

FINANCE COMMITTEE MEETING
11.00am on 31st October 2017
Large Meeting Room, HQ, UHW

AGENDA

PART 1: ITEMS FOR ACTION		
1	Welcome and Introductions	<i>Oral - Chair</i>
2	Apologies for Absence	<i>Oral - Chair</i>
3	Declarations of Interest	<i>Oral – Chair</i>
4	Minutes of the meeting held on 28th September 2017	<i>Chair</i>
5	Action Log	<i>Chair</i>
6	Finance Report as at Month 6	<i>Andrew Gough</i>
7	Cost Reduction Programme, Cross Cutting Themes and Efficiency Framework	<i>Andrew Gough</i>
8	Public Sector Payment Performance – Improvement Plan	<i>Andrew Gough</i>
9 9.1	Finance Risk Register (Word) Finance Risk Register (Excel)	<i>Andrew Gough</i>
PART 2: ITEMS TO BE RECORDED AS RECEIVED AND NOTED FOR INFORMATION BY THE BOARD		
10	No Cheaper Stock Obtainable	<i>Andrew Gough</i>
11	Items to bring to the attention of the Board / other Committees	<i>Oral - Chair</i>
12	Date, time and venue of the next meeting of the Finance Committee: 10.00am on Thursday 30th November 2017, Boardroom Llandough Hospital	<i>Oral - Chair</i>

UNCONFIRMED MINUTES OF THE FINANCIAL COMMITTEE**HELD ON 28TH SEPTEMBER 2017****LLANDOUGH BOARDROOM****4****Present:**

Len Richards	Chief Executive
Maria Battle	Chair
Dr Sharon Hopkins	Director of Public Health
Bob Chadwick	Executive Director of Finance
Chris Lewis	Deputy Director of Finance
Julie Cassley	Interim Director of Workforce
Steve Curry	Director of Operations
Ivar Gray	Independent Member
John Antoniazzi	Independent Member
Marcus Longley	Vice Chair
Andrew Gough	Assistant Director of Finance (Transformation & Planning)

In Attendance:

Urvisha Perez	Welsh Audit Office
Matthew Brushnett	Welsh Audit Office

Secretariat:

Paul Emmerson	Finance Manager
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FC – 18/098 Welcome and Purpose of the Committee

The Vice Chair welcomed everyone to the meeting.

FC – 18/099 Apologies for Absence

Apologies were received from Graham Shortland, Abigail Harris, Ruth Walker, Margaret McLaughlin and Peter Welsh.

FC – 18/100 Declarations of Interest

The Vice Chair invited members to declare any interests in proceedings on the Agenda. None were declared.

FC – 18/101 Minutes of the Finance Committee Held on 26th August 2017

The Committee RECEIVED and APPROVED minutes of the meeting held on 26th AUGUST 2017.

FC - 18/102 Action log following the last meeting

The Director of Public Health confirmed the UHB had discussed the UHB's approach to Research and Development in light of the fall in Welsh Government funding allocated to the UHB. Future R & D Strategy needs to align to both the Welsh Government funding model and All Wales Tertiary Services Strategy as well as considering wider R & D opportunities offered by the Medical Research Council (MRC) and other funding bodies. A revised R & D Strategy would be presented to the Board in due course.

FC - 18/103 Pooled Budgets

The Head of Finance, Primary, Community and Intermediate Care (PCIC) and Dental Clinical Boards summarised progress in relation to Part 9 of the Social Services and Well-being (Wales) Act 2014 which requires the establishment of pooled funds in relation to the exercise of care home accommodation functions by 6th April 2018.

The Regional Partnership Board retains oversight of the development of the pooled budget, however, the decision making responsibilities for agreeing the pooled budget and how it is managed rests with Cardiff Council, Vale of Glamorgan Council and Cardiff and Vale University Health Board.

A monthly Project Board has been established across the 3 partners to develop options and practical arrangements in relation to the operation of the budget for consideration through the formal decision making processes in each of the partner organisations. The budget will exclude funding for Learning Disabilities and Mental Health in the first year, however there may be a requirement to incorporate budgets for these services into the pool from April 2019 onwards.

It is expected that the UHB will make a contribution estimated at £17.8m to an overall pooled budget of £46.1m in 2018/19. The single pool budget established at 1st April 2018 will include funding for residential, funded nursing care and continuing health care.

Both the UHB and Cardiff Council had expressed an interest in hosting the pool. The agreed host will delegate roles and responsibilities to the partner organisations to ensure accountability for specific functions would remain with the accountable organisation. Processes would be developed to support the wider efficiencies of a proper integrated pooled budget arrangement effective from 1st April 2019.

In the first year of the pooled budget each partner would remain responsible for their own budget (over and underspends) within the pool negating the need for risk sharing arrangements in year one. In addition accounting processes are expected to minimize cash transactions so that a pooled budget host / manager is not required until integrated working arrangements are agreed for the period from April 2019 onwards.

The Committee indicated that it would expect the hosting arrangement to be reviewed at Chief Officer level after year one. It was also noted that local arrangements in establishing a pooled budget and the associated commissioning framework were relatively well advanced. The Regional Partnership Board is expected to provide a position statement on progress to Welsh Government by the end of September.

FC - 18/104 IMTP –Financial Plan 2018/19 to 2020/21

The Deputy Director of Finance presented a draft of the financial forecast and the options available to the UHB to manage financial outturn for the period for 2018/19 to 2020/21. The draft would be further developed to inform the first draft IMTP submission scheduled for January 2018

The Committee was reminded that the UHB had an underlying deficit of £54.5m coming into 2017/18 that at month 5 2017/18, £25.2m actions taken by the UHB in planning to achieve the forecast deficit of £30.9m were non recurrent in nature. In this context the underlying deficit moving into 2018/19 is expected to be in excess of the £30.9m planned 2017/18 deficit. At the time of reporting the UHB needed to find a further £1.6m recurrent savings in 2017/18 to ensure that the underlying deficit rolling forwards into 2018/19 was no greater than that at the £54.5m brought forward to 2017/18.

The Committee agreed that every effort should be made in the remainder of 2017/18 to secure recurrent savings so that the underlying UHB deficit moving into 2018/19 was minimised and represented an improvement on the position coming into 2017/18.

The Deputy Director of Finance reported that the plan sought to achieve IMTP approval, improve the 2018/19 financial position beyond 2017/18 out-turn, address the underlying accumulated deficit and move towards a return to financial balance year on year.

