

## ABM University LHB

**Unconfirmed**

Minutes of the Special Meeting of the Health Board  
held on 30<sup>th</sup> May 2018 at 12.30pm  
in the Baglan Community Church

**Present**

Andrew Davies	Chair / Non-Officer Member
Tracy Myhill	Chief Executive
Emma Woollett	Vice-Chair / Non Officer Member
Martin Sollis	Non-Officer Member
Jackie Davies	Non-Officer Member
Martyn Waygood	Non-Officer Member
Maggie Berry	Non-Officer Member
Tom Crick	Non-Officer Member
Angela Hopkins	Interim Director of Nursing and Patient Experience
Lynne Hamilton	Director of Finance
Mark Child	Non-Officer Member

**In Attendance:**

Pam Wenger	Director of Corporate Governance/ Board Secretary
Emrys Davies	Non-Executive, Welsh Ambulance Service NHS Trust
Andrew Biston	Head of Accounting and Governance
Geraint Norman	Wales Audit Office
Liz Stauber	Committee Services Manager

<b>76/18</b>	<b>APOLOGIES</b>	<b>Action</b>
	Apologies for absence were received from Ceri Phillips, Non-Officer Member; Hamish Laing, Medical Director; Hazel Robinson, Director of Workforce and Organisational Development (OD); Siân Harrop-Griffiths, Director of Strategy; Sandra Husbands, Director of Public Health; Alison James, Associate Board Member; Christine Morrell, Director of Therapies and Health Science and Chris White, Interim Chief Operating Officer.	
<b>77/18</b>	<b>OPENING REMARKS</b>	
	Andrew Davies welcomed everyone to the special meeting of the health board to adopt the annual accounts, in particular Andrew Biston and Geraint Norman.	
<b>78/18</b>	<b>DECLARATION OF INTERESTS</b>	
	There were no declarations of interest.	

79/18	FINANCIAL ACCOUNTS 2017-18
	<p>A report and presentation outlining the annual accounts for 2017-18 were <b>received</b>.</p> <p>In introducing the accounts, Lynne Hamilton highlighted the following points:</p> <ul style="list-style-type: none"> <li>- The Audit Committee had received the accounts in draft and final form and had agreed to recommend them to the board for approval that morning;</li> <li>- Capital resource performance had an underspend of £42,000, which was 0.10% of the target, which meant that the duty to break even against the capital resource limit over the three years (2015-16 – 2017-18) had been met;</li> <li>- The health board had failed to meet two statutory duties: <ul style="list-style-type: none"> <li>• Revenue resource performance had an overspend of £32.4m, which was 2.96% of the target;</li> <li>• It did not have an approved integrated medium term plan (IMTP – three year plan)</li> </ul> </li> <li>- It also failed to meet the Welsh Government best practice target of paying non-NHS invoices within 30 days;</li> <li>- Expenditure in primary care had increased in 2017-18 which reflected the health board's ambition to move more services into the community;</li> <li>- The reduction in the expenditure on healthcare from other providers was as a result of hosting responsibilities for the South West Cancer Network transferring from the health board to Public Health Wales;</li> <li>- Pay expenditure had been contained to a 5.1% increase despite the pressures of the pay award, living wage increase and apprenticeship levy;</li> <li>- Despite increasing continuously for the previous years, hospital and community drugs expenditure had plateaued this year which thanks in part to strong clinical leadership as well as the price change for hepatitis C medication;</li> <li>- A direct focus had been given to the recruitment of administration and clerical posts with a scrutiny panel established to review all applications to fill vacancies which had decreased the number of posts advertised. It had also reduced agency costs by replacing such posts with substantive roles;</li> </ul>

