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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 Betsi Cadwaladr University 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 committees and reviews of relevant documents, performance and financial data.
- 3 The key focus of structured assessment is the corporate arrangements for ensuring that resources are used efficiently, effectively and economically. This year, auditors paid critical attention to the finance and performance of the Health Board in the context of short-term recovery actions and long-term strategic service changes necessary to ensure services become sustainable. The report groups our findings under five themes:
 - the Health Board's performance trends;
 - vision and planning;
 - turnaround and transformation;
 - governance and management, and
 - workforce efficiency and effectiveness.

Background

- 4 The Health Board is in a period of sustained difficulty and has been in 'special measures', the highest level of escalation within the Welsh Government's NHS Escalation and Intervention Framework, since June 2015. The escalation to special measures in 2015 was associated with concerns about organisational leadership and governance, mental health services, maternity services, primary care out of hours and broader concerns about connecting and engaging with the local population.
- 5 Since then there have been improvements in specific areas which have resulted in maternity services and primary care out-of-hours services being taken out of Special Measures. However, these improvements have been tempered by growing concerns about financial management and other specific aspects of performance, which has resulted in these areas being added to the Special Measures oversight arrangements.
- 6 The ability to contain expenditure within its resource limit has been a particular challenge for the Health Board, since the introduction of the [NHS Finance Act \(Wales\) 2014](#), and it has never managed to prepare an approvable Integrated

Medium-Term Plan (IMTP). In relation to the performance, the Health Board has long-standing challenges with meeting targets for referral-to-treatment times, aspects of unscheduled care, and follow-up outpatient appointments. More positively, since the imposition of Special Measures in 2015, there have been recognised improvements to mental health services and strengthened leadership structures within the division, noting that there is still more to do to address the concerns identified in the Ockenden and HASCAS reports. Action has also been taken to secure improvements in board effectiveness, overall governance arrangements, and a number of important quality metrics.

- 7 Wales Audit Office structured assessment reports have provided a commentary on progress and challenges at the Health Board for several years. Last year, we concluded that 'while the Health Board is strengthening its governance and management arrangements, it continues to struggle to develop financially sustainable medium-term plans and improve priority areas of performance'. Given that this year's report provides a commentary on key aspects of progress and issues arising since our last structured assessment, it should be read with consideration given to our [2018 review](#).

Main conclusions

- 8 Our overall conclusion from the 2019 structured assessment work is that the Health Board is still grappling with many of the key challenges we identified in last year's structured assessment. There is evidence of improvements in respect of some important quality metrics as well as a commitment and action to address long-standing problems with finance and key aspects of performance. However, much of the latter is geared towards short-term solutions which are not yet securing the scale of improvement needed. The need to develop a vision and strategy that deliver clinical services which are both financially and clinically sustainable is now more pressing than ever. This needs to be taken forward as part of a Health-Board-wide approach that is focused on continuous improvement and service transformation.
- 9 A summary of our main conclusions can be found below and the findings that support these are described in greater depth in the detailed report:
 - **while long-term quality performance trends are positive, the Health Board's financial position remains of significant concern and challenges persist in respect of performance of services.** The Health Board continues to spend beyond its means, which has resulted in a cumulative £109.9 million deficit over the last three years, a £21.2 million year-to-date deficit in 2019-20, and several key performance measures particularly relating to access to services are significantly off target. Nevertheless, the Health Board's commitment to quality is showing improvement in some areas.

- **there remains a pressing need to develop a strategic vision of health services in north Wales that is both clinically and financially sustainable.** The Health Board has set a high-level strategic direction but needs to be ambitious and clear about changes it needs to make. In doing so the Health Board may have to re-assess the location and shape of services to ensure that they are effective and sustainable in the longer term. This will require effective and strong clinical leadership, engagement and decision making and a well thought out approach to public and stakeholder engagement.
- **while there is evidence of actions in respect of turnaround and transformation, these have yet to secure the required improvements. There is a need to balance short-term actions to control costs with longer-term service improvement and modernisation plans.** The Health Board is significantly strengthening its financial turnaround arrangements in in the short term. However, these are not yet securing the required improvement and there is a risk that the annual cycle of ‘deficit and recovery’ will continue for some time. Approaches for turnaround in performance are developing, but it is not clear that these will result in sustained improvement without additional funding in future. Our work also indicates that the Health Board needs to build its programme management capacity and capability to support an improved pace of transformation.
- **governance arrangements are generally improving but there is a need to strengthen aspects of the senior management structure and ensure that Board working remains cohesive and constructive.** Our work indicates there is an improving rigour and challenge within Board and Committee meetings, although on occasion this could be more constructive. The executive team is working to improve team effectiveness and cohesiveness but there is a need for stronger and formalised leadership for acute services.

Other notable aspects of governance and internal control include revised performance management arrangements and improving annual plan monitoring, and also developing board assurance arrangements, risk management and clinical audit programme and processes.
- **workforce management arrangements are clearly strengthening, but there remain long-standing challenges in relation to recruitment, productivity and modernisation.** The Health Board is demonstrating a positive direction of travel in workforce planning and there continues to be a proactive approach for workforce management. However, the extent of the challenges faced, particularly in relation to recruitment and retention, means that these issues will take a long time to resolve. This is resulting in a high use of agency and locum staff, and new challenges, such as personal pension related tax liabilities may result in increased agency cost and/or impact on service performance. Efforts also need to be concentrated on

securing improvements in the efficiency and productivity of existing resources.

Recommendations

- 10 Recommendations arising from this audit are detailed in [Exhibit 1](#). We will place the Health Board's management response to these recommendations on our website along with our report once considered by the relevant committee.

Exhibit 1: 2019 recommendations

Recommendations	
Clinical strategy and service planning	
R1	Ensure that work to develop a clinical services strategy is delivered to planned timescales and includes a fundamental review of the shape and location of clinical services across all three main hospital sites. This work should focus on solving a number of service sustainability issues including: <ul style="list-style-type: none">• medical staffing, vacancy gaps and on-call rota management;• service efficiency and affordability;• ability to meet forecasted growth in service demand;• mitigate the impact of unscheduled care on the effectiveness of wider services; and• enabling sub-specialisation of clinical services, where beneficial.
Clinical engagement in service design and transformation	
R2	Ensure clinical engagement and leadership are integral elements as part of the development of clinical strategy and associated change programmes.
Programme management arrangements supporting service change and transformation	
R3	To support effective delivery of clinical strategy, introduce a clear programme management structure, change programmes and programme management methodology. This should incorporate both required central and corporate structure as well as resources to enhance division-level change management capacity.
Executive team structure	
R4	The Health Board should review the form and function of the executive team to: <ul style="list-style-type: none">• ensure that there is clear responsibility for acute care services at an Executive level;• ensure that programme leadership for service transformation has clear executive director level responsibility or responsibilities; and• increase focus on strategy, organisational design and the capacity and capability within the organisation to deliver the necessary change.

