

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 31st OCTOBER 2017

UHW HQ

Present:

Len Richards	Chief Executive
Maria Battle	Chair
Dr Sharon Hopkins	Director of Public Health
Bob Chadwick	Executive Director of Finance
Martin Driscoll	Director of Workforce
Charles Janczewski	Vice Chair
John Union	Independent Member
Andrew Gough	Assistant Director of Finance (Transformation & Planning)

In Attendance:

Urvisha Perez	Welsh Audit Office (Observer)
Mark Jones	Welsh Audit Office (Observer)

Secretariat:

Paul Emmerson	Finance Manager
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FC – 18/110 Welcome and Purpose of the Committee

The Chair welcomed everyone to the meeting.

FC – 18/111 Apologies for Absence

Apologies were received from Chris Lewis, Abigail Harris, Ruth Walker, Steve Curry, John Antoniazzi and Peter Welsh.

FC – 18/112 Declarations of Interest

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

FC – 18/113 Minutes of the Finance Committee Held on 28th September 2017

The Committee RECEIVED and APPROVED minutes of the meeting held on 28th SEPTEMBER 2017.

FC - 18/114 Matters arising from the minutes of the meeting held on 28th SEPTEMBER 2017

The Vice Chair noted that the UHB's initial draft 3 year forecast and plan assumed additional 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. Further to this the Vice Chair asked what level of confidence the committee should have in respect of the assumption of additional funding.

The Director of Finance confirmed that the planning assumption had been made in the context of a LHB allocation review that was being undertaken by Welsh Government for implementation in 2019/20. The Director of Finance indicated however, that at this point the UHB had received limited assurance from Welsh Government in respect of the assumption of additional funding for higher rates of population growth in Cardiff & Vale and that the UHB would need to adjust future forecasts and plans accordingly if the additional funding was not provided.

For the benefit of the newly appointed independent members there was agreement to re-circulate the Draft 2018/19 – 2020/21 Financial Plan presentation provided to the Finance Committee on the 28th September 2017

Action: Assistant Director of Finance (Transformation & Planning)

FC - 18/115 Action log following the last meeting

The Committee RECEIVED the Action Log from the meeting of 28th September 2017 and NOTED that reports on Public Sector Payment Performance (PSP) and the NCSO Cost pressure would be picked up under the agenda

FC - 18/116 Finance Report as at Month 6

The Assistant Director of Finance (Transformation & Planning) presented the UHB's financial performance to month 6. The UHB remained on target to meet the £30.9m planned deficit. A further £4.5m of savings had been identified in month and work was continuing to bridge the remaining savings gap of £4.3m which was profiled into months 7-12.

The UHB recorded a £15.409m deficit at the end of month 6 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
- (£0.041m) favourable budget management variance
- £15.450m planned deficit (6/12th of £30.900m)

Performance against income targets improved by £0.043m in month leaving a cumulative over recovery against targets of £0.209m. The improvement in the in

month position was primarily due over-performance on NHS Patient Related Income relating to the recovery of costs from Commissioning Groups in England for care provided to English patients.

The reported £1.186m cumulative month 6 pay and the in month underspend of £0.457m against pay budgets is a step up from trend established in the first five months of the year. All other pay groups with the exception of unregistered nurses have a year to date and in month underspend in September. The UHB has plans in place to reduce the premium cost of covering vacancies which is driving the overspend in unregistered nursing.

A cumulative overspend of £1.354m and an in month overspend of £0.529m was reported against non-pay budgets in September. The committee was informed that the UHB had incurred significant additional drug costs arising from NCSO ('No Cheaper Stock Obtainable') concessions which were agreed nationally. The UHB has no influence over agreed concession price. The risk to the UHB arising from drugs that were granted NCSO concession would be picked up later on the agenda.