	<ul style="list-style-type: none"> <li>- There had been a significant increase in clinical negligence provisions due to the change in the discount rate from 2.5% to 7.5%. Obstetric cases continued to be the most significant.</li> </ul> <p>In discussing the report, the following points were raised:</p> <p>Emma Woollett queried the criteria to gain an approved IMTP and asked whether it required the health board to have a balanced financial position. Tracy Myhill responded that an overspend could occur in one year but would need to be recovered within the three-year period.</p> <p>Emma Woollett noted the £170m provision for clinical negligence cases which was already accounted for and queried as to whether there should be other monies held in case of additions. Andrew Biston advised that the first £25k was the health board's liability with the Welsh Risk Pool paying the remainder. However as the Welsh Risk Pool was funded by Welsh Government through a risk assessed process, should its expenditure exceed the allocations provided by health boards, a metrics would be use to determine the additional monies each organisation should contribute based on its usage of the service. Emma Woollett queried as to where in the rankings the health board in terms of seeking money from Welsh Risk Pool. Andrew Biston advised that it was based on service profiles and the health board was second as it provided a number of specialist services. Lynne Hamilton commented that previously health boards had been advised to hold some monies in reserve which were subsequently released however in 2017-18, the national advice had been to not put anything additional into the plan.</p> <p>Angela Hopkins stated that unfortunately, any organisation with obstetrics and neonatal services were in similar position with regard to clinical negligence claims as such cases tended to be high cost as well as historical, as usually they were not submitted until the child was of an age where the outcome could be accurately measured. She added that Welsh Risk Pool used certain metrics to assess risk statuses and often undertook inspections of high-risk areas such as theatres, emergency departments and obstetrics services, and the visits to ABMU areas always had good outcomes. In addition, the health board was fully compliant with safeguards and national midwifery staffing levels.</p> <p>Mark Child queried whether the health board paid staff the living wage. Tracy Myhill advised that the bottom level of the lowest pay band had been removed so all staff were paid above the living wage. Mark Child queried on that basis, why was the living wage a mitigating factor in the health board's pay expenditure increase. Lynne Hamilton undertook to review this and provide numbers and</p>	
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	<p>values.</p> <p>Tracy Myhill noted that while the health board did provide high-risk services, it needed to ensure that its clinical negligence cases were not out of sync with other organisations. She queried as to why there were no obstetric cases more recent than 2015. Angela Hopkins responded that these would be received in a few years once a diagnosis or assessment of deficit had been completed.</p> <p>Tracy Myhill commented that the reduction in agency spend for medical and dental and the increase in substantive of whole time equivalents was a double achievement but there were more opportunities within this area which the Director of Workforce and OD was considering.</p> <p>Tracy Myhill stated that the accounts claimed that the health board had no 'inwards' secondments but this was incorrect, as the Interim Chief Operating Officer was one. Lynne Hamilton responded that the board did not have a central database in which to record secondments and in previous years it had been agreed to record this figure as zero. She added that going forward, she would work with the Director of Workforce and OD to develop a repository of information for internal and external secondments, but undertook to include the Interim Chief Operating Officer in the current iteration of the accounts.</p> <p>Tracy Myhill referenced the entries relating to a payment to a former Chief Executive and Director of Human Resources (HR), adding that it could not have been made to both. Andrew Biston responded that in 2016-17 it was the Chief Executive and this year it had been the Director of HR and undertook to make this clearer.</p> <p>Tracy Myhill queried what it meant in practical terms to fail to meet the health board's duties. Martin Sollis advised that a similar question had been raised at the Audit Committee that morning and the health board should not be in a non-statutory position as it was unlawful spending. He added that the aim needed to be to get back on track and drive efficiencies, value and breakeven across three years. In addition, the position led to the health board having qualified accounts which was a public way of saying it was not where it needed to be and it was its responsibility to put it right.</p> <p>Emma Woollett stated it was important for the board to know when it would likely be in a position to have an IMTP and consideration needed to be given to starting the process. Tracy Myhill stated that she was hopeful that the process would commence in 2019-20 or 2020-21 and more detailed conversations were required over the next few months.</p> <p>Mark Child commented that consideration was needed as to how the non-achievement of duties meant the health board was</p>	<p>LH</p> <p>LH</p> <p>LH</p>
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	<p>perceived by ministers and the public, noting that performance had improved from the year before with the ambition of meeting the public's health needs. He added that ABMU did need a plan going forwards and should compare itself with other health boards.</p> <p>Andrew Davies stated that the discussion had been useful and the health board's future ambition had to be to meet statutory responsibilities, including what plans were required to achieve this. He noted that ABMU had been asked to appear in front of the Public Accounts Committee (PAC) and queried if this was the case for all health boards. Tracy Myhill advised that a number of health boards had been invited to attend PAC in July 2018 to discuss their financial positions and systems of recovery. She added that this was not limited to those with an escalation status as a health board which had achieved balance had also been invited as a potential learning opportunity for others.</p>	
<b>Resolved:</b>	<ul style="list-style-type: none"> <li>– The annual accounts 2017-18 be <b>approved</b>, subject to the changes discussed.</li> <li>– A review be undertaken of the numbers and values of salaries in-line with the living wage.</li> </ul>	<p><b>LH</b></p> <p><b>LH</b></p>
<b>80/18</b>	<b>REPORT FROM THE AUDIT COMMITTEE CHAIR</b>	
	<p>An oral report from the chair of the Audit Committee was <b>received</b>.</p> <p>In introducing the report, Martin Sollis highlighted the following points:</p> <ul style="list-style-type: none"> <li>- The Audit Committee had scrutinised the accounts in detail including the analytical details, movements, major judgements and investments and disclosures;</li> <li>- The committee had also fully reviewed the accountability report;</li> <li>- It had requested minor amendments on both reports which had been completed;</li> <li>- Assurance could be provided due to the quality of the work undertaken to produce the annual accounts;</li> <li>- The health board should be proud of its accounts team</li> </ul>	
<b>81/18</b>	<b>WALES AUDIT OFFICE ISA 260 AUDIT OF FINANCIAL STATEMENTS</b>	
	Wales Audit Office's ISA 260 audit of the financial statements, including the letter of representation and response to audit	