Recommendations

Reliance on temporary management staffing

R5 As part of the Health Board's wider approach to workforce planning, aim to reduce reliance on external interim management by building the required senior manager capacity and capability within the organisation, especially in relation to service transformation and change.

Acute services structure

R6 Finalise and agree the management structure for acute services.

Audit recommendation tracking and sign-off

R7 Ensure that senior management processes for reviewing and sign-off are strengthened so that the audit committee is assured that progress is accurately reported and that actions in response to recommendations are delivered in a timely and effective manner.

Detailed report

Performance trends

- 11 This year's structured assessment work is informed by an analysis of performance. We considered a range of metrics, with a focus on quality, access to services and finances. Our analysis on performance informs our view later in the report on the sustainability of current service models.
- 12 Our work has identified in 2019 that **while long-term quality performance trends are positive, the Health Board's financial position remains of significant concern and challenges persist in respect of performance of services.**

Quality of services

- 13 **Quality improvement work is demonstrating the Health Board's commitment to the quality of care with early signs of improvement in some areas.**
- 14 As part of the Health Board's quality improvement strategy, it has continued to focus on quality arrangements through development of its quality improvement hub¹, particularly in relation to nursing metrics, rollout of the ward quality dashboard and ward accreditation². Electronic ward quality dashboards are actively used as a basis for monitoring and management on an ongoing basis and the supporting intelligence also informs the programme of ward accreditation. As at July 2019, the ward accreditation included 42 unannounced visits. The accreditation applies strict criteria and as a result 23 have been rated silver, 12 bronze and seven white. No wards have been rated gold wards at present, but we understand a number have implemented improvement actions, and hope for a positive re-assessment.
- 15 In terms of quality indicators, there are examples that the Health Board in setting more challenging stretch targets. Selected performance data shows signs of improvement in some areas:
 - long-term trends for C. difficile, an area that we highlighted as a concern in 2012, have significantly and consistently improved over several years;
 - in-hospital Staphylococcus Aureus and E. coli infection rates show long-term reduction trends, but both infection types remain a challenge in the community;
 - the number of reportable incidents closed within the required timeframe, and the number of Welsh government incidents that remain open shows a continued trend of improvement, both with further opportunity to improve; and
 - rates of Healthcare Acquired Pressure Ulcers have improved, but work needs to progress to reduce the occurrence further.

Key aspects of performance

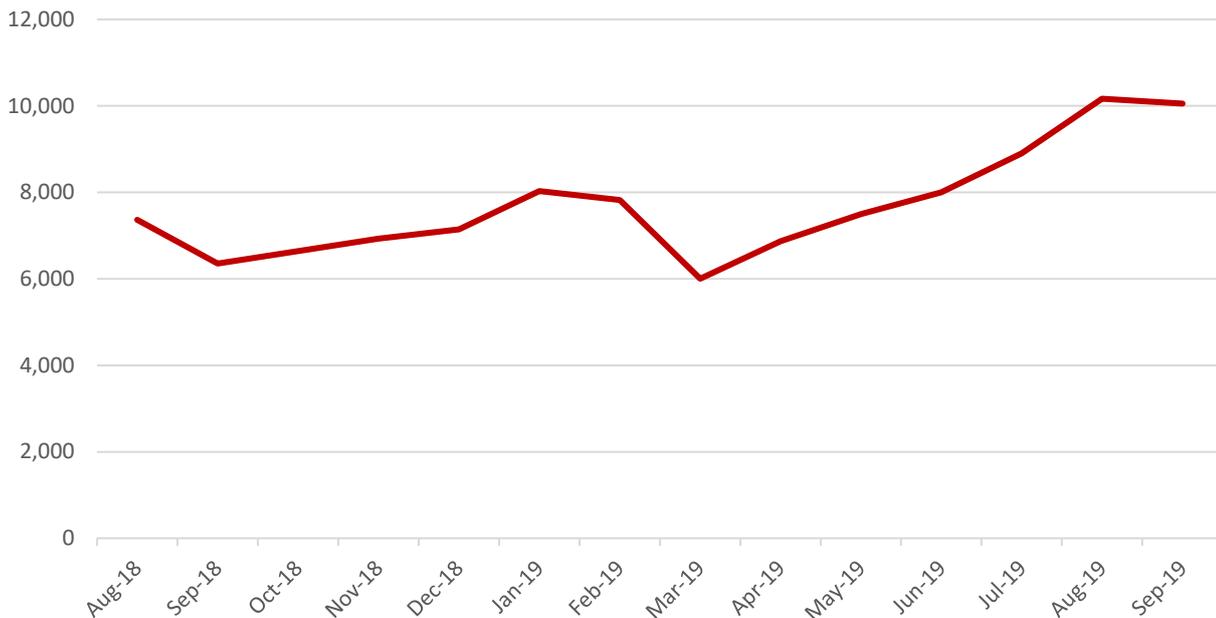
- 16 **Performance is not improving to the extent that is needed and remains below target in key service areas.**

¹ [Betsi Cadwaladr University Health Board – quality improvement hub](#)

² [Ward accreditation is a process that assesses healthcare practices across North Wales on a range of quality measures and observations](#)

17 Scheduled care remains an ongoing challenge for the Health Board. Based on existing service models, there is a mismatch between supply and demand in some specialties and parts of the referral-to-treatment³ pathway and follow-up outpatient services. In addition, scheduled care services are negatively impacted upon by unscheduled care demand and a shortage of staff in some key areas. Referral-to-treatment measures (Exhibit 2) show that the Health Board has a high number of patients waiting longer than 36 weeks. The numbers of patients waiting longer than 36 weeks within the Health Board now exceeds the total for the rest of Wales. As in previous years, the Health Board is using outsourcing to provide additional capacity, but this approach adds to cost pressures and while this helps to deal with the waiting list backlog, it does not help balance its own supply and demand. Our recent review of Operating Theatres⁴ indicates that there is potential to drive greater productivity and efficiency which will be required to ensure continuous improvement.

