

## **CONFIRMED MINUTES OF THE FINANCE COMMITTEE**

**HELD ON 28<sup>th</sup> NOVEMBER 2018**

**LARGE MEETING ROOM, HQ, UHW**

### **Present:**

John Union	Chair (Finance Committee)
Charles Janczewski	Vice Chair (Board)
John Antoniazzi	Independent Member
Maria Battle	UHB Chair
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
Dr Sharon Hopkins	Director of Transformation and Deputy Chief Executive
Steve Curry	Chief Operating Officer

### **Secretariat:**

Paul Emmerson	Finance Manager
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### **FC – 18/268 WELCOME AND PURPOSE OF THE COMMITTEE**

The Chair welcomed everyone to the meeting.

### **FC – 18/269 APOLOGIES FOR ABSENCE**

Apologies were received from Abigail Harris, Robert Chadwick and Ruth Walker.

### **FC – 18/270 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 – 18/271 MINUTES OF THE FINANCE COMMITTEE HELD ON 31<sup>st</sup> OCTOBER 2018**

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 31<sup>st</sup> October 2018.

## **FC - 18/272 ACTION LOG FOLLOWING THE LAST MEETING**

The Committee **RECEIVED** the Action Log from the meeting of 31<sup>st</sup> October 2018 and **NOTED** the following:

**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. Partially complete** – The Executive Nurse Director was asked to pick this up in October and had surveyed bank staff who indicated their support for a move to weekly pay. The purpose is to increase the uptake of UHB staff working bank shifts; especially to cover winter pressures, vacancy/sickness gaps and to reduce expensive agency cost. The UHB wished to provide substantive nurses who work bank shifts a weekly pay option from December. NWSSP are reviewing the wider opportunity for weekly pay on the assumption that this will offer better options to the UHB. However preferred options are unlikely to be implemented for December in part due to the additional workload in implementing the Medical & Dental pay award. The Executive Director of Workforce and Organisational Development indicated that he would press NWSSP for a timescale for the completion of the review of weekly pay options.

Subsequent to the assessment of preferred options the Finance Committee requested a speedy implementation.

### **ACTION**

#### **Executive Nurse Director**

It was agreed that once implemented the initiative should be reviewed after 6 months by the Nurse productivity Group and the results reported back to the Finance Committee.

### **ACTION**

#### **Executive Nurse Director**

**FC - 18/236 REPORT ON THE WIDER ISSUES AND ACTIONS AROUND THE NURSING POSITION TO BE PROVIDED 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 had offered to arrange a meeting with the Independent Members on the Finance Committee to provide assurance of Corporate Nursing actions if required. The possibility of using the last Thursday in each calendar month where there was not a scheduled Board meeting was not a

viable option due to the schedule for Board Development Days. **Incomplete** – Update to be provided to a future Finance Committee meeting dependent on availability

**FC - 18/261 UPDATE ON THE 2019/20 FINANCIAL PLAN TO BE PROVIDED TO THE NOVEMBER 2018 FINANCE COMMITTEE MEETING. Complete** – Update on the agenda of the November 2018 Finance Committee meeting.

**FC - 18/265 NO PURCHASE ORDER NO PAYMENT POLICY-NUMBER OF INVOICES WITH NO PO NUMBER ON HOLD TO BE REPORTED BACK TO THE COMMITTEE IN 3 MONTHS TIME SO THAT THE POSITION COULD BE RE-ASSESSED. Incomplete** – Update scheduled for the January 2019 Finance Committee meeting.

#### **FC - 18/273 2019/20 FINANCIAL PLAN**

The committee agreed to re-arrange the order of the agenda and bring forward the consideration of the 2019/20 Financial Plan.

The Deputy Director of Finance presented the 2019/20 – 2021/22 IMTP Draft Financial Framework.

The presentation built upon the update on the Welsh Government Planning Framework and the 2019/20 Health Social Services Budget which was provided to the previous Finance Committee. The Committee was reminded that the UHB's underlying financial deficit of £39.1m was broadly a consequence of the following 4 issues: 2018/19 forecast deficit of £9.9m; non-recurrent CIP target £8.4m; non recurrent income from WG £14m and the non-recurrent financial improvement plan £6.8m. The 2019/20 Draft Financial Framework assumed a reduction in the UHB underlying deficit from £39.1m to £36.6m as a result of a £1m reduction in the cost of adalimumab (a biosimilar drug) and a further £1.5m reduction in the UHBs liabilities for the Wales External Quality Assessment Scheme.

The UHB Vice Chair (JC) enquired whether an over-achievement against the 2018/19 recurrent savings plan would lead to a reduction in the underlying deficit and the Deputy Director of Finance indicated that this would be the case if there was a material over-achievement of recurrent savings.