The Committee was informed that the key facilitators considered in the first draft of the plan were:

- Management of budgets to break even
- Limiting investments / additionality
- Improved internal efficiencies
- Annual savings programme

- UHB wide opportunities
- Securing maximum allocation
- Addressing population growth pressures

The draft plan assumed addition funding of £10m in 2019/20 and a further £10m in 2020/21 to address the additional health needs arising in the Cardiff & Vale area from relatively high rates of population growth in comparison to the rest of Wales. In addition a number of inflationary pressures such as the annual pay award @1% were built into the modelling.

The Committee was informed that initial modelling suggested that an annual recurrent savings target 2% and non recurrent savings target 0.5% would enable the UHB to reduce its deficit to £7m by 2020/21. A more challenging savings target of 4% recurrent savings and 0.5% non recurrent savings in 2018/19, 2.0% recurrent and 1.5% non recurrent savings requirement in 2019/20, 1% recurrent and 0.5% non recurrent savings requirement in 2020/21 would push the UHB towards a surplus of £1m by 2019/20.

FC - 18/105 Financial Position Month 5

The Deputy Director of Finance presented the UHB's financial performance to month 5. The UHB remained on target to meet the £30.9m planned deficit. A further £1.5m of savings had been identified in month and work was continuing to bridge the remaining savings gap of £8.8m which was profiled into months 7-12.

The UHB recorded a £12.805m deficit at the end of month 5 based on a planned year end deficit of £30.900m. The deficit was broadly in line with the plan being made up as follows:

- Nil variance against the UHB's savings target
- £0.070m favourable budget management variance
- £12.875m planned deficit (5/12th of £30.900m)

Performance against income targets deteriorated by £0.133m in month leaving a cumulative over recovery against targets of £0.166m. The deterioration in the in month position was due to the continuing underperformance against the private patients and R & D income targets alongside a dip in performance in the retrieval of income from the Compensation Recovery Unit.

The reported £0.729m cumulative month 5 pay underspend represented an improvement upon the £1.203m overspend reported for the same period in the previous year. The in month underspend of £0.155m reported against pay budgets was broadly in line with the trend established in the first four months of the year.

An overspend of £0.825m was reported for the year to date against non-pay budgets. The additional drug costs arising from NCSO ('No Cheaper Stock Obtainable') price increases as a result of stock shortages have been managed for

the year to date. The main concern going forwards was the coverage of the additional cost arising from the outsourcing of the neuro-interventional radiology service.

The Medicine, Children and Women, Surgery and CD & T Clinical Boards had reported overspends at month 5. The Surgery Clinical Board expected to recover the month 5 overspend and plans to reduce the overspend were being implemented by the Medicine Clinical Board. Children and Women, and CD & T Clinical Boards were continuing to work up plans to manage spend in the remainder of the year. The Dental Clinical Board was now forecasting a balanced position at year end.

The forecast year end **cash** deficit of £37m was highlighted. The committee was advised that Welsh Government had been informed of the forecast cash deficit and would continue to be notified of any changes in the forecast. The availability of cash assistance from Welsh Government would not be confirmed until later in the year, therefore the UHB had considered its cash management plans in lieu of this.

The main risks to the achievement of the plan were the remaining £8.8m savings gap and a new risk in the range of £1m to £4m arising from the increase in NHS Funded Nursing Care Fees following the Supreme Court judgement in respect of weekly fees. The increase in NHS Funded Nursing Care Fees was an All Wales issue and Welsh Government support would be requested.

The Chair asked how confident the UHB was in bridging the remaining savings gap and achieving the planned deficit of £30.9m. The Director of Finance indicated that initial work which should be completed over the course the next month to review budgets already suggested that the savings gap should close significantly by the end of month 6. Growth pressures in continuing healthcare and prescribing along with seasonal pressures such as the winter plan were built into the UHB's original plan and Clinical Boards were being challenged to operate within the original planning estimates. However it was acknowledged that significant unforeseen issues such as the NHS funded nursing care judgement could potentially impede the UHBs ability to meet the plan.

Performance against the Public Sector Payment Compliance Target was highlighted by the Director of Finance who confirmed that a paper providing proposals to improve performance would be brought to the next Committee meeting.

Action: Director of Finance to review plans to improve payment compliance and report back to the committee

The Director of Finance asked the Committee to consider where the actions against the Financial Governance Review by Deloitte should be monitored. The Committee agreed that the detail of the Action Plan going forwards should be monitored through the Finance Committee.

FC - 18/106 Cost Reduction Programme

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

- As at 31st August 2017, against the total savings target of £35.001m, £26.191m of opportunities had been identified as Green or Amber. This represented an improvement of £1.5m in the value schemes identified over the last month.
- Against the devolved CRP target of £17.333m, £18.711m of schemes had been identified as Green or Amber as at 31st August 2017. The importance of all Clinical Boards reaching the milestone of 100% Green Schemes by the 1st October was once again stressed.
- At the end of August, £ 5.907m of cross cutting opportunities had been identified as Green or Amber and were contributing towards the delivery of the overall £17.333m delegated CRP target.

It was noted by the Chief Executive that the RAG rating criteria had helped in the delivery of schemes. In this context the Director of Finance re-asserted that budget holders were held to account for the delivery of green and amber schemes but were not held to account for the delivery of red pipeline schemes which provided an opportunity to consider whether ideas could be developed into substantive saving schemes.

The Vice Chair highlighted the contribution that the medicines management programme had once again made to savings and suggested that the success of the programme should be noted.

FC - 18/107 Risk Register

The Deputy Director of Finance advised the Finance Committee that the risk register had been reviewed in month and that some risks had been revised downwards. It was noted that the risk associated with the additional actions required to meet the stretch target was still scored at 25 and marked as red.

The committee were advised that 3 new risks had been added to the register in September as follows:

- Funded nursing care increase resulting from the supreme court judgement Est. £1m - £4m depending on scale of liability and backdating
- Neuro Interventional Radiology outsourcing £0.5m
- Drugs dispensed in primary care - NCSO (No cheaper stock obtainable) £2.5m.

The Committee was advised that the funded nursing care and NCSO cost pressures were national issues. The Committee agreed that a review of the NCSO cost pressures should be brought to the next meeting.

Action: Director of Finance to review the NCSO cost pressure and report back to the committee

FC - 18/108 Items to bring to the attention of the Board/Other Committees

No other items to bring to the main board.

