

**CONFIRMED MINUTES OF THE FINANCIAL COMMITTEE
HELD ON 26th APRIL 2017
UHW HQ**

Present:

Maria Battle	Chair
Marcus Longley	Vice-Chair
Sharon Hopkins	Interim Chief Executive
Bob Chadwick	Executive Director of Finance
Chris Lewis	Deputy Director of Finance
Steve Curry	Acting Chief Operations Officer
Ruth Walker	Executive Director of Nursing
Julie Cassley	Acting Director of Workforce
Ivar Grey	Independent Member
John Antoniazzi	Independent Member
Andrew Gough	Assistant Director of Finance (Transformation & Planning)

In Attendance:

Catherine Caldwell	Deloitte UK
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Secretariat:

Paul Emmerson	Finance Manager
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FC – 17/045 Welcome and Purpose of the Committee

The Chair welcomed everyone to the meeting.

FC – 17/046 Apologies for Absence

Apologies were received from Peter Welsh, Margaret McLaughlin

FC – 17/047 Minutes of the Finance Committee Held on 14th March 2017

The Committee RECEIVED and APPROVED minutes of the meeting held on 14th March 2017.

FC – 17/048 Action log following the last meeting

All outstanding actions were picked up on the agenda.

FC – 17/049 Financial Position Month 12

The Deputy Director of Finance presented the UHB's financial performance to month 12 and highlighted the following:

- The UHB financial position at year end is a deficit of £29.243m comprised of the following:
 - £2.916m adverse variance against the UHBs savings target;
 - £4.327m adverse budget management variance;
 - £22.000m planned deficit.
- The UHB's provisional year end position is subject to External Audit scrutiny and review. At this point in time the UHB does not expect any risks to materially affect the reported year end position.
- The draft year end financial deficit of £29.243m is £1.720m below the previous forecast of £30.963m but still £7.243m above the unapproved £22m operational plan;
- Budget performance within the UHB was circa £1m better than set out in the Financial Improvement Plan (FIP). In addition, year-end LTA settlements reached with external commissioners and providers were £0.7m better than forecast leading to a draft year end position that is £1.720m lower than the £30.963m Financial Improvement Plan profile provided to Welsh Government.
- A relatively small under-recovery of £0.382m was reported against the income target for the year. LTA settlements were overall better than forecast in the FIP.
- Pay budgets were £0.609m overspent for the year, with an in month underspend of £0.218m reported representing a significant turnaround from the first half of the year. A combined year end overspend of £2.901m and an in month overspend of £0.274m was reported against registered and unregistered nursing. Medical and Dental budgets reported a year end overspend of £1.353m, however the position from mid-year onwards had been broadly flat with an in month underspend of £0.066m reported in month 12.
- Non Pay budgets were £6.251m overspent for the year. Pressures on secondary care drugs had continued with an adverse variance of £3.574m reported for the year. This was the main area of concern and would be addressed in 20107/18 through budget setting and the Leaner and Fitter programme.
- The majority of Clinical Boards managed expenditure within the control totals set by the Financial Improvement Plan. Performance within the Children and Women's Clinical Board was £0.228m over the total set by the FIP due to both budget and CRP underperformance. Further

information in respect of the overshoot would be provided to the next committee meeting.

Action: Deputy Director of Finance

- The Chair confirmed that Welsh Government officials had indicated that the work progressed by the UHB to manage down the deficit at year end deficit whilst maintain performance against other key performance targets had been recognized. Further focus was now expected in respect of the 2017/18 plan.

FC – 17/050 Financial Plan 2017/18 – Progress to Date

The Executive Director of Finance presented an overview of the progress on the UHB's Draft 2017/18 Financial Plan.

The UHB was requested by Welsh Government to restate its plan and to resubmit it for consideration by the 10th March 2017. There was an expectation by Welsh Government that significant progress would be made in reducing the forecast deficit for 2017/18, which stood at £69.685m. The UHB submitted a revised financial plan to Welsh Government on 10th March 2017 which had a reduced deficit of £45.873m. This draft plan was presented to the Board at its 30th March 2107 meeting and its adoption was endorsed, recognizing that it was not yet complete and very much work in progress.

In line with guidance, the plan does not include and is not dependent on any assumptions of additional income from Welsh Government, The revised plan does not however come without considerable risk. The key risks to delivery are contained in the Finance Risk Register and progress in mitigating against these risks was outlined as follows:

1. **Management of Budget Pressures (£9m).** Clinical Boards have produced plans to manage this risk which will be reviewed in light of financial performance during the first quarter.
2. **Delivery of Recurrent CIP Programme (£13m).** £7.8m green and amber recurrent savings schemes had been identified to date against this target. Therefore 40% of the target is still at risk dependant on the work by Clinical Board to identify further schemes.
3. **Recurrent Risk Adjusted Mitigating Action (16.1m gross).** Part coverage is provided by a 5.2m reserve for slippage leaving a net £10.9m target.