The Deputy Director of Finance described and summarised the main elements underpinning UHB's Draft 2019/20 Financial Framework as outlined by the table below:

	£m
c/f underlying deficit	-36.6
Additional allocations	38.2
Cost pressures	-38.1
Investments	-4.5
Recurrent delegated 2% CIP	16.4
Corporate Savings (Ophthalmic drugs & Woodland House)	2.9
2018/19 operational plan funding	10
Further savings required	-11.7

The committee was informed that the assumed additional allocation of £38.2m included funding for the expected cost of 2019/20 wage awards but excluded any funding for additional pension costs arising in 2019/20, but these were assumed to be funded albeit the costs were not yet known.

The Deputy Director of Finance moved on to describe £38.1m of cost pressures in further detail under the headings of Cost Growth, Demand / Service Growth and other Cost Pressures. In 2019/20 Cost Growth was estimated at £19.4m and included pay inflation of £15.5m, non pay inflation of £0.9m, GMS/GDS inflation at £1.7m and Continuing Health Care (CHC) & NHS Funded Nursing Care inflation capped at £1.3m. Demand and Service Growth was estimated at 15.2m being the additional cost of NICE and new high cost drugs £3.5m, Velindre Cancer Centre £1.2m, Specialist Services £5m, Ring fenced services £1.2m, EASC, £0.5m and LTA inflation of £3.8m. Other cost pressures were £3.5m and assumed a reduction in income from cross border flows from Aneurin Bevan Health Board of £0.5m and local cost pressures of £3m. The Committee was advised that there was no provision for growth in CHC and prescribing in 2019/20 and that this was a risk that would need to be managed and monitored next year. It was confirmed that the budget for local cost pressures would be held centrally and allocated when costs were confirmed during the course of the year.

The Director of Transformation and Deputy Chief Executive indicated that the management executive would require assurance from both the Mental Health and PCIC Clinical Boards that they had plans to manage both CHC and prescribing within the planning assumptions. In this context the Chief Operating Officer indicated that in respect of continuing healthcare placements there was an expectation that the Mental Health Clinical Board would work with local authority partners to manage growth within agreed resources.

Moving onto investments the Deputy Director of Finance indicated that the majority of UHB investments needed to come from All Wales budgets of circa £140m which had been retained centrally by Welsh Government for transformation, regional partnership boards, digital services, prevention, mental health and learning disabilities and clinical services. The UHB's draft plan set aside £4.5m for UHB

specific investments of which a minimum of £1.4m was already committed to cover the full year effect of 2018/19 plans. The Committee was advised that further investment should not be approved until sufficient assurance around the delivery of the plan had been secured.

The draft financial framework assumed that a 2% recurrent CIP of £16.4m would be delegated to Clinical Boards to achieve. The Committee was notified that there had been limited progress to date on the identification of delegated schemes for 2019/20. £2.9m of corporate schemes had been identified to date, however the UHB would need to identify a further £12m of savings schemes on top of this to achieve a balanced budget in 2019/20. The Committee was advised that the £12m of further schemes would include a number of high value opportunities and corporate themes that should be managed corporately with clear lines of accountability and a common understanding of schemes that should not be included in the delegated 2% CIP.

The Director of Corporate Governance asked if the UHB had discretion over the level of CIP targets and the Chief Executive confirmed that the UHB determined the level of CIP that was delegated to its Clinical Boards. The planned recurrent 2% targets had already been shared with Clinical Boards and there was an acknowledgement that the required level of saving was less than agreed in 2018/19. The Chief Executive added that the planned recurrent target was expected to remain at 2% in 2020/21 and 2021/22 in order to provide some flexibility to support investments.

The UHB Vice Chair (CJ) asked whether the UHB would be able to secure the additional £10m annual operational plan funding on a recurrent basis by identifying the further £12m of corporate savings schemes in 2019/20. The Deputy Director of Finance confirmed that Welsh Government was more likely to re-instate the £10m annual operational plan funding provided in 2018/19 on a recurrent basis if the UHB delivered its 2018/19 plan alongside the submission of a balanced plan for 2019/20 onwards.

The UHB Chair (MB) asked how the draft plan supported the UHBs “Shaping Our Future Wellbeing: In Our Community Programme”. The Chief Executive indicated that the UHB would need to frame its investment programme to maximise its uptake of Welsh Government Funding targeted at transformation and a move towards community based services so that it could fulfil the commitment to “Shaping our Future Wellbeing” programme. The Chief Executive also added that the planned recurrent savings target was expected to remain at 2% in 2020/21 and 2021/22 in order to provide some investment flexibility to support the programme.

