

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 28th FEBRUARY 2018

LARGE MEETING ROOM, HQ, UHW

Present:

John Union	Chair (Finance Committee)
Bob Chadwick	Executive Director of Finance
Abigail Harris	Director of Planning
Martin Driscoll	Director of Workforce
Charles Janczewski	Vice Chair
Andrew Gough	Assistant Director of Finance (Transformation & Planning)
Christopher Lewis	Deputy Director of Finance

In Attendance:

Secretariat:

Paul Emmerson Finance Manager

FC – 18/160 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/161 APOLOGIES FOR ABSENCE

Apologies were received from John Antoniazzi, Maria Battle, Ruth Walker, Len Richards, Sharon Hopkins and Steve Curry.

FC – 18/162 DECLARATIONS OF INTEREST

The Chair invited members to declare any interests in proceedings on the Agenda.

Charles Janczewski indicated that he had been appointed to Chair a WHSCC sub-committee and declared an interest in discussions in respect of WHSCC.

**FC – 18/163 MINUTES OF THE FINANCE COMMITTEE HELD ON 3RD
JANUARY 2018**

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 24th JANUARY 2018.

FC - 18/164 ACTION LOG FOLLOWING THE LAST MEETING

No Actions were outstanding.

FC - 18/165 FINANCIAL PLANS 2018/19 to 2020/21

The Director of Finance provided the Committee with an update on recent discussions with Welsh Government and progress on the plan since the last meeting. It was confirmed that the UHB Financial Plan was submitted to Welsh Government at the end of January 2017 and was consistent with the financial plan presentation and draft IMTP section that was deliberated at the Finance Committee meeting on the 24th January. As discussed at the meeting of the 24th January the submitted UHB plan sought additional Welsh Government funding of £4.5m to support annual population growth and £11m additional support in 2018/19, a further £4.5m to support annual population growth and £11m additional support in 2019/20 and a further £4.5m to support annual population growth was sought in 2020/21. The Director of Finance reminded the Committee that the additional funding would enable the UHB to improve its capacity planning, return to a sustainable financial balance in year 3 of the plan and be a fully compliant organisation.

The Committee was informed by the Director of Finance that following the submission of the plan, Welsh Government had asked the UHB to remove the assumed additional Welsh Government funding of £4.5m to support annual population growth and £11m additional support where included within the plan. As a consequence the UHB had amended its planning figures and resubmitted a plan that identified a deficit of £30.7m in year 2018/19.

The removal of the support from Welsh Government results in the UHB not getting back to a financial balance over a 3 year period and not being a compliant organization.

The Director of Planning added that the request for funding in support of population growth was based upon UHB estimates of the additional year on year costs and that the UHB had previously provided Welsh Government with evidence of the impact that population growth had had on the demand for UHB services. The letter on population growth is being circulated to members of the Board.

ACTION: DIRECTOR OF FINANCE

The UHB had a Targeted Intervention meeting scheduled with Welsh Government on the coming Friday March 2nd and the Director of Finance indicated that the UHB expected Welsh Government to once again focus on the £49m underlying recurrent deficit that the UHB had identified as the baseline within the Financial Plan. The Director of Finance reminded the Committee that the previous meeting was advised that the UHB and Welsh Government were discussing the level of underlying recurrent deficit that the UHB had identified as being carried forward into 2018/19 and that agreement of the level of underlying recurrent deficit moving into 2018/19

was a key assumption within the UHB's plan. The Director of Finance informed the Committee that the discussions with Welsh Government around the UHB's underlying recurrent deficit had been taking place over the last 2 years and added that Board members had previously been provided with correspondence from the UHB to Welsh Government outlining the causes of the UHB's £54.5m underlying recurrent deficit coming into 2017/18. The Committee was informed that Welsh Government had recently notified the UHB that it wished to meet with UHB senior finance officers to scrutinize the UHB's underlying recurrent deficit and that Welsh Government had also asked the UHB to identify within the next iteration of the plan how the constituent parts of the Underlying Recurrent Deficit related to the service offering. The Director of Finance advised that the investments within the Underlying Recurrent Deficit had been identified and were not without merit and related to performance, safety, statutory and population growth issues.

The Director of Finance told the Committee that Welsh Government had questioned the UHB movement from a forecast deficit of £26.9m in 2017/18 to an underlying recurrent deficit of £49m going into 2018/19 on the basis that the non-recurrent issues that occurred in 2017/18 would tend to happen every year in a £1.3billion organisation. The Committee agreed that non recurrent opportunities would present themselves on an annual basis and that this was to some extent reflected in the non recurrent CRP targets. The Finance Committee Chair indicated that the proceeds of the sale of CRI provided significant support to the UHB's 2017/18 position and suggested that such significant opportunities were unlikely to occur on an annual basis. In this context the Finance Committee Chair (JU) asked for a bridge diagram outlining the movement from the 2017/18 forecast deficit of £26.9m to the £49m to be provided to the Finance Committee.

