

CONFIRMED MINUTES OF THE FINANCIAL COMMITTEE

HELD ON 28TH SEPTEMBER 2017

LLANDOUGH BOARDROOM

Present:

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

In Attendance:

Urvisha Perez	Welsh Audit Office
Matthew Brushnett	Welsh Audit Office

Secretariat:

Paul Emmerson	Finance Manager
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FC – 18/098 Welcome and Purpose of the Committee

The Chair welcomed everyone to the meeting.

FC – 18/099 Apologies for Absence

Apologies were received from Abigail Harris, Ruth Walker, Margaret McLaughlin and Peter Welsh.

FC – 18/100 Declarations of Interest

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

FC – 18/101 Minutes of the Finance Committee Held on 30th August 2017

The Committee RECEIVED and APPROVED minutes of the meeting held on 30th AUGUST 2017.

FC - 18/102 Action log following the last meeting

The Director of Public Health confirmed the UHB had discussed the UHB's approach to Research and Development in light of the fall in Welsh Government funding allocated to the UHB. Future R & D Strategy needs to align to both the Welsh Government funding model and All Wales Tertiary Services Strategy as well as considering wider R & D opportunities offered by the Medical Research Council (MRC) and other funding bodies. A revised R & D Strategy would be presented to the Board in due course.

FC - 18/103 Pooled Budgets

The Head of Finance, Primary, Community and Intermediate Care (PCIC) and Dental Clinical Boards summarised progress in relation to Part 9 of the Social Services and Well-being (Wales) Act 2014 which requires the establishment of pooled funds in relation to the exercise of care home accommodation functions by 6th April 2018.

The Regional Partnership Board retains oversight of the development of the pooled budget, however, the decision making responsibilities for agreeing the pooled budget and how it is managed rests with Cardiff Council, Vale of Glamorgan Council and Cardiff and Vale University Health Board.

A monthly Project Board has been established across the 3 partners to develop options and practical arrangements in relation to the operation of the budget for consideration through the formal decision making processes in each of the partner organisations. The budget will exclude funding for Learning Disabilities and Mental Health in the first year, however there may be a requirement to incorporate budgets for these services into the pool from April 2019 onwards.

It is expected that the UHB will make a contribution estimated at £17.8m to an overall pooled budget of £46.1m in 2018/19. The single pool budget established at 1st April 2018 will include funding for residential, funded nursing care and continuing health care.

Both the UHB and Cardiff Council had expressed an interest in hosting the pool. The agreed host will delegate roles and responsibilities to the partner organisations to ensure accountability for specific functions would remain with the accountable organisation. Processes would be developed to support the wider efficiencies of a proper integrated pooled budget arrangement effective from 1st April 2019.

In the first year of the pooled budget each partner would remain responsible for their own budget (over and underspends) within the pool negating the need for risk sharing arrangements in year one. In addition accounting processes are expected to minimize cash transactions so that a pooled budget host / manager is not required until integrated working arrangements are agreed for the period from April 2019 onwards.

The Committee indicated that it would expect the hosting arrangement to be reviewed at Chief Officer level after year one. It was also noted that local arrangements in establishing a pooled budget and the associated commissioning framework were relatively well advanced. The Regional Partnership Board is expected to provide a position statement on progress to Welsh Government by the end of September.

FC - 18/104 IMTP –Financial Plan 2018/19 to 2020/21

The Deputy Director of Finance presented a draft of the financial forecast and the options available to the UHB to manage financial outturn for the period for 2018/19 to 2020/21. The draft would be further developed to inform the first draft IMTP submission scheduled for January 2018

The Committee was reminded that the UHB had an underlying deficit of £54.5m coming into 2017/18 that at month 5 2017/18, £25.2m actions taken by the UHB in planning to achieve the forecast deficit of £30.9m were non recurrent in nature. In this context the underlying deficit moving into 2018/19 is expected to be in excess of the £30.9m planned 2017/18 deficit. At the time of reporting the UHB needed to find a further £1.6m recurrent savings in 2017/18 to ensure that the underlying deficit rolling forwards into 2018/19 was no greater than that at the £54.5m brought forward to 2017/18.

The Committee agreed that every effort should be made in the remainder of 2017/18 to secure recurrent savings so that the underlying UHB deficit moving into 2018/19 was minimised and represented an improvement on the position coming into 2017/18.

The Deputy Director of Finance reported that the plan sought to achieve IMTP approval, improve the 2018/19 financial position beyond 2017/18 out-turn, address the underlying accumulated deficit and move towards a return to financial balance year on year.

The Committee was informed that the key facilitators considered in the first draft of the plan were:

- Management of budgets to break even
- Limiting investments / additionality
- Improved internal efficiencies
- Annual savings programme

- UHB wide opportunities
- Securing maximum allocation
- Addressing population growth pressures

The draft plan assumed addition funding of £10m in 2019/20 and a further £10m in 2020/21 to address the additional health needs arising in the Cardiff & Vale area from relatively high rates of population growth in comparison to the rest of Wales. In addition a number of inflationary pressures such as the annual pay award @1% were built into the modelling.

The Committee was informed that initial modelling suggested that an annual recurrent savings target 2% and non recurrent savings target 0.5% would enable the UHB to reduce its deficit to £7m by 2020/21. A more challenging savings target of 4% recurrent savings and 0.5% non recurrent savings in 2018/19, 2.0% recurrent and 1.5% non recurrent savings requirement in 2019/20, 1% recurrent and 0.5% non recurrent savings requirement in 2020/21 would push the UHB towards a surplus of £1m by 2019/20.