The presentation moved on to consider the following information sources which indicated that the UHB had enough scope to identify schemes to move towards balancing the financial position in 2019/20:

- EY Acute Benchmarking & Opportunity Analytics (September 2016)

- Internal Benchmarking Opportunities (LOS, productivity variation, DNA, follow up etc. identified through the CHKS & Albatross benchmarking tools)
- Welsh Government Efficiency Framework (Population Health, Technical efficiency and Productivity, whole System & Shared Opportunities)
- Interventions Not Normally Undertaken
- Lightfoot Summary Findings

The UHB Vice Chair (CJ) noted that some of the benchmarking data had been available to the UHB since 2016 asked whether any progress had already been made in using the data. The Director of Transformation and Deputy Chief Executive confirmed that some of the data had helped to support changes in processes to reduce harm, waste and variation but the UHB had not yet realised the significant financial benefits that would arise from a wider transformation programme. The Chief Operating Officer added that a number of initiatives e.g. re-focussing of mental health services, pre-operative pathways, programmes to reduce DNAs which were already progressing would be considered by the UHB when identifying future corporate savings.

The Committee was advised that significant material financial risks to the plan which would require strong management were:

- c/f Clinical Board underlying deficit (including any unachieved CIP)
- Cost pressure avoidance in CHC / prescribing
- Delivery of 2% delegated CIP target
- Delivery of further savings of £12m
- New year operational pressures
- RTT and Winter Plan

The Deputy Director of Finance then described how the IMTP extended from 2019/20 through 2020/21 and 2021/22. The plan identified how the UHB could move from an underlying deficit of £36.6m b/f in 2019/20 to an underlying surplus of £0.5m in 2021/22. The plan was based on the following assumptions:

- Welsh Government would provide a 3% uplift in 2019/20, 2% in the following 2 years and also cover any additional wage award costs over 1%;
- The additional £10m Annual Operating Framework funding would be re-provided by Welsh Government on a recurrent basis from 2019/20 onwards;
- Investments and cost pressures would be managed within agreed values;
- The UHB would deliver a recurrent 2% CIP in each year;
- Additional high value opportunities would deliver recurrent savings of £12m in 2019/20; £4m in 2020/21 and £2m in 2021/22.

Finally, the Committee was advised of the timetable and process for the submission of the IMTP and it was noted that a Draft Financial Plan would be considered by the Finance Committee on the 3rd January 2019 before an informal submission to Welsh Government. Following feedback from Welsh Government it was expected that the plan would be presented to the Board on the 31<sup>st</sup> January 2019 before the formal

submission to Welsh Government. Given that this was also the deadline for submission of the final plan this may need to be brought forward.

## **Action**

### **Deputy Director of Finance.**

In response to a query from the UHB Chair (MB) the Chief Executive indicated that the submission of a balanced plan would help the UHB case for moving out of targeted intervention.

The Finance Committee:

- **NOTED** the draft plan and proposed process to enable submission of the IMTP to Welsh Government

### **FC - 18/274 FINANCE REPORT AS AT MONTH 7**

The Deputy Director of Finance presented the UHB's financial performance to month 7 and highlighted that the UHB remained on track to deliver the £9.9m planned deficit, that a full savings programme was in place and that the overspend against the plan had fallen by £0.120m in month.

Moving onto the Month 7 Finance Dashboard three of the measures remained 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 continued at £39.1m at month 7 and this is RAG rated red.
- Following confirmation of an additional allocation from Welsh Government of £13.050m for Capital Working Balance Cash the forecast year end cash deficit was now £11.743m and remained RAG rated red. The UHB expected to formally request Revenue cash assistance from Welsh Government by 12<sup>th</sup> December 2018.

The UHB had reported a deficit of £6.410m for the year to date which was made up of a planning deficit of £5.775m (7/12 of the £9.9m planned deficit) and a £0.635m adverse variance against plan.

In response to a query from the UHB Vice Chair (CJ) the Deputy Director of Finance indicated that the UHB remained confident of recovering the £0.635m overspend against plan in the final 5 months on the basis that overall delegated budget performance would be managed within agreed forecasts.

The Committee was informed that in month performance had been impacted by a continuation of the income pressures in orthopaedic services, nursing pressures, medical and dental pay overspends and theatre activity linked pressures in clinical services and supplies. The UHB Vice Chair (CJ) asked what level of assurance the UHB had around the control of theatre procurement and stock and the Deputy Director of Finance confirmed that a full stock take was undertaken on an annual basis. The Chief Executive indicated that a change in medical practice could lead to a change in the use of clinical supplies and that the UHB needed to continually improve the controls that were in place to optimize the value gained from advances in medical practice.

