsed by the Community Health Council which reported that it has good engagement with the Health Board. The stakeholder engagement strategy has been in place since 2015 and there are plans to refresh it.
- 55 The Health Board is surrounded by organisations in Wales and England developing strategic plans of their own that will impact on Powys patients and service provision. The Health Board provides a regular strategic change update to the Board detailing these arrangements and how the Health Board is involved in influencing changes to services. In November 2019, there were 23 external strategic change programmes underway, which is a big commitment for a small planning team.
- 56 Major changes include the recent confirmation that the NHS Future Fit consultation to transform hospital services in Shropshire and Telford will see the emergency care centre located at Royal Shrewsbury Hospital. Aneurin Bevan University Health Board's Clinical Futures programme, including the Grange Hospital development, will impact on services currently provided at Nevill Hall in

Abergavenny. The Health Board is engaged in ensuring the best outcome for Powys patients.

### Developing strategic plans

**The Health Board has reflected and learned from developing previous IMTPs. Workforce, digital and environment plans to deliver on the wellbeing objectives are close to being finalised in partnership with the Council.**

- 57 The Health Board has reflected on its planning arrangements at Board development sessions, Executive Committee and directorate level resulting in some changes to the process. The change in the deadline submission date from March to January caused some challenges as the financial allocation was not announced until mid-December. Nonetheless, the Health Board was able to submit its IMTP on time and gain approval with limited changes required.
- 58 Underpinning plans are at different stages of development and where relevant are being developed jointly with the Council. The Health and Care Workforce Futures Strategic Framework for Powys, A Vision To 2027 And Beyond, was developed by the Workforce Futures Programme Board. Key elements are: designing, planning and attracting the workforce; leading the workforce; engagement and wellbeing; education, training and development; and partnership and citizenship. The Board approved the framework in November 2019.
- 59 Digital First for Powys means utilising new technologies to improve services and achieve better outcomes for residents including providing care closer to home. The Digital First Board is developing the plan on behalf of the Council and the Health Board. The Digital Strategic Framework was presented and discussed at the Board Development Day in September 2019. The Framework will be considered by the Health Board and the Council early in the new year.
- 60 The condition of the estate poses a significant risk that the care provided in some areas is compromised because the Health Board's estate is not fit for purpose. The IMTP sets out how the Health Board needs innovative environments to deliver its strategy. At 39%, Powys has the highest proportion of healthcare estate in Wales older than 1948 with only 3% of the estate built since 2005. The results of the recent six facet survey indicate that backlog maintenance is around £56 million. Only 61% of the estate is in condition category B (reasonable standard) or above, the worst in Wales. In recent years there has been some success obtaining funding from the Welsh Government to improve hospital buildings in Llandrindod Wells and Machynlleth. However, the estate, including primary care facilities, continues to require significant investment.
- 61 The Health Board is developing its long-term estates strategic plan to address the condition of the estate, to ensure the best use of the current buildings and to deliver modern fit for purpose facilities. The Innovative Environments Strategic Framework is at the first phase of development. The Health Board has secured expert advice from the NHS Wales Shared Services Partnership (NWSSP) – Specialist Estates Services and plans to share the framework with the Board

before March 2020. Staffing capacity within the estates department has also been strengthened to support these developments.

## Managing financial resources

- 62 We considered the action that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. We have assessed the financial position of the organisation, the approach to financial planning, financial controls and stewardship, and the arrangements for financial monitoring and reporting. We also reviewed progress addressing our recommendations.
- 63 We found that **financial management arrangements continue to improve but there is scope to increase oversight and scrutiny of financial performance.**

