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Structured Assessment 2017 – **Velindre NHS Trust**

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Summary report

Introduction and background

1 Our structured assessment work helps inform the Auditor General's views on Velindre NHS Trust's (the Trust) arrangements to secure efficient, effective and economic use of its resources. Our 2016 work concluded: Governance and assurance arrangements have improved again this year and whilst financial management remains generally sound, the Trust is at risk of not achieving financial balance.

2 As in previous years, our 2017 structured assessment work has reviewed aspects of the Trust's corporate governance and financial management arrangements, and, in particular, the progress made in addressing the previous year's recommendations. Recognising the growing financial pressures faced by many NHS bodies and the challenge of meeting the financial breakeven duties set out in the NHS Wales Finance Act (Wales) 2014, we have also reviewed the Trust's arrangements to plan and deliver financial savings.

3 We have used this year's structured assessment to gather evidence to support a pan-Wales commentary. It will set out how relevant public sector bodies are working towards meeting the requirements of the Wellbeing of Future Generations Act (Wales) 2015. That commentary will be reported separately early in 2018.

4 The findings set out in this report are based on interviews, observations at Board, committee and management group meetings, together with reviews of relevant documents and performance and finance data.

Key findings

5 Our overall conclusion from 2017 structured assessment work is that the Trust has continued to progress ambitious change programmes and has made improvements to its governance arrangements although some difficult challenges have emerged and there are growing financial risks. The reasons for reaching this conclusion are summarised below.

Financial planning and management

6 In reviewing the Trust's financial planning and management arrangements, we found that the Trust delivered its 2016-17 savings target and is on track in 2017-18 but financial challenges have prompted a reactive approach to savings and it needs to focus on more sustainable savings in the longer term.

Financial performance

7 In 2016-17, the Trust maintained its track record of achieving its financial targets, delivering financial balance again as in previous years. Although the Trust has previously been self-reliant in delivering as planned, additional Welsh Government

funding of £400,000 was received which enabled the Trust to achieve the year-end breakeven position.

8 Our work on the planning of financial savings this year, concluded that the Trust over-delivered against its overall 2016-17 savings plan despite large variation in the achievements of individual savings schemes. The Trust's savings plans increasingly rely on non-recurrent savings and the Board has been informed about the potential for a year-end deficit for 2017-18. We came to this conclusion because:

- during the 2016-17 financial year, the Trust achieved £1.788 million in savings against a plan of £1.436 million.
- there was a high degree of variation in the success of individual savings schemes, suggesting there is further scope to improve the way the Trust plans and delivers savings.
- of the total amount of savings achieved by the Trust in 2016-17, 29% was through non-recurring savings. The savings plan for 2017-18 increases the Trust's reliance on non-recurring savings.
- at its September 2017 meeting, the Trust Board was informed of a potential year-end deficit of £0.54 million for 2017-18. The main reason for this potential deficit is that the Trust had assumed that recurrent funding for the 2016-17 pay award would be provided by its commissioners. The matter went to arbitration by the Welsh Government and the Trust was not successful. Whilst a potential deficit has been highlighted, the Trust continues to report a year-end breakeven position within its monitoring returns to the Welsh Government, whilst further engagement continues with the Welsh Government and commissioners.

Financial savings planning and delivery

9 The Trust recognises it needs to strengthen the way it plans savings in the future through service modernisation and the introduction of a new financial contracting model with commissioners. We came to this conclusion because:

- the extent of changes to the number and value of savings schemes at Velindre Cancer Centre (VCC) reflects the challenging nature of identifying achievable and recurring savings at VCC.
- whilst awaiting the outcome of the arbitration case referred to in paragraph 8, there has been uncertainty in the Trust about the level of savings it would be required to make. This prompted a reactive approach to the planning and delivery of savings during 2017-18.
- the Trust has recognised that it needs a more sustainable approach to delivering savings and is now seeking longer-term improvements and efficiencies through a number of large-scale programmes.

Financial savings monitoring

10 With growing financial pressures, the Trust will need to improve the way it learns from the success and limitations of previous savings schemes and consider tightening its senior level scrutiny of savings. We came to this conclusion because:

- the Trust has not undertaken a formal evaluation of the successes and limitations of the 2016-17 savings schemes. There is limited evidence to suggest the Trust is learning from the experience of previous savings schemes to develop more effective schemes in future.
- the Board and Planning and Performance Committee are routinely provided with information on savings performance but the level of detail does not facilitate in-depth challenge and scrutiny.

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

11 Last year, we recommended that the Trust should review the content of its finance reports to the Board. We said the review should consider whether the report would benefit from strengthened balance sheet monitoring information, a summary of risks and their potential impact and overspends linked to an analysis of the underlying issues. The Trust has not yet implemented this recommendation.

Governance and assurance

12 In reviewing the corporate governance and board assurance arrangements, we found that the Trust has made some clear improvements to governance this year although progress on risk management is mixed, challenges have arisen in relation to funding and hosting and information governance needs further strengthening.

Strategic planning

13 This year the Trust again secured Welsh Government approval for their Integrated Medium Term Plan (IMTP) although unmet funding assumptions and the resultant funding gap prompted a series of actions to reprioritise the objectives in their plan. We came to this conclusion because:

- the Trust's capacity and capability for planning appear to be improving. The approach to planning is now less reliant on the corporate planning team, with greater involvement from divisional heads of service, as well as staff from Finance and Workforce and Organisational Development.
- the IMTP for 2017-18 to 2019-20 was approved by the Welsh Government but included assumptions that the Trust's funding would increase. The arbitration case resulted in a £1.345 million funding gap in the plan.

- the Trust has used reserves to mitigate the impact of the funding gap, and has carried out scenario planning to consider which of its planned activities for this year may need to be paused.
- funding issues in the Transforming Cancer Services (TCS) programme have compounded the Trust's financial pressures. The Trust has decided to go at risk to meet ongoing costs of the TCS whilst it awaits a decision on funding from the Welsh Government.

Organisational structure

14 The Trust is clarifying and strengthening its hosting arrangements following a critical report into incident reporting involving the NHS Wales Informatics Service (NWIS) and the Trust may need to think more strategically about how to create cohesive divisional working. We came to this conclusion because:

- our interviews with Independent Members suggest a continued lack of clarity around the governance of NWIS. The lack of clarity was reinforced by a report from the NHS Wales Delivery Unit in relation to the reporting and management of serious incidents between NWIS, the Trust and the rest of NHS Wales. An Internal Audit report also this year commented on the complicated nature of NWIS's governance arrangements.
- the Trust is now taking action to strengthen the governance arrangements related to hosting NWIS. The Trust has drafted a set of requirements that aim to clarify and strengthen arrangements for governance and assurance.
- the Trust has taken further action this year to promote joint working between its divisions. However, our interviews revealed mixed opinions on the extent of progress.

Board and committee effectiveness and assurance frameworks

15 The Trust has taken clear actions to improve Board and committee effectiveness and the new board assurance programme provides a key opportunity to strengthen the assurance framework. We came to this conclusion because:

- there is now closer working between the corporate governance team and committee chairs. In addition, new standardised committee highlight reports are now adding value to Board updates from committee chairs.
- our observations this year noted that Board and committee meetings continue to be positive environments. We observed some specific examples of particularly effective discussions that are described later in this report.
- improvements are underway to the Organisational Learning Sub Committee although improvements to the Research and Development Committee have been delayed by the departure from the Trust of two key officers.
- the Trust has managed effectively the turnover of Independent Members. The new members settled quickly and are already having positive impacts.

- a board assurance programme is in its infancy. The aim is to develop a fully mapped board assurance framework, starting from the Trust's corporate objectives, identifying the risks to those objectives, then deciding the controls required to mitigate those risks. There is a need to raise awareness of the programme amongst Independent Members to ensure Board ownership of this important work.

Risk management

16 There has been mixed progress in addressing our risk management recommendations and some of the significant challenges experienced by the Trust this year were not described clearly enough in the corporate risk register. We came to this conclusion because:

- the Trust has taken numerous steps over the last few years to strengthen its risk management approach. Nevertheless, progress has been mixed in implementing our recommendations on risk management.
- an Internal Audit report gave a 'reasonable assurance' rating on risk management this year.
- whilst we recognise the Trust has made improvements over a number of years to the way that risk is discussed, we also observe that the corporate risk register could have included more explicit descriptions of the major challenges that have arisen this year. The board assurance programme now presents a key opportunity to consider the next steps for improving risk management.

Information governance

17 Some information governance policies are under review and whilst the Trust is preparing for the new General Data Protection Regulation (GDPR), this matter does not appear on the risk register. The Trust is also learning lessons following an internal investigation into a serious data breach. We came to this conclusion because:

- we found that the Trust has information governance policies and procedures in place and some key policies are under review.
- the Information Governance and Information Management and Technology Committee provides assurance to the Board but is not regularly attended by the Trust's Caldicott guardians.
- the Trust formally monitors its compliance with Caldicott requirements but does not maintain a record of information sharing protocols and data disclosure agreements.
- the Trust has set up a group to act upon the requirements of the GDPR. Given the financial and reputational risks associated with not complying with GDPR, the Trust should consider including this matter in its risk register.