	<p>enquiries, was <b>received</b>.</p> <p>In introducing the report, Geraint Norman highlighted the following points:</p> <ul style="list-style-type: none"> <li>- It was the Auditor General's intention to issue a qualitative opinion on the 2016-17 annual accounts, supported by a substantive report. This was a similar position to the previous year;</li> <li>- The audit of the annual accounts was 99% complete and the final versions would be submitted at the end of the week, subject to minor changes;</li> <li>- The auditors' report would be issued upon receipt of the letter of representation;</li> <li>- There were no uncorrected mistakes with some minor corrected ones; none of which affected the bottom line;</li> <li>- No significant concerns had been highlighted within the financial process therefore the health board could take assurance that the system was working well;</li> <li>- The financial statements provided for the audit were high quality and thanks were offered to the finance team;</li> <li>- There were no issues or material weaknesses which needed to be reported to the board, nor any independence conflicts for the auditors;</li> <li>- The reason for a qualitative opinion was the failure to achieve a balanced financial position and the failure to have an approved integrated medium term plan (IMTP – three year plan).</li> </ul> <p>In discussing the report, the following points were raised:</p> <p>Andrew Davies echoed the comments of Martin Sollis and Geraint Norman, acknowledging the hard and high quality work of Lynne Hamilton, Andrew Biston and the accounting team.</p> <p>Pam Wenger advised that the letter of representation and response to audit enquiries had been considered at the Audit Committee that morning and were recommended to the board for approval.</p>
<b>Resolved:</b>	<ul style="list-style-type: none"> <li>- The report be <b>noted</b>.</li> <li>- The letter of representation and response to audit enquiries be <b>approved</b>.</li> </ul>
<b>82/18</b>	<b>ACCOUNTABILITY REPORT 2017-28</b>

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The accountability report for 2017-18 was **received**.

In introducing the report, Pam Wenger highlighted the following points:

- The accountability report formed part of the organisation's annual report;
- It had been developed in partnership with the executive directors and scrutinised by the Audit Committee as well as internal and external auditors;
- It was a balanced and fair report which provided transparency as to the health board's governance arrangements;
- The report reflected the fact that the health board had failed to meet two of its statutory duties which was a breach of standing orders and standing financial instructions;
- It also demonstrated that it had been a challenging year for the board with significant changes within the membership, particularly for the executive team;
- The governance arrangements and improvements to be made going forward were also recognised;
- Progress against the financial governance review was outlined;
- The report highlighted key risks for the organisation, including the financial deficit and recent business continuity incidents, as well as the requirement to meet the Nurse Staffing Levels (Wales) Act 2016 requirements;
- The appended remuneration report was to be amended further to separate the Medical Director's clinical excellence award from his salary and narrative added to provide context;
- There was also to be an amendment to the total contingencies amount in the final appendix;
- The board could take *limited assurance* from the internal audit opinion for the organisation and had identified areas of weakness but plans were in place for improvement;
- The accountability report had been scrutinised by the Audit Committee and following a number of suggested amendments, it had been recommended for approval by the board.

In discussing the report, the following points were raised:

Martin Sollis confirmed that the Audit Committee had fully

scrutinised the report and felt it was a fair reflection of the risks.

Emma Woollett commented that it was disappointing to see a *limited assurance* rating for the internal audit opinion. She added that she was aware of the improvements being made within corporate governance but had concerns in relation to the quality and safety domain which the board was less sighted on, and did not want to see a similar position the following year. Pam Wenger responded that the internal audit opinion was a fair reflection of the position and was a result of internal audits receiving a *limited assurance* during the original review as well as the follow-up as changes had not been made. She added that the health board had a good relationship with the internal audit service which had reviewed a wide range of areas.

Martin Sollis advised that the Audit Committee was considering how best to target some of the higher risks in more depth as improvements needed to start being made. He added that consideration should also be given to the fact that *limited assurance* ratings had been given for areas which the board had asked to be reviewed as it had concerns.

Emma Woollett queried as to whether it was unrealistic to expect the clinical governance domain not have *limited assurance*. Martin Sollis responded that there were fundamental areas which needed to be considered which had been an issue for some time. He added that work was in transition which would hopefully address some of the issues.

