

# CONFIRMED MINUTES OF THE FINANCIAL COMMITTEE

HELD ON 29<sup>TH</sup> JUNE 2017

UHW HQ

## Present:

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

## Secretariat:

Cath David	Finance Manager
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## FC – 18/067 Welcome and Purpose of the Committee

The Vice Chair welcomed everyone to the meeting.

## FC – 18/068 Apologies for Absence

Apologies were received from Graham Shortland and Abigail Harris

## FC – 18/069 Declarations of Interest

The Vice Chair invited members to declare any interests in proceedings on the Agenda. None were declared.

## FC – 18/070 Minutes of the Finance Committee Held on 31<sup>st</sup> May 2017

The Committee RECEIVED and APPROVED minutes of the meeting held on 31<sup>st</sup> May 2017.

## FC - 18/071 Action log following the last meeting

Deputy Director of Finance confirmed the action point raised on adverse variance reported against accommodation and catering income was covered within the Financial Position update.

All other outstanding actions were picked up on the agenda.

## **FC - 18/072 Financial Position Month 2**

The Deputy Director of Finance presented the UHB's financial performance to month 2.

Two corrections required to the finance report tabled were highlighted.

1) Page 1 'Financial Impact' bullet point 3:

- £5.168m planned deficit (2/12<sup>th</sup> of £30.900m)

2) Page 3 'Month 2 Cumulative Financial Position' bullet point 3:

The UHB recorded a £5.618m deficit at the end of month 2 based on a planned year end deficit of £30.900m. The deficit was made up as follows:

- £0.028m adverse variance against the UHB's savings target
- £(0.010m) favourable budget management variance
- £5.168m planned deficit (2/12<sup>th</sup> of £30.900m)

Income position reported to month 2 was an adverse variance of £0.444m. Key issues driving this adverse income variance were highlighted:

Reduced funding received for Research and Development from Welsh Government linked to Commercial income. The Vice Chair questioned whether the Health Board had a grip on Research and Development as this has been an ongoing issue. The Deputy Chief Executive confirmed work is required to ensure we maximise access to available funding by focussing on recognisable Research and Development. This will be picked up outside this meeting at the Executive time out meeting on 14<sup>th</sup> July 2017 to give an opportunity to agree timelines.

### **Action : Deputy Chief Executive to provide update on Research and Development timelines**

Under performance against the Neonatal Intensive Care Unit cot day contract which is partly offset by underspends against pay and non-pay.

NHS patient related income mainly relates to underperformance against the Health Board's contract with English providers and is not expected to continue.

Accommodation and Catering income over performance against target in month offset the cumulative adverse variance noted at month 1.

Pay position reported to month 2 was favourable with an underspend of £0.347m in month. Nursing staff expenditure is creating a pressure with a year to date adverse variance on registered/unregistered nursing staff of £0.306m. The rate of Nursing overspend reduced from month 1. The Finance Committee noted high level of vacancies which was driving the need to utilise more high cost temporary staff. The Executive Director of Nursing confirmed newly qualified staff had been recruited and were due to start over the Summer which would improve the vacancy position by September. There is also work ongoing through the Nursing Productivity Group to move Health Care Support Worker staff employed by Agencies onto the Health Board's internal bank.

Non Pay position reported to month 2 was an adverse variance of £0.161m. An increase in expenditure on drugs within Children's Services, ICU, Haematology. This is being reviewed by the Medicines Management Group. Within Clinical Diagnostic and Therapeutic Clinical Board high cost stent usage within the first 2 months of 2017-18 is at the same level as the full year 2016-17. It is not anticipated this will continue.

Most Clinical Boards with exception of 3 are within budget plan. Clinical Diagnostics and Therapeutics Clinical Board overspend due to non-pay pressures; Children and Women Clinical Board overspend due to Neonatal Intensive Care Unit underperformance against contract; Medicine overspend due to Clinical Board nursing pressures.

The Vice Chair questioned whether the 2016-17 budgetary pressures were reflected in the financial position reported in months 1-2. The Deputy Finance Director advised that the grip and control processes put in place at the end of 2016-17 were working with majority of the Clinical Boards managing within their revised budget plans.

Each Clinical Board is to undertake a full year forecast after the Month 3 position is finalised. This will include actions to recover forecast overspends to year end. The key risks were highlighted as delivering the original £20.028m CRP programme plus the £14.973m stretch target. The Chair asked which was causing most concern. The Executive Director of Finance confirmed it was the £14.973m stretch target. A comprehensive risk register has been completed and included within the Finance Committee papers. It was noted that good progress has been made on the CRP programme to date.

