

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 3rd JANUARY 2018

LARGE MEETING ROOM, HQ, UHW

Present:

Len Richards	Chief Executive
John Union	Chair (Finance Committee)
Dr Sharon Hopkins	Deputy Chief Executive
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
Andrew Gough	Assistant Director of Finance (Transformation & Planning)
Christopher Lewis	Deputy Director of Finance
Akmal Hanuk	Independent Member
Abigail Harris	Director of Planning
Michael Imperato	Independent Member
Fiona Jenkins	Director of Therapies
Graham Shortland	Medical Director

In Attendance:

Secretariat:

Paul Emmerson Finance Manager

FC – 18/136 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/137 APOLOGIES FOR ABSENCE

Apologies were received from John Antoniazzi, Maria Battle, Susan Elsmore and Peter Welsh.

FC – 18/138 DECLARATIONS OF INTEREST

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

**FC – 18/139 MINUTES OF THE FINANCE COMMITTEE HELD ON 30TH
NOVEMBER 2017**

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

FC - 18/140 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 30th November 2017 and **NOTED** the following:

FC 18/128 – The letter to Welsh Government of 12 July 2017 analysing key recent causes of the underlying deficit was relayed to Independent Members on 21.12.2017.

FC 18/130 – The WAO Report ‘Comparative review of NHS financial reporting – Cardiff and Vale University Health Board’ was circulated to Finance Committee Members on 08.12.2017.

FC 18/130 – The UHB wrote to WAO on the 05.12.2017 to confirm the actions taken in response to the WAO report; ‘Comparative review of NHS financial reporting – Cardiff and Vale University Health Board’.

FC 18/132 - Draft 2018/19 – 2020/21 Financial Plan was included on the Finance Committee agenda on the 3rd January 2018.

FC 18/132 - All Board Independent Members (IMs) and UHB Executive Officers were invited to the Finance Committee on January 3rd to consider the Draft 2018/19 – 2020/21 Financial Plan in the context of the IMTP.

FC 18/133 - Risks Fin02/17, Fin04/17, Fin08/17, Fin11/17 & Fin12/17 where optimum controls are now in place have been removed from the risk register.

FC - 18/141 FINANCIAL PLANS 2018/19 to 2020/21

The Deputy Director of Finance guided the Committee through a presentation on the UHB’s Financial Forecast and Outlook between 2018/19 to 2020/21.

The Committee was informed that UHB’s management executive had considered 8 different scenarios in developing the High Level Financial Plan for 2018/19 and was advised of the key assumptions around the b/f underlying deficit; allocation uplift, 2018/19 CIP and investments underpinning each of the scenarios.

A query (CJ) was raised regarding the probability of the UHB receiving its full allocation as assumed in 3 out of the 8 scenarios. The Committee was informed that the level of additional funding that Welsh Government will provide to the UHB in 2018/19 was uncertain as the 2018/19 cash letter issued on the 21st December 2017

had not allocated all of the additional investment of £230 million revenue funding provided for in the 2018-19 Draft Welsh Government Budget. The UHB did expect to receive some additional funding from the residual amount left with Welsh Government and it was noted that the cash letter had already applied additional Performance Improvement and Local Service Improvement funding to 2 out of the 7 Health Boards to reflect the recurrent effect of allocation uplifts issued in 2017-18.

The Chief Executive added that the UHB was working towards presenting Welsh Government with a realistic and workable plan that would move the UHB towards a balanced financial position over 3 years. The plan would clearly indicate the annual allocation uplifts that the UHB would require to deliver the plan.

The Deputy Director of Finance indicated that the UHB's management executive had dismissed 6 of the potential 2018/19 scenarios because either the year end deficits, the percentage level of savings or the level of investments were deemed too high. The 2 scenarios that the Executive Team considered best met the UHB objective of moving towards balance whilst maintaining levels of performance and patient safety were scenarios 4 & 8.

The Deputy Director of Finance advised the committee that modelling of Scenario 4 was based on the following key financial assumptions:

- B/F underlying Deficit to 2018/19 - £49.0m
- Assume allocation Uplift -2%
- Assumed recurrent CIP -3%
- Assumed non recurrent CIP -1%
- Annual Investments £4.3m

The modelling indicated that scenario 4 would deliver a £31.0m deficit in 2018/19, a £25.7m deficit in 2019/20 and a deficit of £16.8m in 2020/21. The Committee was advised that scenario 4 did not deliver financial balance in year 3.

The presentation then moved to consider scenario 8 and the Committee was informed that this scenario was based on the same assumptions as scenario 4 bar the 2% allocation uplift. Scenario 8 assumed that the UHB would receive its full share of the Welsh Government allocation uplift in 2018/19, 2019/20 & 2020/21. The Committee was advised that scenario 8 delivered a deficit of £19.7m in 2018/19, a deficit of £8.5m in 2019/20 and an in year financial surplus of £12.7m in year 3. The Committee was advised that the risk of the UHB not receiving the full allocation was c £11m per year.

