

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 28th MARCH 2018

LARGE MEETING ROOM, HQ, UHW

Present:

John Union	Chair (Finance Committee)
Bob Chadwick	Executive Director of Finance
Steve Curry	Director of Operations
Len Richards	Chief Executive
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 – 18/172 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/173 APOLOGIES FOR ABSENCE

Apologies were received from John Antoniazzi, Maria Battle, Ruth Walker, Martin Driscoll, Sharon Hopkins and Abigail Harris.

FC – 18/174 DECLARATIONS OF INTEREST

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

The UHB Vice Chair (CJ) indicated that he had been appointed to Chair a WHSCC sub-committee and declared an interest in discussions in respect of WHSCC.

**FC – 18/175 MINUTES OF THE FINANCE COMMITTEE HELD ON 28th
FEBRUARY 2018**

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 28th FEBRUARY 2018.

FC - 18/176 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 28th February 2018 and NOTED the following:

FC 18/165 – The letter to Welsh Government on population growth with evidence of the impact that population growth has had on the demand for UHB services was circulated to members of the Board on March 1st 2018.

FC 18/165 – A bridge diagram outlining the movement from the 2017/18 forecast deficit of £26.9m to the £49m underlying recurrent deficit c/f to 2017/18 was included on the agenda of the current meeting.

FC 18/165 – An article by the Nuffield Trust on normalised run rates had been distributed with the Finance Committee papers for the current meeting.

FC 18/165 – Outcome of further discussions with Welsh Government on the Financial Plan was included on the agenda of the current Finance Committee Meeting.

FC 18/167 – Final Financial Governance Review Progress Report to be brought back to the May meeting – incomplete – scheduled for May 2018 meeting

FC - 18/177 FINANCIAL PLANS 2018/19 to 2020/21

The Deputy Director of Finance provided the Committee with a presentation on discussions with Welsh Government (WG) and progress on the plan since the last meeting.

The Committee was reminded that the objectives of the UHB's Financial Strategy and Framework were to achieve WG approval of the Financial Plan, to improve the UHB's underlying financial position in 2018/19 and to return to financial balance as soon as practically possible. All Primary Budget holders are required to produce a balanced financial plan which is integrated with service and workforce plans. The key facilitators underpinning the plan were outlined as the management of budgets to break even; the capping of investments; delivery of the savings programme; maximising the UHB's allocation; securing the c/f 2017/18 underspend in 2018/19 and the management of population growth pressures.

In response to a query from the committee Chair (JU) The Deputy Director of Finance confirmed that 2018/19 Clinical Board budgets included CRP targets.

The presentation covered the key underlying budget assumptions and the following were noted:

- No funding for operational pressures (but pressures to be set out with proposals to manage them through cost avoidance or application of an additional CIP target).
- Unachieved CIP to be carried forward.
- Wage award & NICE drugs to be funded.
- No funding for incremental drift & no funding for non pay inflation unless for specific contractual obligations.
- Growth for CHC and prescribing to be curtailed.
- Investments curtailed to the absolute minimum.
- Budget provision set aside for population growth
- Any growth for RTT will be subject to a bid to Welsh Government.
- 3% recurrent and 1% non recurrent CIP to be applied.

In response to a query from the UHB Vice Chair (CJ) in respect of the recent announcement on the NHS wage increase, the Committee was informed by the Director of Finance that Welsh Government had set up a working group to look at the implications and that the UHB plan assumed that any additional costs would be covered by additional Welsh Government funding.

The Deputy Director of Finance continued and outlined the £7.3m net movements in the Draft 2018/19 Financial Plan resulting in an increase in the 2018/19 deficit from £21.9m to £29.2m as follows:

- Cost pressures had fallen by £2.2m for a reduction in NHS Funded nursing care costs;
- Cost pressures due to population growth and investment had each fallen by £1m for a reduction in RTT;
- £15.5m of additional funding had been removed;
- The £4m non recurrent underspend against the 2017/18 planned deficit was assumed to be available in 2018/19.

