

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 30th MAY 2018

LARGE MEETING ROOM, HQ, UHW

Present:

John Union	Chair (Finance Committee)
Maria Battle	Chair (Board)
Steve Curry	Director of Operations
Len Richards	Chief Executive
Dr Sharon Hopkins	Deputy Chief Executive
Charles Janczewski	Vice Chair (Board)
Christopher Lewis	Deputy Director of Finance
Martin Driscoll	Director of Workforce

In Attendance:

Secretariat:

Paul Emmerson Finance Manager

FC – 18/195 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/196 APOLOGIES FOR ABSENCE

Apologies were received from John Antoniazzi, Ruth Walker, Andrew Gough, Abigail Harris and Robert Chadwick.

FC – 18/197 DECLARATIONS OF INTEREST

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

The UHB Vice Chair (CJ) stated that he was Chair of a WHSCC sub-committee and declared an interest in discussions in respect of WHSCC.

FC – 18/198 MINUTES OF THE FINANCE COMMITTEE HELD ON 25th APRIL 2018

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 25th April 2018.

In respect of minute 18/189 of the meeting held on 25th April 2018, it was confirmed that Terms of Reference were being reviewed and considered before determining the scope for the commissioning of an independent report outlining the implications of the increase in population in Cardiff and Vale on UHB services.

FC - 18/199 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 25th April 2018 and **NOTED** the following:

FC 18/167 - An updated Financial Governance Review Progress Report was included on the agenda of the May 30th 2018 meeting

FC - 18/189 - Director of Finance to separately identify RTT spend that is expected to be covered by an additional Welsh Government allocation through the monthly monitoring return process – Complete - The April 2018 MMR reported that in month 1 £0.3m expenditure had been incurred against the £6.1m assumed additional allocation for RTT

FC - 18/189 - Conditions for the UHB to meet the £19.9m improvement plan to be shared with the Finance Committee - Complete - Letter outlining Welsh Govt support required for UHB delivery of the stretch target to reach £19.9m deficit was relayed with Finance Committee papers for the May 30th 2018 meeting.

FC - 18/189 - Establish if data is readily available to understand if there was pressure on pay costs as a result of the snow which had disrupted travel in March - Complete - No definitive data is available, however UHB spend on variable pay did peak in early March at the time of the adverse weather.

FC - 18/189 - Report on impact of No Purchase Order No Payment Policy to be shared with Finance Committee following All Wales implementation in June 2018 – Incomplete - Report to be brought back to future Finance Committee post June 2018 All Wales implementation..

FC - 18/200 REVISED TERMS OF REFERENCE FINANCE COMMITTEE

The Deputy Director of Finance informed the Committee that one of the proposals of the Deloitte's financial governance review was the recommendation that the Finance Committee Terms Of Reference should be updated to ensure that the Board Chair is not a member or the Chair of the Finance Committee, and that the Terms of Reference for all Board sub committees should state that the Board Chair should attend each committee on a rolling basis. The current Finance Committee Terms of Reference did not reflect this recommendation and required amendment to reflect this recommendation. The UHB Vice Chair (CJ) indicated that the Committee may

wish to consider some further amendments and in this context the Committee agreed that the UHB Vice Chair would make a number of amendments to the Terms of Reference which would be relayed to Committee members for the consideration of any further amendments before the next Finance Committee meeting. A draft amended Terms of Reference would be brought back to the next Finance Committee meeting for consideration and approval.

ACTION: VICE CHAIR / DIRECTOR OF FINANCE

FC - 18/201 FINANCIAL PLANS 2018/19 to 2020/21

The Chief Executive confirmed that in line with the advice given to the previous Finance Committee that the UHB was working to an operational plan with a £19.9m planning deficit in 2018/19. The Committee was informed that the £9.3m improvement target that had enabled the UHB to move from a planned deficit of £29.2 to £19.9m was being managed corporately and would not be delegated to Clinical Boards. The UHB Executive Team were looking at a number of schemes to meet the £9.3m improvement target and it was anticipated that each Executive Officer would take the lead for at least 1 scheme. The improvement target was currently profiled equally across each month in the final quarter of the year and it was expected that progress in the development and implementation of improvement target schemes would be assessed at the end of August. In response to a query from the Committee Chair (JU) the Chief Executive indicated that the improvement target was expected to include both recurrent and non recurrent schemes and that the Full Year Effect (FYE) of recurrent schemes would contribute to reducing the Underlying Deficit. The Chief Executive confirmed that feedback from Clinical Boards at the Health System Management Board (HSMB) and Performance Reviews was generally encouraging and supportive of the approach to working towards the £19.9m planned deficit.

