

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 27th JUNE 2018

LARGE MEETING ROOM, HQ, UHW

Present:

John Union	Chair (Finance Committee)
Charles Janczewski	Vice Chair (Board)
John Antoniazzi	Independent Member
Maria Battle	Chair (Board)
Abigail Harris	Director of Strategic Planning
Andrew Gough	Assistant Director of Finance (Transformation & Planning)
Christopher Lewis	Deputy Director of Finance
Dr Sharon Hopkins	Deputy Chief Executive
Martin Driscoll	Director of Workforce
Robert Chadwick	Director of Finance
Steve Curry	Chief Operating Officer

In Attendance:

Secretariat:

Paul Emmerson Finance Manager

FC – 18/208 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/209 APOLOGIES FOR ABSENCE

Apologies were received from Len Richards and Ruth Walker.

FC – 18/210 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 – 18/211 MINUTES OF THE FINANCE COMMITTEE HELD ON 30th MAY 2018

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 30th May 2018 subject to an amendment to minute FC - 18/207 where the date and time of next meeting is to be amended to 2pm 27th June 2018

FC - 18/212 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 30th May 2018 and **NOTED** the following:

FC - 18/189 – PUBLIC SECTOR PAYMENT POLICY COMPLIANCE - Report on impact of No Purchase Order No Payment Policy to be shared with Finance Committee following All Wales implementation in June 2018 – Recommended that a report is brought back to the October 2018 Finance Committee post June 2018 All Wales implementation.

FC - 18/200 REVISED TERMS OF REFERENCE FINANCE COMMITTEE - A draft amended Terms of Reference (TOR) would be brought back to the next Finance Committee meeting for consideration and approval. **Complete** – Revised TOR on Finance Committee Agenda 27.06.2018. The Revised TOR were agreed subject to the membership being amended to include the Deputy Chief Executive and section 9 being amended to state that a report is provided to each Board meeting on the Committee's key activities via the public minutes of each Finance Committee meeting.

It was also agreed that the revised TOR would be taken to the Board for approval.

ACTION: Committee Secretariat

FC - 18/201 PROGRESS AGAINST THE £9.3M 2018/19 IMPROVEMENT TARGET
-Progress against this is detailed within the Finance Report – **Complete**

FC - 18/213 FINANCIAL PLANS 2018/19 to 2020/21

The Director of Finance confirmed that Welsh Government acknowledged that the UHB was not in a position to submit an approved IMTP and needed to adopt an acceptable one year operational plan. There was an expectation that the UHB would identify opportunities to achieve the 2018/19 savings target by the end of June 2018 and would also continue to work towards expediting a balanced annual plan for future planning cycles.

The Director of Strategic Planning confirmed that the Board would be updated in respect of progress in establishing the 2018/19 operational plan. On a related point the Director of Operations indicated that the UHB had met with Welsh Government to discuss the UHB bid for £6.1m performance funding to manage access times and that Welsh Government had indicated that funding would be made available to the

UHB on the basis that UHB performance would be assessed in December with a view to reviewing funding in light of confirmed performance.

The Director of Finance indicated that the risk of a clawback on Performance Funding following the Welsh Government review in December needed to be placed on the risk register.

ACTION: Assistant Director of Finance (Transformation & Planning)

In response to a query from the Committee Chair (JU) the Director of Finance confirmed that the UHB would incur additional costs in meeting the performance targets required upon the award of the additional Performance Funding.

FC - 18/214 FINANCE REPORT AS AT MONTH 2

The Deputy Director of Finance presented the UHB's financial performance to month 2 and drew the Committees attention towards the following three challenges:

- identifying and delivering £33.780m of savings;
- identifying and delivering a further £9.266m financial improvement target;
- the management of operational cost pressures and financial risks within delegated budgets.

The Committee was informed that the UHB had made positive progress in closing the gap in the savings plan from £12.030m to £7.315m and in narrowing the gap against the financial improvement target from £7.216m to £1.786m.

Attention was drawn to actual and forecast performance against the 3 year break even duty on revenue and the Committee was informed that the UHB breached its statutory financial duty in both 2016/17 and 2017/18 and the current plan approved by the Board will also result in a breach of Financial duty at the end of 2018/19.

The Finance Dashboard was presented at Table 3 within the written report and the UHB Vice Chair welcomed positive improvement in performance against the Public Sector Payment Policy Target.

It was noted that the operational position had deteriorated to a £0.490m overspend and that this was of concern.

The UHB Vice chair (CJ) asked whether the UHB was confident that the overspend to date could be clawed back as the year progressed. The Director of Finance confirmed that the main focus of remedial action following month 1 performance reviews was targeted at the Medicine and Surgery Clinical Boards where a number of operational issues had emerged in respect of nursing budgets. The Medicine Clinical Board was developing plans to resolve high levels of sickness and the

Surgery Clinical Board was tackling high levels of vacancies. Both Boards had been put into and would remain in the escalation process until satisfactory plans to manage the underlying pressures were in place.

The UHB Vice Chair (CJ) asked for future meetings to be provided with an update on Clinical Boards in escalation.