### Financial planning

**Whilst improvements have been made around financial planning, delays signing budget letters persist.**

- 64 Financial planning is primarily undertaken by the finance department and, in particular, by the three Finance Business Partners. The financial planning is now an integral part of the IMTP process and starts in October, which is earlier than has traditionally been the case. There is a top down approach to the initial development of directorate level financial plans. Individuals from all areas of the Health Board have an opportunity to feed into the financial planning process and to challenge the figures through attendance at workshops as part of the IMTP development process. This process supports ownership of the directorate plans.
- 65 Savings plans are largely driven by the finance department as a means to address the budget gap at year-end, rather than being designed to support sustainability and service transformation. To address the short-term nature of many of the savings plans, the Interim Director of Finance is intending to encourage savings plans that cover a three-year period.
- 66 Whilst the finance team is relatively small, it is sufficient for the size of the Health Board and is comparable to the previous financial year. The Director of Finance retired in June 2019 and the Deputy Director of Finance was appointed as Interim Director of Finance.
- 67 There is a robust process in place for setting operational budgets. The Board approved the budget for 2019-20 as part of the IMTP process. The terms of reference for the then Finance, Planning and Performance Committee stated that the Committee was responsible for the scrutiny and review of matters relating to the setting of budgets. A paper was taken to this Committee in November 2018, which set out the timetable for the budgeting process and the Committee was asked to discuss and note the approach. The new Performance and Resources Committee terms of reference state that it should seek assurance that arrangements for financial management and financial performance are sufficient,

effective and robust, including the allocation of revenue budgets, based on allocation of funding and other forecast income. While the Board discussed the financial resource plan and delegated budgets for 2019-20 in May 2019, there was no discussion by the Committee highlighting difficulties with scheduling of business between this Committee and the Board.

- 68 Although the Board received the resource plan for 2019-20 in May 2019, budget letters were not signed at the start of the financial year. Budget letters are the documents that Executive Directors sign to agree their budgets for the forthcoming financial year. In October 2019, two of the budget letters remained unsigned, meaning that these Executive Directors had technically not agreed the budget that they were working towards. In our 2018 structured assessment report we noted that not all budget letters had been signed by November 2018 for the year 2018-19 and recommended that the Health Board should ensure budget letters were signed by the start of the financial year. We are disappointed to see that this was not achieved for the second year. However, we note that the Interim Director of Finance has stated that the earlier submission of the next IMTP in January 2020 should facilitate a smoother process for sign off before the start of 2020-21.

### Financial management and controls

#### **The financial management and controls of the Health Board appear to be robust**

- 69 The budget management process allows for clear accountability, but the process is not formally documented. There is an organisation-wide system for monitoring spend against budget, on a monthly basis. A Finance Business Partner will meet each Executive Lead to discuss spend for the month. Where responsibility for budgets is delegated, management accountants will meet those responsible. If required, an action plan is developed to provide additional support for the budget holder with more frequent meetings.
- 70 The Health Board uses the NHS Wales Shared Services Partnership Procurement Services for all procurement. A detailed Procurement Guide is available on the intranet for all staff to access which provides them with clear processes to follow.
- 71 The Health Board uses single tender waiver action appropriately and is continuing to work on reducing the number of single-tender waivers. The Audit, Risk and Assurance Committee maintains good oversight to ensure that they continue to be used only when strictly necessary.

### National Fraud Initiative

#### **The Health Board has made good progress in addressing the NFI matches**

- 72 The NFI is a biennial data-matching exercise that helps detect fraud and overpayments by matching data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. It is a highly effective tool in detecting and preventing fraud and overpayments and in helping organisations to strengthen their anti-fraud and corruption arrangements.

Participating bodies submitted data to the current NFI data matching exercise in October 2018.

- 73 In January 2019, the Health Board received 1,202 data-matches through the NFI web application. 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's matches included 127 recommended matches. The NFI web-application, which records the findings of the Health Board's review of its data-matches, shows that as at 15 October 2019, the Health Board had concluded or was in the process of reviewing most of the high-risk matches. We consider that the Health Board has made good progress in addressing the NFI matches.
- 74 The counter fraud arrangements at the Health Board have strengthened with the contract being delivered in partnership with Swansea Bay University Health Board. The Auditor General is undertaking further work to examine the effectiveness of counter fraud arrangements across the public sector in Wales, with a view to publishing his findings in summer 2020. His work will be informed by local fieldwork commencing in early 2020.

