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Bwrdd Iechyd Prifysgol
Abertawe Bro Morgannwg
University Health Board



Meeting Date	19 April 2018	Agenda Item	2b
Report Title	Financial Governance Review		
Report Author	Pam Wenger, Director of Corporate Governance		
Report Sponsor	Pam Wenger, Director of Corporate Governance		
Presented by	Pam Wenger, Director of Corporate Governance		
Freedom of Information	Open		
Purpose of the Report	The purpose of the report is to provide an update on the recommendations and seek agreement of the outstanding recommendations for inclusion in the Governance Work Programme.		
Key Issues	This report focuses on all the board's corporate objectives but specifically relates to embedding effective governance and partnerships.		
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance
			✓
Recommendations	Members are asked to: <ul style="list-style-type: none"> • Note the report and the actions take to deliver the recommendations 		

FINANCIAL GOVERNANCE REVIEW

1. INTRODUCTION

The purpose of the report is to provide an update on the recommendations and seek agreement of the outstanding recommendations for inclusion in the Governance Work Programme.

2. BACKGROUND

An action plan was developed to address the recommendations of the report and was reviewed and agreed by the Audit Committee in March 2018. At this meeting, it was considered that some of the actions did not fully address the recommendations and therefore, further work was requested to provide the Audit Committee with full assurance. A follow-up review on the implementation of the recommendations will be undertaken by Internal Audit.

Attached at **Appendix 1** is the action plan as at end of February 2018 which has been updated to reflect the comments made by the Audit Committee in March 2018.

3. GOVERNANCE AND RISK ISSUES

It is within this context that an external financial governance review was commissioned. This provided a framework for improving financial and board-level governance and will help develop more robust arrangements going forward.

Wales Audit Office has completed its annual Structured Assessment process which has been agreed by the Health Board in March and as a result a number of the recommendations from the financial governance review have now been superseded.

The update on the current position is as follows;

- 16 recommendations have been completed (green status);
- There are six recommendations with an amber status and a number of actions have been implemented against these recommendations, however, it is considered that the recommendations cannot be fully closed down at this stage. These recommendations have now been added to the Governance Work Programme;
- There are seven recommendations which have been superseded by the recommendations of the Structured Assessment, it is therefore proposed that these are closed down as these are similar to those identified in 2017;

4. FINANCIAL IMPLICATIONS

There are no financial implications for the committee to consider.

5. RECOMMENDATION

Members are asked to:

- **Note** the report.

Governance and Assurance					
Link to corporate objectives <i>(please ✓)</i>	Promoting and enabling healthier communities	Delivering excellent patient outcomes, experience and access	Demonstrating value and sustainability	Securing a fully engaged skilled workforce	Embedding effective governance and partnerships
					✓
Quality, Safety and Patient Experience					
Ensuring the health board has robust governance arrangements is a key factor in the quality, safety and experience of patients receiving care.					
Financial Implications					
No financial implications for the committee to be aware of.					
Legal Implications (including equality and diversity assessment)					
It is essential that the health board maintains good governance arrangements and addresses the recommendations of the report.					
Staffing Implications					
No staffing implications for the committee to be aware of.					
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)					
The report outlines work undertaken by the board to address the governance review, compliance with which will improve the short term performance and finance position of the health board as well as focus on the longer term sustainability. The governance structure aims to identify issues early to prevent escalations and the committees integrate into the overall board arrangements.					
Report History	This report was first received by the committee in September 2017.				
Appendices	The current action plan is attached at appendix 1.				

FINANCIAL GOVERNANCE REVIEW ACTION PLAN

(as at end February 2018)

Performance Rationales Key

Performance Rationales	Key
Action(s) are either completed, require ongoing maintenance or on profile to achieve the target/objective.	GREEN
Actions are below target/milestone forecast but actions and resources are in place to ensure the target or measure will be achieved in the next period of performance review.	AMBER
Actions are below target/milestone forecast and no action plan / additional effort or resources are in place to ensure remedial action is timely and the objective/target will be achieved overall.	RED

Ref.	Section	Recommendation	Actions taken to date	Actions Planned	Lead	By When	Risk of Delivery
R1	A.1.1	The Health Board should seek to fill the vacant ED portfolios as a priority and should consider the appointment of a highly experienced external candidate to either the CEO or COO posts.	Appointments have been made to a number of the Executive Director posts. Interim arrangements in place for COO and Director of Nursing	No further actions identified.	CEO	Sept 2017	
R2	A.1.1	The substantive Chief Executive post-holder should embark on a comprehensive team development programme as a priority, using the 360 Review as a catalyst to drive this programme, with a view to promoting cross-disciplinary working where all EDs assume joint corporate responsibility for delivery of the full HB agenda.	Commissioned the Kings Fund to deliver a comprehensive Board Development Programme. The launch of the programme took place in April 2018. The comprehensive team development is being addressed through the Kings Fund Programme.	No further actions identified.	CEO	Sept 2017	
R3	A.1.2	The HB Chair should ensure the pending appointments to NOM roles include candidates with the	New Non Officer Members have taken up post.	Adverts for the vacant NOMs posts are being advertised in Feb/March.	Chair	Sept 2017	