Exhibit 2 – the number of patients waiting more than 36 weeks from referral to treatment



Source: Health Board performance report, October 2019

18 The number of patients delayed on the follow-up outpatients waiting list has increased over the 12-month period from around 81,000 patients delayed in August 2018 to around 90,000 delayed as at October 2019. We also understand that there are now 56,000 patients that are 100% delayed (ie waiting at least as twice as long as they should be for a follow-up outpatient appointment). The

³ <https://www.wales.nhs.uk/nhswalesaboutus/nhswaitingtimes>

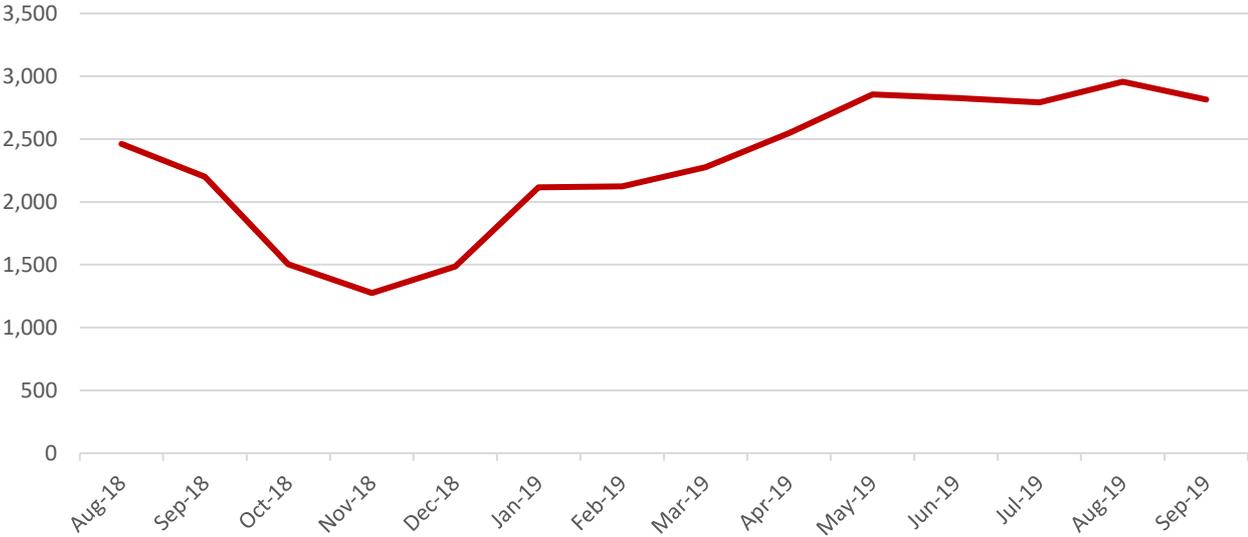
⁴ <https://www.audit.wales/publication/betsi-cadwaladr-university-health-board-operating-theatres-review>

deterioration is concerning given the attention which has fallen on this issue both nationally and locally.

19 The number of patients waiting over eight weeks for diagnostics is also concerning (Exhibit 3). In November 2018, performance started to deteriorate particularly in relation to diagnostic endoscopy. As at September 2019, of the 834 patients waiting over 24 weeks for diagnostic endoscopy across Wales, 830 are from this Health Board. The Health Board has developed several recovery measures, but these have taken several months to implement. In general, these actions have only recently started to lead to improvement, although the Health Board has indicated that there has been greater progress for 'surveillance' patients.

Exhibit 3 – the number of patients waiting over eight weeks for diagnostics

There is a growing number of patients experiencing diagnostic delays



Source: Health Board performance report, October 2019

20 More positively, cancer waiting times compare favourably to the Welsh average. The Health Board has prioritised and protected capacity to ensure that cancer performance is sustained. Throughout the year, the 31-day⁵ cancer target of 98% has been achieved in most months and the 62-day⁶ cancer target performance has been sustained at around 85% on average, albeit this is below the 95% target.

21 Unscheduled care remains a significant issue for the Health Board. Our analysis shows that demand for unscheduled care at main emergency departments and minor injury units is high and growing

⁵ Newly diagnosed cancer patients not included as Urgent Suspected Cancer (USC) referrals to start definitive treatment within one month (31 days) of a decision to treat.

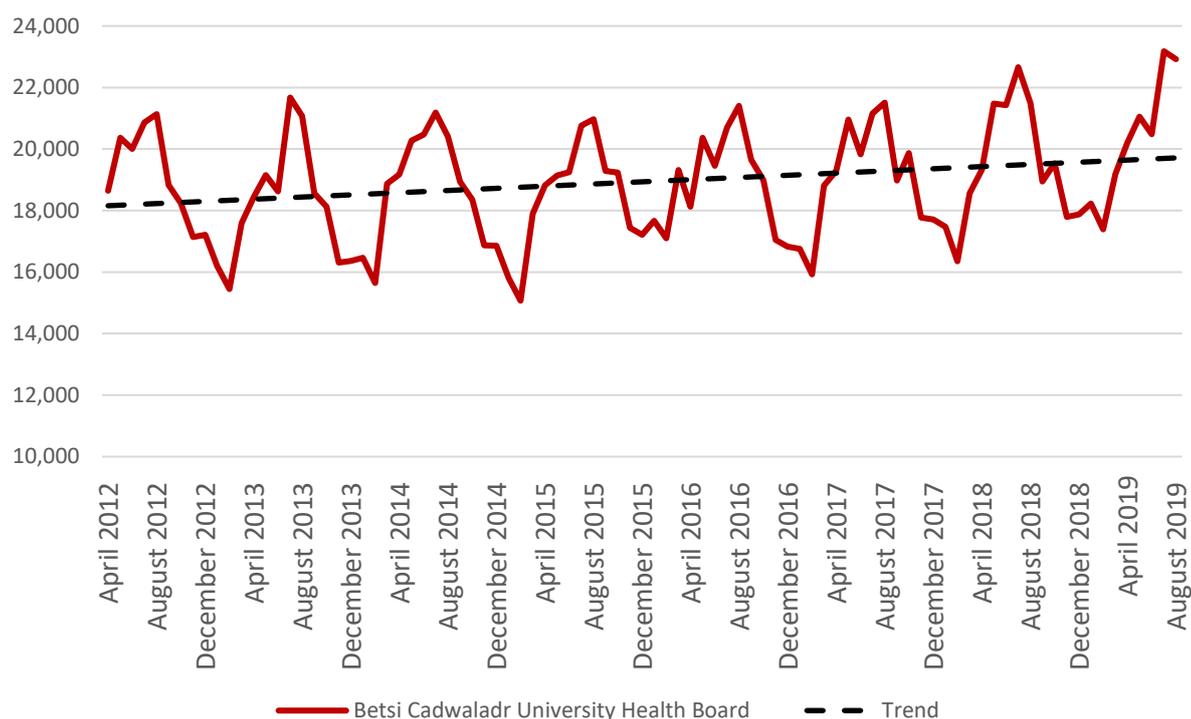
⁶ Newly diagnosed cancer patients that have been referred as USC and confirmed as urgent by the specialist to start definitive treatment within two months (62 days) from receipt of referral at the hospital.

(Exhibit 4). Performance against unscheduled care measures indicates current service models are continuing to struggle to adequately meet demand:

- performance against the four-hour target has deteriorated over several years but has improved slightly in the last six months. As at September 2019, 72% patients were seen within four hours against a target of 95%.
- too many patients are waiting over 12 hours in an emergency department setting. In most months there are over 1,500 patients waiting over 12 hours. As at September 2019, 1,977 patients waited longer than 12 hours.
- there were promising signs of improvement for the one-hour ambulance handover target during 2018-19, although there are some signs of deterioration since March 2019, particularly in Ysbyty Glan Clwyd.