The Deputy Director of Finance asked the Committee to note the comparison of Clinical Board Financial performance against Budget Financial Forecasts at Table 16 and confirmed that whilst overall the UHB was within the month 7 forecast the main concern was the overspends against forecast of £0.391m and £0.168m reported by the Medicine and Surgery Clinical Boards respectively. The committee was informed that managing spend within the Forecasts was now key to the UHB achieving its 2018/19 plan. In this context the Finance Committee chair queried whether the forecast meant that the Women and Children's Board now expected to report a year end overspend of c £1.6m. The Deputy Director of Finance confirmed that this was the case when the forecast was completed and the Chief Operating Officer added that the Clinical Board had now provided assurance that the forecast year end overspend had subsequently fallen below £1.4m following the implementation of remedial measures.

The Deputy Director of Finance concluded the report by informing the Finance Committee that the UHB had recently been asked to submit a formal request to the Chief Executive, NHS Wales for cash assistance by 12<sup>th</sup> December 2018 and in so doing provide assurance that the UHB Board had been briefed on the level of cash assistance requested by the UHB from Welsh Government since the financial year beginning in April 2014. In this context it was agreed that the Deputy Director of Finance would relay a separate paper to Finance Committee members outlining the reasons underpinning UHB request for cash assistance over the period from April 2014 to March 2018 and that the paper would be relayed prior to the formal request to Welsh Government.

## **Action**

### **Deputy Director of Finance.**

The UHB Vice Chair (CJ) raised a query in respect of the £186m of trade and other receivables that the UHB was carrying on its balance sheet at the end of October 2018 under current assets and asked for assurance that the UHB had systems in place to monitor its aged debtors. The Deputy Director of Finance agreed to provide an analysis of the trade and other receivables on the balance sheet as October 31 2018 alongside an outline of the UHBs accounting treatment of aged debts.



## Action

### Deputy Director of Finance.

**LIMITED ASSURANCE** was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 7 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 £6.410m deficit at month 7 which includes a planning deficit of £5.775m and an adverse variance against plan of £0.635m;
- **NOTED** the key concerns and actions being taken to manage risks.

## FC - 18/275 CLINICAL BOARDS IN ESCALATION

The Chief Operating Officer confirmed that 5 Clinical Boards remained in escalation where the required level of assurance was not attained in respect to finance, activity and quality and safety.

Assurance had been provided in month that both the Women & Children and CD & T Clinical Boards would deliver a year end position within their forecast control totals. Further discussions were taking place with both the Medicine and Surgery Clinical Boards to gain further assurance that planned actions would sufficiently improve in year performance. The consultation process in support of the Dental Clinical Board was now closed and feedback was being reviewed.

In response to a query from the Finance Committee Chair (JU) the Chief Executive indicated that the Board were informed of Clinical Boards in escalation through the minutes of the Finance Committee.

The Finance Committee:

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

## FC - 18/276 COST REDUCTION PROGRAMME

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

- At the end of the month, £32.461m of schemes had been identified as Green or Amber against the devolved 4% savings target of £33.780m, leaving a gap of £1.319m
- £21.199m has been identified against the £25.335m recurrent 3% element of the devolved target.
- £11.262m has been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at month 7 £12.280m 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 that the £1.319m gap against delegated savings targets at the end of October had fallen to £0.987m as at 28<sup>th</sup> November, however it was noted that the reduction was primarily due to non recurrent opportunities and therefore there was no reduction in the underlying position.

The Committee was advised that the Welsh Government Finance Delivery Unit had mandated that future reporting of savings would be risk rated based on the UHBs approach to RAG rating schemes. In response to a query from the Finance Committee Chair it was confirmed that in 2019/20 performance against the 2% delegated savings target and the £12m corporate target would be monitored separately.

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 - 18/277 RISK REGISTER**

The Assistant Director of Finance presented the 2018/19 Risk Register and informed the Finance Committee that no new risks had been added to the register in month.

The Committee was asked to authorise the removal of 1 risk from the register where optimum controls were in place in respect of Critical Care Investment in advance of Critical Care Network decision (£1.5m) where funding had now received..

The Finance Committee:

- **NOTED** the risks highlighted within the risk register.
- **APPROVED** the removal of the following risk:
  - Critical Care Investment in advance of Critical Care Network decision (£1.5m)

**FC - 18/278 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES**

No other items to bring to the main Board.

**FC - 18/279 DATE AND TIME OF NEXT MEETING**

The Finance Committee Chair (JU) confirmed that responsibility for chairing the Finance Committee was transferring to the Board's Independent Member – Estates, John Antoniazzi from the next meeting onwards which was scheduled as follows:

**Thursday 3<sup>rd</sup> January; 1.00pm; Large Meeting Room, HQ, UHW**