- the Trust reported three suspected data breach incidents to the Information Commissioner's Office (ICO) this year. At the time of our audit, the ICO had closed two of the incidents and was yet to decide on the third, which related to a cyberattack on a radiation protection service. During our clearance process, the ICO closed the third incident and the Trust is now implementing recommendations for improvement following an internal investigation into this matter.

Performance reporting

18 The picture of performance in the Trust remains generally positive and performance reporting continues to evolve although difficulties remain in benchmarking and measuring outcomes. We came to this conclusion because:

- performance levels described in the Trust's performance reports remain largely positive;
- the Trust's approach to performance reporting has continued to evolve this year, although further progress has probably been constrained by the departure of the member of staff leading a review of the Trust's performance management framework; and
- the Trust continues to find it difficult to benchmark itself against comparator bodies, and to develop meaningful outcome measures.

Other enablers of the efficient, effective and economical use of resources

19 We found that the Trust is progressing ambitious change programmes and has set out its plans for digital excellence but there are weaknesses in relationships with commissioners and mixed success on workforce issues.

Arrangements to support the delivery of change

20 The Trust is managing some major change programmes that are placing additional pressures on the organisation but have the potential to create significant benefits. We came to this conclusion because:

- Velindre is a relatively small organisation going through some ambitious change programmes. The extent of change is placing additional pressure on staff but is also providing opportunities for staff to challenge themselves and drive positive, long-term change.
- progress has been slower than expected in implementing a recommendation from the 2015 structured assessment to risk assess the adequacy of senior leadership capacity to deliver large-scale change.
- the TCS programme has been a major area of focus for the Trust this year and whilst it has taken some key steps forward (such as securing outline

planning approval for the new hospital), it has also begun to experience challenges around finances, scheduling and stakeholder engagement.

- in addition to TCS, the Trust has launched an ambitious change programme at the Welsh Blood Service (WBS) called Blood Supply Chain 2020, and is seeking to drive cultural change through its Building Excellence organisational development strategy. Evaluation of Building Excellence suggests a need to accelerate its impacts and increase its visibility.

Arrangements to manage the workforce efficiently, effectively and economically

21 The Trust's workforce-related performance is mixed, workforce planning remains in its infancy and there have been difficulties with recruitment and appraisals. We came to this conclusion because:

- structured assessments going back to 2014 have highlighted scope to strengthen workforce planning in the Trust. Modelling of the long-term workforce needs is not yet commonplace in the Trust.
- data on workforce metrics suggest Velindre spends comparatively less than other health bodies on agency staff and the Trust performs comparatively well in relation to time taken to recruit staff. Whilst sickness absence rates are lower than the NHS Wales average, the Trust is not meeting the Welsh Government target.
- a sustained management focus on performance and development reviews (PADRs) has contributed to a general improvement in completion rates. However, the Trust continues to perform below its target on PADRs.
- the Trust has suffered complications with recruitment this year. Difficulty in recruiting junior doctors has led to plans to revise the clinical model at VCC. There have also been problems in recruiting staff for the TCS programme, as well as in recruiting pharmacists and scientists at VCC and WBS.

Stakeholder engagement and partnership working arrangements

22 Funding issues have highlighted weaknesses in the relationship between the Trust and its commissioners, and issues remain in the effectiveness of the Local Partnership Forum. We came to this conclusion because:

- the arbitration case and its associated funding issues have highlighted weaknesses in the relationship between the Trust and its commissioning health boards; and
- we also found that whilst the Trust has reviewed the terms of reference of the Local Partnership Forum, problems remain in relation to poor attendance and engagement at the forum.

ICT and use of technology

23 The lack of an informatics strategy has contributed to delays in adopting a Trust-wide approach to informatics. A new strategic outline programme for digital excellence is a key building block in strengthening the delivery of local and national requirements. We came to this conclusion because:

- the Trust has been without an up-to-date digital strategy or informatics strategy in recent years. However, a strategic outline programme for Informatics Digital Excellence was approved by the Board this year; and
- at the time of drafting, the Trust was planning to develop a digital strategy and to carry out an organisation-wide review of informatics to identify areas where a corporate approach to informatics can be adopted.

Recommendations

24 Recommendations arising from the 2017 structured assessment work are detailed in Exhibit 1. The Trust will also need to maintain focus on implementing any previous recommendations that are not yet complete.

25 The Trust's management response detailing how it intends responding to these recommendations is included in Appendix 1.

Exhibit 1: 2017 recommendations

2017 recommendations	
Planning of financial savings	
R1	The Trust should review its approach to planning financial savings in order to reduce its reliance on non-recurrent savings schemes and identify realistic sustainable savings options going forward.
Formal evaluation of savings	
R2	The Trust should annually evaluate the success and failure of savings schemes and use lessons learned to improve its approach to savings planning. The evaluation results should be included as supporting information to the savings plan approved by the Planning and Performance Committee every year.
Reporting of savings	
R3	The Trust should review the financial savings information currently included in the financial report used at Board and committees. The review should consider whether the current level of information is sufficient to allow detailed scrutiny of the achievement of savings schemes and targets.

2017 recommendations	
Scrutiny of the IMTP	
R4	Given the ongoing difficulties related to the funding gap in the IMTP, and the likelihood of continued financial pressure, the Board should agree an approach to bolstering its scrutiny of future drafts of the IMTP and the financial assumptions included within it.
Better data on cost and demand	
R5	The current work on a financial contracting model is essential to the Trust being able to strengthen its negotiating position on its funding, and in strengthening its planning of savings. The Trust should set out a clear timescale for completing this work and should provide routine reports on progress to the Board.
Hosting arrangements	
R6	Within the next year, the Trust should review progress in implementing the NWIS Assurance Requirements to assess whether new arrangements are leading to more effective governance and assurance.
Board assurance programme	
R7	Given the low level of awareness of the board assurance programme amongst Independent Members, the Trust should develop a plan to increase Board ownership, involvement and awareness of the programme.
Risk management	
R8	As part of the board assurance programme the Trust should review its corporate risk register, to ensure it covers risks relating to the delivery of the Trust's organisational priorities, as well as the top operational risks. The review should include a retrospective element to see whether the risks that have materialised this year could, and should have been described more effectively in the register.
Information governance	
R9	Alongside the creation of its information asset register, the Trust should develop a record of information sharing protocols (ISPs) and data disclosure agreements (DDAs) to make sure it is tracking the ways in which it shared personal information.
R10	Given the importance of the GDPR and the large potential fines, the Trust should consider including the potential for non-compliance with the GDPR in its risk register.
Leadership capacity	
R11	Given the extent of change ongoing within the organisation, the Trust should, as a matter of urgency, implement our 2015 recommendation on risk assessing the adequacy of senior leadership and change management capacity.

Detailed report

The Trust has continued to progress ambitious change programmes and has made improvements to its governance arrangements although some difficult challenges have emerged and there are growing financial risks

26 The findings underpinning this conclusion are detailed below.

Financial planning and management – the Trust delivered its 2016-17 savings target and is on track in 2017-18 but financial challenges have prompted a reactive approach to savings and it needs to focus on more sustainable savings in the longer term

27 In addition to commenting on the Trust's overall financial position, our structured assessment work in 2017 has considered the actions that the Trust is taking to achieve financial balance and create longer-term financial sustainability. We have assessed the corporate arrangements for planning and delivery of financial savings in the context of the overall financial position of the organisation. We have not considered detailed approaches for individual saving scheme planning and delivery. Our findings are set out below.

Financial performance – the Trust over-delivered against its overall 2016-17 savings plan despite large variation in the achievements of individual savings schemes. The Trust's saving plans increasingly rely on non-recurrent savings and the Board has been informed about the potential for a year-end deficit for 2017-18

28 In 2016-17, the Trust maintained its track record of achieving its financial targets, delivering financial balance again as in previous years. Although the Trust has previously been self-reliant in delivering as planned, additional Welsh Government funding of £400,000 was received which enabled the Trust to achieve the year-end breakeven position.

29 For the financial year 2016-17, the Trust agreed a savings plan of £1.436 million, against which it delivered £1.788 million in savings. The Trust identified 16 saving schemes to help meet this savings target. Exhibit 2 shows data from the savings plan, giving details of planned and actual performance against each of the saving schemes.

30 While over-delivering against its total savings target of £1.436 million, there was a high degree of variation in the success of individual savings schemes. Five schemes allocated to VCC under-delivered against their target by a total of £200,000. The overall position was helped by a significant over-delivery of five schemes providing an extra £552,000 in savings. The scale of over and under-delivery suggests there is scope for the Trust to further improve the way it plans and delivers savings.

Exhibit 2: Summary of 2016-17 saving scheme delivery

The table describes the performance against saving schemes at the end of the financial year.

