

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 26th SEPTEMBER 2018

LARGE MEETING ROOM, HQ, UHW

Present:

John Union	Chair (Finance Committee)
Charles Janczewski	Vice Chair (Board)
Andrew Gough	Assistant Director of Finance
Chris Lewis	Deputy Director of Finance
Len Richards	Chief Executive
Martin Driscoll	Executive Director of Workforce and Organisational Development
Nicola Foreman	Director of Corporate Governance
Robert Chadwick	Executive Director of Finance
Steve Curry	Chief Operating Officer

In Attendance:

Mark Jones	Welsh Audit Office
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Secretariat:

Paul Emmerson	Finance Manager
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FC – 18/244 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/245 APOLOGIES FOR ABSENCE

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

FC – 18/246 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 – 18/247 MINUTES OF THE FINANCE COMMITTEE HELD ON 29th AUGUST 2018

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 29th August 2018 subject to an amendment to minute FC - 18/236 where the reference to the UHB Chair is to be amended to the UHB Vice Chair.

FC - 18/248 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 29th August 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 and the revised TOR and covering paper had been relayed for inclusion on the agenda of the Board meeting scheduled for 27th September 2018.

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 – Deadlines for forecasts had been extended to ensure Clinical Board ownership particularly in respect of the improvement plans. An update is to be provided in the month 6 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 Executive Nurse Director is generally unable to attend the Finance Committee when it is held on the last Wednesday of the month due to national and external commitments. The Executive Nurse Director has offered to arrange a meeting with the independent members on the Finance committee to provide assurance of Corporate Nursing actions if required. In addition the possibility of using the last Thursday in each calendar month where there was not a scheduled Board meeting would be investigated.

ACTION

Finance Committee Secretariat

FC - 18/249 FINANCE REPORT AS AT MONTH 5

The Deputy Director of Finance presented the UHB's financial performance to month 5 and brought the Committee's attention towards the Month 5 Finance Dashboard where three of the measures were rated as red as follows:

- 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.
- 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 had reported a deficit of £4.913m for the year to date which was made up of a planning deficit of £4.125m (5/12 of the £9.9m planned deficit) and a £0.788m adverse variance against plan.

The variance against the plan had deteriorated by £0.227m in month and in this context the UHB Vice Chair (CJ) asked whether the UHB was confident of remaining within its 2018/19 planned deficit. The Deputy Director of Finance indicated that the current overspend against plan was a relatively small percentage of the UHBs total expenditure and advised that the Clinical Board year-end financial forecasts would be reported to the next committee meeting to provide assurance that the UHB was on track to deliver the 2018/19 financial plan. The forecasts would also provide the UHB with an additional tool for the monthly management of financial performance moving towards year end. All forecasts would be subject to technical scrutiny by the Finance Team and those forecasts that were not deemed to be reasonable would be scrutinised further through a round of meetings with representation from the Executive Team.

In respect of current pressure points the Director of Finance indicated to the Committee that work had already progressed with the Executive Nurse Director and Chief Operating Officer to analyse and secure the nursing position and that the non delivery of savings programmes would also now attract additional focus. The Chief Operating Officer added that there had been a favourable shift in the rates of overspend in areas where the UHB had concentrated its attention.

Turning back to performance for the year to date, the Deputy Director of Finance highlighted a £0.250m in month deficit and a cumulative deficit of £0.924m against income budgets.

The UHB Vice Chair (CJ) asked for assurance that the UHB's management of income was as strong as its cost management. The Deputy Director of Finance confirmed that the two main areas of under-recovery related to NHS patient related

income and other operating income which in turn were both determined by the level of patient activity delivered. Some under-recoveries were balanced by a reduction in commissioning costs through WHSCC e.g. critical care. However this was not the case in all areas particularly where there was evidence of a declining trend in referrals from other Health Boards e.g. orthopaedics. In this context the Committee was advised that it was unlikely that all of the underperformance against income would be recovered in year and that the UHB would need to recognise any recurrent shifts in activity into its future operational plans.

