

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 30th NOVEMBER 2017

LLANDOUGH BOARDROOM

Present:

Len Richards	Chief Executive
John Union	Chair (Finance Committee)
Maria Battle	Chair (Heath Board)
Dr Sharon Hopkins	Director of Public Health
Bob Chadwick	Executive Director of Finance
Ruth Walker	Executive Nurse Director
Steve Curry	Chief Operating Officer
Martin Driscoll	Director of Workforce
Charles Janczewski	Vice Chair
John Antoniazzi	Independent Member
Andrew Gough	Assistant Director of Finance (Transformation & Planning)
Christopher Lewis	Deputy Director of Finance

In Attendance:

Secretariat:

Paul Emmerson Finance Manager

FC – 18/123 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/124 APOLOGIES FOR ABSENCE

Apologies were received from Abigail Harris and Peter Welsh.

FC – 18/125 DECLARATIONS OF INTEREST

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

FC – 18/126 MINUTES OF THE FINANCE COMMITTEE HELD ON 31ST OCTOBER 2017

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 31st OCTOBER 2017.

FC - 18/127 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 31st October 2017 and **NOTED** the following:

FC 18/114 – The Draft 2018/19 – 2020/21 Financial Plan presented to the Finance Committee on the 28th September 2017 was re-circulated to Finance Committee members on 22 November 2017.

FC 18/116 – A risk share proposal for the neuro-interventional radiology service was sent to WHSSC on 2nd November and initial response received on 3rd November. Further discussions are taking place between WHSSC Directors to determine the level of support for this.

FC 18/118 - The two Health Boards to have implemented the No Purchase Order (PO)/No Pay” policy are Aneurin Bevan and Hywel Dda. Aneurin Bevan was visited on 1st November and Hywel Dda had to cancel the planned meeting which is now re-scheduled for 17th January.

FC 18/119 - The Health Services Management Board (HSMB) has taken on the role of the Transformation Board in order to secure the ownership and full involvement of all of the Clinical Boards and Corporate Departments. The HSMB meets monthly and has a dedicated section on transformation at the beginning of each agenda.

FC 18/120 - The timetable for the roll out of budget manager training programme across the organization has been added to the risk register.

FC - 18/128 FINANCE REPORT AS AT MONTH 7

The Deputy Director of Finance presented the UHB's financial performance to month 7. The UHB recorded a £17.963m deficit at the end of month 7 and remained on track to stay within the planned year end deficit of £30.900m. A further £4.3m of savings had been identified in month which meant that the UHB now had a fully developed £35.001m savings plan.

The deficit at month 7 was broadly in line with the plan being made up as follows:

- (£0.062m) favourable budget management variance
- £18.025m planned deficit (7/12th of £30.900m)

Performance against income targets improved by £0.006m in month leaving a cumulative over recovery against targets of £0.215m.

A £1.363m cumulative month 7 pay underspend and in month underspend of £0.176m was reported with all pay groups with the exception of unregistered nurses having a year to date and in month underspend in October. The UHB has plans in place to reduce the premium cost of covering vacancies which is driving the overspend in unregistered nursing. The Director of Nursing confirmed that the overspend against unregistered nursing was partly due to the use of health care support workers to cover for registered nursing vacancies. The UHB was focussing on better rostering, reducing sickness, minimising the use of off contract agencies and increasing the percentage of filled substantive registered nursing groups to drive an improvement in the position. The majority of work is currently concentrated on the Medicine Clinical Board. The Director of Workforce indicated Workforce and Organisational Development Delivery Plans would be scrutinized by the UHB's Resource and Delivery Committee.

A cumulative overspend of £1.516m and an in month overspend of £0.162m was reported against non-pay budgets in October. The Committee was informed that the risks around NCSO drugs and cost of outsourcing the neuro-interventional radiology service remained. In month pressures had been observed against clinical supplies, theatres and blood products. The favourable in month surplus against commissioned services was primarily due to a re-assessment of projected outturn against WHSCC commitments.

All Clinical Boards remained on track to deliver their forecast year end position and all had balanced plans with the exception of CD&T which was working to deliver the best possible position in light of the additional costs arising from the outsourcing of the neuro interventional radiology service.

The Committee was informed that the UHB now had a full savings programme following confirmation of a £1.5m rebate in relation to catering and additional savings in medicines management and clinical productivity. The Deputy Director of Finance also confirmed that all Clinical Boards had met their in year savings targets, however a number of 2017/18 savings were non recurrent and would not reduce the UHB's c/f underlying deficit.