Ref.	Section	Recommendation	Actions taken to date	Actions Planned	Lead	By When	Risk of Delivery
		appropriate financial and clinical skill set.	Board agreed to the appointment of an Associate Member with Clinical skills.				
R4	A.1.2	The HB Chair should consider a programme to support the development of NOMs to allow for a more balanced contribution across the group.	See note on development programme above re R2. The intention is to take an integrated approach.	No further actions identified	Chair		
R5	A.1.3	Key Board members would benefit from observing other high performing Boards to benchmark against levels of scrutiny and quality of debate.	<p>Interim Chief Executive attended Aneurin Bevan Board meeting on 26 July</p> <p>The DoF appointed in May 2017 came with over 2 years' experience as the Executive Finance Director and member of the high performing Board of Her Majesty's Courts and Tribunals Service.</p> <p>The significant change in the Board Members brings a significant level of experience and learning which can be applied across the entire board.</p>	No further actions identified.	Chair	<p>Dec 2017</p> <p>October onwards</p>	
R6	A.1.3	The Chair should put in place a comprehensive Board development programme aimed at promoting effective scrutiny and team building.	See R2 above	The Kings Fund have been commissioned to deliver this programme for the Board.	Director of Corporate Governance		

Ref.	Section	Recommendation	Actions taken to date	Actions Planned	Lead	By When	Risk of Delivery
R7	A.2.1	<p>The Board must ensure that new finance committee operates in line with good practice and provides thorough, assurance-based scrutiny of financial performance. The Board should also ensure that membership of this Committee is given appropriate consideration, to ensure sufficient financial expertise to provide this scrutiny.</p>	<p>Meetings are now held monthly which includes deep dives as part of these meetings.</p> <p>Terms of Reference and ways of working have been reviewed and refined, with input from new Board members and based on good practice. Regular reporting from the Financial and Sustainability Programme Board.</p> <p>Established an annual work programme reflecting the annual financial calendar, including regular monthly scrutiny of in-year position; balance sheet and technical; examination; capital expenditure planning and review; forecasting performance; annual budget planning and allocations process; regular reports from the Investment and Benefits Group.</p> <p>Chair for the Committee is now agreed as the Vice Chair.</p>		Director of Corporate Governance		

R8	A.2.1	Following the establishment of a finance committee, the Board should review the HB's governance structure, to ensure that it provides appropriate assurance to Board across all performance domains and that these domains are also sufficiently triangulated across the organisation.	<p>Review of governance reviews into other organisations to identify lessons learned.</p> <p>Governance Stocktake underway and paper will be presented to the Board in March 2018.</p>	<p>Completed</p> <p>Governance Stocktake R3</p>	Director of Corporate Governance	Dec 2017	
R9	A.2.2	The Board should take steps to improve financial reporting across the organisation, through the development of a detailed, monthly report that is presented at the new Finance Committee. This detailed report can then be used to develop a shorter, exception-based report for the Public Board sessions.	<p>New style Board pack of monthly management accounts is in place using data visualisation techniques in order improve transparency and accessibility at both operational, committee and Board level</p> <p>Data visualisation techniques are being used across all Finance, and Recovery and Sustainability Reporting.</p> <p>Board, P&FC improved Reporting in place from July 2017</p> <p>Improved Financial Recovery Reporting in place from July 2017</p> <p>Standardised set of Unit and Exec Monthly Finance</p>	<p>Continued development and refinement of financial reporting at each level of the Health Board.</p> <p>This will include our approach to presenting financial information for budget planning and allocation decision making, as well as for monthly management accounts reporting, and other formal reporting.</p> <p>Reference will also be made to the WAO Report on Financial Reporting in NHS Board, when it is finalised and published.</p> <p>Structured Assessment R1</p>	Director of Finance		