#### Oversight and scrutiny of financial performance

**While some of the planned savings schemes will not be delivered, the Health Board is on track to deliver a break-even position at year-end. The oversight and scrutiny of financial performance have seen some improvement, but further progress is needed.**

- 75 The Health Board has consistently delivered a break-even position over recent years. Despite being in a deficit position at month six, the Health Board is still forecasting a break-even position at the year-end.
- 76 The Finance Business Partners are the main individuals responsible for overseeing and monitoring the financial performance, along with the Director of Finance. Historically, the finance papers to the committees and the Board are the same paper. Given that the focus of these meetings is different in nature, best practice would be for the papers to be tailored to reflect the different focus and purposes of the committees and Board.
- 77 In recent months there has been a delay with the finance papers being issued after the main set of papers, which may impact on member's ability to review and scrutinise the content of these papers. Arrangements should be strengthened in order for the finance papers to be produced and distributed in a timely manner.
- 78 The reporting of finance papers to the Performance and Resources Committee and Board do not follow the correct order. An analysis of the first seven months of the financial year shows that the Board received three months of finance papers before the Performance and Resources Committee. One month was not reported to either the Board or the Performance and Resources Committee and there were three months where the Performance and Resources Committee did not have sight over

the reporting. The Health Board therefore needs to strengthen its arrangements around the timing of the reporting of financial matters to ensure that papers are scrutinised by committee prior to going to the Board for oversight.

- 79 The month six finance paper has moved away from the traditional style of reporting to a dashboard report. This change in style was received positively by the Performance and Resources Committee and includes many of the good practice guidelines taken from the **NHS Wales Good Practice for Financial Board and Committee Reporting**.
- 80 Whilst the Health Board has a strong track record of delivering the savings targets it identifies, there has been an indication that some of the savings schemes planned will not be delivered. Savings targets are monitored monthly by the Finance Business Partners: there should be further scrutiny of how the non-delivery of certain schemes will be mitigated to ensure that the 2019-20 break even position is delivered. During the first six months of 2019-20, only one savings paper was taken to the Performance and Resources Committee, in August 2019. Given the significant impact that savings have on the break-even status of the Health Board, only a short amount of time was spent discussing them. In October 2019, as part of the dashboard report, the Performance and Resources Committee was advised that there are savings at risk of not being achieved. Notwithstanding the fact that the Health Board has a good track record of achieving financial balance, we observed limited scrutiny of risks to achieving target savings at the Committee as a means of seeking assurance that the Health Board could still achieve its break-even duty.

**Previous recommendations**

- 81 In 2018 we made the following recommendations in relation to managing financial resources recommendations. **Exhibit 3** describes the progress made.

**Exhibit 3: progress on 2018 managing financial resources recommendations**

2018 recommendation	Description of progress
<p>R7 The Health Board should review and update the Standing Financial Instructions given that the last update was in 2016.</p>	<p><b>Recommendation on track but not yet complete</b></p> <p>Work is underway nationally to review the model standing financial instructions for NHS Wales. It is anticipated that this work will be complete by March 2020, after which the Health Board will be able to update their Standing Financial Instructions.</p>

2018 recommendation	Description of progress
<p>R8 Not all Executive Directors have signed their budget letters. The Health Board needs to ensure that all budget letters have been provided and signed by the Executive Team before the start of the financial year.</p>	<p><b>Recommendation not achieved</b></p> <p>The 2019-20 Resource Plan (as part of the approved IMTP) was approved by the Board in March 2019. The related budget letters were sent to Executive Directors. It was not possible to achieve this by 31 March 2019 given the date that the IMTP was approved by the Welsh Government.</p> <p>As of October 2019, two letters have not been signed. The Health Board's intention is for budget letters to be signed promptly for 2020-21.</p>
<p>R9 The Health Board has not made good use of the National Fraud Initiative (NFI) data matches issued in 2017. The Health Board should put in place an action plan to ensure that the matches it receives in future NFI exercises are reviewed, prioritised and where necessary investigated in a timely manner. The Health Board should:</p> <ul style="list-style-type: none"> <li>a) commence review of the data-matches as soon as possible following the release of the next NFI matches in January 2019; and</li> <li>b) in addition to reviewing all the high priority matches recommended for review, carry out a review of a sample of the remaining data matches.</li> </ul>	<p><b>Recommendation completed</b></p> <p>As matches were not published until March 2019 the Health Board was unable to complete the work until later in the year. All matches have now been reviewed and appropriate action will be taken dependent on the outcome.</p>