The c/f deficit from 2017/18 into 2018/19 is a key risk for the UHB. The underlying deficit in 2016/17 b/f into 2017/18 was £54.5m and the assessed deficit c/f into 2018/19 was currently £0.5m higher at £55m. A number of the 2017/18 opportunities including the profits on disposals of assets no longer required that enabled the UHB to reduce the planned deficit to £30.9m in 2017/18 would not be available to the UHB next year and in this context the UHB had already started the process to develop financial plans for the next 3 year planning cycle in detail. For the record the Director of Finance had written Welsh Government outlining the reasons underpinning the UHB's underlying deficit as identified by Appendix 6 of the Finance Report.

The Committee agreed that a copy of the letter should be relayed to all Board Independent Members for information.

ACTION: Director of Finance

The Director of Finance confirmed that a summary of the 2018/19 – 2020/21 Financial Plan would be brought to the next Finance Committee and the Committee agreed that an invite to the Committee would be extended to all Board members Executive Officers.

The Deputy Director of Finance drew attention to the UHB's cash position and the Welsh Government (WG) requirement to obtain formal Board recognition and approval for the UHB's request for cash assistance for 2017/18. The UHB's Board of the 30th November 2017 would therefore be asked to support and approve a request to Welsh Government for £36.423m cash assistance based on month 7 estimates of £29.389m strategic cash support and £7.034m working balances cash support. It was noted that the UHB's requirement for cash assistance was primarily driven by the UHB's planned deficit. On consideration of the reasons underlying the request for cash assistance the Finance Committee agreed that it supported the request for formal Board approval of the UHB's request for cash assistance for 2017/18.

The Committee was informed that the impact of the increase in NHS Funded Nursing Fees following the Supreme Court judgement (risk of up to £4m), the continuing costs of NCSO drug concession (risk of up to £1.7m) and the potential costs of a severe winter in excess of the £1.5m set aside (risk of up to £0.5M) were the main risks to the achievement of the financial plan.

The increase in NHS Funded Nursing Care Fees was an All Wales issue and Welsh Government support would be requested. It was also noted that the NCSO drug pressure was a national issue over which the UHB had no discretion. The Director of Operations confirmed that building on the experience of previous year, the UHB had developed a strong winter plan to keep patients safe within the planned resource available.

The key concerns and remedial actions around budget overspends, financial risks and the underlying deficit were outlined to the Committee.

LIMITED ASSURANCE was provided by:

- The work that has been undertaken to develop the 2017/18 operational plan;
- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 7 position which is broadly on line with the profiled deficit within the financial plan;
- The identification of a full £35m savings programme.

The Finance Committee:

- **NOTED** that the UHB has a one year operational plan that has a planned deficit of £30.900m for the year;

- **NOTED** the £17.963m deficit at month 7 which includes a planning deficit of £18.025m and budget underspends of (£0.062m);
- **NOTED** that the UHB now has a savings plan that is fully identified;
- **NOTED** the key risks that are outside the current expenditure projection that need to be managed;
- **APPROVED** a request to Welsh Government for £36.423m cash assistance.

FC - 18/129 Cost Reduction Programme

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

- As at 31st October 2017, a full savings programme of £35.001m was in place.
- All Clinical Boards had reached their 2017/18 devolved CRP target. Clinical boards that had not reached their recurrent CRP targets were subject to further scrutiny.
- At the end of October, £ 7.580m of recurrent full year effect cross cutting opportunities had been identified as Green or Amber. This was positive going forwards and it was expected that the model and process for developing and implementing cross cutting opportunities would continue next year.

The Finance Committee:

- **NOTED** the progress against the 2017/18 CRP target

FC - 18/130 REVIEW OF FINANCIAL REPORTING

The Deputy Director of Finance outlined the UHB's response to the Wales Audit Office report titled 'Comparative review of NHS financial reporting – Cardiff and Vale University Health Board'. The report highlighted where UHB reporting followed good practice and outlined 4 areas where the UHB could improve reporting. The Committee was informed of the actions and improvements that had already been put in place by the UHB each of the four areas identified.

The Finance Committee meeting agreed that the WAO Report 'Comparative review of NHS financial reporting – Cardiff and Vale University Health Board' should be circulated to Finance Committee Members.

ACTION: Secretariat

The Finance Committee also asked the UHB to write to WAO to share the actions taken in response to the report.

ACTION: Director of Finance

ASSURANCE was provided by:

- The review of the main Wales Audit Office (WAO) findings of the UHB financial reporting and the update provided in this report.