ACTION: DEPUTY DIRECTOR OF FINANCE

The Director of Finance continued and indicated that the UHB had provided Welsh Government with its normalised run rates which supported the £49m underlying deficit folding into 2016/17. Normalised run rates exclude one off income and expenditure and the concept was explored in an article by the Nuffield Trust which considered underlying deficits held by Trusts in England. It was agreed that the article would be distributed to Finance Committee Members

ACTION: DIRECTOR OF FINANCE

The UHB Vice chair (CJ) queried whether Welsh Government expected the UHB to present a plan which identified a lower forecast deficit in 2018/19 on the basis that additional risk would need to be managed by the UHB in the delivery of the plan.

The Director of Finance indicated that the endpoint of discussions was uncertain at this stage and that the UHB remained engaged with Welsh Government in the development of the plan through the established IMTP process. In the context of the plan to be presented to the March Board meeting, the Board would continue to be

fully sighted and apprised of any additional risks that the UHB would be expected to manage in respect of both the underlying recurrent deficit moving into 2018/19 and the effect of population growth on the demand for UHB services. The Director of Finance added that it was important in the meantime for the UHB to retain the discipline that had been established and embedded in the organisation in respect budget management and the identification and delivery of recurrent and non recurrent CIPs.

The Vice Chair (CJ) asked what levers the UHB would have to redirect resources to Primary Care if the UHB plan identified significant levels of risk to be managed in year. The Director of Planning indicated that Welsh Government had announced a Transformation Fund that could possibly be accessed to target the development of primary care although it was uncertain whether funding would be available on a recurrent basis.

In response to a query raised by the Committee Chair (JU) the Committee was informed that the position across Wales varied by Health Board. The Committee was informed that the UHB had communicated a consistent message to both the Board and Welsh Government in respect of the UHBs significant underlying recurrent deficit and the pressure presented by the relatively high level of population growth in Cardiff and Vale. The Committee also noted that the structural opportunities to cut costs through the rationalization of services that were present in other parts of Wales were in comparison limited within the UHB.

The Director of Finance advised the Committee that the outcome of further discussion with Welsh Government would be brought back to the next Finance Committee Meeting, but assured the Finance Committee that an agreed plan which is deliverable is essential and the risks associated with any such plans would be shared with the Finance Committee and the Board.

ACTION: DIRECTOR OF FINANCE

The Finance Committee:

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

FC - 18/166 FINANCE REPORT AS AT MONTH 10

The Deputy Director of Finance presented the UHB's financial performance to month 10 and directed the Committee to the key messages identified the opening section of the report under the heading "Situation". The month 10 position was nearly £1.5m better than planned and the UHB had re-assessed its year-end forecast which had consequently improved by £4m to a deficit of £26.9m. The improvement was within the range indicated to the previous Committee meeting and was also within the

range of potential improvements identified within the UHB's month 9 report to Welsh Government.

The Committee was informed by the Deputy Director of Finance that the £4m improvement was due to £1.8m non recurrent underspend against delegated budgets, clarification by the Welsh Risk Pool (WRP) of a £1m recurrent reduction to the UHB's annual contribution and a £1.2m recurrent surplus on the UHB's Hepatitis C drugs budget. In addition the risk associated with the estimated £2.7m backdated NHS Funded nursing costs (FNC) costs had been accommodated within the forecast outturn due to a revised NICE drugs forecast from Velindre Trust, an upturn in expected income in relation to RTA and patient related income and the management of opportunities in central budgets. Following a query from the Director of Workforce it was confirmed that the costs of FNC were likely to be reflected in the 2017/18 accounts through either an accrual or provision at year end.

The in month income surplus was primarily due to the over-performance against Neo natal ICU activity and RTAs in month. Cumulative performance against income targets remained favourable. Pay budgets showed a year to date a favourable in month performance in part due to the receipt and application of Welsh Government Invest to save funding against nursing budgets in Surgery.

The in month overspend against non pay was primarily due to the contribution to the stretch target. It was noted that the risk in respect of NCSO drugs had again reduced in month. Following a query (CJ) in respect of progress in recovering additional in year costs of neuro-interventional radiology the Director of Finance indicated that he had met with WHSCC to discuss additional income for the costs and that an agreement had been reached where WHSCC would cover 50% of the additional costs. In response to a query (JU) it was confirmed that the principle would extend into next year although it was not expected that significant additional cost for neuro-interventional radiology would roll into 2018/19.