FC - 18/109 Date and time of next meeting

Wednesday 31st October; 11.00am; Large Meeting Room, Headquarters

FINANCE COMMITTEE

ACTION LOG FROM 28th SEPTEMBER 2017

MINUTE	DATE	SUBJECT	AGREED ACTION	ACTIONED TO	STATUS
FC 18/105	28.9.17	Public Sector Payment Performance (PSPP)	PSPP Improvement Plan to be presented to the Finance Committee	B Chadwick	COMPLETE
FC 18/107	28.9.17	NCSO Cost pressure	Briefing on the use and costs of NCSO to be presented to the Finance Committee	B Chadwick	COMPLETE

FINANCE REPORT FOR THE PERIOD ENDED 30th SEPTEMBER 2017	
Name of Meeting : Finance Committee	Date: 31 st October 2017
Executive Lead : Executive Director of Finance	
Author : Deputy Director of Finance 02920 743555	
Caring for People, Keeping People Well: This report details performance against the annual financial plan supporting the UHB to deliver service priorities, maximise patient outcomes whilst maintaining the sustainability of services.	
Financial impact: The UHB financial position at the end of September 2017 is a deficit of £15.409m comprised of the following: <ul style="list-style-type: none"> • (£0.041m) favourable budget variance; • £15.450m planned deficit (6/12th of £30.900m). 	
Quality, Safety, Patient Experience impact: This report details financial performance against the one year operational plan which supports improvements in quality, safety and patient / carer experience.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not applicable	

ASSURANCE AND RECOMMENDATION
LIMITED ASSURANCE is provided by: <ul style="list-style-type: none"> • The scrutiny of Financial Performance undertaken by the Finance Committee; • The month 6 position which is broadly on line with the profiled deficit within the draft operational plan; • The progress that is being made in reducing the value of further savings that need to be identified in order to deliver the Financial Plan.
The Board is asked to: <ul style="list-style-type: none"> • NOTE that the UHB has an one year operational plan that has a planned deficit of £30.900m for the year; • NOTE the £15.409m deficit at month 6 which includes a planning deficit of £15.450m and budget underspends of (£0.041m); • NOTE the risks that need to be managed especially the identification of £4.3m further savings required to deliver a £30.9m deficit plan.

SITUATION

This report details the financial position of the UHB for the 6 months period ended 30th September 2017.

The UHB remains on target to meet the £30.9m planned deficit which includes a £35.0m savings plan. At the end of September the UHB had confirmed £30.7m

of savings schemes, and increase of £4.5m in the month. The UHB is continuing to progress work to bridge the remaining savings gap of £4.3m which is currently profiled into months 9 to 12.

BACKGROUND

The UHB considered a draft financial plan at its January 2017 meeting as part of its consideration of the Integrated Medium Term Plan for 2017/18 – 2019/20. The scale of the financial challenge and the size of the net deficit was such that the Board was not in a position to submit to Welsh Government a plan for approval as it was significantly away from being financially balanced.

Welsh Government requested the UHB to restate its plan and to resubmit it for consideration by the 10th March 2017. There was an expectation by Welsh Government that significant progress would be made in reducing the forecast deficit for 2017/18, which stood at £69.685m. The UHB submitted a revised financial plan to Welsh Government on the 10th March 2017 which had a reduced deficit of £45.873m. This draft plan was presented to the Board at its 30th March 2017 meeting and its adoption was endorsed, recognizing that it was not yet complete and very much work in progress. Further to this the plan was reconsidered by the UHB at its Board meeting on the 25th May 2017 where it was agreed to deliver a position no worse than the £30.9m forecast position in 2016/17. This report has been prepared against this planned deficit. A summary of this plan is provided in Table 1.

Table 1: Revised Operational Plan 2017/18 @ September 2017

	Financial Plan
	£'000
Draft Financial Plan @ Jan 2017	-69,685
Risk Adjustments and Transformation Opportunities	23,812
Risk Adjusted Plan @ March 2017	-45,873
Additional In Year Identified Savings	10,691
Further Savings (yet to be identified) to deliver Stretch Plan	4,282
Financial Plan with Stretch Target	-30,900

The level of savings still to be identified by the UHB fell by £4.528m in month following finalization of the 'Grip and Control budget forecast review'. Further work continues to identify the additional £4.282m of savings schemes required to deliver the plan.

ASSESSMENT AND ASSURANCE

The Finance Dashboard shown in Table 2 reports actual and forecast financial performance against key financial performance measures.

Table 2: Finance Dashboard @ September 2017

Finance Dashboard		Performance		In Month	Year to Date	Month 6 Full Year Forecast
Finance Indicators	Standard	In Month	Year to Date	RAG Rating		
		Remain within revenue resource limit - Variance Adv/(Fav)	£0	£2.604	£15.409	
Variance against unapproved 2017/18 £30.9m deficit plan	£0	£0.029m	(£0.041m)			
Pay expenditure (actual versus Plan)	£0	(£0.457m)	(£1.186m)			
Non-Pay Expenditure (Actual versus Plan)	£0	£0.529m	£1.354m			
Income (actual versus Plan)	£0	(£0.043m)	(£0.209m)			
Remain with CAPEX resource limit	£0	n/a	(£1.395m)			
Creditor payments compliance 30 day Non NHS	95%	92.10%	90.50%			
CRP Green / Amber status - Delegated Targets @ wc Sept 30 th	80% green/20% amber		100% / 6%			

Month 6 Cumulative Financial Position

The UHB is reporting a deficit of £15.409m for the year to date as shown in Table 3.

Table 3: Summary of Year to Date Reported Position at Month 6

	Month 5 £m	Month 6 £m	Movement £m
Budget Variance	(0.070)	(0.041)	0.029
Planned Deficit - 6/12ths of £30.9m	12.875	15.450	2.575
Reported Position £m	12.805	15.409	2.604

Table 4 analyses the operating variance between income, pay, non pay and planned deficit.

Table 4: Summary Financial Position for the period ended 30th September 2017

Income/Pay/Non Pay	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Income	(104.261)	(104.304)	(0.043)	(616.501)	(616.710)	(0.209)
Pay	49.114	48.657	(0.457)	292.470	291.285	(1.186)
Non Pay	57.722	58.251	0.529	339.482	340.835	1.354
Variance to Draft Plan £m	2.575	2.604	0.029	15.450	15.410	(0.041)
Planned Deficit	(2.575)	0.000	2.575	(15.450)	0.000	15.450
Total £m	(0.000)	2.604	2.604	0.000	15.410	15.409

Income

The year to date and in month financial position for income is shown in table 5.