Savings Scheme	Recurrent / Non-Recurrent	Annual Target £000's	Delivered £000's	Variance £000's
Schemes that under-delivered against annual target				
Velindre Cancer Centre				
Medicines Management	Recurrent	80	0	-80
Procurement Efficiencies	Recurrent	40	0	-40
Electronic Patient Information	Recurrent	15	0	-15
Utility Savings	Non-Recurrent	25	0	-25
Reduce Pharmacy Agency Spend	Non-Recurrent	40	0	-40
	Sub-Total	**200**	**0**	**-200**
Schemes that achieved annual target				
Velindre Cancer Centre				
Income Generation	Recurrent	100	100	0
Delay IMTP Costs	Non-Recurrent	150	150	0
Other non-pay and CTU income	Recurrent	53	53	0
Welsh Blood Service				
Procurement Efficiencies	Recurrent	50	50	0
Service Improvement Efficiencies	Recurrent	100	100	0
Corporate Services				
Vacancy Controls	Recurrent	**53**	**53**	**0**
	Sub-Total	**506**	**506**	**0**
Schemes that over-delivered against annual target				
Velindre Cancer Centre				
Risk Assessed Vacancy Controls	Recurrent	300	450	150
Additional CTU income	Non-Recurrent	30	120	90
Slippage on Projects	Non-Recurrent	100	245	145
Welsh Blood Service				
Income Generation	Recurrent	147	207	60
Workforce Realignment	Recurrent	153	260	107
	Sub-Total	**730**	**1,282**	**552**
	Total	**1,436**	**1,788**	**352**

Source: Velindre NHS Trust

31 When constructing savings plans, it is important to consider the balance between, and effect of, recurring and non-recurring saving schemes. A greater focus on recurring schemes should make the budgetary pressure lower in following years. At Velindre, we found that of the total savings achieved in 2016-17, 29% were non-recurring. Furthermore, the Trust's savings plan for 2017-18 includes total planned non-recurrent savings of £450,000, representing an increase of £105,000 from the 2016-17 total of £345,000.

32 As at month six of 2017-18, the Trust was ahead of its planned schedule of savings delivery, having achieved £732,000 of savings against a target of £685,000. The cancer centre had achieved savings of £306,000 against a planned £300,000 and WBS achieved savings of £356,000 against a planned £295,000.

33 At its September 2017 Board meeting, the Trust reported a potential overall year-end deficit for 2017-18 of £540,000. The main contributory factor to this position is that one of the Trust's key funding assumptions in its IMTP has failed to materialise, causing uncertainty and complications in relation to the year-end position. The Trust had assumed it would receive funding from its commissioners[1] for the recurrent effect of the 2016-17 wage award and national insurance changes. However, the matter went to arbitration at the Welsh Government which found in favour of the commissioners. This resulted in an IMTP baseline funding deficit of £1.345 million. These matters are discussed in more detail in paragraph 38. The Trust has also experienced a number of further cost pressures during the year including the filling of certain vacancies at VCC and the ceasing of several non-recurrent income streams. A range of measures has been proposed to reduce the funding gap, which includes the identification of additional savings. However, there is increasing uncertainty over the Trust's ability to achieve financial breakeven at year-end.

Financial savings planning and delivery – the Trust recognises it needs to strengthen the way it plans savings in the future through service modernisation and the introduction of a new financial contracting model with commissioners

34 All health boards and trusts in Wales have to identify savings to ensure their spending remains within their revenue allocation. For many bodies, growing cost pressures make it increasingly difficult to set a balanced budget. Traditional savings approaches across Wales have focussed on cost control measures, procurement savings, recruitment freezes and changes in staff skill mix or grade mix, to name a few. Once these approaches have been exploited, health bodies will be required to think differently, because cost-cutting approaches will have diminishing returns. This section of the report considers the corporate arrangements for planning and delivering savings. We have not reviewed the design, accountability, risks or performance of individual saving schemes.

35 The Trust's IMTP includes clear projected savings for the three years 2016-17 to 2018-19. We compared the savings schemes set out in the IMTP submitted to the Welsh Government with the schemes set out in the final 2016-17 savings plan. Originally, only five schemes were identified, however, the final plan included a further six schemes (five of these being non-recurrent). Furthermore, in four of the schemes, there were large differences in the initial savings targets and the

[1] The Trust receives the vast majority of its revenue from the Welsh Government, commissioning arrangements with the health boards and the Welsh Health Specialised Services Committee (WHSSC).

final savings targets presented in the plan. In three schemes, the target was reduced by a total of £250,000 and in one scheme the target increased by £210,000. The extent of these changes is a reflection of the challenging nature of identifying achievable and recurring savings in the cancer centre.

36 The WBS and VCC agree savings schemes at Senior Management Team (SMT) level. This approach aims to ensure there is sufficient focus and accountability on savings planning and delivery operationally within both divisions. We found that saving schemes are openly discussed by SMTs to share experiences and challenges, with the outcomes of these discussions being communicated to service line managers and staff.

37 The WBS agrees savings at the beginning of the financial year which are built into the allocated service budgets for the year. The achievement of savings is then monitored via the monthly budget monitoring processes. In VCC, savings are removed from budgets when schemes have been identified and a lead manager is accountable for the delivery of each scheme. All schemes are monitored via the monthly budget monitoring process and regular SMT meetings, through formal financial performance and forecast reports.

38 From our review of the finance reports submitted to the Planning and Performance Committee and Trust Board, it was evident that savings schemes are profiled throughout the year. However, as mentioned earlier, the arbitration case has had a major impact on the savings planning process at the Trust. Whilst awaiting the Welsh Government's decision there was uncertainty about the level of savings that Velindre would be required to make. This uncertainty has led to a reactive approach to savings at VCC and non-recurrent savings for the cancer centre are now weighted towards the year-end. Traditionally, there have been no issues in terms of WBS delivering savings targets.

39 There does not appear to be a formal process in place whereby sufficient time is provided in advance to formally evaluate the success and failure of previous savings schemes, assess risks within the internal and external environment that may impact upon the delivery of savings and identify alternative options.

40 The majority of the savings schemes for both 2016-17 and 2017-18 appear to focus on operational cost control and, as mentioned in paragraph 31, there is an increasing reliance upon non-recurrent savings. The Trust has recognised that this transactional approach is unsustainable and is actively focussing on identifying more sustainable, transformational savings through various programmes of work, as set out below:

- Transforming Cancer Services (TCS) is a programme to improve cancer services across South East Wales. The programme will involve the building of a new cancer hospital, a satellite radiotherapy unit, and a new clinical model for providing care closer to patients' homes and better integration between the Trust's expert clinicians and those in hospitals and GP surgeries across the region. The programme is aiming for efficiency and productivity gains by minimising duplication and waste, making it possible to invest in additional patient activity, new technologies and treatments.
- Blood Supply Chain 2020 is a wide-ranging initiative at WBS looking at the entire supply of blood components from planning, collection and processing through to distribution to hospitals. The initiative aims to be a programme of service improvements to ensure the organisation remains fit for purpose now and in the future and is hoping to realise efficiencies as well as service improvements.

- **Providing Prudent Services and Value Based Healthcare** is a draft document developed at VCC. The purpose of the paper is to demonstrate that services are delivered prudently and effectively and the document sets out plans to further improve the delivery of services, with the aim of improving outcomes and reducing cost.
- The Trust is planning to introduce a new financial contracting model, to provide better, more accurate analysis of activity costs and expenditure, in addition to creating the potential for increased benchmarking with comparator bodies. This could contribute to the development of more robust and sustainable savings and efficiencies plans in future. This is deemed to be one of the most important projects currently underway within the Trust, particularly in light of the current financial situation. It is anticipated that the model will begin operating in shadow form in April 2018 with full implementation targeted for October/November 2018.

41 From our interviews and document reviews, it appears that corporate services, such as Finance and Workforce and Organisational Development, provide appropriate support to enable budget holders to achieve financial savings. This support is provided through active engagement within both divisions operationally and at SMT level. Support was also provided by other corporate services such as Informatics and Estates, as and when required.

Financial savings monitoring – with growing financial pressures, the Trust will need to improve the way it learns from the success and limitations of previous savings schemes and consider tightening its scrutiny of savings

42 We found that a formal evaluation of the successes and failures of the 2016-17 savings schemes was not undertaken at divisional level nor was such an evaluation reported at committee or Board level within the Trust. Therefore, there is limited evidence to suggest that the Trust is learning from experience with savings schemes and developing alternative approaches. This is particularly relevant for VCC where there is a reactive approach to savings planning and delivery and a reliance on non-recurrent savings.

43 The Board is routinely provided with updates on the Trust's overall financial performance, including savings delivery. The report provided to the Board on finances includes a section on savings that contains a high-level report on performance against target and summary of the Trust's savings plan. This report provides enough information to satisfy a general duty to oversee financial performance, but it does not provide sufficient detail to be able to challenge in any depth. A review of Board minutes identified limited discussion regarding financial savings.

44 Oversight of financial performance is delegated from the Board to its Planning and Performance Committee and Executive Management Board. A review of the minutes and action logs of both forums identified that a high-level review of savings is undertaken. Both forums receive the same report as the Board, which as mentioned above, does not provide sufficient detail for in-depth challenge. Furthermore, no specific actions appear to be developed and monitored to address risks to the achievement of individual schemes or the overall savings plan.

45 Within VCC, there is a Sustainability Board, which is tasked with overseeing the financial management of the cancer centre and it actively monitors the achievement of savings.