All Clinical Boards bar CD&T remained on track to deliver balanced year end budget and the clinical boards that were currently in deficit had reported an in month surplus.

The Deputy Director of Finance referred the Committee to table 13 of the report which indicated that the UHBs underlying financial position had fallen in month and now stood at £52.3m and added that the level of underlying recurrent deficit remained the key financial concern for the UHB.

The Committee was informed that due to the £4m reduction to the UHB forecast deficit in January the level of strategic cash assistance required by the UHB has also fallen by £4m from that previously requested.

On a related point the Committee was informed that the UHB expected the £4m resource made available through the reduction in the 2017/18 forecast to be re-

provided to the UHB by Welsh Government in 2018/19.

The Deputy Director of Finance outlined the key concerns and remedial actions around budget overspends, financial risks and the underlying recurrent deficit to the Committee and noted that there had been a continuing in month improvement in the areas of concern.

The UHB's vice chair (CJ) referred the Committee to the in month Public Sector Payment compliance score and asked if the performance which was below the 95% target represented an increasing risk. The Deputy Director of Finance indicated that cumulative performance had improved in each of the previous 4 months prior to January and that the dip in January was due to a slowdown in payments over Christmas that was expected to recover in the New Year.

Following a query (CJ) the Committee was assured by the Director of Finance that there would be no ease up in the governance and control of budgets in the remainder of the year given that the UHB had reduced its forecast deficit.

LIMITED ASSURANCE was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 10 position which is £1.492m 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** that the UHB had reduced its forecast year end deficit by £4m on month to £26.900m;
- **NOTED** the £24.258m deficit at month 10 which includes a planning deficit of £25.750m and budget underspends of (£1.452m);
- **NOTED** that the UHB has written to Welsh Government to confirm a reduction to the cash assistance required by the UHB in line with the reduction the forecast year end deficit;

FC - 18/167 FINANCIAL GOVERNANCE REVIEW PROGRESS REPORT

The Deputy Director of Finance outlined the UHB's response to the review of Financial Governance undertaken by Deloitte LLP. The report identified 22 key findings and recommendations against which the Finance Committee had been asked to monitor progress. Three further actions had been completed since the last report to the Finance Committee in November and in total 12 of the recommendations had been completed, a further 10 were in progress and all recommendations were expected to be completed by the end of April. The Chair (JU) enquired how compliance against actions was tested. The Deputy Director of Finance indicated that Internal Audit had reviewed action against recommendations and provided assurance to the Audit Committee. The UHB Vice Chair (CJ) asked when a final report could be brought back to the Committee and it was agreed that a final report should be brought back to the May meeting

ACTION: Deputy Director of Finance

ASSURANCE was provided by:

- The independent review of the UHBs financial governance.
- The action plan prepared to address the reports key finding and recommendations agreed by the Board at its September 2017 Board meeting.
- The monitoring of progress being made against the action plan by the Finance Committee.

The Finance Committee:

- **NOTED** the progress against the action plan;
- **AGREED** that assurance could be provided to the Board on the action being taken and progress being made.

FC - 18/168 COST REDUCTION PROGRAMME

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

- As at 31st January 2018 the UHB remained on track to deliver the 2017/18 savings programme and the focus had now turned to 2018/19.
- As of the 28th of February 2018, £12.7m (c 1.5%) opportunities have been identified as Green or Amber. This was an update on the figures provided with the papers.
- The opportunities identified varied across Clinical Boards with 3 Clinical Boards having identified approximately 2.5% CRP opportunities.

Following a query from the Committee Chair (JU) it was confirmed that the Dental, Corporate Executives and Medicine Clinical Boards had not at this stage identified a significant level of 2018/19 opportunities.

In response to a further query from the Committee Chair (JU) the Director of Finance confirmed that those Clinical Boards that continuing to lag behind in the identification of opportunities would be put into escalation. It was noted that the potential to reward Clinical Boards that were delivering through capital investment etc. was currently limited. In addition the Director of Finance expressed his concern at the relatively low level of red opportunities currently identified.

The UHB's Vice Chair (CJ) noted that the UHB had not reached its 2017/18 transformation target and asked what progress was being made on the wider transformation agenda. The Director of Finance confirmed that the Chief Executive was discussing this issue with Executives and that there was progress on the structures being put in place to enable the acceleration of the transformation agenda.

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 - 18/169 RISK REGISTER

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

The Committee was asked to endorse the removal of FNC Supreme court ruling risks from the risk register.

The Finance Committee:

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

FC - 18/170 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/171 DATE AND TIME OF NEXT MEETING

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