Table 5: Income Variance @ September 2017

Income	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Revenue Resource Limit	(71.928)	(71.928)	0.000	(413.755)	(413.755)	0.000
Non Cash Limited Expenditure	(1.038)	(1.038)	0.000	(9.705)	(9.705)	0.000
Accommodation & Catering	(0.211)	(0.204)	0.006	(1.085)	(1.131)	(0.046)
Education & Training	(3.021)	(3.008)	0.013	(18.826)	(18.887)	(0.060)
Injury Cost Recovery Scheme (CR)	(0.114)	(0.104)	0.009	(1.183)	(1.367)	(0.185)
NHS Patient Related Income	(22.970)	(23.157)	(0.187)	(136.080)	(136.469)	(0.389)
Other Operating Income	(4.004)	(4.054)	(0.050)	(30.548)	(30.612)	(0.065)
Overseas Patient Income	(0.010)	(0.010)	(0.000)	0.157	0.120	(0.037)
Private Patient Income	(0.129)	(0.117)	0.012	(0.689)	(0.478)	0.212
Research & Development	(0.837)	(0.683)	0.153	(4.787)	(4.426)	0.361
Total £m	(104.261)	(104.304)	(0.043)	(616.501)	(616.710)	(0.209)

An in month surplus of £0.043m and a cumulative surplus of £0.209m is reported against income budgets.

The reported cumulative deficit against R & D income is primarily due to the reduction in Welsh Government funding. In addition in month commercial R & D performance was less than plan in month but is expected to recover in the remainder of the year.

Income from the Compensations Recovery Unit has been less than target over each of the last 3 months due to a drop in the number of new claims and the write back of a number of historical claims. Cumulative income remains ahead of plan for the year to date.

The cumulative budget for Overseas Patient Income is skewed by the application of a resource limit adjustment to extinguish the 2016/17 UHB debtor in respect of overseas reciprocal arrangements.

The in month improvement in NHS Patient Related Income primarily relates to the recovery of costs from Commissioning Groups in England for care provided to English patients.

The majority of the cumulative deficit reported against private patients relates to Specialist Services.

Pay

An in month underspend of £0.457m is reported against pay budgets continuing the trend established in the second half of 2016/17.

Table 5 identifies that a cumulative month 6 budget underspend of £1.186m in 2017/18 compared to month 6 overspend of £1.406m in 2016/17.

Table 6: Analysis of fixed and variable pay costs

	2016/17 Total Spend £m	2016/17 Month 1 to Month 5 £m	2017/18 Month 1 to Month 5 £m	2016/17 Month 6 £m	2017/18 Month 6 £m	2016/17 Cum. to Month 6 £m	2017/18 Cum. to Month 6 £m
Basic	502.093	205.320	211.391	41.513	42.612	246.833	254.003
Enhancements	23.635	9.324	10.359	2.109	1.784	11.433	12.143
Maternity	4.136	1.722	1.790	0.343	0.356	2.065	2.146
Protection	0.743	0.318	0.272	0.077	0.066	0.395	0.338
Total Fixed Pay	530.607	216.684	223.811	44.042	44.819	260.727	268.630
Agency (mainly registered Nursing)	9.017	3.883	3.508	0.525	0.629	4.408	4.137
Nursing Bank (mainly Nursing)	14.249	5.493	5.839	1.164	1.203	6.657	7.043
Internal locum (Medical & Dental)	2.105	0.902	1.772	0.209	0.362	1.112	2.134
External locum (Medical & Dental)	9.547	4.168	2.678	0.747	0.682	4.915	3.360
On Call	2.154	0.867	0.891	0.186	0.180	1.052	1.071
Overtime	6.072	2.555	2.366	0.531	0.432	3.086	2.798
WLI's & extra sessions (Medical)	3.549	1.530	1.762	0.315	0.350	1.845	2.112
Total Variable Pay	46.693	19.398	18.817	3.677	3.838	23.075	22.655
Total Pay	577.301	236.082	242.628	47.719	48.657	283.802	291.285
Pay Budget	576.692	234.879	243.357	47.517	49.114	282.396	292.471
Budget Variance (Fav)/Adv £m	0.609	1.203	(0.729)	0.203	(0.457)	1.406	(1.186)

The increase in 2017/18 pay levels is mainly due to the cost of the annual pay award, the apprenticeship levy and funded developments.

An analysis of pay expenditure by staff group is shown in Table 7.

Table 7: Analysis of pay expenditure by staff group @September 2017

Pay	In Month			Year to Date		
	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Actual £m	Variance (Fav)/Adv £m
Additional clinical services	1.921	1.792	(0.129)	11.329	11.013	(0.316)
Management, admin & clerical	5.859	5.629	(0.230)	34.393	33.765	(0.629)
Medical and Dental	12.797	12.649	(0.148)	75.415	74.873	(0.542)
Nursing (registered)	14.443	14.343	(0.100)	87.655	86.476	(1.179)
Nursing (unregistered)	3.801	4.190	0.389	23.154	25.614	2.460
Other staff groups	7.468	7.348	(0.120)	43.840	43.773	(0.067)
Scientific, prof & technical	2.824	2.704	(0.120)	16.685	15.771	(0.913)
Total £m	49.114	48.657	(0.457)	292.471	291.285	(1.186)

The in month underspend of £0.457m against pay budgets is a step up from trend established in the first five months of the year. With the exception of unregistered nurses, all other pay groups have a year to date and in month underspend. In total pay budgets are being well managed.