The Finance Committee:

- **NOTED** the main finding of the Wales Audit Office Report;
- **NOTED** and **SUPPORTED** the actions that have been taken to make improvements in Financial Reporting.

FC - 18/131 FINANCIAL GOVERNANCE REVIEW PROGRESS REPORT

The Deputy Director of Finance presented a report summarising the progress made against the action plan agreed by the Board at its September 2017 meeting in response the Welsh Government commissioned independent financial governance review of Cardiff and Vale University Health Board undertaken by Deloittes LLP.

Each of the 22 key recommendations arising from the review were listed in the report. 9 of the recommendations had been actioned and completed (RAG rated green) and reasonable progress had been made against the other 13 (RAG rated amber).

Further updates would be brought back to the committee on a *periodic basis*.

ASSURANCE is provided by:

- The report which is an independent review of the financial governance of Cardiff and Vale University Health Board carried out by Deloittes LLP;
- The action plan prepared and agreed by the Board at its September 2017 Board Meeting to address the key findings and recommendations of the report.
- The monitoring of progress being made against the action plan by the Finance Committee.

The Finance Committee:

- **NOTED** the progress being made against the action plan;
- Would **PROVIDE** assurance to the Board on the action that is being taken and the progress that is being made.

FC - 18/132 CLINICAL BOARD FINANCIAL PLANS 2018/19 TO 2020/21 PROGRESS REPORT

The Deputy Director of Finance informed the Committee that the UHB's IMTP process required Clinical Boards to produce balanced 3 year financial plans that integrated service, workforce and finance strategies. Clinical Boards had been requested to submit first draft three year IMTPs by the 9th November 2017 within a prescribed UHB wide framework that included financial assumptions around the management of key financial drivers such as savings programmes, cost pressures and investments. The UHB expects to use the Clinical Board plans to produce a consolidated plan to include proposals to move towards financial sustainability for consideration by the Board in March.

Progress to date varied across Clinical Boards and the Deputy Director of Finance indicated that the first draft had assessed local pressures of £6m within Clinical Boards that would need to be managed. This pushed the total savings requirement up to 2.7% on average. To date £12.9m savings equivalent to 1.49% had been identified, however this should be treated caution as £10.7m are red schemes and £2.2m are green and amber. Clinical Boards had identified growth pressures of £14.7m for which there is an expectation of funding. The identified growth pressures excluded pay inflation, some areas of growth in NICE drugs, corporate pressures in commissioning, investments and contractual uplifts to primary care contractors.

The Committee were advised that scrutiny of the initial draft would focus on the issues described above.

It was noted by the Chief Executive that initial plans had been drafted relatively early and that wider engagement and further integration with workforce and service plans was essential. The Director of Public Health emphasised that finance should not be the sole driver of plans and that evidence suggested that saving plans were more readily achieved when supported by staff and linked to patient care and advances in medical practice.

The Director of Operations stressed that it was important that the plan addressed the reality of providing services to a population which was continuing to increase and stated that future strategy must work across Clinical Boards. The Chief Executive and Chair highlighted that whilst the UHB must continue plans to reach financial balance the plan should be realistic so that the culture of safety and control that had been developed was maintained. In this context the Director of Public Health confirmed that all future UHB service plans will consider the impact on quality, resource and activity before progressing. The Nurse Director indicated that future plans would also need to address the Nurse Staffing Levels (Wales) Act 2016.

The Director of Finance confirmed that a summary of the 2018/19 – 2020/21 Financial Plan would be brought to the next Finance Committee and the Committee agreed that an invite to the Committee would be extended to all Board members Executive Officers.

ACTION: Director of Finance

LIMITED ASSURANCE is provided by:

- The partial progress that has been made in developing balanced plans for 2018/19 and beyond.

The Finance Committee:

- **NOTED** the progress that has been made;
- **SUPPORTED** the next steps that need to be taken to make further progress.

FC - 18/133 Risk Register

The Assistant Director of Finance (Transformation & Planning) presented the risk register to the Finance Committee and asked the Committee to endorse the removal of 5 risks from the risk register where optimum controls are in place

The Finance Committee:

- **NOTED** the risks highlighted within the risk register
- **ENDORSED** risks to be removed from register where optimum controls are in place

FC - 18/134 Items to bring to the attention of the Board/Other Committees

No other items to bring to the main Board.

FC - 18/135 Date and time of next meeting

Wednesday 3rd January; 9.00am; Large Meeting Room, UHW