The committee was informed that the full year cost of outsourcing the neuro-interventional radiology service might rise to a figure in excess of £0.600m by the end of the year. The UHB has planned to minimise additional costs by maximising the level of work undertaken through the partially re-instated in house service. In addition the UHB had initiated a constructive discussion with WHSCC in respect of additional WHSCC income coverage for the extra costs that have arisen.

The committee asked for an update on the agreement of WHSSC support to the neuro-interventional radiology service at the next committee meeting.

Action: Assistant Director of Finance (Transformation & Planning)

All Clinical Boards were on track to deliver their forecast position year end position and all had balanced plans with the exception of Medicine and CD&T which were working to deliver the best possible positions.

The unidentified savings gap fell in month by £4.528m from £8.810m to £4.282m following completion of the 'Grip and Control budget forecast review. Further urgent work was continuing to identify the additional £4.282m of savings schemes required to deliver the plan and the Committee was informed that the UHB remained confident of bridging this gap.

The Committee was advised that a significant proportion of 2017/18 savings were non recurrent and that there was an urgent drive to identify further recurrent savings c £1.5m in 2017/18 so that the UHB's underlying deficit moving into 2018/19 was no greater than the £54.5m at the beginning of 2017/18.

The UHB's forecast year end **cash** deficit remained at £37m and the committee was advised that Welsh Government would be asked to provide additional cash coverage for this. The UHB had already considered its cash management plans in lieu of the provision of additional cash from Welsh Government.

The Committee was informed that the identification and delivery of a further £4.3m of savings schemes along with impact of a £2m increase in NHS Funded Nursing Fees following the Supreme Court judgement in respect of weekly fees were the main risks to the achievement of the plan. The increase in NHS Funded Nursing Care Fees was an All Wales issue and Welsh Government support would be requested.

The Assistant Director of Finance re-iterated that a significant proportion of 2017/18 savings were non recurrent and that as a result the underlying deficit going into 2018/19 was currently £56m which is £1.5m higher than the £54.5m underlying deficit brought forward to the current year.

The Chief Executive indicated that the progression of the transformational agenda is expected to maintain organisational grip and control and that Corporate Services would provide a lead through the identification of recurrent savings.

The Committee agreed that the reported position gave limited assurance in the context of the planned deficit of £30.9m and the remaining risks that could influence the year end outturn.

FC - 18/117 Cost Reduction Programme

The Assistant Director of Finance (Transformation & Planning) reminded the Committee that the £35.001m savings target was comprised of a £17.333m devolved target (1.5% recurrent and 0.5% non-recurrent CRP), £2.695m Transformation and £14.973m Stretch Targets.

The following key points were highlighted from the Cost Reduction Report:

- As at 30th September 2017, against the total savings target of £35.001m, £30.720m of opportunities had been identified as Green or Amber.
- Against the devolved CRP target of £17.333m, £18.808m of schemes had been identified as Green or Amber as at 30th September 2017. All but one Clinical Board had reached the milestone of 100% Green Schemes by the 1st October which was a positive reflection on the organisation's culture.
- At the end of September, £ 5.916m of cross cutting opportunities had been identified as Green or Amber. Each theme was led by an Executive Director.

It was confirmed that there was no double count of cross cutting schemes as actual targets and savings were only counted once within the delegated CRP targets.

The Committee was informed that as at month 6 that the Mental Health, CD&T, Dental and Capital Estates Clinical Boards were short of their recurrent savings targets. Clinical Boards that were short of recurrent savings target are subject to additional scrutiny.

For the benefit of new committee members the Director of Finance provide a broad outline of the RAG rating criteria that supported the delivery of saving schemes. Green schemes were confirmed and monitored through the budget process, amber schemes had indicative values and delivery times and red schemes were pipeline ideas. The process was constructed so that all Clinical Boards were sighted on and able to roll out schemes across the patch. Red pipeline schemes were important as they provided assurance that the process of developing savings was continuing.