46 During the year, the Trust carries out an ongoing risk assessment of all savings schemes using red-amber-green (RAG) ratings. The process is used to monitor the status of savings delivery against

target for individual schemes and the overall savings plan. Our review of the financial reports submitted to the Planning and Performance Committee and the Board found that the risk assessment was not updated where schemes were under-delivering against target at month 12.

47 Given the balance between cost, timeliness and quality of services, it is important that the Trust understands any risks that savings schemes may have on service performance or quality. We have seen very little evidence of the consequence of saving schemes on performance or quality being effectively reported to committee or Board. In relation to timeliness, we found that there was one saving scheme identified within the 2016-17 savings plan named 'slippage on projects'. This particular scheme over-delivered against its target by £145,000, which suggests that certain projects underway within the Trust are not progressing as quickly as planned.

Progress in addressing previous financial planning and management recommendations

48 In 2016 we made the following recommendation relating to financial management. Exhibit 3 describes the progress made.

Exhibit 3: progress on 2016 financial management recommendation

2016 recommendation	Description of progress
2016 R1 The Trust should review the content of its finance reports to the Board. The review should consider whether balance sheet monitoring information, a summary of risks and their potential impact and overspends linked to an analysis of the underlying issues would provide more insight.	**Not complete** The Trust has not yet formally reviewed the content of the finance report that goes to Board, to reflect the issues raised in our recommendation. A report to September's Audit Committee increased the target date for implementing this recommendation to 31 December 2017.

Governance and assurance – the Trust has made some clear improvements to governance this year although progress on risk management is mixed, challenges have arisen in relation to funding and hosting and information governance needs further strengthening

49 Our structured assessment work in 2017 has examined the Trust's arrangements for strategic planning, organisational structure, board and committee effectiveness and assurance frameworks, risk management, information governance arrangements and performance reporting arrangements. We have also assessed progress against recommendations made in 2016. Our findings are set out below.

Strategic planning – this year the Trust again secured Welsh Government approval for their Integrated Medium Term Plan although unmet funding assumptions and the resultant funding gap prompted a series of actions to reprioritise the objectives in their plan

50 The findings underpinning this conclusion are based on our review of the Trust's approach to strategic planning. Our key findings are set out below.

51 During our interviews this year, Independent Members spoke positively about the process for producing the IMTP. They described a process of iterative scrutiny, where Independent Members were given several opportunities to comment upon the content of the draft plan. Independent Members also talked positively about the strengths of the plan that arose from the process.

52 The Trust's capacity and capability for planning appear to be improving. The Trust has created new roles for corporate and divisional specialists in planning. In previous years, the process for developing the IMTP has been driven centrally by the corporate planning team. In recent years, the approach appears to have become more integrated, with divisional heads of service leading the planning process for their service areas, with appropriate support from the specialist planning staff, rather than the other way around. We were also told that staff from Finance and Workforce and Organisational Development have been more closely involved in developing the IMTP from the start of the planning process, to improve the integrated approach to planning.

53 In January 2017, the Trust's Board approved the draft IMTP for the period 2017-18 to 2019-20. The plan was submitted to the Welsh Government and in June 2017 the Board was informed that the Welsh Government had approved the IMTP in principle.

54 The IMTP included assumptions that the Trust's funding would increase in relation to the following:

- funding for the recurrent effect of the 2016-17 Wage Award (£0.451 million) and National Insurance change (£0.894 million);
- a 2% uplift to the Long Term Agreements (LTAs) with the Health Boards (£1.356 million);
- funding for a business case relating to VCCd's radiotherapy services (£0.4 million); and
- funding for service costs related to newly approved high-cost drugs.

55 Commissioners have agreed the uplift in LTAs, and discussions are continuing in relation to the radiotherapy business case and service costs related to new drugs. In relation to the pay award and national insurance, negotiations between the Trust and the commissioners failed to reach a satisfactory conclusion, so the matter went to arbitration at the Welsh Government (as mentioned in paragraph 33). The Welsh Government found in favour of the commissioners, which left a £1.345 million funding gap in the plan.

56 In response to the arbitration, the Trust has revisited its list of activities planned for this year. The Trust developed a document setting out these activities and options for pausing some of them. A special Board development session was convened to reflect on the options and the Finance team and divisions have been carrying out scenario planning, to prepare for cuts in budgets. The Board has also approved a transfer of £700,000 from the Trust's reserves to mitigate the impact of the funding gap.

57 The financial pressures on the Trust have been compounded by funding issues related to the TCS programme. Whilst awaiting a decision on continued Welsh Government funding, the Board took the decision to go at risk (discussed further in paragraph 107) and meet some of the ongoing costs of the

TCS programme. This issue has added to financial uncertainty and prompted further scenario planning around which activities should be progressed and which should be paused.

58 In interviews, officers and Independent Members have raised concerns about the way in which Velindre is funded. They told us that, in negotiating with health boards on funding, the Trust has had long-term difficulties in producing convincing evidence of an increase in demand for its services and of the true cost of services. We make a new recommendation in relation to this matter.

59 The IMTP includes a prominent Well-Being Statement, in relation to the Well-Being of Future Generations (Wales) Act. The IMTP also includes the Trust's first set of Well-Being Objectives. There are seven objectives, each of which is mapped to one or more of the Act's Well-Being Goals. Other actions related to the Act have included the formation of a working group and awareness raising with Independent Members as part of a Board development session. Further progress has been constrained by the departure of the member of staff tasked with leading on the Act. The Trust has taken important, early steps in raising awareness of the Act but remains in the very early stages of embedding the Act within the organisation.

Organisational structure – the Trust is clarifying and strengthening its hosting arrangements following a critical report into incident reporting involving the NHS Wales Informatics Service (NWIS) and the Trust may need to think more strategically about how to create cohesive divisional working

60 Previous structured assessments have discussed complexities caused by the Trust hosting a range of external organisations[2] on behalf of NHS Wales. Last year we recognised that the Trust was working hard to ensure that the governance of hosted bodies functioned effectively. In particular, the Director of Corporate Governance was working with the Welsh Government to agree a clearer set of arrangements for the governance of the NHS Wales Informatics Service (NWIS).

61 Our interviews with Independent Members this year suggest a continued lack of clarity around the governance of NWIS. This year saw a specific problem arise at NWIS that highlighted the importance of defining more clearly the governance arrangements. Following a series of serious incidents relating to the implementation of national IT systems, the Welsh Government commissioned the NHS Wales Delivery Unit to review the management of serious incidents involving NWIS. The report concluded that the management of serious incidents at the interface between NWIS, trusts and health boards was not robust. The report also highlighted a lack of clarity with regard to the roles and responsibilities of all parties.

62 Another report this year highlighted problems in the governance arrangements of NWIS. At the request of the Welsh Government, NWIS commissioned a report by Internal Audit called the NWIS Independent Review. The report said that governance arrangements for NWIS were extremely complicated, with varying degrees of accountability to the Welsh Government, the Trust and other stakeholders in NHS Wales.

63 The NWIS Independent Review also said that the current accountability arrangements to the Trust's Audit Committee should be reviewed. The current arrangements involve NWIS providing a governance pack to every other meeting of the Trust's Audit Committee. The report said the current arrangements

[2] These bodies are NHS Wales Shared Services Partnership, NHS Wales Informatics Service, Health and Care Research Wales, and Workforce and Health Technology Wales.

provided generally limited independent assurance and existing arrangements would benefit from a distinct agreed audit plan for consideration by the Trust's Audit Committee.

64 The Trust and NWIS are taking a number of actions in response to these two reports. At the time of our work, the Trust's Audit Committee was planning a further discussion about how best to track implementation of the actions from the NWIS Independent Review. Another agreed action from the report was for NWIS to seek confirmation from the Welsh Government on its governance arrangements. In response to the Delivery Unit report, the Trust's Executive Director of Nursing has agreed a new incident reporting protocol with NWIS and further actions are due to be tracked through the Trust's Audit Committee. The Trust has decided to take steps whilst it awaits action from the Welsh Government in addressing the issues raised in the NWIS Independent Review. The Trust's Director of Corporate Governance has drafted a document entitled NWIS Assurance Requirements, which sets out what the Trust needs from NWIS in relation to governance and assurance. This has been approved by the Trust's Chief Executive and will now be shared with NWIS. A report from the Wales Audit Office on Informatics Systems in NHS Wales further explores governance arrangements involving NWIS.

65 Velindre is now hosting an additional body, following the decision to establish Health Technology Wales. A paper considered by the Trust Board in September 2017 said the body was being established to support a strategic national approach to the identification, appraisal and adoption of non-medicine health technologies into health and social care settings. Health Technology Wales was due to officially open for business in November 2017. The Trust will need to ensure it learns the lessons from the governance issues with NWIS when confirming and applying the governance arrangements for Health Technology Wales.

66 Last year's structured assessment identifed ongoing actions to engender closer joint working between the Trust's divisions. The Trust has taken further actions to promote joint working this year including:

- cross-organisation think tank groups falling out of the organisational development strategy;
- the cross-organisational leadership development programme;
- the intention to have an overall medical director covering WBS and VCC, based at Trust headquarters; and
- joint working groups on specific issues such as complying with the Public Sector Payment Policy, business continuity and business intelligence.