Exhibit 4 – the number of attendances at emergency departments and minor injury units

The number of attendances at emergency departments and minor injury units is growing



Source: NHS Wales Informatics Services, accessed via StatsWales, October 2019

Financial position

22 **The Health Board’s recurring financial deficit remains a significant challenge.**

23 The Health Board continues to spend beyond its means, which has resulted in an accumulative £156 million deficit over the last five years (Exhibit 5). The Health Board has failed its first financial duty of

the NHS Finance (Wales) Act 2014, and it is concerning that the proportion of deficit is growing and represents an increasing challenge for the Health Board.

Exhibit 5 – financial deficit over the last five financial years

Financial performance against the revenue resource limit shows a significant and recently growing difficulty achieving financial balance.

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	Cumulative deficit 2016-2019 £m
Financial performance	26.6	19.5	29.8	38.8	41.3	156

Source: Health Board annual report 2018-19

- 24 Looking to the 2019-20 financial year, the Health Board has set a planned deficit of £35 million, albeit that the Welsh Government has indicated that it expects the Health Board to achieve a ‘control total’ deficit of £25 million. In July 2019, the Board received, but decided it could not approve, the financial plan as it did not meet the Welsh Government control total.
- 25 There are a range of saving schemes in place with more in development, but financial performance reported to date shows £3.7 million negative variance against planned expenditure as of month six. This will increase the pressure during the last six months of the year to adopt additional short-term financial recovery measures. The Health Board continues to target a £35 million deficit but if the current financial trend continues for the full-year this could increase to as much as £42.4 million.

Strategic planning

- 26 Our work considers how the Board sets strategic objectives for the organisation. This includes how it is planning to shape its clinical services and progress with financial planning. We also reviewed the progress made in addressing our recommendations arising from our previous structured assessment reviews.
- 27 We found that **there remains a pressing need to develop a vision and strategic plan for health services in north Wales that is both clinically and financially sustainable**. Our findings are set out below.

Setting the overall strategic direction

- 28 **The Health Board has set a high-level strategic direction but needs to be ambitious and clear about changes it needs to make.**
- 29 In our 2018 structured assessment, we recognised the progress the Board has made agreeing its ten-year Living Healthier Staying Well strategy at its Board meeting in March 2018. The three main

elements of this strategy are: more serious health needs (acute services), care closer to home, and health inequalities and health improvement.

- 30 Over the course of the last year, the Board has approved several plans and it is positive that these generally align to the overall direction of travel set out in the strategy. We also recognise that the Health Board is starting to better align objectives and plans with requirements set out in the Well-being of Future Generations (Wales) Act 2015, albeit those areas most aligned to the Act relate to the 'Healthier Wales' wellbeing goal. We also note a stronger commitment to work with partners and other stakeholders at a strategic and service level and early demonstrations of the 'ways of working'. The transformation fund is providing a positive mechanism to stimulate work with partners, and the Health Board will need to build on this over the next year.
- 31 While our findings this year continue to reflect those from last year it is increasingly apparent that several existing services are overstretched, and some are fragile. As identified in the previous section, the track record of performance and finance shows the long-term challenge that the Health Board is facing. Alongside these long-term challenges are shorter-term recruitment and rota challenges, set against the context of a healthcare environment which is increasingly sub-specialist and where demand for services is increasing. The growing extent of the challenge means that the Health Board will need to be ambitious and clear about the changes it needs to make.

Developing a clinical strategy

- 32 **The need to develop a clinical strategy that supports effective, safe and affordable services remains as pressing as ever.**
- 33 In agreement with Welsh Government, the Health Board was not required to develop an IMTP for 2019-2022. The Health Board prepared an annual operating plan 2019-20 and presented this within a wider three-year outlook plan to the Board in March 2019. There were gaps in the plan at that time and, while a revised version was presented in July 2019, the plan still did not include the required improvement trajectories for finance or performance, therefore the Board were unable to approve it. Notwithstanding the Board's non-approval of the 2019-20 annual plan, it includes clearer lines of accountability and this is creating a stronger focus on delivery. However, there remains a need to better link actions to measures, outcomes, efficiencies and affordability. During 2019, the Health Board has made some progress with elements of service development including opening vascular services and the sub-regional neonatal services in Ysbyty Glan Clwyd, and it has started to progress its orthopaedics plan. The Health Board is also exploring options for stroke care, and robotic assisted surgery in urology. These are positive areas of clinical service progress.
- 34 Going forward, there appears to be an increasing desire to align health-economy-based and cluster-based planning and clear roles and responsibilities for planning. While not a current Welsh Government planning requirement for the Health Board, the approach for setting out an annual plan in the context of a wider three-year period is also positive and, in the absence of an IMTP, should continue.
- 35 We first highlighted the urgent need for strategic plans for acute clinical services in our [Joint review with Healthcare Inspectorate Wales in 2013](#). Many, but not all, of those we interviewed as part of this year's structured assessment recognise the need for a clinical strategy. The Health Board is in the process of developing a clinical strategy which is expected to be completed during the 2019-20 financial year. Given the recurring challenges in relation to performance and finances and the

challenges recruiting and filling rotas in some high-risk areas, it is vital that the Health Board progresses the work on its clinical services strategy with urgency and pace. This should include a review of the shape and location of existing services, particularly the way services are delivered across the three acute sites. This will require effective and strong clinical leadership and decision making, and a well thought out approach to public and stakeholder engagement (**Recommendation 2**).

- 36 The recently issued **NHS planning framework 2020-2023** guidance places a greater onus on commissioning and also decommissioning of services where they are no longer needed, could be better provided elsewhere, or are not providing the expected outcomes or value. As part of engaging stakeholders during planning, there will be a need to engage and explain to the public the extent of issues in relation to timeliness of access to services, quality risks and affordability of services to ensure that there is appropriate context as to why some services may need to change or potentially be de-commissioned.

Enabling plans

37 **The Health Board is starting to develop enabling plans to support improvement.**

- 38 We have considered the Health Board's estate, workforce and IT/digital plans and, in each case, there is a positive direction of travel. The strategies for estates and workforce were approved in March 2019, and while both will need to align to longer-term plans as they are developed, they are both providing a better framework for shaping the direction of travel for these 'enabling' services. The Health Board's estate is in some areas not fit for purpose with a high level of backlog maintenance and some key risks particularly in Wrexham Maelor Hospital. The Health Board is starting to shape its estates strategy to address some of these risks and provide a bridging position until future estates requirements become clearer. While a digital strategy is not yet agreed, it is in development and there is a clear desire to digitally enable health services.

