CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 29th AUGUST 2018

LARGE MEETING ROOM, HQ, UHW

Present:

John Union	Chair (Finance Committee)
Charles Janczewski	Vice Chair (Board)
Abigail Harris	Director of Strategic Planning
Chris Lewis	Deputy Director of Finance
Len Richards	Chief Executive
Steve Curry	Chief Operating Officer

In Attendance:

Secretariat:

Paul Emmerson	Finance Manager

FC – 18/231 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/232 APOLOGIES FOR ABSENCE

Apologies were received from John Antoniazzi, Maria Battle, Andrew Gough, Dr Sharon Hopkins, Martin Driscoll, Robert Chadwick and Ruth Walker.

FC – 18/233 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 – 18/234 MINUTES OF THE FINANCE COMMITTEE HELD ON 25th JULY 2018

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

FC - 18/235 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 25th July 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. **Incomplete** - 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 - Revised TOR to be taken to the Board for approval. **Incomplete** –This is being progressed through the Board secretary with the intention that the revised TOR are taken to the Board meeting scheduled for 27th September 2018 for ratification.

FC - 18/225 DETAILED REVIEW OF THE FORECAST YEAR END POSITION AT CLINICAL BOARD LEVEL TO BE UNDERTAKEN AFTER THE CONFIRMATION OF THE MONTH 4 POSITION. Incomplete – Update to be provided in the month 5 Finance report

FC - 18/225 THE NURSING PRODUCTIVITY GROUP TO BE ASKED TO EXPLORE THE LIKELY IMPACT OF INTRODUCING A WEEKLY PAYROLL FOR PAYMENT OF BANK STAFF. **Incomplete –** Raised with the Nursing Productivity Group. Future progress will be reported back to the Finance Committee. The UHB Vice Chair (CJ) asked for a confirmation of the date when this would be reported back to the Committee.

FC - 18/236 FINANCE REPORT AS AT MONTH 4

The Deputy Director of Finance presented the UHB's financial performance to month 4 and brought the Committee's attention towards the following key messages:

- The forecast year end deficit had improved by £10m in month from £19.9m to £9.9m following confirmation in August of an additional £10m Annual Operating Plan funding from Welsh Government. Welsh Government had not confirmed that the funding would be allocated to the UHB on a recurrent basis and it was expected that any additional allocations in 2019/20 would be dependent on the UHB continuing to maintain and improve financial and operational performance.
- The UHB's assessed underlying deficit position remained at £39.1m and reducing this further was the principal financial challenge facing the UHB.
- The UHB had a fully developed savings programme at month 4. The gap against the delegated £33.780m savings target which was covered by corporate schemes at month 4 had fallen from £4.6m to £3.5m in month. All Clinical Boards continued to be pressed to meet their 2018/19 delegated savings targets.

- A further £1.5m of opportunities had been identified in month to deliver the £9.266m Financial Improvement Target in full. It was noted that a large proportion of the Improvement Target is being delivered non-recurrently
- Creditor payments compliance against the 30 day Non NHS target had improved again in month and cumulative performance was 94.9% at the end of July. It was noted that the improvement was due to joint work carried forward by both the UHB and NHS Wales Shared Services Partnership.
- Budget performance against the operational plan improved by £0.037m in month to a cumulative overspend of £0.561m. Some pockets of overspend remained a concern.
- Expenditure against the Capital Resource Limit (CRL) at the end of July was £5.848m against a year to date plan of £5.843m and the UHB expected to remain within the approved planned annual CRL of £33.008m.
- The forecast year end cash deficit was now £24.793m and remained RAG rated red. The UHB expected to formally request cash assistance from Welsh Government later in the year.
- The UHB's 2018/19 planned deficit of £9.9m meant that the UHB did not expect to remain within the revenue resource limit in 2018/19 and this remained RAG rated red.
- The UHB's assessed underlying deficit position was £39.1m at month 4 and this is RAG rated red.

An in month surplus of £0.251m and a cumulative deficit of £0.674m was reported against income budgets. A query was raised by the UHB Vice Chair (CJ) who asked if the UHB was over delivering against the WHSSC SLA. The Deputy Director of Finance informed the committee that the Central WHSSC LTA position outlined in Table 6 of the report did not report a material variance, as the over and underperformance was predominantly reflected within Clinical Boards. The UHB was currently delivering significantly more activity than the established WHSCC baseline which led to increased income recovery through Clinical Boards although this was partly offset by the UHB's share of the increase in WHSCC commissioning costs.