The UHB Vice Chair (CJ) noted that the profiling of the Improvement Target into the final 3 months moved the risks associated with the achievement of the target to the later part of the year and in this context asked for the Committee to be provided with an update following the assessment of the progression of the improvement target schemes at the end of August.

ACTION: DIRECTOR OF FINANCE

FC - 18/202 FINANCE REPORT AS AT MONTH 1

The Deputy Director of Finance presented the UHB's financial performance to month 1 and drew the Committees attention towards a number of key messages.

The UHB deficit at Month 1 was £0.151m over the £1.658m planned deficit that had been phased into month 1.

Table 2 of the written report showed UHB performance against the 3 year financial break even duty and confirmed that that the UHB had breached its statutory financial duty in both 2016/17 and 2017/18 and that the plan current approved by the Board will also result in a breach of financial duty at the end of 2018/19.

In respect of the 2018/19 operational plan described in Table 1 the UHB Vice Chair (CJ) asked whether Welsh Government had confirmed the carry forward of the £4m Planned underspend from 2017/18 to 2018/19. The Chief Executive confirmed that Welsh Government had confirmed through the Targeted Intervention Meetings that the associated £4m would be re-provided non-recurrently to the UHB in 2018/19.

A revised Finance Dashboard was presented at Table 3 within the written report and the Committee was informed that the Dashboard would also be incorporated into the Integrated Performance Report that would be presented to Board meetings.

Attention was drawn to the inclusion of a summary LTA Provider Performance at Table 6. This would continue to be reported monthly to future Finance Committees. The Committee was informed that there was a time lag in the validation of patient activity data and was asked to note that the £0.105m adverse variance reported at month 1 was primarily due to a reduction in activity delivered through the Aneurin Bevan LTA. This was underlined by supporting information that indicated that the number of Finished Consultant Episodes (FCEs) provided through the Aneurin Bevan LTA had fallen from 23,703 in to 16,991 in 2017/18. This was partly linked to the opening of a new hospital in Ystrad Mynach. The Chief Executive indicated that any further reduction in FCEs admitted from other Health Boards would lead to an associated loss of income which the UHB would need to manage through the realignment of services particularly in respect to activity flows related to RTT.

The in month overspend against pay budgets was £0.078m and it was highlighted that the whilst the main concern continued to be the significant pressure against nursing budgets, pressures had also emerged against medical and dental and managerial and administrative staff groups and that some of the pressures may be linked to the delivery of workforce savings programmes.

The favourable variance against non pay budgets was broadly offsetting the overspends reported against pay and income budgets. The committee was advised that a favourable Month 1 variance on LTAs of £0.149m largely driven by the UHBs performance on contracts was shown at Table 14.

In respect of Clinical Board performance the Deputy Director of Finance confirmed that gaps in savings plan were not yet phased into budget profiles and that the overspends reported on the Medicine, Surgery and Women and Children's Clinical boards were due to operational pressures.

Moving onto the savings programme it was reported that a further £12.030m of delegated savings needed to be developed to reach the delegated savings target and an additional £7.216m of savings or mitigating actions needed to be identified to reach the Financial Improvement Target. The Committee was advised that if these gaps were profiled into the reported position in 1/12ths, that the financial position at Month 1 would be £1.6m worse than reported.