67 Despite these actions, our interviews revealed mixed opinions on the progress made in supporting joint working between divisions. While some interviewees felt there had been good progress, others felt joint working remains heavily reliant on individuals. There were also mixed opinions on whether joint working between the divisions should be a priority given the current challenges facing the Trust. Without closer relationships between the divisions, we believe there is a risk of silo working, duplication of effort and gaps in organisational learning. The Trust should consider how to mitigate such potential risks by developing a clearer strategic vision for integrated organisational working.

Board and committee effectiveness and assurance frameworks – the Trust has taken clear actions to improve Board and committee effectiveness and the new board assurance programme provides a key opportunity to further strengthen the assurance framework

68 The findings underpinning this conclusion are based on our review of the effectiveness of the board, its governance structures and assurance arrangements. Our key findings are set out below.

69 There have been some visible improvements in Board and committee effectiveness this year. The corporate governance team has worked more closely with committee chairs and the team has been a more visible presence in committee meetings. The team has developed a more systematic, cyclical programme for looking at and supporting the business and effectiveness of each committee. The team now manages a tracker document to monitor and help drive the process of committees self-assessing (which should assist the completion of recommendation 2 from last year, see Exhibit 4), reviewing committee terms of reference, and planning their cycle of business. Therefore, whilst committee chairs remain responsible for the effectiveness of their committees, they now have stronger support from the corporate governance team.

70 We commented last year on weaknesses in the format and use of committee highlight reports to Board. We found that the highlight reports varied in size and detail between committees and were discussed only briefly during Board meetings, even when raising potentially important issues. This year we note that the new format of standardised highlight reports, categorising issues into red, amber and green, depending on their escalation status, has been clearly beneficial in adding value to updates to Board from committee chairs.

71 Our observations this year noted that Board and committee meetings continue to be positive environments. Meetings are chaired well and while agendas are busy, they are well managed. This year we have noted some specific examples of particularly effective discussions that provided significant challenge on some key issues. September's Board discussion on risk appetite was challenging and purposeful. July's Board discussion and vote on the location for a radiotherapy satellite centre was also challenging but also well considered and honest. In discussing such matters, the Board appeared well connected to real, important issues being faced by the organisation.

72 The Trust is considering other improvements to its committees. As reported in the 2015 structured assessment, the Organisational Learning Sub Committee of the Quality and Safety Committee had suffered from poor attendance and the Trust was keen to create a more dynamic environment for shared learning. A proposal to revamp that forum was approved at the September 2017 Board meeting. The Trust is also considering whether to create a new committee specific to the TCS programme. The programme is currently scrutinised through the Planning and Performance Committee but meetings are not frequent enough to provide the quick decision-making needed for TCS. Further developments in relation to the Research and Development Committee are covered in Exhibit 4.

73 Last year we talked about risks associated with imminent turnover in independent members. The Trust has managed this process well. The two new members have settled quickly into their roles and are already having positive impacts on the forums they attend. Independent Members told us that the induction process was comprehensive, with new members having a period of shadowing and a training day before formally taking up their roles. The new members also now have buddying arrangements so they can access support and advice from existing members. The Trust is now sharing learning from this approach with other health bodies.

74 In interviews, Independent Members gave largely positive opinions on Board development sessions. For the first time this year, to accompany the introduction of the new Independent Members, all Independent Members are being put through certain aspects of the Trust's mandatory training scheme. Whilst this has been challenging to fit into the Independent Members' one day per week at Velindre, members told us about the added benefits of the training programme in helping them to meet operational staff and discuss real issues related to service delivery.

75 Last year we found Velindre had not carried out a specific board assurance mapping process. We encouraged the Trust to consider whether a more formal, systematic process of risk and assurance mapping might strengthen the current assurance arrangements.

76 The corporate governance team is now leading a board assurance programme. The intention is to develop and agree a mapped board assurance framework that takes as its starting point the Trust's corporate objectives, and then considers the risks to achieving those objectives, the controls needed to mitigate those risks and required assurances. The programme is joining together various ongoing pieces of work on revising the corporate objectives, planning, performance management, governance and risk. The first project board meeting was held in July 2017 and the aim is to share an initial framework with the Board before April 2018.

77 The programme remains in its infancy so it is not surprising that during our interviews, officers and Independent Members had only limited awareness of the board assurance programme. However, it is important that the board assurance framework and its development is owned by the Board, not just by the corporate governance team. Whilst an Independent Member has been named as the Board liaison point, their involvement in the programme has been limited so far. We make a new recommendation about these matters.

78 In 2016 we made the following recommendations relating to board and committee effectiveness. Exhibit 4 describes the progress made.

Exhibit 4: progress on 2016 board and committee effectiveness recommendations

2016 recommendation	Description of progress
2016 R2 **Committee governance self-assessments** The Trust should ensure all Board committees complete an annual self-assessment of their effectiveness	**Complete** As at the end of December 2017, self-assesments had been completed for all Board committees.

2016 recommendation	Description of progress
2016 R3 **Transparency of public reporting** The Trust should ensure it complies with all requirements of the 2016 Welsh Health Circular on transparent public reporting	**On track but not yet complete** Our initial assessment of the Trust's website in 2016 found no evidence of standing orders, standing financial instructions, annual plan of Board business, citizen engagement plans, flexible visiting times policy and patient safety and quality plan. All of these documents are now available on the website other than citizen engagement plans.
2016 R4 **Operation of committees** The Trust should carry out a reflective assessment of its use of Part B, in camera committee sessions. The assessment should focus on the agenda items considered in Part B sessions and whether it would have been more appropriate to consider these items in public	**On track but not yet complete** The Trust has not yet carried out a specific assessment of this matter although, the Head of Corporate Governance does now review and discuss this issue with committee chairs before each committee meeting and a specific question on the use of Part B agendas will be incorporated into the Board committee self-assessments in 2018. This year we noted one specific example that illustrated the importance of ensuring Part B sessions are used appropriately. At the September Part B meeting of the Quality and Safety Committee we noted the inclusion of an important report on concerns and serious incidents. The report included essential data on incidents and in the interests of transparency, it would have been better to include at least some of the report's content in the public Part A session.

2016 recommendation	Description of progress
2016 R5 **Operation of committees** Based on a self-assessment and review of the terms of reference for the Research and Development Committee, the Trust should produce a time bound plan for clarifying the role and strengthening the effectiveness of the committee	**Complete** The Trust has developed a plan for strengthening the role of the committee. Progress has been complicated by the departure from the Trust of both the executive lead and assistant director responsible for the Committee. Due to these departures, and due to the sickness absence of one Independent Member, the September 2017 meeting of the committee was cancelled. The Trust set up a task and finish group in June 2017 to look at the committee's purpose. It has taken decisions to rename the committee the Innovation and Research Committee and to disband one of its sub-committees. An extraordinary Research and Development Committee was held on 16 November 2017 to review and endorse the terms of reference for Trust Board approval on the 30 November 2017.
2016 R9 The Audit Committee should strengthen its scrutiny of management responses to audit reports, to ensure proposed actions are relevant and will resolve the issues referred to in the recommendations	**Complete** The Audit Committee's Audit Action Plan contains details of outstanding audit recommendations, information on their status, a deadline for implementation and the name of the responsible officer. The committee has this year increased its scrutiny of progress towards implementing audit recommendations. It has increased its level of focus on the Audit Action Plan and is now focusing almost exclusively on recommendations that are overdue or at risk of being implemented late. The Trust has used Internal Audit to review the content of the audit action plans and the new Audit Committee chair is focusing on challenging progress towards implementation.

Risk management – there has been mixed progress in addressing our risk management recommendations and some of the significant challenges experienced by the Trust this year were not described clearly enough in the corporate risk register

79 The findings underpinning this conclusion are based on our review of the effectiveness of risk management arrangements and progress in addressing previously identified improvement issues relating to risk management. Our key findings are set out below.

80 Last year we made a three-part recommendation about risk. We said the Trust should review its process for closing down risks on the corporate risk register, use Internal Audit work to assess the effectiveness of escalating risks from divisional to corporate level, and standardise the formats of its various risk registers. Progress on these matters has been mixed and is described further in Exhibit 5.

81 Over the last few years, it is clear that the Trust's approach to risk management has improved. Discussions on risks at Board and committees are now more informed and purposeful. Actions have included reviewing risk narratives and timescales, improving the accuracy of information within the registers provided to committees, risk workshops with directors and first line reports and work to improve risk recording.

82 One specific action this year has been to reflect TCS risks within the corporate risk register, when of sufficient importance. The Board also considered a risk appetite document in September 2017, aiming to help Board members and officers use a common approach and terminology around risk. The Trust has been learning from other NHS, public and private sector organisations in developing this approach. Whilst the work on risk appetite is well intended, the discussion at Board and our discussions during interviews suggested the need for further development of the risk appetite approach. Further work may be required in future to revisit the detailed appetite statements, to ensure they are driving appropriate decision-making and facilitating well-managed risk taking. The Trust also acknowledges the challenges it is likely to face in implementing this approach and is committed to thorough monitoring of the new approach.