The Committee noted that to date pay savings schemes have primarily focused on reducing variable costs. The Director of Workforce indicated that a reduction in fixed costs was dependent on the re-structuring of the delivery of services and this would generally take longer to achieve.

FC - 18/118 Public Sector Payment Performance – Improvement Plan

The Assistant Director of Finance (Transformation & Planning) presented the Plan to improve Public Sector Payment Performance to the 95% Target. The compliance rate had improved to 90.6% in September. Poor performance in previous years was driven by cash flow difficulties however the primary reason for the current year poor performance was a delay in authorizing invoices.

In the short term the UHB planned to improve performance through the implementation of a number of technical adjustments, the use of robotics in the invoice validation process and improvements in the turnaround of invoices by budget holders. Longer term improvements would be gained through the implementation of the “No Purchase Order, No Payment” policy. The Director of Finance noted that the expected gain from the “No Purchase Order, No Payment” policy may be preceded by a dip in performance whilst the new process bedded in.

The Finance Committee was informed that two Health Boards would be visited so that the UHB can learn from the issues arising from the implementation of the No Purchase Order (PO)/No Pay” policy. The Committee asked to be informed of the schedule of visits

Action: Assistant Director of Finance (Transformation & Planning)

The Committee was advised that if the UHB experiences any cash flow difficulties at year end, this could significantly impact upon the ability to maintain performance levels.

It was confirmed that progress against the plan would be monitored and that the Finance Committee would be notified of the compliance rate as the year unfolded through the monthly finance report.

FC - 18/119 Risk Register

The Director of Finance presented the risk register to the Finance Committee and advised that 1 new risk had been added to the register in respect the underlying deficit carried forward from 2017/18.

The Vice Chair noted that a number of risks that were now scored at a low risk. The Director of Finance confirmed that the risks had previously attracted a higher score and that the revised scores reflected the current assessment.

In respect of delivery of transformational opportunities and the underlying deficit carried forward to 2018/19 the Committee asked for the timetable for the establishment of the Transformation Board to monitor the delivery of transformational opportunities to be shared with the Finance Committee.

Action: Director of Public Health to share the Timetable for the establishment of the Transformation Board to monitor the delivery of transformational opportunities with the Finance Committee.

The Committee also requested for the Timetable for the roll out of budget manager training programme across the organization to be added to the risk register

Action: Director of Finance to add the Timetable for the roll out of budget manager training programme to the risk register

FC - 18/120 NO CHEAPER STOCK OBTAINABLE (NCSO)

The Assistant Director of Finance (Transformation & Planning) presented a paper on financial risks arising from drugs that had been granted an NCSO concession. The Pharmaceutical Services Negotiating Committee (PSNC) is able to apply monthly to the Department of Health for a price concession or NCSO status for generic drugs that are in short supply. Where a concession is granted, prescriptions dispensed by a community pharmacy contractor are reimbursed at a price concession tariff rather than the national drug tariff. This in turn leads to an increase in prescribing costs incurred by the UHB as the price concession tariff is higher than the national drug tariff.

The price concession only applies to the month that it is granted. In previous years NCSO have not been a significant financial issue as there has been limited price movement for a limited length of time which has not had any material impact on the cost of prescribing. For the year to date the extent of price movement and the length of the concession periods granted was moving beyond the patterns established in

previous years. The committee was asked to note that that NCSO status was a national issue over which the UHB had no influence and that the scope to switch to other drugs was limited by a patient safety protocols.

The Committee was asked to note that:

- The additional NCSO costs to September for the UHB are estimated at £1.579m;
- The range of estimated 2017/18 additional NCSO costs for the UHB is £2.638m to £4.711m, of which £3.5m is built into the UHB's financial forecast;

FC - 18/121 Items to bring to the attention of the Board/Other Committees

No other items to bring to the main board.

FC - 18/122 Date and time of next meeting

Thursday 30th November; 10.00am; Boardroom, Llandough Hospital