In total pay budgets improved in month to an underspend for the year to date of £0.130m. The in month increase in the overspend against medical posts was highlighted and it was noted that the level of overspend against nursing had fallen in month.

The medical pay overspend was due to coverage of staffing gaps in Women and Children services and the provision of additional sessions in Diagnostics. In response to a query from the UHB Vice Chair (CJ) on whether the UHB was receiving a return on its investment the Director of Operations confirmed that the Diagnostics spend was linked to additional demand and the UHBs commitment to meet Welsh Government waiting list targets for diagnostics.

The UHB Vice Chair (CJ) asked whether the UHB had been provided with assurance that the cost of the 2018/19 NHS pay award would be covered by additional Welsh

Government funding. The Deputy Director of Finance confirmed that the cost of a 1% pay award had already been funded by Welsh Government and that the UHB had been instructed by Welsh Government to assume that the additional costs arising from a revised pay award agreement would also be met centrally by Welsh Government. The Chief Executive confirmed that the UHB's assumption of additional Welsh Government funding to meet the cost of a revised pay award was consistent with assumptions across other Welsh Health Boards.

Moving onto the nursing position the Finance Committee Chair (JU) asked whether the Committee could be provided with further assurance that the UHB was on track in managing the current nursing pressures and resultant overspend. The Chief Executive confirmed that the UHB had already invested additional resources in 2018/19 to fully fund the implementation of the Nurse Staffing Levels legislation and in this context the Finance Committee agreed that the Executive Nurse Director should be invited to provide a future meeting with a report that provided a wider overview in respect of the issues and metrics driving the nursing overspend.

ACTION: Executive Nurse Director

The Deputy Director of Finance advised the Committee that the UHB would need to monitor the medical and dental pay position particularly in the Women & Children & CD & T Boards in light of the rising overspend and in response to a query from the UHB Vice Chair (CJ) indicated that the UHB would need to evaluate Clinical Board plans to remedy the overspend following the completion of detailed forecasts for the remainder of the year. In the context of Women and Children the Chief Operating Officer confirmed that remedial plans to address the CRP gap and the medical & dental overspend had been discussed at the Women and Children Clinical Board Performance Review. Deliverable plans has been developed and the Board now faced a challenge to accelerate the delivery of the plans.

The Deputy Director of Finance indicated that the overspend in theatres and orthopaedics clinical services and supplies in the Surgery Clinical Board was subject to further detailed review to determine the drivers of the reported overspend and the levels of stock being carried.

It was noted that the commissioning budgets performed well in month. The favourable in month performance on NHS Long Term Agreements was partially offset by the costs of a small number of high costs individual placements which had now ended. The Chief Operating Officer indicated that the Mental Health Clinical Board had made good progress in repatriating a number of high cost cases and that the continual review of patient placements was an ongoing process.

The UHB Vice Chair (CJ) enquired about the Woodland House capital scheme. The Director of Strategic Planning confirmed that the planned purchase of Woodland House was aimed at consolidating the UHBs corporate functions on one site and releasing costs though a reduction in the number of premises leased by the UHB.

The Chief Executive confirmed that the move was progressing on an invest to save basis and would enable the transfer of non clinical functions from clinical sites whilst maintaining the functionality and visibility of UHB corporate and support services.

To conclude the Deputy Director of Finance reiterated the key concerns and actions required to deliver the financial plan being the delivery of the savings target, delivery of the financial improvement 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 4 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 £9.900m for the year;
- **NOTED** the £3.861m deficit at month 4 which includes a planning deficit of £3.300m and is an adverse variance against plan of £0.561m;
- **NOTED** the key concerns and actions being taken to manage risks.

FC - 18/237 CLINICAL BOARDS IN ESCALATION

The Chief Operating Officer confirmed that the Clinical Board Performance review process was focussed on managing exceptions and considered finance, activity and quality and safety performance on a monthly basis. Each Clinical Board is assessed and a level of assurance is determined in respect of performance. The level of assurance is described as either limited, adequate or substantive. The achieved level of assurance is relayed back to the Clinical Board and the Management Executive following the review.

There were currently 3 Boards in escalation where the required level of assurance was not attained in respect to finance, activity and quality and safety. Women and Children had a budgetary overspend and shortfall against savings targets. Surgery had a shortfall against 2018/19 savings targets and a budgetary overspend. The Dental Clinical Board had difficulty in delivering its 2018/19 commitments within its funding envelope and in this context the framework for the management and delivery of services provided through the Dental Clinical Board was under review.