Progress against the gross mitigating actions was variable. The areas of greatest risk were identified as:

- £2.0m limit investment into Velindre Cancer Centre – this is in part dependent on the approach adopted by other Commissioners and may prove difficult to sustain and the delivery of this is therefore high risk;
 - £1.5m mitigated against Aneurin Bevan (AB) income risks – discussions have started with AB but have not yet been concluded. This is included within the AB plan and is therefore high risk;
 - £0.5m mitigated against R&D income risks – Following notification of the UHB's R&D allocation this risk has now materialised.
4. **Non Recurrent Adjusted Mitigating Actions (£11.2m).** The UHB has £1.0m reserve coverage against the non recurrent actions leaving a net risk of £10.2m. The following progress was noted:
- £6.7m Surplus on disposal of West Wing – the sale is complete with the final surplus subject to the calculation of the profit on disposal after sale cost;
 - £4.3m non recurrent opportunities – momentum on 'turning the financial curve' continues with £1.6m green and amber non recurrent savings on the CIP tracker to date.
5. **Transformational Opportunities (£2.7m).** This is monitored on a fortnightly basis, however it is too early in the year to assess the risk on this.
6. **Other Risks Contained in the Draft Plan.** The other risks in the plan were highlighted, but it was noted that it was difficult at this stage of the year to assess if any of them would materialise.

Both the Vice Chair and Ivar Grey asked whether Welsh Government had expressed a view about the present planned deficit and the progress towards financial balance.

The Director of Finance confirmed that Welsh Government were fully sighted on the draft plan and that whilst further work is required to mitigate against the numerous significant risks, the draft plan was realistic being built upon realistic assumptions from which the UHB could move forward. Benchmarking data suggested that further efficiencies could be delivered by the UHB through, for example, the reduction of length of stay or outpatient follow ups. However the UHB was not yet in a position to fully evaluate whether the consequent cash savings could be delivered in 2017/18. The Interim Chief Executive confirmed that further downward pressure on costs would be exerted through grip and control and relentless good management, however transformation programmes will only progress at a pace which did not increase the risk of adverse incidents or diminish the quality of service provided to patients. It was added that Welsh Government were now also

engaged in the discussion of the impact of Population Growth, Secondary/Tertiary Services and Systems rules on the financial position of the UHB. In this context the Chair suggested that the recent JET letter from Welsh Government is shared with the Committee to provide assurance that the Welsh Government are happy that the UHB is moving in the right direction.

ACTION : Deputy Director Of Finance

FC – 17/051 2017/18 CIP Tracker

The Executive Director of Finance presented the 2017/18 CRP Tracker. The development and delivery of schemes is monitored through weekly reporting of individual schemes and the risk to delivery is measured by a traffic light system as follows:

At the time of reporting (13th April 2017) the UHB had identified £9.4m of green and amber savings against the £17.5m 2017/18 target of which £7.8m was recurrent against the £13.1m recurrent target.

The Director of Finance emphasized the need to encourage the identification of further red pipeline opportunities to ensure the continuity of new schemes.

FC- 17/052 - Cost Reduction Board Terms of Reference

The Assistant Director of Finance (Transformation & Planning) informed the Committee that the purpose of the Cost Reduction Board (CRB) is to provide assurance to the Finance Committee that Clinical Boards and Service Departments are on track to:

- Deliver a balanced budget at the end of the financial year
- Have developed and implemented the Cost Improvement Programme
- Deliver Leaner and Fitter Cross Cutting Themes.

Membership and attendance of the Board was outlined and it was noted that the inclusion of the Chief Operating Officer within the membership was under consideration.

FC- 17/053 – Update On Efficiency Framework

The Assistant Director of Finance (Transformation & Planning) provided an update on the implementation of the Efficiency Framework within the Health Board as part of developing sustainable Integrated Medium Term Plans (IMTP). The Framework provides a consistent basis for Health Boards and Trusts to identify and compare plans around a wide range of potential

efficiency opportunities, some of which need to be taken forward collectively across NHS Wales.

The initial high level summary of the Cardiff and Vale return detailing how the anticipated 1.5% £13m recurrent cost savings could be delivered.

A Task and Finish Group has been set up with representation across Wales to further develop the Framework. It was noted that Andrew Gough (Assistant Director of Finance) is the Cardiff and Vale representative. The initial meeting of the Task and Finish Group suggested that the Cardiff and Vale Cost Improvement Plan Tracker be used as a basis for a RAG rating system across NHS Wales.

Initially the following areas will be considered to determine whether variability on the value of savings planned across health boards provides opportunities for spread or for all Wales schemes:

- Prescribing (primary and secondary care)
- CHC
- Other non-pay expenditure
- Workforce costs (especially nursing and medical staff)

Cardiff and Vale will continue to play an active role in the development of the Efficiency Framework ensuring we explore and maximise all potential opportunities.

Whilst not yet agreed Welsh Government are likely to ask for quarterly updates of identified savings in the Efficiency Framework format.

FC- 17/054 – Finance Risk Register

The key financial risks had already been discussed earlier in the meeting and the contents of the finance risk register were noted.

FC – 17/055 Date and Time of Next Meeting

The Committee agreed to that the meeting scheduled for 10th May 2017 would be rescheduled to a future date in May to enable discussion of the 2017/18 month 1 Financial Position.