Moving on to pay expenditure the Committee was directed towards the analysis of fixed and variable pay costs in Table 7 and informed that the UHB was spending more on nursing agency and temporary medical staff for the year to date compared to the first five months of 2017/18. The Finance Committee Chair (JU) asked for clarification of the UHB's strategy in respect of the use of agency nursing. The Director of Finance informed the Committee that the UHB's policy was in the first instance to employ more substantive nurses to reduce the number of vacant posts and secondly to expand the availability of bank nurses. To date the expansion of the nursing bank had not gained enough traction to enable the UHB to maintain safe levels of capacity without the continuing use of agency staff. The Chief Executive confirmed that the significant progress already made by the Corporate Nursing team to eradicate the use of off contract agency nursing and non-qualified agency staff provided assurance that the UHB's nursing agenda was moving forwards and that nursing pressures were being tackled in line with UHB policy.

The continuing nursing overspend was noted alongside the increasing overspend against Medical and Dental pay budgets where there were pressures in Women and Children services and Diagnostics posts. In response to a query from the UHB Vice Chair (CJ) it was clarified that the overspend against Diagnostics posts was linked to investment in increased capacity to improve performance against targets as opposed to the maintenance of current performance.

The Finance Committee Chair (JU) asked whether the UHB expected any additional pressures to arise from recent NHS pay announcements. The Director of Workforce and Organisational Development confirmed that the detail of the agreement was relatively complex and that staff would be fully briefed so that the implications could be understood. The Deputy Director of Finance indicated that in line with communication from Welsh Government that the UHB was assuming that the additional costs would be fully funded and that an all Wales Working Group was responsible for advising Welsh Government on the additional costs of the 2018/19 pay award. Additional funding was expected to be provided on a provider basis in 2018/19 and on a commissioner basis from 2019/20 onwards. In this context it was important that 2019/20 LTA uplifts recognised the impact of the pay awards to ensure that the UHB which provided a relatively high proportion of its services to other commissioners was not disadvantaged.

In respect of non pay the Deputy Director of Finance highlighted a significant in month overspend against clinical services and supplies primarily due to pressures in theatres and diagnostics. In this context the UHB Vice Chair (CJ) asked what controls were in place to ensure that the UHB was using cost effective clinical supplies. The Director of Finance indicated that the cross cutting procurement scheme was focussing on areas of high spend in respect of clinical supplies initially working with clinicians in orthopaedics and that the work programme was now moving onto other areas. In addition the UHB was looking at theatre activity to ensure that stock levels were optimised and that the spend on clinical supplies and consumables was consistent with levels of activity delivered.

The Committee was informed that there was a £0.436m favourable variance against LTAs at month 6 and in respect of a query from the Vice chair (CJ) the Chief Operating Officer confirmed that the UHB had made good progress in repatriating out of area mental health placements.

Significant pressures within the Women & Children, Medicine, Surgery and Mental Health Clinical Boards were reported. It was noted that the overspend in Mental Health was starting to slow down, however a significant in month pressure had emerged in Clinical Diagnostics and Therapies (CD & T). The Deputy Director of Finance confirmed that any longer term pressures would be drawn out in the forecasting exercise to be completed for the October Finance Committee. The Chief Operating Officer indicated that following confirmation of the month 5 position lead officers in the CD & T Clinical Board had met to take immediate action to limit the impact of emerging pressures.

The Vice Chair (CJ) noted that 7 out of 8 Clinical Boards were reporting a year to date overspend and asked whether the escalation process required further consideration. The Chief Operating Officer indicated that further evolution of the current process would continue and added that the correct issues needed to be factored in if the process was to remain meaningful. Currently the drivers of overspends were considered alongside current performance and recovery plans and actions of Clinical Boards before moving into the escalation process.