In response to a query (CJ) raised around gaps in financial plans across Wales, the Chief Executive informed the Committee that only 3 Welsh Health Boards were currently forecasting a balanced position in 2017/18.

The committee chair (JU) asked if the assumption of receiving its full share of the allocation in 2017/18 incorporated additional funding for the differential rate of population growth observed in the Cardiff & Vale area. The Deputy Director of Finance confirmed that this was not included in the calculation and emphasized that at this stage the figures and assumptions should be seen as planning figures which would be subject to development and change. The Director of Operations noted that the impact of providing services to a population that was increasing by approximately 3,500 people on an annual basis had been factored into service requirements and that the additional funding requirement was in part required to meet the health needs of the projected increase in the population served.

A query (MI) was raised in relation to whether either scenario 4 or 8 would satisfy the statutory requirement to ensure that UHB expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years. The Committee was informed that without additional financial support from Welsh Government that neither scenario 4 or 8 met this requirement and that the UHBs accounts would be qualified if the UHB did not balance its position over a 3 year rolling period.

The Committee was asked (EB) why an option to achieve balance over a 3 year rolling period was not considered. The Committee was informed that the management executive had ruled out this option as this would require a level of savings in excess of 5% which evidence suggested would be both unsustainable and unachievable without a reduction to either level of service or patient safety. The Medical Director indicated that the proposed annual investment of £4.3m was relatively small and the Chief Executive added that both scenario 4 & 8 already placed pressure on established staff numbers going into 2018/19. The Chief Executive confirmed that the UHB would not pursue savings to the detriment of patient safety and the Nurse Director indicated that this approach had enabled the UHB to deliver in 2017/18 and establish an effective and mature relationship with Welsh Government.

The Chair asked when any reduction in established posts would materialise under scenario 8. The Chief Executive informed the Committee that changes in workforce numbers would be worked through each of the 3 years of the IMTP and that the detailed plans developed by Corporate Departments and Clinical Boards would be subject to scrutiny through the UHB's governance framework. **Any reduction in established posts would be included within the Final Draft of the UHB's 3 year IMTP which would be considered by the UHB Board before formal submission to Welsh Government.**

In response to a query (EB) on the delivery of savings at the earliest opportunity, the Director of Finance stated that the process of identifying future efficiencies and populating 2018/19 savings trackers had started in month 7 so that Corporate Departments and Clinical Boards were clear of their responsibilities in pushing the UHB towards recurrent financial balance.

The presentation moved on to consider the financial settlement identified by the 2018/19 cash allocation letter. The Deputy Director of Finance confirmed that the UHB had received an additional allocation of £13.2m out of the £230m uplift across Wales. However £4.6m had been top-sliced from the £13.2m to fund Welsh Government priorities leaving the UHB with an uplift of £8.6m (1.3%). The Committee was informed that Welsh Government had indicated that further funding would be made available for Mental Health Services and in response to a query (CJ) the Deputy Director of Finance indicated it was unclear at this stage what proportion of the funding would be allocated to the UHB.

The initial cash allocation letter indicated that Welsh Government had retained a significant amount of the additional £230m allocated to the NHS in Wales although additional allocations had been provided to Cwm Taf and Aneurin Bevan Health Boards for performance and service improvement. On this theme the Chief Executive suggested that the UHB's evolving track record of delivery should help to increase the level of confidence that Welsh Government has in the UHB which in turn should enable a transparent discussion on the additional resources required by the UHB to deliver the IMTP. The Director of Finance emphasised that the UHB must restrict investments to c £4.3m and commit to delivering the planned recurrent 3% and 1% non recurrent savings if it intended to request additional resources from Welsh Government to support the IMTP.

The Chair (JU) queried the timetable for agreement of the plan. It was agreed that a further draft would be brought back to the next Finance Committee and that an update would be provided at the next Board.

The Finance Committee:

- **NOTED** the work already completed and **AGREED** that scenario 8 should be worked up in detail and presented back to the Finance Committee on January 24th.
- **NOTED** that the outcome of the planned discussions at the Finance Committee on January 24th would inform the parameters for the IMTP to be presented to the Board in March

FC - 18/142 FINANCE REPORT AS AT MONTH 8

The Deputy Director of Finance presented the UHB's financial performance to month 8. The UHB recorded a £20.444m deficit at the end of month 8 and remained on track to stay within the planned year end deficit of £30.900m.

The risks in respect of NHS funded nursing fees had not changed in month and were still assessed at approximately £3.6m. The risk associated with NCSO drug concessions had diminished in month.

The favourable budget management variance had increased in month although the overall deficit at month 8 was still broadly in line with the plan being made up as follows:

- (£0.156m) favourable budget management variance
- £20.600m planned deficit (8/12th of £30.900m)

Performance against income targets remained favourable.

A £1.487m cumulative month 8 pay underspend and in month underspend of £0.124m was reported. Pressure against nursing budgets remained and whilst the overall trend suggested a move towards balance there was an overspend against in month and year to date nursing budgets.

A cumulative overspend of £1.610m and an in month overspend of £0.094m was reported against non-pay budgets in November. 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 establishment expenses and this was offset by an underspend against energy budgets.