			Reports designed February 2018, for launch from 1 April 2018				
R10	B.1.1	The Health Board should adopt a revised approach to financial planning which includes more sophisticated financial modelling of future requirements, is not so focused on investment and which is consistent with a longer-term, over-arching strategy.	<p>Revised approach to planning development between Joint Strategy Director and Finance Director and agreed at Board meeting on 27 July.</p> <p>An Investment and Benefits Group has been established (jointly chaired by Finance Director and Strategy Director) to implement effective controls and benefits realisation discipline.</p>	<p>Review the Finance Directorate skills, capability and structures to identify and design roles, and working practices accordingly.</p> <p>Develop and implement capability Plan for Finance team</p> <p>Explore Swansea University support / advice on modelling. The need for mature financial, statistical and service modelling has been recognised and is factored into future strategy and IMTP preparation, and into emerging 2018/9 Budgeting planning.</p> <p>Demand Capacity Planning to be mobilised via R&S Programme</p> <p>The MI Data Task and Finish Group has been established and is meeting regularly. HL and LH took the prototype of the Balanced Scorecard to the Finance and Performance Committee on the 21st December 2017. Further development and needs to integrate workforce</p> <p>Financial strategy and Medium Term Financial Plan to be</p>	Director of Finance	<p>Oct 2017</p> <p>April 2018</p> <p>March 2018</p> <p>April 2018</p> <p>April 2018</p> <p>July 2018</p> <p>Advertise by March 2018</p>	

				<p>developed</p> <p>Designing a Band 8C role to lead on Medium Term Financial Planning with view to growing skills and capability of finance team to address this deficit.</p> <p>Added to the Governance Work Programme</p>			
R11	B.1.2	The Executive team needs to adopt a more integrated approach to planning under the leadership of the strategy directorate. This has the potential to take on a more ambitious and transformational approach as the appetite exists within the Delivery Units.	Targeted support secured from Deloitte.	<p>Source external support for the development of the next plan, to provide additional capacity and expertise.</p> <p>Discuss support and funding with WG.</p> <p>Added to the Governance Work Programme</p>	Director of Strategy	Sept 2017	
R12	B.1.2	The Board and Executive team must ensure that Delivery Unit plans are refreshed as a matter of urgency, in order to ensure that they are: in line with current financial circumstances; realistically achievable; drawn up early in the financial year to allow sufficient time for delivery.			Director of Strategy		
R13	B.2	The Board should consider the impact recent practices in relation to the release of non-recurrent funding flows has on the transparency of reporting at the Board and Delivery Unit levels.	Ref above R9 A.2.2 Transparent and accessible financial reporting to Board and its sub-committees will be embedded at standard practice.		Director of Finance		

			<p>The new style Board Finance Reports will also be used as the model for Board wide, including detailed analysis of recurrent / non-recurrent position 2017/18 undertaken reviewed at PFC and with WG</p> <p>Unit Financial Reporting – this will support simplification, standardisation and sharing, of data, MI, and good practice.</p> <p>Establishment of the Performance and Finance Committee.</p> <p>Reserves Policy agreement by Performance and Finance Committee in January 2018</p>				
R14	B.3	<p>The Health Board should consider our observations made in relation to its approach to CIPs including a need to: i) integrate CIPs and make them a central component of overall strategic planning and central to financial planning; and ii) take a longer term and more strategic approach to transformational cost reduction, taking advantage of the Health Board's control over the wider system.</p>	<p>Ref 10 B.1.1</p> <p>The development of the draft Annual Financial Plan has seen a change in approach to financial planning and CIP development for 2018/19. This includes the forward identification of savings across a number of areas, including service redesign, workforce and procurement, which are based on an assessment of both external reviews and our internal performance/ efficiency</p>	<p>Structured Assessment Recommendation 2 superseded this recommendation</p>	Director of Finance	December 2017	

			<p>benchmarking data.</p> <p>A new approach to budget setting and allocations means that financial plan savings elements will not be set as separate CIPs but will be actioned via budget rebasing. The savings monitoring and reporting tools are currently be revised and strengthened to provide strengthened transparency and visibility.</p> <p>The new approach also links savings planning and delivery to wider system planning, delivery and impact. Draft plans on a page are now developed, and provide an integrated assessment of delivery – to include quality & safety, performance, workforce and finance.</p>			Financial allocations and delegations for 18/19 issued in March 2018	
R15	B.5	The Board should review the role currently played by the PMO, with a focusing of clarifying the function's remit and supporting the development of clearer links and merged resource with DUs.	A review of the PMO function has been undertaken in December 2018. A new PMO lead is in post. New reporting templates for 2018/19 have been agreed to improve tracking of delivery and risk and issues management at the R&S Programme Board.	<p>Additional resourcing requirements for the PMO have been identified to support the Recovery & Sustainability Programme for 18/19. These are currently being assessed. The role of the PMO will be kept under review in 2018/19.</p> <p>Structured Assessment Recommendation 17 superseded this recommendation</p>	Director of Finance	April 2018	