## Managing workforce productivity and efficiency

82 We considered the action that the Health Board is taking to manage the workforce.

83 We found that **the Health Board has seen improvements to managing workforce productivity and efficiency. Ambitious actions are underway to strengthen recruitment and retention, improve training and education, and promote staff wellbeing.**

### Managing the workforce

**The Health Board has overseen improvements to workforce productivity and efficiency and has ambitious plans to improve recruitment and retention**

84 Until March 2019 all workforce matters were covered by a dedicated Workforce and OD Committee. The new Performance and Resources Committee provides

assurance that arrangements for performance management and accountability of workforce related matters are sufficient, effective and robust. The Workforce and OD Directorate regularly reports to the Executive Committee's Performance and Delivery Group. The new Performance and Resources Committee discussed the Workforce Performance Report at the June meeting and the Committee's work plan indicates another report will be seen at the December meeting. Workforce performance is also reviewed as part of the integrated performance report.

- 85 The establishment report at the end of June 2019 identified 9% of all posts remained unfilled. This rate has not changed over the previous 12 months despite national and local recruitment campaigns. The largest staff group affected is nursing with 88.15 whole time equivalent (WTE) vacancies, a level that is increasing, despite recruiting approximately 15 WTE nurses per quarter. Despite these difficulties, the Annual Review of nurse staffing levels provided assurance that the Health Board was meeting the requirements of the Nurse Staffing Act (Wales) 2016 in its provided services, including in nursing and care homes. For commissioned services, the Health Board is working to understand the position in all providers. The Health Board acknowledges that it is increasingly challenging to recruit and retain staff and it features on the corporate risk register.
- 86 Recruitment of medical staff also continues to be difficult for the eight vacancies held, although three substantive posts were filled recently. Work is ongoing to speed up the process of 'time to hire' from vacancy to unconditional offer which was an average of 65.9 days for quarter 2 against a target of 71 days.
- 87 The turnover rate for the previous 12 months was 12.1% in July 2019. There has been little change in the rate since July 2018 and it is the second highest rate in NHS Wales. The Health Board has continued to try and understand the reasons for the high turnover rate including work to see if staff are leaving quickly. The stability index (the number of employees with one or more years' service as a percentage of the overall workforce) by staff group averages at over 95%, which is a positive result. An exit questionnaire via Employee Self Service is now available so it will be important to encourage leavers to complete it and report on the findings. Turnover rates are reported as part of the workforce performance report.
- 88 The Health Board is trying to reduce its spending on agency staff (medical and non-medical). In 2018-19 the Health Board spent £3.759 million on agency staff or 5.9% of its total pay bill which is the second highest proportion in Wales. It is aware of the level of agency staff use in service areas with vacancies and is actively pursuing the recruitment of additional bank staff in an attempt to alleviate this cost pressure. A new Bank and Agency Policy was approved in January 2019. The Temporary Staffing Unit has seen some success increasing the proportion of temporary posts filled from the bank from 51% in December 2018 to 65% in May 2019. All temporary staffing is monitored closely by the Workforce Quality and Efficiencies Group. A report from Internal Audit's follow-up review of the Procurement of Consultant and Agency Staff provided reasonable assurance that the Health Board had acted to address its recommendations from the previous limited assurance report.