The UHB vice chair asked if the UHBs revisions had been accepted by Welsh Government. It was confirmed that the reduction in NHS funded nursing care costs was supported by the recognition of a backdated liability and a provision in the UHB's 2017/18 accounts which was backed by additional Welsh Government funding. The reduction in RTT costs was made on the assumption that the UHB would progress further discussions with Welsh Government on performance improvement and that further Welsh Government funding would be subject to a future UHB bid. The assumptions around the removal of additional funding and the carry forward of the 2017/18 reduction in the forecast deficit would be underlined in the scheduled targeted intervention meeting with Welsh Government following the Finance Committee.

The Deputy Director of Finance moved onto present to bridge diagrams showing the movement from the 2017/18 financial position to the £49m underlying deficit moving into 2018/19. The movement from £26.9m 2017/18 forecast deficit to the

underlying deficit of £49m was due to £16.2m of non recurrent savings and the £5.9m non recurrent profit made on the sale of CRI in 2017/18. The movement from £30.9m 2017/18 planned deficit to the underlying deficit of £49m was due to the £7.867m shortfall on the recurrent delivery of the 2017/18 transformational and stretch target, the £4.333m non recurrent savings target in the 2017/18 plan and the £5.900m non recurrent profit made on the sale of CRI in 2017/18. It was noted that the UHB needed to identify a further £2.4m recurrent savings in month 11 to move the underlying deficit from the £51.4m to the £49m assumed in the 2018/19.

The Chief Executive indicated that Welsh Government recognition of the UHBs £49m underlying deficit was key to the progression of the UHB's forward financial plan. The Director of Finance added that the establishment a normalized position by adding back fortuitous gains and non recurrent income and expenditure was a recognized approach across a number of business sectors and that the provision of a monthly update on the underlying deficit would be a formal Welsh Government reporting requirement for all Health Boards in Wales in 2018/19.

The UHB's Vice Chair asked what was considered to be a realistic timescale for the removal of the UHB's underlying deficit. The Chief Executive indicated that once an agreement was reached in respect of the 2018/19 plan, the UHB would seek Welsh Government recognition of the impact of higher levels of population growth within the Cardiff and Vale area and the subsequent effect on funding per head of population in comparison with the rest of Wales. The outcome of the discussions would shape both the timing and scale of plans to move the UHB back into recurrent financial balance.

The Committee was informed that £31.105m of costs pressures were funded as part of the plan which left a further £12.794m of risks to be managed by budget holders. The unfunded cost pressures would be monitored through the 2018-19 Risk Register.

ACTION: ASSISTANT DIRECTOR OF FINANCE (TRANSFORMATION & PLANNING)

The list of investment under consideration totalled £3.560m which was £0.260m higher than the planning figure. A number of the investments were still be progressed through the UHB's established Business Case process and it was expected that 2018/19 investments would be held within the £3.3m set aside in the Financial Plan.

The presentation moved on to the £33.780m 2018/19 CIP target and the Committee was advised that £16.1m of green and amber schemes had been identified at the time of the meeting. The UHB Vice Chair (CJ) asked what level of schemes would the UHB need to identify by the start of the year so that it could gain a reasonable level of assurance that the CIP target would be delivered in year. The Director of Finance indicated that ideally at least 80% of the target would be identified by the

end of March and at least 90% of the target would be identified by the end of April to provide a reasonable level of confidence around deliverability in 2018/19 and the Director of Operations added that escalation meetings were scheduled to help Clinical Boards reach targets where there was a shortfall in saving schemes. The Chief Executive told the Committee that non recurrent savings would be expected to offset any slippage against recurrent targets.

The Deputy Director of Finance advised the Committee that the key financial risks to the plan were securing operational plan approval, achievement of the £33.8m efficiency plan target and management of the £12.8m unfunded cost pressures. The Director of Finance added that the cost of managing RTT was also a financial risk to the UHB and the Chief Executive notified the Committee that the UHB had written to and asked Welsh Government to clarify if it expected the UHB to continue to spend monies to maintain and improve current performance levels in lieu of Welsh Government approval of the UHB's bid for Performance monies. The committee agreed that confirmation of RTT funding should be added to the risk register.