83 There is more work to do to optimise the Trust's approach to risk management. An Internal Audit report on risk management this year gave a 'reasonable assurance' rating. The report found that the Trust has appropriate structures, groups and processes in place. It also found that policies and procedures for risk management are in place, however, several risk documents on the intranet site were found to be out of date. At VCC, the report found that it was unclear who was operationally responsible for the maintenance of departmental risk registers. Risk management processes at WBS were said to be of a high standard although it was noted that a very high number of risks remain open within the WBS risk register. The report made five recommendations, which are now being tracked through the Audit Committee's Audit Action Plan.

84 The corporate risk register reported to the Board this year has included only seven or eight risks. In general, the officers and Independent Members we interviewed expressed positive views about the register, believing that it was successfully capturing the biggest risks facing the organisation. Whilst we recognise long-term improvement in the way that risk is discussed within the Trust, we also observe that the corporate risk register could have included more explicit descriptions of the major challenges that have arisen this year, for example:

- funding problems in the TCS programme – throughout 2017, the corporate risk register has included two risks related to TCS, one of which talks in general terms about non-delivery of benefits from the programme. However, the risk statement does not specifically mention a risk related to funding.
- IMTP funding assumptions – throughout 2017, the corporate risk register has included a risk about 'availability of sufficient radiotherapy capacity within available resource'. However, the risk statement does not specifically mention all of the assumed funding increases in the IMTP and the Trust-wide implications of not receiving those increases.

- difficulties in recruiting junior doctors at VCC – this matter has not appeared on the register reported to Board during 2017.
- governance problems that have arisen in relation to NWIS – this matter has not appeared on the register reported to Board during 2017.

85 The ongoing board assurance framework programme presents a key opportunity to consider the next steps for improving risk management. We make a new recommendation on these matters.

86 In 2016 we made the following recommendations relating to risk management. Exhibit 5 describes the progress made.

Exhibit 5: progress on 2016 risk management recommendations

2016 recommendation	Description of progress
2016 R7a The Trust should review its process and responsibilities for closing down risks that appear on the corporate risk register	**Complete** The Trust has included an additional section on the corporate risk register to capture risks closed during the period. The referral form that accompanies the risk register also has a section for closed risks. Executive Management Board members are required to identify risks that can be closed from the Trust risk register. The closure of risks is then approved by the Trust Board.
2016 R7b The Trust should use the forthcoming internal audit on risk management to get a detailed view on the effectiveness of escalating risks from divisional level to corporate level	**Complete but issues remain** The internal audit report gave a reasonable assurance rating and implementation of internal audit's recommendations are being tracked through the Audit Committee. However, this report highlights further work is required on risk management.
2016 R7c The Trust should standardise the format of its various risk registers, ensuring the good practice elements of each register are spread across the organisation	**Not implemented** Whilst the Trust agreed this recommendation as part of last year's structured assessment, it has since decided not to implement it. The Trust has decided not to standardise its risk registers as it does not believe a one-size-fits-all approach is appropriate in this instance. Even if the Trust decides not to standardise its registers, we believe there would be benefits from analysing the various registers and spreading the good practice elements to all areas.

Information governance – some information governance policies are under review and whilst the Trust is preparing for the new General Data Protection Regulation, this matter does not appear on the risk register. The Trust is also learning lessons following an internal investigation into a serious data breach

87 The findings underpinning this conclusion are based on our review of the effectiveness of information governance arrangements. Our key findings are set out below.

88 We found that the Trust has information governance policies and procedures in place. Although the Trust has updated the terms of reference of the Information Governance and Information Management and Technology (IG&IM&T) Committee and the Data Protection and Confidentiality Policy, the versions on the website are not up to date. The Trust recognises that some other key policies are out of date and are under review. The Trust needs to ensure that appropriate and up to date information governance policies and procedures are in place.

89 The IG&IM&T Committee provides assurance to the Board on relevant risks and performance but is not regularly attended by the Trust's Caldicott guardians, as required by the committee terms of reference. The Trust will need to review and address the attendance issue. The IG&IM&T sub committees are also going to be reviewed to ensure they effectively meet the requirements of the Trust.

90 The Trust formally monitors its compliance with Caldicott requirements, and the Freedom of Information Act (2004). However, it does not formally maintain a record of information sharing protocols (ISPs) and data disclosure agreements (DDAs) in accordance with the Wales Accord on the Sharing Personal Information (WASPI), or formally monitor performance of responses to subject access requests (SARs) as per the Data Protection Act (1998). We make a new recommendation on this matter to ensure the Trust has good records of the personal data it holds, where it came from and with whom it is shared.

91 The Trust has set up a General Data Protection Regulation (GDPR) task and finish group to act upon the GDPR requirements which will apply in the UK from 25 May 2018. However, the Trust has not yet designated a data protection officer. Failure to meet GDPR requirements could result in a large fine and reputational damage. The Trust may want to consider whether a failure to comply with the GDPR should appear in the Trust's risk registers. We make a new recommendation on this matter.

92 In line with the Trust's Incident Reporting Policy, VCC reported three suspected data breach incidents to the Information Commissioner's Office (ICO) during the year. At the time of our audit, two incidents had been closed by the ICO, and one decision was outstanding. The outstanding matter related to an incident where a third party providing VCC with a radiation protection service was the subject of a cybersecurity attack. As set out in the Trust's investigation report, hackers were able to access information including staff names, dates of birth, national insurance numbers and radiation doses that staff had been exposed to. The Trust held an internal investigation in May 2017, which included nine recommendations, including the need to set up an organisation-wide information asset register. During the clearance process for our report, the ICO closed the third incident.

93 The Wannacry cyberattack, and the July 2017 Welsh Government Welsh Health Circular on cybersecurity and information governance requirements, resulted in a new Velindre Trust Cyber Task and Finish Group. The group is led by the technical services managers at WBS and VCC, to oversee the implementation of locally and nationally-developed recommendations. An internal audit reported to the Audit Committee in October 2017, gave only a limited assurance rating. The audit highlighted

issues including a lack of an identifiable lead and resource for cybersecurity. The Trust has accepted the recommendations and is now progressing their implementation.

94 In 2016 we made the following recommendation relating to information governance. Exhibit 6 describes the progress made.

Exhibit 6: progress on 2016 information governance recommendation

2016 recommendation	Description of progress
2016 R10 The Trust should ensure it has a named Senior Information Risk Officer	**Complete** The Trust has named the Director of Finance as the Senior Information Risk Officer.

Performance reporting – the picture of performance in the Trust remains generally positive and performance reporting continues to evolve although difficulties remain in benchmarking and measuring outcomes

95 The findings underpinning this conclusion are based on our review of the effectiveness of performance reporting arrangements. Our key findings are set out below.

96 As reported in previous structured assessments, the performance levels described in the performance reports remain largely positive. The performance report that went to the September 2017 Board meeting showed that patients and donors continue to give high ratings to their experiences in the Trust, WBS was meeting clinical demand for red cells and platelets and VCC was routinely on target, or very close to most of the targets on timeliness of providing radiotherapy and chemotherapy. Areas highlighted as needing additional focus included the performance of palliative radiotherapy, the percentage of part bags of blood collected from donors and two further performance issues related to platelets due to a particular piece of equipment being out of commission during the period of reporting.

97 Last year we reported that the Trust was carrying out a Performance Management Framework (PMF) review, which, amongst other things, aimed to address previous recommendations from structured assessment about signposting, colour-coding systems, ensuring data is up to date, strengthening narrative and explaining the context around performance indicators.

98 The Trust's approach to performance reporting has continued to evolve, although further progress has probably been constrained by the departure of the member of staff leading the PMF review. The most recent iteration of the performance report that went to the September Board meeting included a more visual approach to presenting performance data and brief narrative that seeks to explain performance. This approach was developed at WBS and is being rolled out to all divisions. The report also includes a digest of performance improvements and areas for focus in each division, as well as a performance overview table to highlight particular performance issues to the Board.

99 Initial feedback on the new reporting format from the Board is generally positive, although there is further scope to more clearly draw attention to the most important issues. Stubborn issues remain in relation to a general lack of data on benchmarking and patient outcomes. Whilst these issues are not easy to solve given the nature of the Trust and its service profile, robust data on benchmarking and outcomes would be of considerable benefit in assessing the Trust's performance.

Other enablers of the efficient, effective and economical use of resources – The Trust is progressing ambitious change programmes and has set out its plans for digital excellence but there are weaknesses in relationships with commissioners and mixed success on workforce issues

100 Our structured assessment work in 2017 has examined the Trust's arrangements for supporting the delivery of change, managing the workforce, stakeholder engagement and partnership working, and the use of technology. We have also assessed progress against the relevant recommendations made in 2016. Our findings are set out below.

Arrangements to support the delivery of change – the Trust is managing some major change programmes that are placing additional pressures on the organisation but have the potential to create significant benefits

101 The findings underpinning this conclusion are based on our review of arrangements in place to support the delivery of change and transformation. Our key findings are set out below.

102 Velindre is a relatively small organisation going through some ambitious change programmes. During interviews this year, we were told that the extent of change is placing additional pressures on staff at many levels in the organisation but is also giving staff opportunities to challenge themselves professionally and drive positive, long-term change.