Table 8 – Non Qualified Nursing Staff Pay Variance

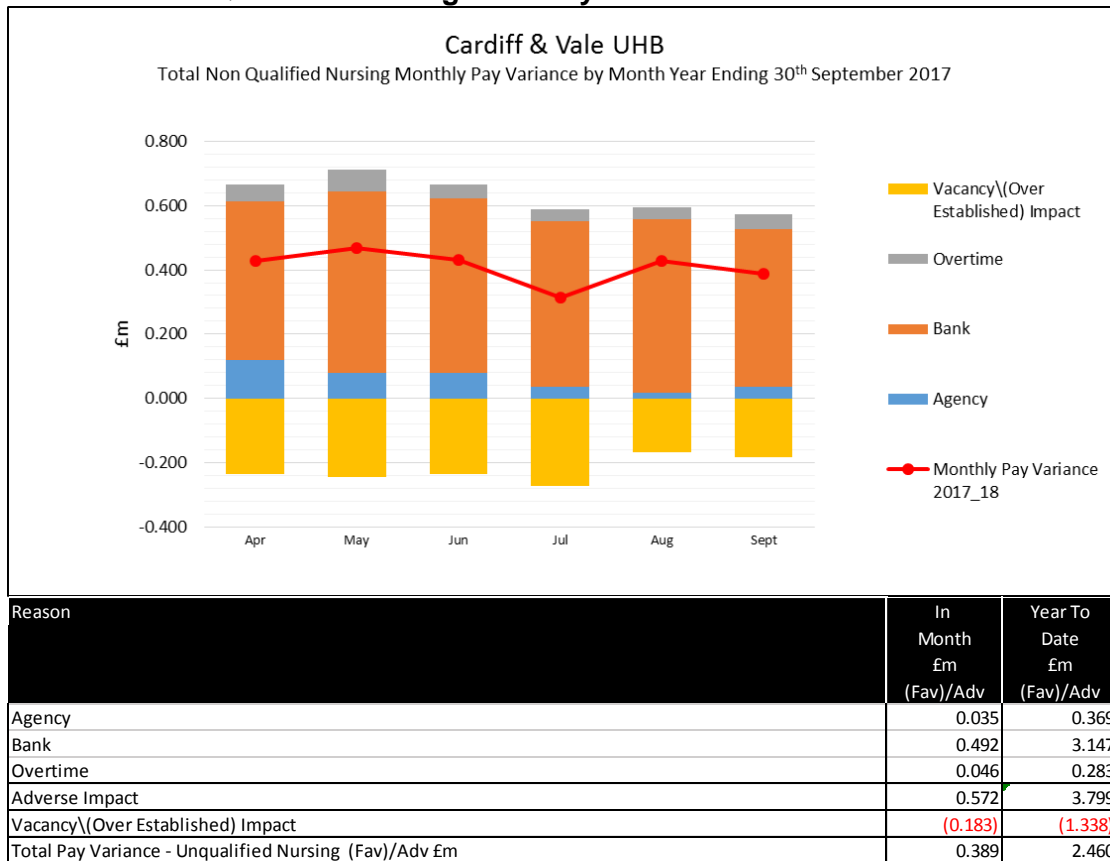
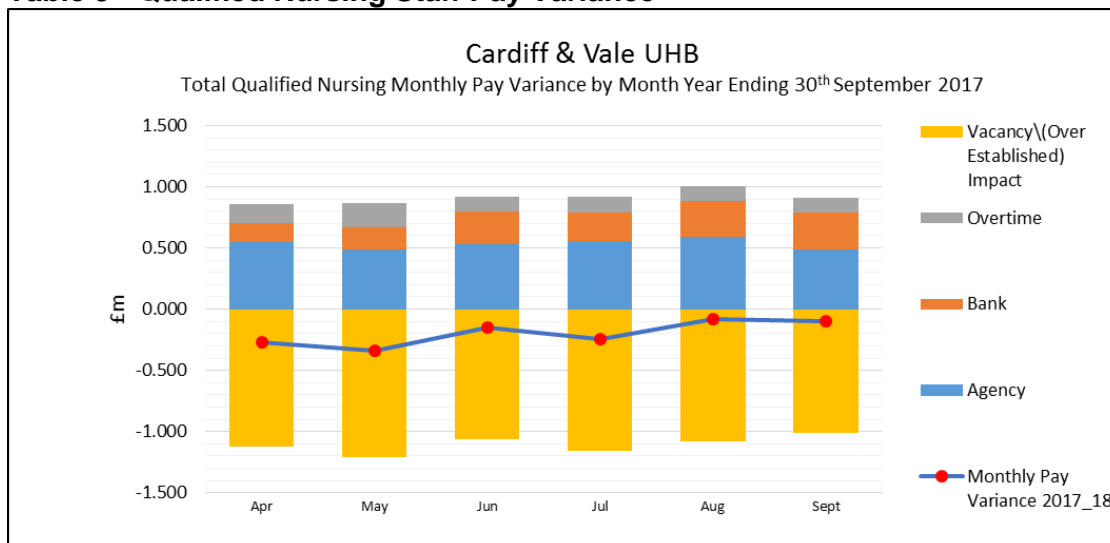


Table 8 illustrates that the majority of adverse variance against non-qualified nursing assistants is due to an overspend of £3.147m on bank staff which is partly offset by an underspend against established posts.