FC - 18/105 Financial Position Month 5

The Deputy Director of Finance presented the UHB's financial performance to month 5. The UHB remained on target to meet the £30.9m planned deficit. A further £1.5m of savings had been identified in month and work was continuing to bridge the remaining savings gap of £8.8m which was profiled into months 7-12.

The UHB recorded a £12.805m deficit at the end of month 5 based on a planned year end deficit of £30.900m. The deficit was broadly in line with the plan being made up as follows:

- Nil variance against the UHB's savings target
- £0.070m favourable budget management variance
- £12.875m planned deficit (5/12th of £30.900m)

Performance against income targets deteriorated by £0.133m in month leaving a cumulative over recovery against targets of £0.166m. The deterioration in the in month position was due to the continuing underperformance against the private patients and R & D income targets alongside a dip in performance in the retrieval of income from the Compensation Recovery Unit.

The reported £0.729m cumulative month 5 pay underspend represented an improvement upon the £1.203m overspend reported for the same period in the previous year. The in month underspend of £0.155m reported against pay budgets was broadly in line with the trend established in the first four months of the year.

An overspend of £0.825m was reported for the year to date against non-pay budgets. The additional drug costs arising from NCSO ('No Cheaper Stock Obtainable') price increases as a result of stock shortages have been managed for

the year to date. The main concern going forwards was the coverage of the additional cost arising from the outsourcing of the neuro-interventional radiology service.

The Medicine, Children and Women, Surgery and CD & T Clinical Boards had reported overspends at month 5. The Surgery Clinical Board expected to recover the month 5 overspend and plans to reduce the overspend were being implemented by the Medicine Clinical Board. Children and Women, and CD & T Clinical Boards were continuing to work up plans to manage spend in the remainder of the year. The Dental Clinical Board was now forecasting a balanced position at year end.

The forecast year end **cash** deficit of £37m was highlighted. The committee was advised that Welsh Government had been informed of the forecast cash deficit and would continue to be notified of any changes in the forecast. The availability of cash assistance from Welsh Government would not be confirmed until later in the year, therefore the UHB had considered its cash management plans in lieu of this.

The main risks to the achievement of the plan were the remaining £8.8m savings gap and a new risk in the range of £1m to £4m arising from the increase in NHS Funded Nursing Care Fees following the Supreme Court judgement in respect of weekly fees. The increase in NHS Funded Nursing Care Fees was an All Wales issue and Welsh Government support would be requested.

The Chair asked how confident the UHB was in bridging the remaining savings gap and achieving the planned deficit of £30.9m. The Director of Finance indicated that initial work which should be completed over the course the next month to review budgets already suggested that the savings gap should close significantly by the end of month 6. Growth pressures in continuing healthcare and prescribing along with seasonal pressures such as the winter plan were built into the UHB's original plan and Clinical Boards were being challenged to operate within the original planning estimates. However it was acknowledged that significant unforeseen issues such as the NHS funded nursing care judgement could potentially impede the UHBs ability to meet the plan.

Performance against the Public Sector Payment Compliance Target was highlighted by the Director of Finance who confirmed that a paper providing proposals to improve performance would be brought to the next Committee meeting.

Action: Director of Finance to review plans to improve payment compliance and report back to the committee

The Director of Finance asked the Committee to consider where the actions against the Financial Governance Review by Deloitte should be monitored. The Committee agreed that the detail of the Action Plan going forwards should be monitored through the Finance Committee.

FC - 18/106 Cost Reduction Programme

The Assistant Director of Finance (Transformation & Planning) highlighted the following key points from the Cost Reduction Report:

- As at 31st August 2017, against the total savings target of £35.001m, £26.191m of opportunities had been identified as Green or Amber. This represented an improvement of £1.5m in the value schemes identified over the last month.
- Against the devolved CRP target of £17.333m, £18.711m of schemes had been identified as Green or Amber as at 31st August 2017. The importance of all Clinical Boards reaching the milestone of 100% Green Schemes by the 1st October was once again stressed.
- At the end of August, £ 5.907m of cross cutting opportunities had been identified as Green or Amber and were contributing towards the delivery of the overall £17.333m delegated CRP target.

It was noted by the Chief Executive that the RAG rating criteria had helped in the delivery of schemes. In this context the Director of Finance re-asserted that budget holders were held to account for the delivery of green and amber schemes but were not held to account for the delivery of red pipeline schemes which provided an opportunity to consider whether ideas could be developed into substantive saving schemes.

The Vice Chair highlighted the contribution that the medicines management programme had once again made to savings and suggested that the success of the programme should be noted.

FC - 18/107 Risk Register

The Deputy Director of Finance advised the Finance Committee that the risk register had been reviewed in month and that some risks had been revised downwards. It was noted that the risk associated with the additional actions required to meet the stretch target was still scored at 25 and marked as red.

The committee were advised that 3 new risks had been added to the register in September as follows:

- Funded nursing care increase resulting from the supreme court judgement Est. £1m - £4m depending on scale of liability and backdating
- Neuro Interventional Radiology outsourcing £0.5m
- Drugs dispensed in primary care - NCSO (No cheaper stock obtainable) £2.5m.

The Committee was advised that the funded nursing care and NCSO cost pressures were national issues. The Committee agreed that a review of the NCSO cost pressures should be brought to the next meeting.

Action: Director of Finance to review the NCSO cost pressure and report back to the committee

FC - 18/108 Items to bring to the attention of the Board/Other Committees

No other items to bring to the main board.

FC - 18/109 Date and time of next meeting

Wednesday 31st October; 11.00am; Large Meeting Room, Headquarters