The Finance Committee Chair (JU) asked what the implications for Clinical Boards were if target levels of performance were not met and the Chief Executive indicated that both the Surgery and Women and Children Clinical Boards were actively

pursuing a balanced position. The issues within the Dental Clinical Board would be addressed by the wider review into the Clinical Board.

The Finance Committee:

- **NOTED** the Clinical Boards in escalation and actions being taken to manage performance;

FC - 18/238 NO PURCHASE ORDER NO PAYMENT POLICY

The Deputy Director of Finance confirmed that the No Purchase Order No Payment Policy had been rolled out across the UHB from 1st June 2018.

Under the policy invoices arriving in the system without an order number are returned to the supplier unpaid until an official purchase order is provided. The Chief Executive added that the process was generally recognized as a way of enhancing governance and had already been successfully piloted within the UHB. The Finance Committee Chair (JU) asked if a review of the policy would be undertaken and the Deputy Director of Finance confirmed that a review was scheduled to be brought back to the Committee and asked the Finance Committee to formally adopt the all Wales No Purchase Order No Payment policy.

ASSURANCE was provided by:

- The development of a standard policy for NHS Wales for which the UHB had an input;
- The pilot project within corporate departments which tested the practicalities of application of the No PO No Pay Policy;
- Monthly reporting of the UHBs public sector payment compliance to the Finance Committee.

The Finance Committee:

- **APPROVED** the adoption of the All Wales No PO No Pay Policy.

FC - 18/239 COST REDUCTION PROGRAMME

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

- At the end of the month, £30.263m of opportunities had been identified as Green or Amber against the devolved 4% savings target of £33.780m leaving a gap of £3.517m
- £20.764m has been identified against the £25.335m recurrent 3% element of the devolved target.

- £9.499m has been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at month 4 £12.022m of cross cutting opportunities had been identified as Green or Amber contributing towards the delivery of the £33.780m devolved CRP target.

The Deputy Director of Finance highlighted the £3.517m gap against the overall delegated 2018/19 CRP target and stressed that whilst this was covered by the identification of additional corporate opportunities that Clinical Boards were still required to reach their delegated targets in 2018/19.

The Committee was informed that the UHB now had a full financial improvement plan in place following the identification of a further £1.5m of non recurrent opportunities and was asked by the Deputy Director of Finance to note the actions that had been taken to meet the target in full. The plan had been met through a combination of slippage on planned investments, budget underspends, cost avoidance and technical opportunities and the Committee was assured that none of these measures would have a detrimental impact upon service delivery.

The UHB Vice Chair (CJ) referred to the WTE tracker and asked for assurance that the workforce and financial plan were aligned and would deliver the UHB's financial objectives. The Chief Executive confirmed that the implications of savings plans on the UHB's workforce were worked through and added that the UHB expected the relationship between finance and workforce planning to be further strengthened in the next iteration of the IMTP. It was also noted that the impact of the UHB's savings plans on overall WTE figures would be reduced by Welsh Government investment in all Wales priorities which required an investment in WTEs stretching across years.

In response to a query from the Finance Committee Chair (JU) the Chief Executive confirmed that as a principle non recurrent Welsh Government funding is only used to support time limited posts. It was added that sometimes it was in the interest of the UHB to take a view on whether a post could be filled with substantive staff if for example in the context of RTT this represented better value for money than outsourcing and the risks could be managed through underlying staff turnover.

The Finance Committee:

- **NOTED** the progress against the £33.780m devolved 2018/19 CRP target and the Cross Cutting contribution
- **NOTED** that the £9.266m improvement target had been achieved without any adverse impact on service delivery.

FC - 18/240 RISK REGISTER

The Deputy Director of Finance presented the 2018/19 Risk Register and informed the Finance Committee that the risk of critical care investment in advance of

approved funding from the critical care network and the risk of additional winter plan investment in advance of Welsh Government funding are now included on the risk register with both risks being scored as moderate risks.

In respect of the critical care monies the Chief Executive confirmed that the UHB had already lodged a bid with Welsh Government and that positive discussions had also taken place with Welsh Government officers in respect of additional winter pressures funding.

The Finance Committee:

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

FC - 18/241 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/242 ANY OTHER BUSINESS

In relation to the bid for transformation funding to advance Health and Social Care in line with the Welsh Government plan for “A Healthier Wales” the Chief Executive advised the Committee that the UHB had received positive feedback for the coordinated bid made through the Regional Partnership Board.

FC - 18/243 DATE AND TIME OF NEXT MEETING

Wednesday 26th September; 2.00pm; Large Meeting Room, HQ, UHW