

CONFIRMED MINUTES OF THE FINANCIAL COMMITTEE

HELD ON 26TH JULY 2017

UHW HQ

Present:

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

Secretariat:

Paul Emmerson	Finance Manager
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FC – 18/078 Welcome and Purpose of the Committee

The Vice Chair welcomed everyone to the meeting.

FC – 18/079 Apologies for Absence

Apologies were received from Graham Shortland, Sharon Hopkins, Chris Lewis and Abigail Harris, Ruth Walker, Peter Welsh

FC – 18/080 Declarations of Interest

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

FC – 18/081 Minutes of the Finance Committee Held on 29th June 2017

The Committee RECEIVED and APPROVED minutes of the meeting held on 29th June 2017 subject to the addition of Margaret McLaughlin to apologies for absence.

FC - 18/082 Action log following the last meeting

The Medical Director is taking forward the UHB's Research and Development Strategy within agreed Timelines.

All other outstanding actions were picked up on the agenda.

FC - 18/083 Financial Position Month 3

The Assistant Director of Finance (Transformation & Planning) presented the UHB's financial performance to month 3.

The UHB recorded a £7.695m deficit at the end of month 3 based on a planned year end deficit of £30.900m. The deficit was broadly in line with the plan being made up as follows:

- £0.041m adverse variance against the UHB's savings target
- £(0.071m) favourable budget management variance
- £7.725m planned deficit (3/12th of £30.900m)

Performance against income targets improved by £0.507m in month leading to cumulative over recovery against targets of £0.063m. In month performance against R & D income improved due to the collection of commercial R & D income. Income from the Compensations Recovery Unit remains ahead of plan for the year to date due to the rise in the notified number of new claims. An analysis of previous years suggests that actual income reported is subject to significant monthly variation. Accommodation and catering income for the year to date is now marginally ahead of plan. The surplus against NHS patient related income relates to the recovery of costs from English NHS commissioning bodies where a bad debt provision had previously been provided.

The pay position reported to month 3 was favourable with an underspend of £0.157m in month in line with trend. All pay groups were underspent with the exception of registered/unregistered nursing where the in year pressure continued with a year to date adverse variance of £0.628m.

The overspend reported against Non Pay deteriorated by £0.616m in month to £0.777m. Commissioned Services reported an in month overspend due to recognition of the additional cost of the Velindre LTA. Drugs and prescribing reported an overspend primarily due to a shortage in the supply quetiapine and olanzapine where the cost to the UHB of the NCSO ('No Cheaper Stock Obtainable') price concession is estimated at £0.188m per month. The number of high cost haematology tests has increased in year and in this context the UHB is in the process of implementing a Lab Medicines Trading Framework to manage the demand for all laboratory tests. The number of new Continuing Healthcare packages approved in month was significantly greater than the number of packages coming to an end.

Most Clinical Boards broadly balanced month 3 expenditure within existing resources and budgets. The key exceptions were the Medicine Clinical Board which was overspent on its nursing budgets and Children and Women where there was underperformance in NICU alongside premium costs of medical cover. Clinical Board year end forecasts were being reviewed and those Clinical Boards with a forecast year end overspend will be escalated and requested to produce recovery plans in order to achieve a balanced year end outturn with the expectation that all Clinical Boards will deliver the lower of their forecast position or a break even position.

It was noted that the Surgery Clinical Board had undertaken a review of internal governance to strengthen the Boards decision making process in line with the transformation agenda. Common themes had been shared across Clinical Boards through Clinical Board's Heads of Finance.

For the first 3 months, £5.071m of the savings target are profiled into the position, against which the UHB has delivered £5.030m. The resultant shortfall of £0.041m is expected to be recovered as the year progresses. Good progress to identify new schemes had been made in month and at the end of June the UHB had identified £22.6m of savings schemes against the stretched target of £35m leaving a gap of £12.4m.