Financial planning

39 **Financial planning is starting to improve but does not set out a financially sustainable future.**

- 40 The Health Board continues to face significant challenges with financial planning. For several years, the Health Board has not been able to meet its statutory duties to break even and to prepare a financially balanced three-year integrated medium-term plan. Several factors are resulting in overspends, including, but not limited to:
- growth in staff costs;
 - outsourcing and waiting-list initiatives, in services where capacity does not match demand;
 - high use of locum and agency;
 - growth in continuing healthcare costs; and
 - not identifying and achieving opportunities to improve the productivity and efficiency of services.
- 41 The Health Board is taking positive steps to strengthen its arrangements. With the support of the Welsh Government, it has engaged management consultants to carry out a financial baseline review to support the Health Board in understanding the underlying financial position and the risks to the financial plan for 2019-20. In relation to financial planning, the Health Board has made good progress and is working to:

- move from the current annual planning approach to a multi-year financial recovery plan;
 - better link finances to demand and capacity planning; and
 - set clear priorities around performance and finance.
- 42 In previous years' structured assessments, we have commented on the Health Board's short-term approach to securing savings and we remain concerned about the short-term nature of financial planning which often leads to performance and finance being managed as conflicting priorities, ie that to improve performance, the Health Board needs to spend additional financial resource.
- 43 There is limited evidence to show that the Health Board is moving towards a more transformational approach that aligns clinical, workforce and financial planning and which seeks to exploit the benefits of prudent and value-based healthcare. The Health Board's approach to turnaround and transformation is considered further in the following section.

Turnaround and transformation

- 44 We have considered the arrangements that the Health Board has put in place to support turnaround and transformation. We found that **While there is evidence of actions in respect of turnaround and transformation, these have yet to secure the required improvements. There is a need to balance short-term actions to control costs with longer-term service improvement and modernisation plans.** Our findings are set out below.

Turnaround

- 45 **The Health Board is taking steps to improve the financial position and performance in the short-term, but there remain significant risks to the achievement of the planned £35 million deficit.**
- 46 Overall there is a stronger financial recovery approach than in previous years, but at present there remains a significant risk to achieving the £35 million deficit planned by the Health Board. Our work has found clear financial leadership for turnaround, with delegated responsibility of financial recovery and the identification and achievement of savings. The focus by the organisation on financial recovery, grip and control is clearly stronger than in previous years:
- the Health Board commissioned management consultants to undertake reviews and support savings delivery. Of 330 improvement actions identified through both this work and NHSi⁷ grip and control best practice, 177 are complete as at September 2019.
 - the Financial Recovery Group is providing better grip and control of finances. This group is supported by a financially oriented programme management office.
 - the Interim Financial Recovery Director is providing strong and regular challenge to senior management.
 - there is a clear programme of efficiency savings which are risk assessed against likelihood of delivery. The Health Board is supported by external consultants to identify savings.
 - vacancy and procurement controls are now in place.

⁷ <https://improvement.nhs.uk/home/>

- executive-led improvement groups are supporting savings programmes, albeit these groups are at differing stages of maturity. We consider the role of these groups on the following page.
- 47 Nevertheless, there is slippage against delivery of savings and aspects of in-year cost growth which creates a need to identify additional savings. Several other factors continue to present challenges which if unaddressed create a risk that the annual financial cycle of 'deficit and attempted recovery' will continue to repeat. These include the need to:
- embed financial grip and control throughout the organisation and build financial capacity and capability within divisions and reduce reliance on external expertise;
 - rationalise estate that is not fit for purpose, and disinvest or decommission activity that provides limited evidence of value;
 - align savings priorities across the organisation's structure to ensure that financial efficiency in one division does not result in greater costs or poor performance in another; and
 - adopt a more transformational approach to service planning and design.
- 48 Turning to performance turnaround, work is developing to address key aspects of performance, but the impact of these is not yet leading to continuous improvement in key areas:
- scheduled care – recovery plans now have greater focus on pathway efficiency and productivity than past approaches. These include recovery plans for endoscopy, orthopaedics, ophthalmology and urology. Additional funding to improve aspects of performance is likely to have some positive impact. However, there remain risks to scheduled care performance improvement which include the:
 - frequent management changes in acute services;
 - reliance on interim management staffing;
 - impact of unscheduled care on scheduled care efficiency;
 - extent that outsourcing has a positive impact on those waiting the longest; and
 - pension related taxation that is affecting availability of medical staff.
 - unscheduled care – there are a clear range of actions specifically tailored to the needs of each health economy (sub-region of North Wales) The Health Board is adopting a whole-system approach and actions link to improvement metrics, with an improved focus on prevention and diversion (in instances where patients should be seen in alternative settings). While these plans look promising, the impact of these in the short or longer term is yet to be realised.

Transformation

- 49 **The Health Board's improvement groups are developing though there is a risk they become too short term and financially focussed. There is also a need to build change and programme management capacity and capability in the organisation.**
- 50 During summer 2019, the Health Board began introducing an improvement group structure. We understand that the early intention for these 11 groups was to drive continuous improvement and support longer-term transformation. However, groups are at different states of maturity and the nature of the groups has evolved, becoming more focussed on shorter-term financial recovery than was originally intended. While there is a clear need for this focus, there must also be a focus on designing and modelling financially sustainable services that also deliver the required performance. The Health

Board is utilising external 'interim managers' to enhance existing capacity to provide improved grip and control on performance as well as supporting the development of wider improvement plans.

51 Our structured assessment work has considered progress relating to the delivery of the Health Board's annual operating plans. The Health Board's year-end report for 2018-19 on delivery of the annual operating plan identified 640 actions delivered against a plan with 766 actions. While more positive in terms of percentage than in previous years, it illustrates a focus which is more on detailed actions than on outcomes. For 2019-20, the Health Board is reporting that it is on track to deliver key aspects of the annual plan, although our review indicates that:

- progress is slower in areas that relate to clinical service change; and
- it is not easy to predict the extent that delivery of the plan at the year-end will result in a marked difference in terms of transforming the organisation into a more financially sustainable and better performing organisation.

52 As in previous years, our work indicates gaps in change management capacity and capability within the organisation. Given the extent of the need for service change, there needs to be a clear programme management structure, change programmes, programme management methodology and some thought given to the extent of central vs decentralised change capacity (**Recommendation 3**).

Previous recommendations

53 In our previous structured assessment reviews, we made the following recommendations in relation to change management and transformation. **Exhibit 6** describes the progress made.

Exhibit 6: progress on previous structured assessment recommendations

Previous recommendation	Description of progress
R1 2017 Embed a savings approach based on targeting savings at areas where benchmarking demonstrates inefficiencies, to deliver longer-term sustainability.	With the assistance of external consultants, savings schemes are better focussed across a range of areas, linked to benchmarking areas of opportunity. Recommendation closed.
R2 2017 Identify where longer-term and sustainable efficiencies can be achieved through service modernisation and application of approaches such as value-based healthcare, productivity improvements and invest to save.	There is insufficient evidence that value-based healthcare, productivity improvements, invest to save and service modernisation are having a sustained positive impact on the finances. This recommendation is open and has been amalgamated to recommendation 1 of the 2019 review.
R3 2017 Ensure that budget holders receive the necessary specialist support from enablers such as the Programme Management Office, workforce, procurement and informatics teams.	There is a significant package of work in place co-ordinated through the financial recovery group. Several interim management appointments are supporting and driving improvement. Shared Service Procurement services are actively engaged in the Health Board's financial recovery programme. Recommendation closed.