103 Velindre has developed a programme management office specifically for the TCS programme and has adopted the use of recognised programme and project methodologies to support the delivery of the programme. Velindre uses the Prince methodology for project management, and Managing Successful Programmes (MSP) for its programme management arrangements. Velindre is considering opportunities to further standardise its approach and application of programme management, involving WBS and TCS.

104 In the 2015 structured assessment we said the Trust should risk assess the adequacy of senior leadership capacity to deliver large-scale change. In summer 2017, the Workforce and Organisational Development department had begun to take action on this recommendation by starting a small-scale audit to map the projects that staff are involved with, and to assess the impact that these projects are having on staff members' core roles. Progress with this work has not been as rapid as hoped and the outputs from the work were due to be reported in November/December 2017. We make a new recommendation on this matter.

105 The TCS programme was begun after the Welsh Government asked the Trust to develop a business case to improve cancer services across South East Wales. The programme includes the building of a new cancer centre, a new satellite radiotherapy unit, outreach facilities, and service transformation. Underlying this is the ambition to provide care closer to patients' homes and better integration between the Trust's expert clinicians and those across the region.

106 The TCS programme has been a major area of focus for the Trust this year and the programme has made clear progress towards its goals. Nevertheless, the programme has also begun to experience challenges around finances, scheduling and stakeholder engagement. The paragraphs below provide more detail on these challenges.

107 The Welsh Government had deferred its decisions on providing further funding to the TCS programme until the review it commissioned from Deloitte LLP was complete. The review was considering the processes and controls relating to the TCS programme. At the time of drafting our report we had not seen the findings from the Deloitte review, and our structured assessment has not included any detailed examination of the TCS programme. As discussed in paragraph 57, with the programme's funding running out in July 2017, the Trust Board decided to proceed at risk by meeting some of the ongoing costs of the TCS programme. At the time of our audit, there was uncertainty about when a decision on further funding would be received from the Welsh Government. We were told that this uncertainty is making it difficult to recruit and retain staff within the programme and it is complicating planning within TCS. During the clearance process of our report, the Deloitte LLP work was finalised and the Welsh Government decided to release further funding for the TCS programme.

108 The delivery of the new hospital has a challenging schedule to meet if it is to be ready to open to patients in 2022, as intended. The Trust took the decision to extend one element of the planning application process to prevent it coinciding with parliamentary elections. However, this did not ultimately result in a delay to the schedule, with this stage of the planning process being completed in December, as intended.

109 It is taking longer than planned to secure an agreement with a local landowner to allow access to the new hospital site. These time delays have reduced the amount of contingency in the programme's schedule, although the Trust reports it remains on track to go out to procurement in Spring 2018 as planned. As with any such complicated programme, when contingency in the schedule is reduced, further unexpected problems are more likely to delay the completion date. However, the Trust believes there are still opportunities to shorten the timescales for some activities related to the delivery of the new hospital which will help in managing the impact of any further unexpected issues.

110 In support of the planning application process the Trust undertook an extensive engagement programme with local communities and other public bodies including, but not limited to, a range of community engagement meetings and exhibitions over the last year. As well as positive support, the engagement programme did raise objections from some local residents in relation to environmental and parking issues. The Cardiff City Council Planning Committee unanimously approved the outline planning application in December 2017. The Trust has made firm commitments to instigate mitigations to limit the impact of the scheme as set out in the planning application and conditions set by the council and to consider and respond to the views expressed during the engagement programme as it further develops its plans for the site.

111 Another major change programme has started within WBS. Blood Supply Chain 2020 is an ambitious, wide-ranging initiative looking at the planning, collection, processing and distribution of blood components to hospitals in Wales. The initiative aims to be a programme of service improvements to ensure the organisation remains fit for purpose now and in future. The three-year initiative has an engaging vision document, detailed implementation plans and is being led by an implementation group and a named programme director. The implementation group and programme director are attempting to control the amount of additional pressure being placed on the organisation by ensuring the programme progresses at a safe pace.

112 The Trust's organisational development strategy, Building Excellence, was approved by the Board in December 2015. The strategy aims for cultural change over the next three to five years, recognising that the Trust's IMTP predicts a future for Velindre that involves significant service changes. Actions

related to Building Excellence have so far included the introduction of corporate values and behaviours, the creation of think tank reference groups for the topics focused on within the strategy, events for Board members to connect with operational staff, a leadership conference and more.

113 An internal evaluation of Building Excellence was carried out in early 2017. The evaluation used a number of sources of information, including an online survey of just 18 staff, to assess progress towards the outputs and outcomes set out in the organisational model within Building Excellence. The evaluation concluded that Building Excellence has begun to have some positive impacts on individual staff and as the organisation as a whole. However, the strategy's impact and influence has so far been minimal in relation to the outputs and outcomes defined within the strategy, particularly around 'world-class performance and productivity' and 'organisational flexibility and resilience'.

Arrangements to manage the workforce efficiently, effectively and economically – the Trust's workforce-related performance is mixed, workforce planning remains in its infancy and there have been difficulties with recruitment and appraisals

114 The findings underpinning this conclusion are based on our review of arrangements to manage the workforce efficiently, effectively and economically. Our key findings are set out below.

115 Previous structured assessments going back to 2014, have highlighted scope to improve workforce planning. Several interviewees this year again recognised that workforce planning remains in its infancy at the Trust. Whilst the TCS programme has begun to model the long-term workforce needs for cancer services, such long-term workforce planning is not yet commonplace. A 'think tank' group, resulting from the work on the organisational development strategy, is specifically focusing on workforce planning and at the time of our audit was due to make recommendations to the executive. Work on workforce planning is also planned as part of the Blood Supply Chain 2020 initiative at WBS.

116 Data from health bodies' financial monitoring returns suggests Velindre spends less than most other Welsh health bodies on agency staff (agency spend as a proportion of total spend). Data also suggest Velindre performs comparatively well on sickness absence levels and time taken to recruit staff.

117 Whilst sickness absence rates at Velindre are better than average in Wales, the Trust is not achieving the target set by the Welsh Government. This year has seen a management drive to more actively manage staff absence, with absence audits carried out in WBS and VCC and deep dives on the causes of absence undertaken by the Workforce and Organisational Development department. However, a repeat audit by Internal Audit on absence management did again give a limited assurance rating this year. Internal Audit highlighted variation in use of time off in lieu (TOIL), some issues with the recording of leave and a number of issues related to the process of managing sickness. The Trust's response to the Internal Audit report suggests it is now auditing sickness absence in each department at least twice per year. The Trust is also developing a new TOIL procedure to ensure consistency across the Trust. Work is ongoing to find an IT solution to improve accessibility to e-personnel files to help managers better manage sickness and the Trust is working to improve its processes for reporting and monitoring annual leave.

118 The Trust has also dedicated much management focus to performance and development reviews (PADRs) this year. Such detailed focus has contributed to a general improvement in PADR completion rates between April 2016 and July 2017, however, the Trust has not achieved its 85% target in any month this year. At a divisional level, PADR completion rates remain lowest in VCC and highest in

WBS. The Trust recognises that it is struggling to ensure PADR completion is a high priority in all areas of the Trust and needs to find a way of translating its heightened management focus into sustainable improvement in PADR completion rates.

119 Compliance with statutory and mandatory training appears to have improved at the Trust this year. The overall compliance rate reported in February 2016 was 53% but in July 2017 the rate had increased to 67% (although the metric has changed and now refers to only the ten training items that appear in the core skills framework). Staff now have to use the Electronic Staff Record self-service functions to access their payslips and the system presents to them their training compliance data. Making this data more visible appears to be prompting staff to contact the Workforce and Organisational Development department to request the training they need.

120 The Trust has suffered some complications with recruitment this year. At the September meeting of the Workforce and Organisational Development Committee, members discussed a serious issue related to difficulties in recruiting junior doctors at VCC. The Trust is now actively considering a different staffing model, to reduce reliance on junior doctors at VCC. There have also been difficulties in recruiting pharmacists and scientists at VCC and WBS. The uncertainty over TCS funding, and the temporary nature of the TCS project also appear to be causing complications with recruitment. These complications further highlight the importance of robust, long-term workforce planning in the Trust (see paragraph 115).

Stakeholder engagement and partnership working arrangements – funding issues have highlighted weaknesses in the relationship between the Trust and its commissioners, and issues remain in the effectiveness of the Local Partnership Forum

121 The findings underpinning this conclusion are based on our review of arrangements in place to effectively engage with stakeholders and work with partners. Our key findings are set out below.

122 The arbitration case (see paragraphs 33 and 38) and its associated funding issues have highlighted weaknesses in the relationship between the Trust and its commissioning health boards. The Trust ultimately did not persuade its commissioners that the current funding it receives is inadequate. During interviews, officers and Independent Members told us that the Trust has struggled for many years in describing definitively the demand for cancer services being experienced at VCC, and it has also struggled to accurately describe the true cost of the services it provides. Without better data on demand and cost, the Trust may struggle to demonstrate the validity of future funding requests. This is a particular risk in relation to the TCS programme where, whilst commissioners are said to be largely supportive of the clinical model, they have not yet agreed to fund it. The ongoing work on a new financial contracting model appears essential in addressing these matters.