Table 9 - Qualified Nursing Staff Pay Variance

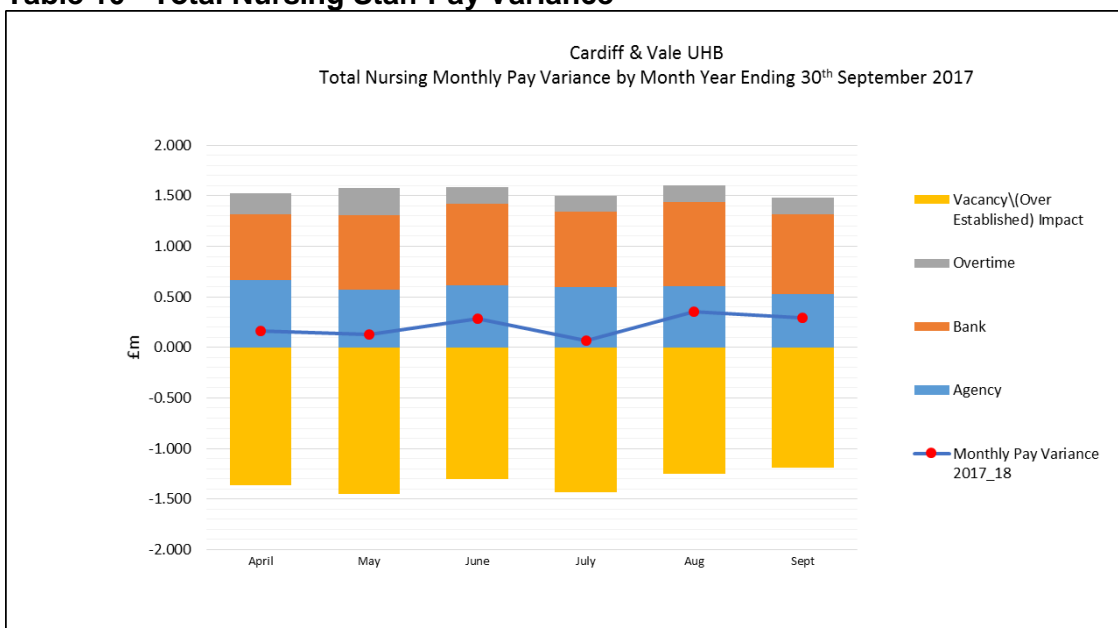


Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.489	3.207
Bank	0.297	1.426
Overtime	0.122	0.831
Adverse Impact	0.908	5.465
Vacancy\ (Over Established) Impact	(1.008)	(6.644)
Total Pay Variance - Qualified Nursing (Fav)/Adv £m	(0.100)	(1.179)

The information in Table 9 indicates that expenditure on established posts is significantly less than budget. The underspend has slowed in month due to a reduction in the underspend arising from vacancies.

6

Table 10 - Total Nursing Staff Pay Variance



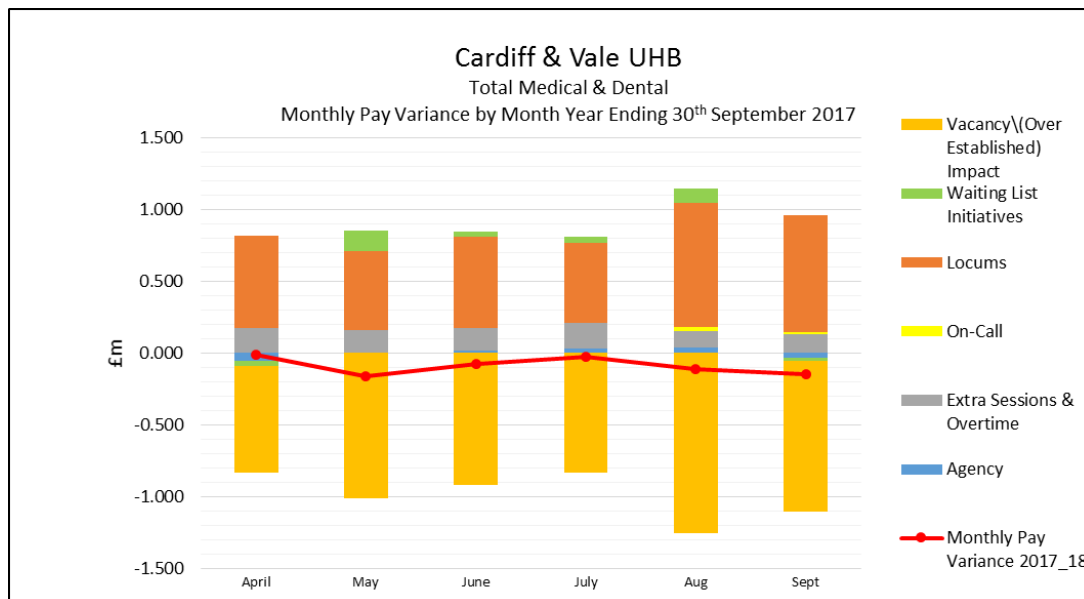
Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.525	3.576
Bank	0.789	4.573
Overtime	0.167	1.114
Adverse Impact	1.481	9.263
Vacancy\ (Over Established) Impact	(1.191)	(7.982)
Total Pay Variance - (Fav)/Adv £m	0.290	1.281

Table 10 confirms that expenditure against substantive nursing posts for the year to date is less than budget. However the combined overspend on agency, bank and overtime is greater than the underspend against vacant posts leading to an overall overspend against nursing budgets.

Table 11 shows financial performance against medical and dental pay budgets. This identifies that the favourable variance against established posts is partially offset by

expenditure on locums, waiting list initiatives and extra sessions leaving a favourable variance of £0.542m at month 6.

Table 11 - Medical & Dental Pay Variance



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	(0.031)	(0.010)
Extra Sessions & Overtime	0.128	0.917
On-Call	0.018	0.046
Locums	0.813	4.061
Waiting List Initiatives	(0.021)	0.254
Adverse Impact	0.906	5.268
Vacancy (Over Established) Impact	(1.055)	(5.810)
Total Pay Variance - Medical & Dental (Fav)/Adv £m	(0.148)	(0.542)

Non Pay

Table 12 shows the financial performance against non pay budgets.

Table 12: Non Pay Variance @ September 2017

Non Pay	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Clinical services & supplies	7.805	7.841	0.037	46.032	46.177	0.146
Commissioned Services	13.380	13.510	0.130	81.058	81.310	0.252
Continuing healthcare	4.952	4.942	(0.010)	29.557	29.727	0.171
Drugs / Prescribing	11.569	11.514	(0.055)	72.568	72.600	0.031
Establishment expenses	0.781	0.766	(0.015)	5.091	4.969	(0.122)
General supplies & services	0.624	0.625	0.000	3.730	3.924	0.194
Other non pay	4.407	5.134	0.727	17.307	18.520	1.213
Premises & fixed plant	2.875	2.820	(0.055)	17.308	16.979	(0.328)
Primary Care Contractors	11.327	11.099	(0.229)	66.832	66.630	(0.202)
Total £m	57.722	58.251	0.529	339.482	340.835	1.354

Table 12 highlights a £1.354m overspend against non pay budgets for the year to date. An in month overspend of £0.529m is reported and the key issues are reported below. It is important to note however that the overspend shown on other non-pay includes £0.755m budget that has been withdrawn and put against the savings target due to underspending pay and non pay budgets as per updated Clinical Board forecasts. This reflects the profiled underspend as per the Grip and Control Budget Forecast Review.

NCSO price concessions have now resulted in the UHB incurring an additional £1.6m of prescribing costs for the year to date. This is being managed by cost avoidance on growth.

This NHS funded nursing fees pressure arising from the recent court judgement is now assessed to be up to £2m and remains outside the reported figures and the UHB's forecast and therefore remains as risk.

Other non-pay also includes the additional costs resulting from the outsourcing of the neuro-interventional radiology service which are estimated to be £0.4m for the year to date. The UHB has prepared a paper for WHSCC so that it can consider a risk sharing proposal for the outsourced service. In addition the UHB is prioritising operational planning to safely maximise the level of work undertaken through the partially re-instated in house service.