- 89 The Health Board's sickness absence rate was 4.4% for the 12 months to July 2019, which is on track to meet the monthly target set for September 2019 (4.75%). This is well below the Wales average of 5.4% and all-Wales target of 5.2%. The Health Board adopted the All Wales Attendance at Work Policy and has developed its delivery plan in partnership with Trade Unions. The Health Board has trained over 100 managers in the revised approach to managing absence. The Health Board should evaluate and report on how the change in approach is working in practice for staff and managers.
- 90 The Recruitment and Retention Delivery Plan was finalised in November 2018. It aims to deliver on four areas: improving the way the Health Board is promoted, building a professional reputation, improving recruitment processes and 'grow your own'/education and development. A Strategic Recruitment and Retention Group was established to drive and deliver the actions set out in the plan and will escalate any issues in relation to the plan via the Executive Committee and the Performance and Resources Committee. Progress delivering the plan was reported to the Committee in August 2019 and actions against the plan were reported to be on track. This report provides good coverage of progress against indicators with some analysis across time although it provides no benchmarks to allow comparison with other health bodies.

### Training and development

#### **Work is underway to improve compliance with statutory and mandatory training targets. The IMTP sets out innovative plans in partnership with others to improve training and development provision.**

- 91 The NHS Wales Delivery Framework 2019-20 sets a target that 85% of staff must have had an appraisal in the previous 12 months. The Health Board increased its personal appraisal and development review (PADR) completion rate to 81% in March 2019, up from 68% in March 2018. This is significantly higher than the all-Wales average of 68% but is still short of the target. PADR completion rates fluctuate in-year but are higher at year-end. Business Partners monitor PADR compliance on a monthly basis. The Health Board has worked with managers to raise awareness to ensure review dates and incremental dates are aligned, which has helped increase completion rates. The Health Board is now looking at the quality of the PADR process to make appraisal more meaningful and not simply focused on completion. Medical and dental appraisal rates are higher than the average for Wales, fluctuating throughout the year from a high of 96.2% in January 2019 to 80% in March 2019.
- 92 The Health Board has not met the NHS Wales Delivery Framework 2019-20 target of 85% for compliance with level one core statutory and mandatory training. In March 2019, the rate was 77% although it had been as high as 81% in December 2018. A review of statutory and mandatory training has been completed for clinical and non-clinical areas to support an increase in compliance.

- 93 The IMTP sets out the Health Board's approach to education and training in conjunction with the Council and other partners to support a joined up rural care system. A review of clinical and non-clinical training needs and provision is complete while the development of induction and general management training programme is underway. The Health Board is working with partners to develop a rural health and care academy.

### Staff engagement and wellbeing

#### **The Health Board continues to demonstrate its commitment to improving staff engagement and wellbeing**

- 94 The IMTP sets out the Health Board's approach to implement a programme of wellbeing and engagement activity. They are starting from a good position with a staff engagement score of 3.92 which is the highest for a health board in Wales. The IMTP sets out the ambition to celebrate and utilise the positive 2018 all-Wales NHS staff survey results by addressing the areas of improvement such as reducing stress, improving wellbeing and eradicating bullying and harassment.
- 95 An Internal Audit review of staff wellbeing (stress management) provided overall reasonable assurance with substantial assurance for taking proactive steps to minimise stress and promote staff wellbeing within the workplace. A new Stress Management and Wellbeing Toolkit is being rolled out. Online cognitive behaviour therapy (CBT) via 'SilverCloud', self-referral to Occupational Health and external counselling services via Network of Staff Supporters Ltd (NOSS) are also available. The Health Board produces a wellbeing happiness calendar with activities every day that is publicised by Powys Announcements. The Wellbeing at Work Group is progressing the Health Board's Corporate Health Standard application to retain their existing Gold award.
- 96 The additional support provided to the Local Partnership Forum is providing a renewed focus for staff engagement. The forum received updates on how the action plan from the 2018 staff survey is being implemented including a new stress management policy that was approved by Executive Committee. The policy will be refreshed in nine months' time to support continuous improvement.



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