All Clinical Boards bar CD&T remained on track to deliver a balanced year end. The CD&T Clinical Board 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 delivery of financial balance by the Women and Children Clinical Board was subject to hitting NICU activity target thresholds in order to secure agreed levels of funding from WHSCC.

The Deputy Director of Finance referred the Committee to table 14 of the report which indicated that the UHBs underlying financial position had not improved in month.

It was reported that Welsh Government had confirmed £29.389m strategic cash support to the UHB for 2017/18 and that the UHBs request for working balances cash assistance had been noted and that the level of support to be provided would be confirmed later in the year.

Public Sector Payment compliance had improved in month and the key concerns and remedial actions around budget overspends, financial risks and the underlying deficit were outlined to the Committee.

A number of queries in respect of the report were raised as follows:

- It was noted that an underspend of £4.8m was reported against the Capital Resource Limit at month 8. In response to a query (EB) on the likely year end position and the risk of a significant underspend the Deputy Director of Finance confirmed that the UHB expected expenditure against the capital resource limit to be broadly balanced at year end

- A query (CJ) was raised in respect of the RAG rating of the in year reduction in the underlying deficit which was marked as amber in month and for the year to date. The Deputy Director Director of Finance indicated that an amber score had been registered as there was no adverse movement in month and that there was still an expectation that the underlying deficit c/f into next year would be lower than the level b/f to 2017/18.
- A query (CJ) around the adequacy of the bad debt provision in for the Compensations Recovery Unit was raised. The Deputy Director of Finance confirmed that the UHB used a local rate subject to regular review. The local rate was higher than the nationally recommended rate.
- In response to a query (CJ) about progress on manpower planning the Director of Workforce confirmed that plans would be considered at either the February or March Resource and Delivery Committee.
- The Deputy Director of Finance agreed to inform the next Finance Committee of action to improve the budget performance against establishment and telephone expenses in response to a query (CJ) raised about what remedial action was planned.

ACTION: DEPUTY DIRECTOR OF FINANCE

- In response to a query (CJ) on progress in securing additional income for the outsourced neuro interventional radiology service, the Deputy Director of Finance confirmed that whilst limited progress had been made in month, discussion with WHSSC was continuing. The Chair (JU) questioned whether this issue would run into 2018/19 and assurance was provided that any impact in 2018/19 would be relatively small given that the in house provision of the service had been re-established.
- In response to a question (CJ) the Deputy Director of Finance confirmed that the increase in trade receivables was linked to monies expected from the Welsh Risk Pool which in turn was matched by an increase in the UHB's provision for contributions to the Welsh Risk Pool.

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 8 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 £20.444m deficit at month 8 which includes a planning deficit of £20.600m and budget underspends of (£0.156m);

- **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;
- **NOTED** that the UHB will continue to inform Welsh Government of cash assistance requirements through the monthly monitoring return

FC - 18/143 Cost Reduction Programme

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

- As at 30th November 2017, a full savings programme of £35.001m remained in place. The programme was being delivered evenly over the course of the year as indicated by the graph of the delivery profile included within the written report.
- Cross Cutting schemes continued to progress the development of savings with buy in and momentum from Clinical Boards. It was hoped that the number of themes could be extended in 2018/19
- As at 11th December 2017, £3.220m of 2018/19 opportunities had been identified as Green or Amber.

The Finance Committee:

- **NOTED** the progress against the 2017/18 CRP target and the Cross Cutting contribution.
- **NOTED** the progress against the 2018/19 CRP target.

FC - 18/144 RISK REGISTER

The Assistant Director of Finance (Transformation & Planning) presented the risk register to the Finance Committee and highlighted that the risk associated with NCSO concessions had fallen to £1.4m in month.

The Committee was asked to endorse the removal of 5 risks from the risk register where optimum controls are in place

The Finance Committee:

- **NOTE** the risks highlighted within the risk register.

- **ENDORSED** risks to be removed from register where optimum controls are in place.

FC - 18/145 Any Other Business

A question (CJ) was raised in respect of the pursuit of recurrent transformational opportunities. The Director of Public Health confirmed that the Health Services Management Board (HSMB) had 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. Management Executive could expedite decisions coming out of the transformation Board if required.

A query (CJ) was raised in respect of the timetable for determining the liability for NHS Funded Nursing Care. The Director of Finance indicated that Welsh Government had set up a Task and Finish Group which was expected to confirm the final position before year end.

A further query (CJ) was raised in respect of UHB contingency plans for NCSO price concessions. The Medical Director stated that price concessions were agreed by the Department of Health and were difficult to predict. The UHB had no direct influence over the approval of a concession. In the event of a long term price concession, the UHB would ask the medicines management group to consider alternatives.

The Nurse Director conveyed apologies for absence for the next planned meeting.

FC - 18/146 Items to bring to the attention of the Board/Other Committees

No other items to bring to the main Board.

FC - 18/147 Date and time of next meeting

Wednesday 24th January; 9.00am; Large Meeting Room, HQ, UHW