R16	C.1	It is imperative that the Health Board formulates an over-arching strategic document, underpinned by a clinical strategy, which brings together the various work streams and sets the longer term vision for the organisation. This over-arching vision would then establish clear direction for the development of the IMTP, whilst also providing a framework against which to test proposed CIPs and service transformation plans.	<p>Clinical strategy discussed at Strategy Planning and Commissioning Group in October 2017 and January 2018. Plan's on track with a further review as to how to take forward.</p> <p>The digital strategy is completed; it was adopted by the Board and published it but there is no plan yet to deliver it. This will link with the digital transformation group/board that raised at Strategy group last time as was agreed in principle</p>	<p>Agree process for refresh and development of ABMU Clinical Strategy (taking into account recent announcement of boundary changes)</p> <p>Complete Clinical Strategy</p> <p>Develop over arching strategy to align clinical, workforce, digital and estates strategies</p> <p>Structured Assessment Recommendation 8 refers to the clinical strategy. This recommendation will be added to the Governance Work Programme</p>	Director of Strategy	<p>Sept 2017</p> <p>March 2018</p> <p>Sept 2018</p>	
R17	C.2	The Board should play a more central role in the process of strategy formulation, possibly through regular strategy focused development sessions or at Board away events. These sessions could also be used to develop, critique and agree the IMTP for future years.	<p>Strategy Planning and Commissioning Committee in place chaired by Board Chairman and including Executive and Non Officer Membership. This reports directly to the Board and considers annual plan/IMTP.</p> <p>Updates on IMTP/annual plan are provided at each Board briefing</p> <p>Discussion at each board development and board meeting since August 2017 and at Strategy Planning and</p>	<p>No further actions identified as this will now be picked up as part of the governance work programme.</p> <p>Superseded by Recommendation 15 Governance Work Programme</p>	Director of Corporate Governance		

			<p>Commissioning Group in October 2017 and January 2018.</p> <p>Agreed at the Board Development in February that the Board Workshops should be used to focus on strategy.</p>				
R18	D.1	<p>The HB should consider elevating the formal status of Divisional Medical Directors (and, subsequently, Clinical Directors) so that they have the same level of accountability and responsibility for delivery of all aspects of their unit/service agenda as Service Directors/Managers. This initiative should be driven by the Health Board Medical Director.</p>	<p><i>NB The structure and roles within the existing triumvirates were considered in depth prior to the implementation of the new management arrangements. It should be noted that the new UMD roles are significantly larger than the previous Clinical Director roles (and CD roles in other health organisations) consequently require significant leadership and management experience and expertise. An immediate change to these arrangements has the potential to cause further disruption.</i></p>	<p>Review the functioning and structure of the triumvirate arrangements when the management arrangements have been fully embedded.</p>	Medical Director	March 2018	
R19	D.1	<p>The HB should consider the introduction of greater standardisation in relation to divisional governance and leadership and define the parameters for operating within an Accountability Framework.</p>	<p>Performance Improvement Framework drafted</p> <p>Internal Audit review of unit governance arrangement are ongoing</p>	<p>Governance Stocktake in progress and this will include the development of corporate standards and governance arrangements for Units.</p> <p>Added to the Governance</p>	Director of Corporate Governance	May 2018	

		This should include guidance on reporting templates, meeting agendas and performance management arrangements.	Guidance on templates etc agreed for ET and Board meetings	Work Programme			
R20	D.1	The HB should consider the introduction of a formal leadership development programme for senior leaders at the HB, including all Delivery Unit, Divisional and Service leads.	Senior leaders have participated in a range of leadership programmes over the last 2 years including team building, values programme and individual programmes such as the Medical Leadership Programme.	See R2	Director of Workforce and OD	September 2017	
R21	D.1	The Board should work with the Delivery Units to establish impactful cross-unit forums, to reduce silo-working and develop greater integration across units.	Fortnightly meetings with Units and Executive Team on Performance and Finance established and Sustainability Operational Group. Meeting structure now needs a fundamental review.	Consider inclusion of Service Directors in Executive Team meeting (NB R18 above)	CeO	September 2017	
R22	D.2	The HB should consider a monthly Executive performance review meeting cycle in line with best practice but ensure that the meetings provide the appropriate level of rigour to hold divisional leadership teams to account whilst supporting their strategic development.	Currently individual Unit performance reviews are quarterly with a focus on fortnightly reviews of key finance and performance indicators to keep pace and momentum on Planning for 2018/19 includes Board involvement at an early stage. First workshop session to be held in August 2017. Internal escalation framework agreed for issues that need a more regular review.	Superseded by Structured Assessment R2.	Director of Strategy	January 2018	

R23	D.3	In light of the findings above, the Board should develop financial reporting across the Delivery Units. Where appropriate, this should be developed in a consistent manner, to allow for ease of comparison across units and to support the sharing of best practice.	<p>Ref above R9 A.2.2</p> <p>Ref above R13 B.2</p> <p>In hand via new style Board Reporting, using data visualisation techniques.</p>	Superseded by Structured Assessment R2.	Director of Finance	April 2018	
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