123 Another indication of scope to improve partnership working between the Trust and its commissioners is the limited involvement that partners have in contributing to each other's IMTPs. We were told at interviews that engagement between the Trust and its commissioners has tended to be transactional, rather than strategic, which presents the potential for misalignment between their various plans and strategies.

124 In 2016 we made the following recommendation relating to stakeholder engagement and partnership working. Exhibit 7 describes the progress made.

Exhibit 7: progress on 2016 stakeholder engagement and partnership working recommendation

2016 recommendation	Description of progress
2016 R8 The Trust should review the remit and terms of reference for the Local Partnership Forum (LPF), given that divisional-level partnership groups appear to be providing a better forum for union engagement	**Complete but issues remain** The Trust has completed its review of the terms of reference of the LPF but we were told about continuing problems with poor attendance and engagement at the forum again this year. The LPF self-assessment has been completed and the outcome will be reported to the next meeting. The Assistant Director of Workforce is currently completing an assurance schedule in conjunction with a review of the terms of reference to ensure the LPF is discharging its duties as outlined in the terms of reference and as delegated by the Board. This will be presented at the next meeting.

ICT and use of technology – the lack of an informatics strategy has contributed to delays in adopting a Trust-wide approach to informatics. A new strategic outline programme for digital excellence is a key building block in strengthening the delivery of local and national requirements

125 The findings underpinning this conclusion are based on our review of informatics services. Our key findings are set out below.

126 In 2015, the Welsh Government published 'Informed health and care – A digital health and social care strategy for Wales', which included a requirement for NHS organisations to develop local digital strategies. Planning guidance for 2017-20 stated 'organisations will be expected to develop a strategic outline programme (SOP), led by a named board-level executive and clinical lead with accountability for delivery…setting out a clear five year view of investment requirements for technology and digitally-enabled service change in both revenue and capital terms. This must be approved by the Board.'

127 Velindre has been without an up-to-date digital strategy or informatics strategy in recent years. However, the Board approved an SOP for Informatics Digital Excellence in March 2017. The SOP will be formally reviewed on an annual basis, overseen by the IG&IM&T Committee, and its individual projects will be implemented through specific business cases.

128 At the time of drafting, the Trust was planning to develop a digital strategy and to carry out an organisation-wide review of informatics. The review will identify areas where a corporate approach to informatics can be adopted and where a divisional approach will be retained.

129 During this year, the seconded roles of Associate Director for Informatics for the Trust and Head of IT for WBS were made permanent. The Associate Director for Informatics for the Trust is supported by two Heads of IT, one at WBS and one at VCC.

130 The SOP highlights the need for additional resources relating to the informatics department, information governance and information security. It highlights complications caused by temporary funding for posts, and issues with the prioritisation and conflicting demands of IT projects, leading to inefficient resource allocation and delays to projects.

131 In 2016 we made the following recommendation relating to ICT and use of technology. Exhibit 8 describes the progress made.

Exhibit 8: progress on 2016 ICT and use of technology recommendation

2016 recommendation	Description of progress
2016 R6 **Operation of committees** To facilitate better attendance and wider engagement in committee meetings, as well as to reduce the time and cost associated with staff journeys, the Trust should set a specific target for increasing the use of video conferencing facilities	**Complete** The Trust has not set a specific target but is trying to use video conferencing more by notifying all meeting attendees that video conferencing facilities are available and by reissuing the directory of video conferencing facilities across the Trust. There remains scope to improve the return on investment from video conferencing by monitoring the extent of use of the facilities. An example of how the Trust is implementing this recommendation is evident from the Charitable Funds Committee in November 2017. Three members of staff presented their reports via video conferencing. The Trust has also procured an electronic board software system which will support paperless Board meetings.

Appendix 1

The Trust's management response to 2017 structured assessment recommendations

Exhibit 9: management response

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

Recommendation		Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R1	The Trust should review its approach to planning financial savings in order to reduce its reliance on non-recurrent savings schemes and identify realistic sustainable savings options going forward.	Sustainable longer-term approach to savings	Yes	Yes	The Trust will review and strengthen its approach to planning financial savings by implementing a more robust process for identifying and determining realistic recurring savings through the divisional senior management teams (SMTs). This will include the full involvement and responsibility of divisional SMTs in setting a formal timetable, allocating individual responsibilities, agreeing evaluation processes and on-going reporting requirements. The Trust will also revise its reporting templates to provide more detailed and informative savings data in reports to Trust Board and committees.	February 2018	Director of Finance and Informatics

Recommendation		Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R2	The Trust should annually evaluate the success and failure of savings schemes and use lessons learned to improve its approach to savings planning. The evaluation results should be included as supporting information to the savings plan approved by the Planning and Performance Committee every year.	Learning lessons to improve the planning and delivery of savings schemes		Yes	An annual evaluation will be carried out and included as supporting information to the annual savings plan.	February 2018	Director of Finance and Informatics and Divisional Directors
R3	The Trust should review the financial savings information currently included in the financial report used at Board and committees. The review should consider whether the current level of information is sufficient to allow detailed scrutiny of the achievement of savings schemes and targets.	Better scrutiny of financial savings delivery		Yes	The Trust will review the financial savings information included in the financial report used at Boards and committees with the aim of ensuring there is sufficient information to allow detailed scrutiny of the achievement of savings schemes and targets.	March 2018	Director of Finance & Informatics

Recommendation		Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R4	Given the ongoing difficulties related to the funding gap in the IMTP, and the likelihood of continued financial pressure, the Board should agree an approach to bolstering its scrutiny of future drafts of the IMTP and the financial assumptions included within it.	Better strategic management of the Trust's financial position and risks	Yes	Yes	The ability of the Board to scrutinise IMTP plans and financial assumptions will be strengthened through the use of more explicit reporting on the financial assumptions, risks and choices available during the IMTP planning stages. Dedicated time will be set aside within Board sessions to allow scrutiny to take place and conclusions to be reached.	March 2018	Director of Finance & informatics
R5	The current work on a financial contracting model is essential to the Trust being able to strengthen its negotiating position on its funding, and in strengthening its planning of savings. The Trust should set out a clear timescale for completing this work and should provide routine reports on progress to the Board.	Acurate and comprehensive data on service costs and demand to inform financial planning	Yes	Yes	The current project is underway and, as described in this report, has been tasked with achieving a new financial contracting model during 2018/19. Progress will be routinely reported within the Board Finance Report.	December 2017	Director of Finance

Recommendation		Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R6	Within the next year, the Trust should review progress in implementing the NWIS Assurance Requirements to assess whether new arrangements are leading to more effective governance and assurance.	Stronger arrangements for hosting NWIS		Yes	The Trust will review the effectiveness of the proposed assurance requirements of NWIS six months after implementation and report to the subsequent Audit Committee meeting.	September 2018	Director of Corporate Governance
R7	Given the low level of awareness of the board assurance programme amongst Independent Members, the Trust should develop a plan to increase Board ownership, involvement and awareness of the programme.	Greater Board ownership of the board assurance programme		Yes	Progress on Board Assurance Framework implementation project was presented to the Board at its meeting in November 2017. Independent Member lead identified for regular engagement. Ongoing engagement planned as the framework emerges with full intention of utilising Board seminar session to ensure fit for purpose.	June 2018	Director of Corporate Governance

Recommendation		Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R8	As part of the board assurance programme the Trust should review its corporate risk register, to ensure it covers risks relating to the delivery of the Trust's organisational priorities, as well as the top operational risks. The review should include a retrospective element to see whether the risks that have materialised this year could, and should have been described more effectively in the register.	Stronger risk management based on better understanding of the risks	Yes	Yes	A review will be undertaken at the Executive Team Development session in March 2018.	May 2018	Director of Nursing, Quality & Service Improvement
R9	Alongside the creation of its information asset register, the Trust should develop a record of information sharing protocols (ISPs) and data disclosure agreements (DDAs) to make sure it is tracking the ways in which it shared personal information.	More comprehensive recording of personal data records and information sharing (WASPI compliance)		Yes	The Trust has developed a General Data Protection Regulations Action Plan that contains within a requirement to review data processing agreements, and to document the stakeholders with whom the Trust shares data and the agreements in place. This work is being carried out in line with the development of the Information Asset Register, and the register will record the ISPs and DDAs in place, allowing the Trust to track the ways in which personal information is shared.	May 2018	Assistant Director of informatics

Recommendation		Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R10	Given the importance of the GDPR and the large potential fines, the Trust should consider including non-compliance with the GDPR in its risk register	Compliance with the GDPR		Yes	Risk assessment completed and was considered at December Executive Management Board (EMB) meeting. EMB agreed to escalate for inclusion on Trust risk register, to be presented to the Board in January 2018.	January 2018	Director of Finance & Informatics
R11	Given the extent of change ongoing within the organisation, the Trust should, as a matter of urgency, implement our 2015 recommendation on risk assessing the adequacy of senior leadership and change management capacity	Greater awareness of the risks related to senior leadership and programme management capacity	Yes	Yes	The Trust has undertaken a survey with senior managers to ascertain the impact of strategic change projects and programmes of work. The results are being presented to the executive team in early 2018 along with a description of the support that is available to these individuals. The executive team and Board will then consider the broader conclusions on leadership capacity.	May 2018	Director of OD & Workforce

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