It was confirmed that the UHB had a full Savings and Financial Improvement Programme in place and that there had been no movement in the underlying deficit in month.

The Committee was informed that the UHB expected to request approximately £26m of cash support from Welsh Government to cover the forecast shortfall in cash at year end. In response to a query from the Committee Chair the Deputy Director of Finance indicated that the UHB had already signalled this requirement to Welsh Government through the UHB's monthly monitoring return. It was noted that the timing of confirmation of cash support to be provided may have an impact on the UHB's Public Sector Payment Compliance score.

The Committee noted the continuing improvement in the UHB's Public Sector Payment Compliance score and the Deputy Director of Finance reminded the Committee that the improving position was a reflection of progress made by both NWSSP and the UHB.

The rate of spend against the capital resource limit had improved in month and the Deputy Director of Finance confirmed that the current overspend against plan would be recovered before the year end. The Finance Committee Chair (JU) asked if the purchase of Woodland House was supported by brokerage and the Deputy Director of Finance confirmed that this was the case and that the brokerage was expected to be repaid from 2019/20 capital receipts.

To conclude the Director of Finance highlighted that the operational overspend and underlying deficit remained the two main financial concerns for the UHB.

LIMITED ASSURANCE was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 5 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 £4.913m deficit at month 5 which includes a planning deficit of £4.125m and an adverse variance against plan of £0.788m;
- **NOTED** the key concerns and actions being taken to manage risks.

FC - 18/250 CLINICAL BOARDS IN ESCALATION

The Chief Operating Officer confirmed that there were currently 4 Boards in escalation where the required level of assurance was not attained in respect to finance, activity and quality and safety. As previously outlined 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 and the Dental Clinical Board had difficulty in delivering its 2018/19 commitments within its funding envelope. In addition the Specialist Clinical Board was now being supported to improve Referral to Treatment (RTT) times.

It was noted that progress had been made in Women and Children to reduce medical staff pressures. Advances had also been made in Surgery to secure the 2018/19 savings target, to reduce pressure on nurse specialising and clinical supplies. Specialising had been reduced with learning from the Medicine Clinical Board and an

increasing focus on stock management was being applied to reduce pressure in respect of clinical supplies. The framework for the management and delivery of services provided through the Dental Clinical Board was under review through consultation.

The Finance Committee:

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

FC - 18/251 COST REDUCTION PROGRAMME

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

- At the end of the month, £31.201m of schemes had been identified as Green or Amber against the devolved 4% savings target of £33.780m, leaving a gap of £2.579m
- £21.041m has been identified against the £25.335m recurrent 3% element of the devolved target.
- £10.160m has been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at month 4 £12.264m of cross cutting opportunities had been identified as Green or Amber contributing towards the delivery of the £33.780m devolved CRP target.

The Assistant Director of Finance highlighted the £2.579m 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 full year effect of recurrent savings schemes was £0.472m more than the 2018/19 recurrent target and the Director of Finance added that further progress on recurrent schemes was expected in 2018/19 which should in turn help to minimize the UHBs underlying deficit moving into 2019/20.

It was noted that the impact on Whole Time Equivalent (WTE) was also now identified on the UHBs Tracker Summary and that this information would be useful in workforce planning.

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 - 18/252 RISK REGISTER

The Assistant Director of Finance presented the 2018/19 Risk Register and informed the Finance Committee that one new risk had been added to the register in respect of the payment of working time directive holiday pay for staff working overtime. This was a national issue and current estimates suggested that the risk to Cardiff and Vale UHB could be circa £0.400m p.a.

It was highlighted that 2 red risks remained on the register in respect of the underlying deficit and the delivery of the 3% recurrent CIP. It was noted that these risks would be reviewed before the next Finance Committee meeting.

The Finance Committee:

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

FC - 18/253 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/254 DATE AND TIME OF NEXT MEETING

Wednesday 31st October; 2.00pm; Large Meeting Room, HQ, UHW