Previous recommendation	Description of progress
<p>R4 2017 Ensure that financial savings assumptions are fully integrated into annual and medium-term plans so that savings efficiencies form part of service modernisation.</p>	<p>Financial savings assumptions are clearly built into service plans and trajectories for annual planning, but this is less clear for the longer-term financial position. Recommendation closed.</p>
<p>R6 2017 Further strengthen the corporate monitoring approach to ensure it supports and enables savings plans which are slipping and encourages longer-term savings and efficiency programmes.</p>	<p>Robust corporate monitoring is taking place which clearly identifies risks to achievement of savings, monthly trajectories and early identification on slippage. There are regular challenge meetings on each savings programme. Recommendation closed.</p>
<p>R10a 2017 Ensure financial savings are embedded into change programmes and plans.</p>	<p>Financial recovery both in the short term and longer term is increasingly becoming the dominant agenda item for the improvement groups and their developing programmes. Recommendation closed.</p>
<p>R10b 2017 Strengthen capacity and capability within centrally managed change programmes.</p>	<p>The Health Board was in the process of strengthening the capacity and capability of the centrally managed change programmes, earlier in the year, but the attention has more recently been given to short-term financial recovery. There remains a need to build stronger change and programme management arrangements. This recommendation is open and has been amalgamated to recommendation 3 of the 2019 review.</p>
<p>R10c 2017 Strengthen change enabling capability and capacity in divisions.</p>	<p>There has been some improvement to change enabling capacity, particularly in the acute setting with interim management. The organisation needs to build its own capacity and reduce the reliance on interim management. This recommendation is open and has been amalgamated to recommendations 3 and 5 of the 2019 review.</p>
<p>R10d 2017 Ensure workforce, informatics and other enabling resources are integral to change delivery arrangements.</p>	<p>There are clear, approved and realistic workforce, informatics and estates plans that support and enable clinical and operational service improvements. Recommendation closed.</p>

Previous recommendation	Description of progress
R10e 2917 Ensure clinical engagement and leadership are integral elements within change programmes.	Clinical engagement in service change, improvement and modernisation remains key to effective service modelling, and long-term sustainability of services. This is demonstrated in pockets. This recommendation is open and has been amalgamated to recommendation 2 of the 2019 review.
R10f 2017 Strengthen accountability for progress against plans, including the annual operating plan and, when developed, the IMTP.	There is stronger accountability for delivery of plans and better oversight of progress. Recommendation closed.
R13 2017 Increase investment in technology where this clearly will result in a greater level of returned cashable efficiencies or transformational economies.	Plans are starting to better incorporate digital investments to create efficiencies. Nevertheless, there remains significant opportunity for digitally enabled care services to drive service efficiency and productivity across care pathways. Recommendation closed.

Governance

- 54 As in previous years, our structured assessment work has examined the Health Board's governance arrangements. We looked at the way in which the Board and its sub-committees conduct their business, and the extent to which organisational structures are supporting good governance and clear accountabilities and internal controls. We also reviewed the progress made in addressing our recommendations arising during previous structured assessment reviews.
- 55 In 2019, we found **Governance arrangements are generally improving but there is a need to strengthen aspects of the senior management structure and ensure that Board working remains cohesive and constructive.** Our findings are set out below.

Conducting business effectively

- 56 **Scrutiny and challenge – Improving scrutiny at Board and Committee meetings is resulting in better challenge although on occasion there is opportunity to make this more constructive.**
- 57 In general, governance processes supporting the Board and committees work well as do the processes followed during meetings. Since last year's structured assessment review, a new Digital and Information Governance Committee has formed and is now progressing its agenda well.
- 58 Our observations indicated that the conduct of Board and committee meetings has evolved, with a greater degree of scrutiny than in previous years. We have seen greater positive challenge from independent members which helps unpick issues and press for improvement where this is an issue. We also note that there is a better degree of transparency and in general a fair and balanced perspective on aspects of progress and challenges and risks demonstrated by both executive and independent members at Board and committee meetings. But, the length of some committee meetings

has increased as has growth in the volume of committee papers. The Health Board needs to keep this under review.

59 We have also observed committee discussions where on occasion there are concerns about the quality of papers and where the level of challenge by independent members is extensive. This sometimes requires executive directors to respond to issues of detail and does not always appear to move the organisation forward.

60 **Executive leadership – There is a need to ensure that the Executive team creates greater capacity to lead change, and stronger leadership of acute services.**

61 Over the past year, there have been changes to the Executive team with the appointment of a new Medical Director, and Acting Executive Director of Finance. There have been some minor changes in portfolios over this period, and those changes have generally had a positive effect.

62 While we did not observe executive management team meetings as part of this year's fieldwork, we found that the balance of existing executive portfolios combined with some significant pressures on capacity is not providing the important and necessary space for them to shape organisational intent. During interviews, concerns were raised around the capacity of the Executive team and the resulting impact on developing a collective and cohesive strategic vision for the organisation.

63 We have also identified concerns relating to the continuity of leadership of acute care services. This has been an issue for several years and in our view has impacted on the ability of the organisation to deliver both short-term performance improvement and longer-term sustainable models of service. We have also commented in previous structured assessment reports on the ability of the organisation to deliver change and transformation. There is clearly a need to more formally recognise transformation/programme roles within the senior management structure. As such, the Health Board should review the form and function of the executive team in regards of the points above (**Recommendation 4, 2019**). We are aware that the King's Fund is currently supporting Board and Executive development and, as their work progresses, may encompass aspects highlighted above.

Ensuring organisational design supports effective governance

64 **There has been investment to strengthen operational capacity, but the current approach is reliant on interims and there is a need to ensure a strong and formally agreed management structure for acute care.**

65 Since our last structured assessment, the Health Board has utilised additional Welsh Government funding to strengthen operational capacity through use of interim management. Our work indicates that this is both supporting operational improvements and development of service improvement plans. However, use of interims presents a risk particularly if those capabilities are lost if and when interim managers leave the organisation. The Health Board recognises the need to develop its own capacity and capability alongside that provided through interim management, but this remains a risk that needs to be mitigated (**Recommendation 5**).

66 Our work this year has considered the acute service structure. This has been problematic for many years with recurrent turnover, vacancies and changes that destabilise the continuity of management and limit the pace of improvement and the extent that improvements are embedded into organisational practice. As such, our work finds that there is a need to formalise the acute services management structure (**Recommendation 6**).