The 12.4m gap is a risk to the overall achievement of the UHB's plan and any gap remaining at the end of September would be phased into the reported position from month 7 onwards. A revised risk share agreement for WHSSC with a potential £0.5m cost was also highlighted to the Committee as a risk.

Following a question from one of the Committee's Independent Members the Executive Director of Finance confirmed that no additional resource for Birthrate Plus was included in the 2017/18 plan. The Children and Women's Clinical Board was in the process of completing a business case so that the UHB could consider implementation of Birthrate Plus in 2018/19. The Director of Operations informed the committee that excellent patient outcomes are already achieved in the Children and Women's Board. The Committee noted that future investments decisions will be tested against the principle of supporting finance but not to the detriment of patient safety.

The Chair indicated that the majority of the nursing agency overspend fell against qualified nursing and that the majority of overspend on bank staff related to non-qualified nursing. It was suggested that qualified nurses were paid a significant premium above substantive and bank rates when fulfilling agency shifts. The committee discussed and noted that the future UHB approach to the use nursing agencies would be informed by work currently being progressed at an all Wales level.

The Vice Chair noted that overspends particularly in the Medicine and Children and Women's Clinical Boards were currently broadly balanced by underspends in other Clinical Boards. The Committee acknowledged this point but also stressed that all

Clinical Boards should continue to manage performance, safety and finance for all services within agreed criteria. It was noted that this approach required the continuing development of a culture that managed risks without recourse to additional finance where services are already safe and sustainable.

Following on from this, the Vice Chair indicated that the £12.4 gap in savings plans was the greatest risk to the delivery of the UHB's 2017/18 plan. The Chief Executive confirmed that reports to both the Board and Welsh Government had consistently highlighted the risk around the gap in savings schemes. The Executive Director of Finance reported that this risk would crystallise in months 7 to 12 if plans to bridge the gap were not in place.

The Executive Director of Finance added that in the absence of larger schemes to bring the UHB into balance on a recurrent basis that the UHB would need to continue to chip away at the remaining savings gap through the pursuit of non-recurrent opportunities and smaller schemes. The Chief Executive confirmed that the transformation agenda was still in its infancy and that further work across the organization and with all stakeholders was required to quantify the larger scale opportunities accessible to the UHB.

FC - 18/084 Cost Reduction Programme

The Executive Director of Finance highlighted the following key points from the Cost Reduction Report:

The report identifies the delegated target of £17.333m. It does not include the transformation or stretch target. As at 3rd July 2017, £18.424m savings had been identified against this target. It was noted that the table at appendix A indicated that not all Clinical Boards had yet reached the target of 80% Green and 20% Amber schemes. The importance of reaching the milestone of 100% Green Schemes by the 1st October was stressed

Cross Cutting Themes were established to support the delivery of the £17.333m delegated CRP target. Further urgent work is required to progress detailed plans to so that cross cutting schemes feed into Clinical Board trackers. At the time of reporting, three of the cost cutting schemes were RAG rated as RED as follows:

- Medical Productivity – Job planning and the management/use of locums has been escalated through the Medical Directors Office
- Nursing Productivity – Progress is dependent on the reduction in the use of agency nursing
- Workforce Productivity – arrangements are in place to restrict the carry forward of annual leave.

Currently £5.188m of cross cutting themes has been identified against the indicative £7.5m target. These savings contribute to the overall delegated savings target.

The All Wales efficiency framework is now led by the UHB's Executive Director of Finance. Work to quantify share the areas of greatest gain across Wales is ongoing. This framework is expected to be updated after month 4.

FC - 18/085 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.

The Committee noted that the majority of risks continued to be managed.

The largest risk continued to be the identification of £15.0m additional stretch plan actions to achieve £30.9m deficit position.

Action: Finance Committee Members to review risk register

FC - 18/086 Items to bring to the attention of the Board/Other Committees

No other items to bring to the main board.

FC - 18/087 Date and time of next meeting

Wednesday 28th September; 10.00am; Boardroom, Llandough Hospital