ACTION: Deputy Director of Finance

A query was raised by the independent member (JA) who asked whether the UHB's forecast position would change if the pressures were not brought under control. The Director of Finance indicated that any change to the forecast position would need to be agreed collectively. It was hoped that plans to resolve some of the pressures would be in place at month 5 and the position would be reviewed on an ongoing basis. The Deputy Chief Executive added that the Surgery and Medicine Clinical Boards were delivering well across a range of areas and that the nursing pressures were a specific issue that potentially could be managed on a sustainable basis through capacity re-modelling and optimising skill-mix. The Chief Operating Officer indicated that a number of beds were planned for closure following month 2 and that this could present some additional flexibility in the management of nursing rotas. The Director of Finance confirmed that all Clinical Boards had been asked to provide a year end forecast following month 3 reporting and that the forecasts would provide a basis for the ongoing financial and operational delivery of Clinical Board Plans.

The Director of Workforce informed the Committee that the underlying reasons behind staff absence were being considered through an engagement and people plan and that a future report would be presented at the Strategy and Delivery Committee.

In total the UHB had reported a deficit of £3.807m at month 2 made up of a £3.317m planned deficit (2/12th of £19.900m) and a £0.490m adverse variance against plan.

The Committee was informed that the UHB had recorded a cumulative deficit of £0.709m against income budgets at month 2. The Director of Finance indicated that the majority of the £0.334m adverse variance against LTA income was due to the Aneurin Bevan LTA and in this context the UHB and Aneurin Bevan HB were progressing discussions with a view to recognising the increasing complexity of the remaining Aneurin Bevan casemix at Cardiff and Vale in future LTAs.

The Committee agreed that the Aneurin Bevan Income risk should be included on the risk register.

ACTION: Assistant Director of Finance (Transformation & Planning)

The Deputy Director of Finance confirmed that the key concern in respect of pay performance was within nursing budgets which in total are £0.444m overspend,

mainly in medicine, mental health and surgery. A £0.182m cumulative underspend was reported against non pay budgets.

In respect of Clinical Board performance the Deputy Director of Finance confirmed that gaps in savings plans were not yet phased into budget profiles and that the largest overspends were reported in the Medicine and the Surgery Clinical Boards although £0.125m of the Surgery overspend related to month 2 operating theatre over performance that will be recharged to other clinical boards.

Turning to the savings programme it was reported that following the identification of a further £4.715m savings in month that a further £7.315m of delegated savings needed to be developed to reach the delegated savings target. At month 2, the UHB had identified £7.480m of opportunities against the Financial Improvement Target which was an improvement of £5.430m in month leaving a further £1.786m to be identified. The Director of Finance indicated that a significant proportion of the opportunities identified against the Financial Improvement Target were related to the Balance Sheet following a re-assessment of liabilities after confirmation of 2017/18 estimates. The release of resources from the Balance Sheet would reduce the scope of the UHB to absorb pressures that may present later in the year.

The Committee was advised that if the £7.315m and £1.786m gaps were profiled into the reported position in 1/12ths, that the financial position at Month 2 would be £1.517m worse than reported.

The Deputy Director of Finance informed the Committee that if the 2018/19 plan was successfully delivered that the underlying deficit would reduce to £39.1m by the year end and the Director of Finance indicated that if this level of underlying deficit rolled forward the UHB would be unable to deliver a balanced plan in 2019/20.

It was noted that the UHB was projecting an end of year cash deficit of £26.935m and in response to a query from the committee chair (JU) it was confirmed that the UHB reported the forecast cash deficit to Welsh Government on a monthly basis through the monthly monitoring returns.

LIMITED ASSURANCE was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 2 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 £3.807m deficit at month 2 which includes a planning deficit of £3.317m which is an adverse variance of £0.490m;
- **NOTED** the key concerns and actions being taken to manage risks.

FC - 18/215 COST REDUCTION PROGRAMME

The Assistant Director of Finance (Transformation & Planning) highlighted the following key points from the Cost Reduction Report:

- As at week commencing 4th June 2018, £26.769m of opportunities had been identified as Green or Amber against the devolved 4% savings target of £33.780m.
- £18.367m has been identified against the £25.335m recurrent 3% element of the devolved target.
- £8.402m has been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at week commencing 4th June 2018 £10.564m 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 £7.011m 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 31st May £7.480m of recurrent opportunities had been identified leaving a gap of £1.786m.

An update was provided on the latest Efficiency Framework summary submitted to Welsh Government identifying UHB's CIP schemes including those schemes in the red pipeline totalling £29.352m as at 11th May 2018. Further work is underway sharing and assessing opportunities across Wales and this will be managed internally through the Cross Cutting Steering Group

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 - 18/216 RISK REGISTER

The Assistant Director of Finance (Transformation & Planning) presented the 2018/19 Risk Register to the Finance Committee and highlighted that the risk score attached to the delivery of the Non Recurrent Savings target and the Financial Improvement Target had been reduced in month.

The Finance Committee:

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

FC - 18/217 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/218 DATE AND TIME OF NEXT MEETING

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