Financial Performance of Clinical Boards

Budgets are set to ensure that there is sufficient resource available to deliver the UHB's plan. Financial performance for 6 months to 30th September 2017 by Clinical Board is shown in Table 13.

Table 13: Financial Performance for the period ended 30th September 2017

Clinical Board	M5 Budget Variance £m	M6 Budget Variance £m	In Month Variance £m	Cumulative % Variance
Clinical Diagnostics & Therapies	0.087	0.303	0.216	0.58%
Children & Women	0.345	0.289	(0.056)	0.59%
Capital Estates & Facilities	0.006	(0.142)	(0.149)	(0.45%)
Dental	(0.038)	(0.026)	0.011	(0.14%)
Executives	(0.083)	(0.117)	(0.034)	(0.63%)
Medicine	0.434	0.407	(0.028)	0.74%
Mental Health	(0.074)	(0.098)	(0.024)	(0.27%)
PCIC	(0.659)	(1.071)	(0.412)	(0.72%)
Specialist	(0.454)	(0.337)	0.117	(0.45%)
Surgery	0.238	0.104	(0.134)	0.16%
Central Budgets	0.128	0.648	0.520	0.85%
SubTotal	(0.070)	(0.041)	0.029	(0.01%)
Planned Deficit	12.875	15.450	2.575	2.51%
Total	12.805	15.409	2.604	2.50%

The majority of Clinical Boards have broadly balanced month 6 expenditure within existing resources and budgets. The key exceptions are the Medicine, Children and Women, Surgery and the CD&T Clinical Boards.

The Medicine Clinical Board is overspent on its nursing budgets with pressures due to bank and agency cover of vacancies, sickness and specialising. There were more than 60 qualified nursing vacancies in month. Underperformance in PICU and NICU alongside premium costs of medical cover are pressures in the Children and Women Clinical Board. The deficit reported by the Surgery Clinical Board is primarily due to the early recognition of underperformance in orthopaedics, sarcoma and renal theatre activity and overspends on Wet AMD. The majority of overspend reported by the CD&T Clinical Board relates to additional costs arising from the outsourcing of the neuro-interventional radiology service which were estimated at a further £0.283m in month following confirmation of 12 further outsourced referrals.

All Clinical Boards have completed a review of 2017/18 financial forecasts and those Clinical Boards with a forecast year end overspend have been asked to produce recovery plans in order to achieve a balanced year end outturn. All Clinical Boards now have balanced plans with the exception of Medicine and CD&T. The Medicine forecast deficit is £0.056m and work is ongoing to address this. The CD&T forecast is a £0.540m deficit driven by the costs of outsourcing neuro-radiology patients.

Savings Programme

The UHB agreed a 1.5% recurrent savings target of £13m and a further non recurrent savings target of £4.333m for delegated budget holders. In addition the UHB targeted £2.695m savings through the delivery of UHB wide transformation. Further to this the UHB agreed a £14.973 stretch plan leading to an overall savings target of £35.001m

The development and delivery of delegated schemes is monitored through weekly reporting of individual schemes and the risk to delivery is measured by a traffic light system.

At the time of reporting the UHB has identified £30.719m of savings schemes and this is summarised in Table 14 and is detailed by Clinical Board in **Appendix 1**.

Table 14: Progress against the 2017/18 Savings Programme at Month 6

	Total Savings Target £m	Total Savings Identified £m	Total Savings (Unidentified) £m
Total £m	35.001	30.719	(4.282)

The unidentified savings gap fell in month by £4.528m from £8.810m to £4.282m following completion of the ‘Grip and Control budget forecast review’. Further work continues at pace to identify, evaluate and quantify the additional £4.282m of savings schemes required to deliver the plan. The following schemes are expected to be finalised shortly for delivery over the last six months of the year:

- Clinical productivity
- Medicines optimisation generics / bio-similars
- Agency locum / internal locum pay caps
- Estate Cost
- Management review – spans of control
- Outpatient resource review

Any shortfall against the remaining £4.282m of additional savings required to deliver the £35m savings target will now be phased into the position from month 9 onwards. The profiling of identified and unidentified savings is shown in **Appendix 2**.

For the year to date £12.465m of savings are profiled into the position and these have been delivered. It should be noted that a number of identified corporate schemes are profiled into the last 6 months of the year.

Underlying Financial Position

The underlying deficit in 2016/17 b/f into 2017/18 was £54.5m. The assessed deficit c/f into 2018/19 is currently £56m. If this remains unchanged, the underlying deficit will have increased by £1.5m in 2017/18. It is therefore essential that further recurrent cost savings schemes are developed in order to minimise the c/f deficit into 2018/19.

Balance Sheet

The Balance sheet is shown in **Appendix 3**.

The small in month increase in the carrying value of property, plant and equipment follows the significant progress made in month towards establishing a modular theatre at Llandough. The increase in the carrying value of intangible assets is largely due to the recognition of Carbon Reduction Allowances.

The main reason for the increase in trade debtors is the increase in amounts due from the Welsh Risk Pool following the change to the discount rate announced by the Lord Chancellor on 27th February 2017. This is mirrored by a similar increase in the value of provisions held since 1st April 2017.

The reduction in trade and other payables shown within current liabilities is primarily due to the decrease in capital creditors, where the majority of the significant year end balances have now been settled.

Cash Flow Forecast

The cash flow forecast is contained in **Appendix 4**. The current UHB forecast indicates the requirement for £7.034m cash assistance in respect of working balance movements and £30.9m Strategic Cash Assistance to cover the planned deficit. The UHB has been asked by Welsh Government to review the cash forecast at month 7.

A reconciliation of the reported opening and forecast closing cash position is shown in Table 15 below:

Table 15: Reconciliation of opening and forecast closing cash position

Description	£m
Opening Cash balance	0.881
Working balances arising	(7.034)
Forecast Deficit	(30.900)
Forecast Cash Deficit £m	(37.053)

Public Sector Payment Compliance

The UHB's cumulative performance to the end of September improved by 0.6% to 90.5%. The poor performance to date is linked to the transition to the All Wales Nursing Agency Contract. The UHB expects performance in this area to gradually improve following the 1st August 2017 roll out of an automated ordering & receipting process that currently works well in respect of one supplier. It will take time to get all suppliers on board, however in the medium term, the initiative is expected to make a significant difference to reported performance. In addition, the UHB has now agreed to implement a "No purchase order, No Pay" policy with the long term intention of improving the efficiency of invoice payments. To facilitate the process, two site visits have been arranged with other Health Boards so that the UHB can learn from their experiences in this area.