ACTION: ASSISTANT DIRECTOR OF FINANCE (TRANSFORMATION & PLANNING)

The Director of Finance confirmed that the UHB had a targeted intervention meeting with Welsh Government following the Finance Committee and suggested that the Welsh Government would challenge the UHB to reduce its 2018/19 planned deficit to a figure lower than £29.2m. In this context and in the light of recommendations from the Deloitte Governance Report this was an issue that the UHB and its Board would need to consider further. The Director of Finance added that given that the UHB still had some way to go to reach the current savings target of £33.780m that it was unclear what reasonable options were available to the UHB to reduce the planned 2018/19 deficit of £29.2m.

The Finance Committee Chair asked whether any new issues were due for discussion at the Targeted Intervention meeting. The Chief Executive told the Committee that the UHB's Finance Team had already met with Welsh Government Officer to detail the drivers behind the UHB's underlying deficit and that an update on progress on developing 2018/19 CIP schemes would be provided at the meeting. The UHB also hoped that the meeting would provide the UHB with some clarification on access to the £60m All Wales Transformation fund and how the UHB should manage RTT in lieu of confirmation of additional funding. Feedback from Welsh Government in respect of the 2018/19 plan would be provided to the Board meeting the following day on 29th March 2018.

The Committee agreed that the current 2018/19 4% savings target demonstrated the plans ambition and was at the limit of what was achievable. In addition the Committee agreed that the UHB plan needed to strike a balance between financial risk and the risk to healthcare services provided to the population of Cardiff and the Vale as well as service users from other Health Boards. In this context it was

imperative that the additional risk of delivering a planned deficit below £29.2m was discussed at Board and shared with Welsh Government.

The Finance Committee:

- **NOTED** the work completed on the plan to date and that a further update would be provided to the Board following the Targeted Intervention Meeting with Welsh Government.

FC - 18/178 FINANCIAL BRIDGE – FINANCIAL POSITION TO NORMALIZED FINANCIAL POSITION

The Deputy Director of Finance briefed the Committee on the how the UHB had moved from a reported underspend of £0.1m in 2015/16 to brought forward underlying deficit of £49.0m moving into 2018/19. It was confirmed that the 2015/16 had been achieved after the receipt of £26.5m non recurrent funding from Welsh Government.

The Committee was informed that the accumulated deficit represented both plans to operate outside of the resources available and the non-delivery of financial plans. Some of the financial drivers for this had been:

- Non delivery of recurrent CIPs as set out in plans (which underpinned recurrent spending decisions) and reliance on non-recurring opportunities;
- Operational pressures outside of plan which have not been managed;
- Funding for growth and delivery of planned care, unplanned care and other targets above the resources available;
- Other Investments and cost pressures where funding was applied have added to the underlying deficit.

The Deputy Director of Finance told the Committee that the UHB has recognised these weaknesses in its 2017/18 financial plan aims to:

- Focus on the achievement of the recurrent CIP target;
- Ensure cost pressures are managed;
- Limit investment to those areas that are unavoidable and essential;
- Deliver an in year improved financial position;
- Reduce the c/f underlying deficit.

The UHB's Vice Chair noted that the fall in 2018/19 planned investments from £19.6m in 2016/17 to £3.3m in 2018/19 was a significant decrease that provided assurance that the UHB financial plans now had a greater focus on addressing the UHB's underlying deficit.

It was noted that the two key reasons why the normalised underlying financial position is greater than the planned and forecast outturn position for 2017/18 are:

- The UHB financial plan contained non recurrent mitigating actions of £10.2m (sale of west wing and non-recurrent CIP);
- When the UHB agreed the £15m stretch target, the UHB did not have any plan to deliver this and whilst this has not only been achieved but exceeded, only £7.1m of the schemes to deliver this have been recurrent (therefore £11.9m is non recurrent).

ASSURANCE was provided by:

- Clarity of the trail between the outturn position in 2015/16 and the c/f underlying deficit in 2017/18.

The Finance Committee:

- **NOTED** the financial trail to the forecast outturn position and the normalized underlying deficit from 2015/16;
- **NOTED** the movement between reported and normalized underlying position in 2017/18.

FC - 18/179 FINANCE REPORT AS AT MONTH 11

The Deputy Director of Finance presented the UHB's financial performance to month 11 and advised the Committee that the UHB remained on course to deliver the forecast year end deficit of £26.9m. The month 11 position was a deficit of £25.5m which was £1.3m better than planned and the UHB required a budget underspend of c £1.2m against plan in month 12 to bring the year end position within the forecast deficit.

The Committee Chair queried whether the UHB had plans to address the £5.5m overspend that was reported against non-qualified nursing bank staff. The Chief Executive confirmed that the UHB's Director of Workforce was working with the Director of Nursing to develop ways of improving both the recruitment and retention of staff to fill nursing vacancies and reduce reliance on both bank and agency staff. However the level of nursing vacancies remained a concern particularly in Medicine and it was noted the Nurse Staffing Act which has been recognised as an area for UHB investment would add to the challenge in 2018/19. The Director of Operations indicated that ICU were increasingly focussing on the retention of staff in order to reduce the reliance on bank and agency.

The UHB Vice Chair noted the in month and cumulative overspend against clinical services and supplies and asked for some assurance that the UHB has adequate control over this area of spend. The Director of Operations indicated that the spend was in part subject to variation in activity delivered to meet performance targets. The Committee agreed that the drivers of this overspend should be reported back to the Committee in more detail.

ACTION: DEPUTY DIRECTOR OF FINANCE

The UHB Vice Chair also noted the in month pressure arising from the increased demand for CAMHS Tier 4 services and the Committee agreed that further information should be provided on the pressure to the next meeting

ACTION: DEPUTY DIRECTOR OF FINANCE

LIMITED ASSURANCE was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 11 position which is £2.823m 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 has reduced its forecast year end deficit by £4m in month to £26.900m;
- **NOTED** the £25.502m deficit at month 11 which includes a planning deficit of £28.325m and budget underspends of (£2.823m);
- **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 - 18/180 COST REDUCTION PROGRAMME

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

- The focus of the savings programme and had now turned to 2018/19 and 16.18m savings which included £13.9m of recurrent opportunities had been identified to date.
- To support the delivery of Cardiff and Vale University Health Board's (UHB) cost reduction programme for FY 18-19, cross cutting projects in medical productivity, medicines management, nursing productivity, procurement, workforce productivity and efficiency opportunities had been identified and targeted with delivering £10.5m of indicative savings.
- As at 28th February 2018, £39.001m of opportunities had been identified as Green or Amber against the total 2018/19 savings target of £35.001m.

The Director of Finance advised the committee that £15.6m of 2017/18 corporate savings schemes that had been identified against the stretch target included non recurrent opportunities in respect of disposals, VAT refunds and underspends against in year funding. It was anticipated that any stretch target savings made in 2018/19 would be reported separately from the planned CIP savings. This differed from the approach adopted in 2017/18.

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 and the Cross Cutting contribution.

FC - 18/181 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 the following risks from the risk register:

- Deliver RTT with planned resources
- Deliver Winter within planned resources
- Drugs dispensed in primary care NCSO

It was agreed that a draft of the 2018/19 Risk Register would be brought to the next meeting

ACTION: ASSISTANT DIRECTOR OF FINANCE (TRANSFORMATION & PLANNING)

The Finance Committee:

- **NOTED** the risks highlighted within the risk register.
- **ENDORSED** the removal of risks from the register where optimum controls are in place.

FC - 18/182 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/183 DATE AND TIME OF NEXT MEETING

Wednesday 25th April; 2.00pm; Large Meeting Room, HQ, UHW