Monitoring delivery of the strategic plan

67 **There is notable improvement in the way the Health Board is monitoring its delivery of the annual plan.**

68 In previous years, we noted that Board-level oversight of delivery of its annual operational plan was insufficient. We have reviewed the current arrangements and found that the monitoring of the plan as part of the Health Board's governance arrangements has improved substantially. Reports to the Board on annual operating plan delivery have improved, more clearly identifying accountability for delivery as well as milestones of progress against expectation. Whilst the narrative within the document provides a high-level overview on progress of delivery of actions, the Health Board will need to continue to develop its reporting approach to demonstrate whether the actions have had the desired impact.

69 Below the Board, annual plan monitoring reports are provided to each Finance and Performance Committee, Strategy Partnerships and Population Health Committee and Quality, Safety and Experience Committee meeting.

Embedding a sound system of assurance

70 **Assurance and risk – The Health Board has continued to adapt its assurance and risk arrangements and recognises the need to refine this to help shape the required assurance.**

Over the last 12 months, the Health Board has prepared a Board Assurance Framework narrative document that describes governance arrangements and how assurances are managed. The Health Board regularly updates and develops its assurance mapping approach as part of its Board Assurance Framework. However, this is challenging when there continues to be a large number of organisation objectives. This would be easier if there were a smaller number of clear outcome-focussed objectives. The Health Board continues to demonstrate good practice in relation to its Legislation Assurance Framework. This work has assessed all relevant legislation and the aspects of the organisation it relates to. There remains work to do in some departments, such as Estates, to provide assurance of compliance with a range of legislation.

71 In terms of corporate risk arrangements, the Health Board is in the process of reviewing the corporate risk strategy and is likely to make several fundamental changes. These include:

- improving consistency of scoring and risk escalation processes;
- reducing the number of layers of escalation between ward and board;
- ensuring risk ownership to encourage management to resolve risks locally; and
- greater clarity on committee and Board level risk oversight.

We understand the revised risk strategy will be in place by April 2020.

72 **Internal controls – work to improve internal controls is ongoing and appropriate.**

73 We considered the work of Internal Audit, and the Post-Payment Verification team⁸. We found a well-focussed and structured programme of work for both, with enough resources for delivery, and effective approaches for reporting assurances or concerns. However, audit recommendation tracking requires some improvement. An electronic system currently tracks recommendations from internal and external

⁸ [Link to more information on post-payment verification](#)

audit reviews. However, Audit Committee members frequently raise concerns about the timeliness and accuracy of progress updates and recommendation sign-off. This issue needs resolving (**Recommendation 7**).

- 74 We reviewed progress made against our previous recommendation on the effectiveness of clinical audit. From a weak position, clinical audit arrangements are now developing at pace. There is clear senior management ownership, and this is helping to drive improvements to clinical audit policy and procedure development. This includes formality around clinical audit planning, reporting and the necessary assurance links into committees. The arrangements will take some time to fully put into place, but the level of progress is promising.
- 75 The Health Board has reviewed Standing Orders and the Scheme of Reservation and Delegation in line with the national approach with relevant local tailoring and these were presented to the full Board in November 2019 for approval.
- 76 The Health Board has continued its good work on its Register of Interests and Declaration of Gifts and Hospitality. The former has seen strengthening of management controls following an internal audit review. As part of its focus on compliance, the Audit Committee reviews the Register of Interests and Declarations of Gifts and Hospitality policy and reports. It also regularly scrutinises single tender waivers and single quotation waivers as part of its in-committee agenda.
- 77 We have not undertaken a review of the Health Board's quality governance arrangements as part of this structured assessment. A more detailed examination of these arrangements will be undertaken during 2020.
- 78 **Performance management arrangements – There is continued work to improve performance management arrangements and reporting.**
- 79 Since our last structured assessment, the Health Board has continued to adapt its performance accountability arrangements. The most notable change is the move to health economy (ie sub-regional) accountability meetings. The purpose of the move is to align aims, accountability and challenge across primary, community and acute care. Feedback from interviews on the effectiveness of these meetings is mixed, with some positive about the new arrangement and some expressing concerns about being held accountable for performance in a division despite not having any control over it. We also heard that there may be a need to strengthen the level of challenge at meetings.
- 80 Wider performance reporting to Board and committees is reasonably detailed, honest and transparent, albeit improvement actions highlighted in the reports are not consistently having a positive impact. We have noted that the structure of the integrated quality and performance report has continued to evolve positively with increasing detail in some areas.
- 81 **Arrangements to prevent, detect and respond to fraud – The Health Board has made good progress in addressing the matches identified through the National Fraud Initiative.**
- 82 The National Fraud Initiative⁹ is a biennial data-matching exercise that helps to detect fraud and overpayments. Participating bodies submitted data in October 2018. In January 2019, the Health Board received 8,896 data-matches, of which 843 were higher risk and recommended for review. As at 15 October 2019, the Health Board had reviewed most of the high-risk payroll matches with enquiries ongoing in a small number of cases. The Auditor General is undertaking further work to

⁹ [Link to National Fraud Initiative specifications](#)

examine the effectiveness of counter fraud arrangements across the public sector in Wales, with a view to publishing his findings in summer 2020.

- 83 **Health and safety – Health and Safety arrangements are improving at pace.** From a weak position in previous years, there is now clear delegated responsibility, a management oversight structure, a new Occupational Health, Safety and Wellbeing Strategy and associated programme of health and safety improvement work. This has included analysis of 31 items of Occupational Health and Safety legislation and 117 site specific inspections across acute, mental health and community services, GP practices and HMP Berwyn in Wrexham. The results of this work have now been analysed by theme and risk-rated, leading to recommendations for future improvement work and required priority actions. While there remains a large amount to do, the new arrangements provide assurance on progress.

Previous recommendations

- 84 In our previous structured assessment reviews, we made the following recommendations in relation to assurance arrangements, and the extent the financial information supports Board decision making. **Exhibit 7** describes the progress made.

Exhibit 7: progress on previous structured assessment recommendations

Previous recommendation	Description of progress
<p>R2 2016</p> <p>The Health Board should build upon its assurance mapping work and work towards a board assurance map to complement the corporate risk register, and ultimately the IMTP.</p>	<p>The Health Board has continued to make with its board assurance mapping.</p> <p>Recommendation closed.</p>
<p>R4b 2016</p> <p>The Health Board should strengthen its processes for systematically reporting, cascading and implementing lessons learnt (in relation to quality of services).</p>	<p>We will consider progress as part of our quality governance review during 2020.</p>
<p>R7 2017</p> <p>Ensure that plans presented to the Board include costed options where applicable and contain sufficient information to indicate to the Board that they are affordable in the short, medium and long term.</p>	<p>Plans presented to the Board and committees now include costings, which is helping decision-makers to understand affordability of proposals within the current budget.</p> <p>Recommendation closed.</p>

Previous recommendation	Description of progress
<p>R9 2017</p> <p>Build on the Health Board’s programme of clinical audit to ensure it:</p> <ul style="list-style-type: none"> aligns with quality strategy priorities and risks; sets out patient/quality outcomes or impact as a requirement of audit planning to help it understand the value that clinical audit is contributing; and informs the Quality, Safety and Experience Committee with clear and focussed assurance reports. 	<p>The Health Board has improved its clinical audit planning and accountability and started to consider reporting and assurance approaches. While there remains more to do, progress is positive and regularly overseen by the Audit Committee.</p> <p>Recommendation closed.</p>

Managing workforce productivity and efficiency

- 85 We considered the action that the Health Board is taking to manage its workforce. In doing so, we have reviewed the progress made in addressing our recommendations arising from our previous structured assessment reviews.
- 86 We found that **workforce management arrangements are clearly strengthening, but there remain long-standing challenges in relation to recruitment, productivity and modernisation.** Our findings are set out below.