The UHB Vice Chair (CJ) asked what confidence the UHB had that the gap in savings and the improvement target would be closed in year. The Committee was informed that Welsh Government had suggested that it expected the gap in the UHBs delegated savings target to be nil by the end of June. The Director of Operations indicated that schemes had been developed at a good pace at the start of the year and that Clinical Boards were now once again starting to increase the pace with which schemes were being developed following a series of performance meetings with UHB Executive Officers. The Director of Operations noted that some schemes in the red pipeline would have a significant financial impact if they could be moved forward in the current financial year. It was noted that the UHB had identified a higher proportion of schemes than at the equivalent point in 2017/18, however it was also noted that the overall savings requirement was greater.

The committee was told that the PSPP performance at month 1 was poor and that the UHB would expect the compliance to improve as the year progressed.

The Deputy Director of Finance finished the report by informing the Committee that the key concerns were delivery of the savings and financial improvement targets target, managing within current budgets and managing down the underlying deficit.

LIMITED ASSURANCE was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 1 position which is broadly on line with the profiled deficit within the draft operational plan.

The Finance Committee:

- **NOTED** that the UHB has an unapproved draft one year operational plan that has a planned deficit of £19.900m for the year;
- **NOTED** the £1.809m deficit at month 1 which includes a planning deficit of £1.658m and budget overspends of £0.151m;
- **NOTED** the key concerns and actions being taken to manage risks.

FC - 18/203 FINANCIAL GOVERNANCE REVIEW PROGRESS REPORT

The Deputy Director of Finance highlighted that 22 key findings and recommendations had fallen out of the independent financial governance review undertaken by Deloitte. Action plans had been drawn up in respect of each recommendation of which 20 have been completed and a further 2 were being progressed.

A recent Internal Audit Report had provided the Audit Committee of the 24th April 2018 which provided substantial assurance around the robustness and accuracy of progress reporting against the action plan to the Finance Committee.

In respect of the 2 recommendations being progressed the Finance Committee was informed that firstly, the UHB had enhanced its 3 year financial strategy but that this could not be progressed any further because the 3 year IMTP was not in a position to be approved and that the UHB was required to have a one year operational plan. After discussion it was agreed that this could not be progressed any further and that this should now be reported as complete. Secondly, the UHB Management Executive had received and approved a revised performance management process that subject to refinement and finalisation of the escalation process would identify trigger points for moving Clinical Boards into protective administration. In the meantime bespoke escalation processes remained in place for specific clinical boards.

The Finance Committee:

- **NOTED** the progress being made against the action plan;
- **AGREED** that assurance could be provided to the Board on the action that is being taken and the progress that is being made.
- **AGREED** That in light of the substantive assurance provided by Internal Audit on the action plan and progress made that no further report was required by the Finance Committee.

FC - 18/204 COST REDUCTION PROGRAMME

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

- Savings of £17.062m had been identified against the £25.335m recurrent 3% element of the devolved target.
- Savings of £4.992m had been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at week commencing 14th May 2018 £9.269m of cross cutting opportunities had been identified as Green or Amber contributing towards the delivery of the £33.780m devolved CRP target.

In total there was a gap of £11.726m against the overall delegated 2018/19 CRP target.

The Committee was informed that an additional £9.266m improvement target was currently profiled into the last quarter of the financial year and that as at 30th April £2.050m of recurrent opportunities had been identified leaving a gap of £7.216m.

The Committee agreed that a separate report on progress against the CRP plan should continue to be a standing item on the Finance Committee agenda as long as material risks around saving plans gaps and achievement remained. This allowed further scrutiny where required.

The Finance Committee:

- **NOTED** the progress against the £33.780m devolved 2018/19 CRP target and the Cross Cutting contribution
- **NOTED** the progress against the £9.266m improvement target.

FC - 18/205 RISK REGISTER

The Deputy Director of Finance presented the 2018/19 Risk Register to the Finance Committee and highlighted that two additional moderate risks had been added to the register in respect of Velindre NICE and high Cost Drugs and the financial sustainability of WHSCC commissioned services. It was confirmed that further risks may emerge as the year proceeded.

The Finance Committee:

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

FC - 18/206 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/207 DATE AND TIME OF NEXT MEETING

Wednesday 27th June; 2.00pm; Large Meeting Room, HQ, UHW