Angela Hopkins commented that the reasons for internal audit providing a *limited assurance* view on some areas had been that there had been limited learning which had not been shared across the board, therefore common issues were being identified time and time again. She added that more 'joined-up' learning was becoming more evident and one of the key mechanisms was a quality improvement approach which enabled staff to see the evidence for themselves as to the need for change. This intelligence formed part of the unit performance reviews in order to hold people to account.

Lynne Hamilton commented that for new executives joining the organisation, it was an opportunity to ask for reviews in areas in which they had concerns therefore it was inevitable that *limited assurance* ratings would be given. She added that hard work was required in order to make improvements and the way in which audits were responded to was key. As a result, she and Andrew Biston were to work with Pam Wenger to review the legacy of internal audit reports to create an accurate picture of the current issues and challenges.

Lynne Hamilton referenced the appendix outlining the number of



	<p>board and committee meetings attended by each member and suggested that going forward it could include the number that was possible for someone to attend. Pam Wenger responded that this could be considered for future iterations.</p> <p>Tracy Myhill commented that there was significant work to do but it could not all be completed at once, therefore it was important to join up the systems and take everything step-by-step. She added that a collective view needed to be taken of previous years to determine the risk areas on which to focus.</p> <p>Tracy Myhill stated that to have a <i>limited assurance</i> internal audit the first time that an area was reviewed was okay as the request for a review was an opportunity to consider an area of concern. However it was an issue should the follow-up review also be of <i>limited assurance</i> and that would need further examination. She added the continued <i>limited assurance</i> within fire safety was a concern but a Health and Safety Committee had been established to take forward the issues.</p> <p>Tracy Myhill noted the risk metrics included within the accountability report and advised that how the organisation managed risks going forward needed to be considered. She added that corporate performance reviews had been established and risks and internal audits would be taken into account.</p> <p>Tracy Myhill referenced the business continuity incidents following outages within the national programme and advised that she had written to the Chief Executive of Velindre NHS Trust as the accountable officer for the NHS Wales Informatics Service. She added that a report had been received which outlined the cause of the problem and there were a number of recommendations for the health board to consider. Martin Sollis stated that the Audit Committee had since been advised of further outages and it was crucial that the health board received a response to its letter to the accountable officer.</p> <p>Martyn Waygood commented that it was pleasing that the Health and Safety Committee had been established and that he as chair was working closely with the head of internal audit to address some of the issues.</p> <p>Emma Woollett advised that she had not been included within the declarations of interest register. Pam Wenger undertook to correct this.</p> <p>Emma Woollett noted the appendix outlining the reports received by the Audit and Quality and Safety committees querying as to why the Performance and Finance Committee was not included. Pam Wenger advised that the Audit and Quality and Safety committees were the only statutory committees that standing orders required</p>
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	<p>the board to have.</p> <p>Emrys Davies commented that he was not concerned by the <i>limited assurance</i> ratings as it meant that the health board was reviewing the right areas to identify weaknesses. Emma Woollett concurred but added that it was concerning when the sum total of all the internal audits throughout the year had a <i>limited assurance</i> rating.</p> <p>Andrew Davies noted a reference to the development of the health board values and asked that this be amended to reflect the fact that the process had involved <i>all</i> staff, not just those in hospitals, as well as patients, service users and their families/carers. He added that there were also inconsistencies as to how many independent members the health board had as well as the tenures of some of the board members within the declarations of interest register. Pam Wenger undertook to address these.</p> <p>Andrew Davies commented that the health board worked in a collaborative environment but it was unclear whether the governance arrangements reflected this. He added that it needed to be clarified how ABMU engaged with partners and that the governance systems were robust.</p> <p>Andrew Davies thanked Pam Wenger for a comprehensive report.</p>
<b>Resolved:</b>	The accountability report 2017-18 be <b>approved</b> , subject to the changes discussed.
<b>83/18</b>	<b>HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT (EXECUTIVE SUMMARY)</b>
	The executive summary of the head of internal audit annual report, including the final audit opinion, was <b>received</b> and <b>noted</b> .
<b>84/18</b>	<b>ANY OTHER BUSINESS</b>
	There was no further business and the meeting was closed.
<b>85/18</b>	<b>DATE OF NEXT BOARD MEETING.</b>
	31 <sup>st</sup> May 2018, Waterton Technology Centre.
<b>86/18</b>	<b>MOTION TO EXCLUDE THE PRESS AND PUBLIC</b>
<b>Resolved:</b>	Press & Public be excluded in accordance with Section 1(2) and (3) of Public Bodies (Admission to Meetings) Act 1960

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Andrew Davies (Chairman)

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Date: