

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 24th 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
Steve Curry	Chief Operating Officer
Martin Driscoll	Director of Workforce
Maria Battle	Chair
Andrew Gough	Assistant Director of Finance (Transformation & Planning)
Christopher Lewis	Deputy Director of Finance
John Antoniazzi	Independent Member

In Attendance:

Secretariat:

Paul Emmerson Finance Manager

FC – 18/148 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/149 APOLOGIES FOR ABSENCE

Apologies were received from Charles Janczewski, Ruth Walker and Abigail Harris.

FC – 18/150 DECLARATIONS OF INTEREST

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

**FC – 18/151 MINUTES OF THE FINANCE COMMITTEE HELD ON 3RD
JANUARY 2018**

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 3rd JANUARY 2018.

FC - 18/152 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 3rd January 2018 and **NOTED** the following:

FC 18/142 – The month 8 in month overspend of £0.105m against establishment expenses was turned around to an underspend of £0.043m in month 9. Part of the month 8 overspend against telephone was offset and managed by underspends against other delegated budgets. Postage budgets reported a small underspend in month 9.

FC - 18/153 FINANCIAL PLANS 2018/19 to 2020/21

The Deputy Director of Finance confirmed that the Finance Section of the Draft IMTP was scheduled to be submitted to Welsh Government at the end of January. The section was included in the Committee papers and the Deputy Director of Finance guided the Committee through a presentation of the key assumptions and planning objectives set out in the IMTP.

The following points were highlighted:

- The UHB had made significant Cash Releasing savings in each year from 2014/15 to 2017/18, however a large proportion of the savings made were non recurrent
- Despite the level of savings achieved the UHB had reported deficits of £21.4m in 2014/15; £29.2m in 2016/17 and had a forecast deficit of £30.9m in 2017/18. A surplus of £0.010m had been achieved in 2015/16 after the receipt of £26.5m non recurrent funding from Welsh Government. This suggested that the UHB had been in a position of underlying deficit for a number of years.
- The Draft IMTP planned for continuing improvement on the assumptions that:
 - The UHB will not be required to make good any of its prior year deficits and this needed to be confirmed with Welsh Government;
 - There will be no material loss of income from SIFT and other education budgets due to the creation of HEIW and revisions to commissioning arrangements;
 - The commissioning approach from WHSSC and neighbouring LHBs does not financially destabilise the UHB;
 - The UHB can manage to deliver expected performance levels within the budget set.
- The UHB must identify an additional £5.582m recurrent saving schemes in the remainder of 2017/18 to reduce the carry forward underlying deficit to the £49m assumed in the Draft IMTP.
- The UHB is seeking additional Welsh Government funding of £4.5m to support annual population growth and £11m additional support in 2018/19 and a further £4.5m to support annual population growth and £11m additional

support in 2019/20, A further £4.5m to support annual population growth is sought in 2020/21.

A query (JU) was raised regarding the probability the UHB receiving the additional allocations identified. The Chief Executive confirmed that the Draft IMTP represented an offer to Welsh Government based on what the UHB could deliver. The provision of additional funding at the start of the year would enable the UHB to deliver sustainable investments in capacity and reach a balanced position and maintainable base in year 3. It was unclear at this stage whether the request for additional support at the beginning of the planning cycle would be acceptable to Welsh Government.

- Cost pressures included in the plan are those that are determined to be unavoidable and are forecast to total £33.3m in 2018/19; 39.7m in 2019/20 & £29.8m in 2020/21.
- Curtailing the amounts set aside for growth is a risk to the UHB. Prescribing cost pressures had been capped by £3.2m in 18/19; CHC pressures in PCIC are capped by £1.2m in 18/19; CHC has been capped in Mental Health by £1m in 18/19 FNC has been capped by £0.050m in 18/19 NICE, Velindre and WHSSC costs are best estimates at this time.

A query (JU) was raised regarding the level of cost pressures that remained to be managed Clinical Boards with particular reference to the PCIC Clinical Board. The Director of Finance confirmed that some of the outlined pressures initially identified by Clinical Boards had subsequently diminished below the levels identified in the presentation e.g. the NCSO drug price concession which placed pressure on PCIC budgets. However the UHB recognised that a significant level of financial challenge remained with Clinical Boards particularly when considered with the 3% recurrent and 1% non recurrent savings requirement. In this context material pressures would be placed on and monitored through the Risk Register.

- Investment proposals of £6.290m included in the plan were above the cap of £4.3m and therefore the UHB would need to prioritize the schemes to go forwards.
- The Efficiency Plan to support the IMTP required the UHB to achieve recurrent 3% cash releasing savings in both 2018/19 and 2019/20 and 2% cash releasing savings in 2020/21. This would be a considerable challenge and evidence suggested that the levels of savings required is at the top end of what was achievable and sustainable.
- The 3 year plan was expected to deliver a deficit of £21.9m in 2018/19; a deficit of 3.3m in 2019/20 and return the UHB to a sustainable position with a surplus of £0.9m in 2020/21.
- Approximately £11.3m of the £24.1m cost pressures identified by Clinical Boards will need to be managed by Clinical Boards in 2018/19 alongside the savings targets delegated to Clinical Boards.
- The key Financial Risks to the Plan are:

- Securing IMTP approval – The plan does not break even over the three year period 2018/19 – 2020/21, however the UHB was seeking approval for the plan on the basis of restoration of financial balance in year 3. The financial support requested from Welsh Government is a fundamental component of this plan and further discussions will be required in order to progress this.
- Achievement of the efficiency plan target – the CIP target is at the top end of what is achievable and will be supported by the Cross Cutting Steering Group and the Programme Management Office.
- Management of Cost Pressures – the UHB expects budget holders to manage all carried forward and unfunded cost pressures within their total of delegated resources. It is expected that this will be successfully achieved in 2017/18 but does pose a risk given the scale of efficiencies being sought.

The Committee then discussed the plan focussing on the evidence of delivery of the 2017/18 plan and the level of confidence that the Committee and Board should have in respect of the likelihood of savings targets being delivered. .

A query (MB) was raised regarding the level of assurance that the UHB had in respect of efficiency opportunities offered by theatre utilisation rates etc. The Chief Operating Officer confirmed that length of stay, theatre and outpatient benchmarking indicated that the UHB had the scope to reduce its cost base if opportunities were worked through the whole system and across organisational boundaries. The Deputy Chief Executive stated that the implementation of the Emergency Surgery Plan was predicated on clear clinical objectives that clinical and management teams had been motivated to deliver and that the success of the plan provided the UHB with a template for engaging the service with further opportunities.

It was noted by the independent member (JA) and the Chair (MB) that 2017/18 performance should provide the Board with some assurance that the draft plan could be delivered and that the UHB could return to a sustainable base in the 3rd year of the plan. The Committee acknowledged that pay costs represented a large proportion of the UHB's cost base and in this context savings plans would need to be underpinned by workforce plans which safeguarded performance, patient safety and delivery.

The Finance Committee Chair (JU) queried whether Welsh Government was likely to accept the UHB draft IMTP. The Chief Executive advised the Committee that the UHB's draft 3 year plan provided the UHB with a firm base for progressing capacity planning, staff/workforce development and a return to financial balance in year 3. The Chief Executive noted that the UHB and Welsh Government were discussing the level of underlying deficit that the UHB had identified as being carried forward into 2018/19 and that agreement of the level of underlying deficit moving into 2018/19 was a key assumption within the UHB's plan. The Director of Finance added that the

UHB had written to Welsh Government outlining the non recurrent savings and benefits that supported the UHB's 2017/18 forecast outturn and confirmed that the Board would only be presented with a plan based on firm foundations that the UHB could deliver.

In response to a query from the UHB Chair (MB), the Chief Executive indicated that the UHB may need to operate under a 1 year plan if a 3 year plan could not be agreed with Welsh Government. This could impact on capacity planning and the time required to return to a balanced financial position.

The Finance Committee:

- **NOTED** the work completed on the plan to date and the draft IMTP Finance section.

FC - 18/154 BENCHMARKING OPPORTUNITIES

The Director of Finance referred the Committee to the report on Benchmarking Financial Opportunities and confirmed that the UHB considered both internal and external benchmarking data from a number of sources. The headline figures in the report were significant, however the UHB should make a mature assessment of the timing and level of savings that could be delivered. Benchmarking data highlighted which areas the UHB should approach to identify savings and flagged potential opportunities to budget holders and provided a starting point for the exploration of future change in processes to deliver services.

The Director of Operations added that the UHB should target its approach to the pursuit of savings particularly if additional support was required to deliver savings.

The Finance Committee:

- **NOTED** the benchmarking work already undertaken in supporting delivery of the financial plan
- **NOTED** the next steps in driving further financial savings opportunities

FC - 18/155 FINANCE REPORT AS AT MONTH 9

The Deputy Director of Finance presented the UHB's financial performance to month 9. The UHB recorded a £22.177m deficit at the end of month 9 and remained on track to deliver a financial position within the £30.9m planned deficit.

The UHB had now incorporated the current year costs of £1m for increased NHS Funded Nursing Care (FNC) fees within its forecast position and therefore the risk associated with NHS funded nursing fees following the Supreme Court Judgement

had fallen to approximately £2.7m. The risk associated with NCSO drug concessions had also fallen in month.

The favourable budget management variance had improved in month and was now c.£1m and the overall £22.177m deficit at month 9 was made up as follows:

- (£0.998m) favourable budget management variance
- £23.175m planned deficit (9/12th of £30.900m)

The Deputy Director of Finance informed the Committee that in light of the improving financial position that the UHB would review its year-end forecast over January and consequently may be able to reduce its year end forecast by £2m - £4m to support the position across Wales. In particular the review would focus on the reduction in demand for some high cost drugs as well as seeking clarification from the Welsh Risk Pool on the UHB's expected 2017/18 contribution.

The Director of Finance confirmed that the improving financial position was due to the continuing control exercised over budgets and indicated that there was an expectation that any improvement in the UHB's forecast outturn would in part be re-provided by Welsh Government in 2018/19.

The Deputy Director of Finance drew the Committee's attention to the Finance Dash Board that indicated that the underlying deficit had fallen by £0.5m in month and that the in month creditor payment compliance rate was above target at 95.7%.

The in month income surplus was primarily due to the over-performance against NHS Patient Related Income in month 9. Cumulative performance against income targets remained favourable. Pay budgets showed a year to date underspend of £1.553m and non pay budgets reported an in month underspend of £0.592m. The Deputy Director of Finance indicated that a further meeting was scheduled with WHSCC to discuss additional income for the costs of the temporary outsourcing of the neuro-interventional radiology service and added that the UHB had already covered the additional cost incurred within its forecast position.

All Clinical Boards bar CD&T remained on track to deliver balanced year end budget.

The Deputy Director of Finance referred the Committee to table 14 of the report which indicated that the UHBs underlying financial position now stood at £54.5m which was equivalent to the underlying deficit brought forward into 2017/18. The UHB expected the underlying deficit to fall further towards the year end planning figure of £49m over the remaining months of the year.

The Committee was informed by the Deputy Director that the UHB may need to reduce its request for strategic cash assistance if the UHB reduced its forecast year end deficit.

The Deputy Director of Finance outlined the key concerns and remedial actions

around budget overspends, financial risks and the underlying deficit to the Committee and noted that there had been an in month improvement in the areas of concern.

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 9 position which is £0.998m less than 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 £22.177m deficit at month 9 which includes a planning deficit of £23.175m and budget underspends of (£0.998m);
- **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;

FC - 18/156 COST REDUCTION PROGRAMME

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

- As at 30st December 2017, the UHB remained on track to deliver the £35.001m savings programme.
- Cross Cutting schemes were expected to deliver £10.5m of indicative savings in 2018/19. 2017/18 themes would continue into 2018/19 with the addition of the Efficiency Opportunities theme. Each theme was sponsored by an executive officer and would be progressed by a named project manager, implementation lead and finance lead.
- As at 31st December 2017, £3.263m of 2018/19 opportunities had been identified as Green or Amber. It was expected that the majority of schemes

(90%) would be categorised as either green or amber prior to the start of the financial year and progress would need to accelerate to achieve this.

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 - 18/157 RISK REGISTER

The Assistant Director of Finance (Transformation & Planning) presented the risk register to the Finance Committee and highlighted the number of risk in each category.

The Committee was asked to endorse the removal of 3 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 - 18/158 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/159 DATE AND TIME OF NEXT MEETING

Wednesday 28th February; 2.00pm; Large Meeting Room, HQ, UHW