The Vice Chair noted that the additional £14.973m Stretch cost saving target has been phased in from month 7. The Deputy Finance Director confirmed this was to give managers space in order to put actions into place. Although phasing is from month 7 this is not a detailed plan and this savings target will be rephased as and when savings are identified.

The Chief Executive highlighted that enabling transformation to take place and release savings will take time and it will be necessary to take tactical decisions and opportunities until transformation savings begin to be released.

There is a forecast shortage against cash based on the projected deficit. Funding will need to be drawn down against the Health Board's resource limit as and when needed. Welsh Government has historically provided a cash only resource assistance. If Welsh Government were not able to provide cash this could be managed internally through management of transactions.

## **FC - 18/073 Financial Plan Update**

The Executive Director of Finance provided a verbal update.

Following submission of the Financial Plan detailing a revised £30.9m gap there was a further meeting held with Welsh Government. The Welsh Government have requested to see the detail of the plan including run rates with which to monitor performance against. These have been completed and were shared with the Finance Committee.

Welsh Government have requested a plan as to how the Health Board will deliver the additional £14.973m target to reduce the planned deficit to £30.9m.

The committee discussed who currently owned the £14.973m stretch target. The Executive Director of Finance confirmed it was the whole organisation. The Clinical Board's primary objective was to meet their existing delegated target but will be expected to contribute to transformation work being led by Executives. The allocation and management of the £15m will be discussed further at the next Executives time out on 14th July. There is good governance around existing savings schemes. Now need to accelerate schemes, strengthen grip and control and take opportunities as they arise to meet targets in the shorter term.

The committee discussed how cash releasing savings can be made in the short term with majority of costs relating to payroll with only 8% variable pay costs. Skill mix changes take time and rely on turnover. The Health Board is not considering redundancy as seen to be costly and ineffective. There will be a big focus on reducing Bank and Agency expenditure and capitalising on turnover. The Executive Director of Nursing confirmed that use of premium nursing agencies has stopped.

The Finance Committee was asked by Independent Members if the Health Board has a Transformation Director in place. The Chief Executive confirmed that this post will be going to advert shortly. The Deputy Chief Executive confirmed the Health Board has put internal structures in place to support transformation. Clinical appointments have been made. Getting the internal structures and governance right up front will ensure the Health Board can

start work now with the right balance of priorities. Other Health Boards who have already appointed a Transformation Director are not as far forward in terms of putting internal structures in place.

The Chief Executive confirmed that the organisation would further scrutinise the savings plans and will feedback to the Finance Committee following the Executive time out session on 14<sup>th</sup> July.

**Action: Chief Executive to update Finance Committee following further scrutiny of savings plans**

**FC - 18/074 Cost Reduction Programme**

The Assistant Director of Finance for Transformation and Planning highlighted the Cost Reduction Report key points:

The Report identifies the delegated target of £17.333m. It does not include transformation or stretch target. At end of last week £17.430m savings had been identified against this target. Confirmed that plans are in place to deliver this initial savings target.

The impact of full year effect of savings schemes identified this year was discussed by the Committee. The delegated target this year is 2% of which 1.5% must be delivered recurrently to avoid the Health Board carrying forward an unmanageable level of new savings to be found next year. There is continued focus on balance between recurrent and non-recurrent savings.

The paper also highlights progress against cross cutting schemes. Currently £4.764m has been identified against the indicative £7.5m target. These savings contribute to the overall delegated savings target.

The efficiency framework has been submitted to Welsh Government to enable them to compare Health Board performance across Wales. This framework needs to be updated to reflect latest progress with a greater level of detail. The RAG rating was explained. Green – scheme will be achieved; Amber – should deliver 80%; Red – pipeline schemes where new schemes and ideas added can migrate across into Green and Amber.

**FC - 18/075 Risk Register**

The Executive Director of Finance asked the Finance Committee to review the risk register and to feedback if there is any risk not covered.

**Action: Finance Committee Members to review risk register**

This register is updated daily. The Chair confirmed that she found the register reassuring and gave added confidence to the plan. It was noted that R&D was unscored. This has been included in mitigating actions 10.9. The Health Board is anticipating opportunities to offset this risk.

### **FC - 8/076 Items to bring to the attention of the Board/Other Committees**

The Vice Chair asked if the Health Board had heard anything back from the Deloitte review. It was confirmed that this has not been received yet. A report is expected by the end of this week. This will be presented at the Board meeting before going to Committee.

No other items to bring to the main board.

The Chief Executive thanked the Executive Director of Finance for the focussed work undertaken on the CRP tracker as this has made a big difference within the Health Board.

### **FC - 18/077 Date and time of next meeting**

Wednesday 26<sup>th</sup> July; 9.00am; HQ Board Room, UHW