Managing the workforce

- 87 **Recruitment and retention – The Health Board is being proactive in workforce management, but the extent of the challenges faced, particularly in relation to recruitment and retention, are significant and are likely to take several years to resolve.**
- 88 Retention remains one of the key challenges of the Health Board. The Health Board recognises the importance of appropriate staffing levels and has developed a range of priority actions to retain existing staff. The areas include targeting retention in hotspot areas, refreshing and improving the exit interview process, improving staff engagement, retirement and succession planning.
- 89 Recruitment resources have improved, and the Health Board is focussing on unique selling points for some key hard-to-fill roles, which is starting to have a positive effect. The extent of the recruitment challenge cuts across the organisation, but for some specific roles and in specialist areas, vacancies present a greater risk to service continuity and result in fragile and higher-risk services. This is an ongoing challenge and is a key reason why the Health Board needs to make urgent progress with the development of a strategy and plan clinical services.
- 90 The Health Board is developing a good working relationship with Health Education and Improvement Wales and with universities, which is helping to support local workforce development and training opportunities. While positive, this needs to expand to ensure the Health Board can continue to influence the workforce marketplace and education providers to meet its long-term workforce needs. Workforce shortages have been an issue for the Health Board for many years and will likely take several years to resolve.

- 91 **Use of a temporary workforce – The Health Board has a historically high use of agency and locum workforce, and there are specific risks going forward.**
- 92 The Health Board has a clear plan to reduce its agency costs and build its own temporary staff capacity. The Health Board has a historically high locum and agency usage. Demand for medical and nursing agency staffing has reduced from its peak in 2016-17 of £39 million to £26.9 million in 2018-19. Over this time nursing agency costs rose, but medical agency staff costs halved from £29.9 million to £14 million. Current national staff shortages in some areas, along with income tax pension liabilities for higher income staff, may limit the extent that staff wish to work over their contract hours, which could again result in increased agency staff or outsourcing costs.
- 93 Sickness absence can increase locum and agency usage. As of September 2019, the Health Board's sickness absence performance is slightly better than the NHS Wales average at 5.22%. The Health Board set out an ambitious target to reduce sickness absence to 4.2% by March 2020. The workforce team has developed a range of improvement actions but despite these efforts, sickness absence rates have continued to rise, albeit slowly.
- 94 Selected workforce statistics provide indicators of workforce trends (**Exhibit 8**). While some indicators compare favourably with the all-Wales average, those areas that affect the use of a temporary workforce, including vacancies and sickness absence, remain a concern.

Exhibit 8: performance against key workforce measures, July 2018 and July 2019

	Health Board July 2018	Health Board July 2019	Health Board July 2018 compared to 2019	Wales average July 2019
Sickness absence rates	4.9%	5.2%	↑	5.4%
Staff turnover rates	8.7%	8.5%	↓	7.1%
Advertised vacancies*	2.7%	3.0%	↑	2.9%
Staff undertaking appraisal	66.0%	79.0%	↑	70.0%
Statutory and mandatory training	85.0%	85.0%	↔	80.0%

*Advertised vacancies are only a proxy measure for overall vacancies and actual vacancies are likely to be higher.

Source: NHS Wales Workforce Dashboard, Health Education and Improvement Wales, July 2018 and 2019

Workforce design and engagement

- 95 **Workforce design – workforce planning is improving and recognises the need to support improvements in workforce efficiency.**

The current workforce strategy approved in March 2019 takes a broad approach to shape the workforce for current and future needs. The Health Board clearly recognises the challenges that it faces, including:

- recruiting and retaining clinical staff can be impacted by outdated or traditional service models;
- sustainability of several services and rotas is high-risk due to the level of vacancies within existing models;
- the level of vacancies at consultant, middle grade and trainee doctor levels as well as staff nurse vacancies and staffing challenges in GP practices;
- a significant level of 'unfunded' capacity eg escalation beds is 'stretching' the workforce; and
- high pay expenditure.

96 The Health Board recognises that it needs to improve workforce productivity and there are some examples of prudent healthcare approaches, such as the use of extended scope practitioners. The direction of travel is positive and will need to strongly support the shaping of service models and clinical pathways. There also remains significantly more to do to improve surgical and medical productivity to maximise the efficiency of existing resources. The central workforce team is in the process of consolidating with the medical workforce team and this should then support a whole system approach to organisational development.

97 **Workforce engagement – The Health Board is demonstrating a positive direction of travel in relation to staff engagement, but challenges remain.**

98 The Health Board continues its work to build staff engagement. In previous years, we have mentioned the aspects such as the annual staff awards ceremony, and the monthly Seren Betsi nomination and award. This work has continued to provide positive recognition for staff going above and beyond.

99 The Health Board received the result of the all-Wales staff survey in November 2018. From a low base in 2013, the staff survey results indicated that levels of engagement had improved in 2016 and again in 2018. The scores are now more in line with the Wales average. The Health Board's own analysis of the results presents a fair picture of both the areas of progress and the challenges. The Health Board has developed an organisation-wide improvement plan and good divisional analysis and improvement plans to respond to specific issues in different areas, and to devolve ownership. As part of the intent to obtain more regular 'temperature' of the organisation, the Health Board is now undertaking quarterly staff pulse surveys.

100 Another important aspect of workforce engagement is the process supporting appraisals and staff development. The Health Board has shown that it is taking action to improve take-up of staff Performance Appraisal and Development Reviews. It has set an ambitious target which it is not currently on track to deliver, but the month-on-month appraisal rates are far improved compared to previous years (**Exhibit 8**).

Previous recommendations

101 In our previous structured assessment reviews, we made the following recommendations in relation to targeted approaches for recruitment. **Exhibit 9** describes the progress made.

Exhibit 9: progress on previous structured assessment recommendations

Previous recommendations	Description of progress
R11a 2017 Work with educational partners, research partners and internal stakeholders to shape new job roles to increase the attractiveness of the job offer as part of clinical staff recruitment.	There is now a clear commitment to work with education partners to shape job roles to improve the attractiveness of the role, particularly for some hard-to-fill vacancies. Recommendation closed.
R11b 2017 Increase tactical recruitment capacity to support delivery of R11a.	The new workforce management structure now has stronger recruitment support capacity. Recommendation closed.

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