Capital Resource Limit (CRL)

Progress against the CRL for the period to the end of September 2017 is detailed in **Appendix 5** and summarised in Table 16.

Table 16: Progress against Capital Resource Limit @ September 2017

	£m
Planned Capital Expenditure at month 6	11.875
Actual net expenditure against CRL at month 6	10.480
Variance against planned Capital Expenditure at month 6	(1.395)

Whilst Capital progress to date remains slow, planned spend is expected to be delivered in full in 2017/18. The confirmed Capital resource limit of £36.2m at the end of September is expected to be uplifted in respect of the Genomics, National Clinical Information Systems and modular theatre at Llandough capital programmes in due course.

Financial Risks

The in month review of UHB's financial plan confirmed that the UHB remains on track to deliver the agreed £30.9m deficit subject to the final outcome of the two risks outlined below:

- The delivery of the savings target which will require the identification and delivery of a further £4.3m of savings schemes.
- The risk in NHS Funded Nursing Fees following the Supreme Court judgement in respect of weekly fees which has now been reduced to £2m. The extent of additional liability is dependent on the length of backdated payments and revised rate of payment which is still being worked through on a national basis. This risk is not included in the UHB's forecast outturn.

Key Concerns & Recovery Actions

At month 6, the key concerns and challenges are set out below:

1. Concern- Budget overspends at month 6;

Action – All Clinical Boards have confirmed expected year end outturn through the monthly forecasting framework. Clinical Boards with forecast year end overspends are required to determine recovery actions as part of the Clinical Board Performance Escalation Process which is at Chief Executive level.

2. Concern - Against the £35.0m savings programme, £30.7m green and amber schemes are in place, leaving a gap of circa £4.3m to be identified.

Action - The UHB is undertaking further work to identify the residual £4.3m savings. Opportunities are being explored in clinical productivity, medicines management, management costs, the medical locum pay cap and other areas. Any shortfall against the residual savings gap will be phased into the position from month 9 onwards.

3. Concern - Increase in Funded Nursing care Fees.

Action - The risk is being assessed across Wales in terms of consistency of interpretation, liability and cost. This has not yet been concluded. This risk is not included within the UHB forecast position. If this is not funded by Welsh Government, it may impact up the UHBs ability to deliver its financial plan.

4. Concern – Underlying Deficit.

Action – Further work is being taken forward to reduce the recurrent cost base in order to minimise the c/f underlying deficit into 2018/19.

CONCLUSION

The UHB is committed to achieving in year and recurrent financial balance as soon as possible without adversely affecting patient safety and service delivery.

The UHB's draft 2017/18 financial plan requires the delivery of £35m financial savings to achieve a £30.9m deficit. Satisfactory progress has been made to date after the identification of £30.7m savings with a further £4.3m savings to be identified. A number of further opportunities have been identified to mitigate against this financial risk and the UHB will continue to share progress being made with Welsh Government and at its Targeted Intervention meetings. The UHB will also ensure good financial management processes remain in place to explore further options to support longer term financial sustainability.

The reported financial position for the six months to the end of September is a deficit of £15.409m. This is made up of a budget plan deficit of £15.450m and a favourable variance against plan of £0.041m.

Appendix 1

Month Ending 30th September 2017-18

Identified Savings	17-18 CRP Target	Granular Identified Green	Amber	Red Pipeline	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Execs	681	941	106	72	1,046	-365
Specialist Services	2,400	2,636	311	324	2,947	-547
Capital Estates and Facilities	1,244	1,255	100	0	1,355	-111
PCIC	3,323	3,327	226	450	3,553	-230
Surgery	2,357	2,357	155	35	2,513	-156
Dental	400	408	0	10	408	-8
Children & Women	1,775	1,655	157	420	1,812	-37
CD&T	1,880	1,890	0	163	1,890	-10
Mental Health	1,395	1,406	0	45	1,406	-11
Medicine	1,878	1,879	0	94	1,879	-1
Clinical Board Forecasts			3,049		3,049	-3,049
Corporate schemes	17,668	2,094	6,769	234	8,863	8,805
Total Savings	35,001	19,847	10,873	1,846	30,720	4,281

2017-18 Full Year Effect

Identified Savings	Recurrent 17-18 CRP Target	Granular Identified Green	Amber	Red Pipeline	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000
PCIC	2,493	3,239	275	160	3,514	-1,021
Mental Health	1,047	1,031	0	45	1,031	16
CD&T	1,382	1,155	0	163	1,155	227
Dental	300	88	0	20	88	212
Surgery	1,768	1,776	234	146	2,010	-242
Capital Estates and Facilities	933	431	300	420	731	202
Children & Women	1,331	914	448	723	1,362	-31
Medicine	1,408	1,702	0	116	1,702	-294
Specialist Services	1,800	1,365	450	324	1,815	-15
Corporate Execs	501	609	87	16	696	-195
Corporate schemes	17,668	2,711	0	0	2,711	14,957
Total Savings	30,631	15,021	1,794	2,132	16,815	13,816

Appendix 2

Cardiff and Vale UHB Financial Plan 2017/18 - Monthly Run Rates

	1 Apr £'000	2 May £'000	3 Jun £'000	4 Jul £'000	5 Aug £'000	6 Sep £'000	7 Oct £'000	8 Nov £'000	9 Dec £'000	10 Jan £'000	11 Feb £'000	12 Mar £'000	Forecast Year end Position £'000
Gross costs	103,244	101,554	110,313	109,081	110,590	109,803	112,912	112,360	112,013	112,986	113,032	140,468	1,348,356
Identified savings	-618	-1,481	-2,972	-1,757	-2,739	-2,898	-3,172	-2,785	-2,852	-2,823	-2,810	-3,812	-30,720
Unidentified savings required for stretch target									-714	-714	-1,427	-1,427	-4,281
Total savings required	-618	-1,481	-2,972	-1,757	-2,739	-2,898	-3,172	-2,785	-3,566	-3,537	-4,237	-5,239	-35,001
Net costs	102,626	100,073	107,341	107,324	107,851	106,905	109,740	109,575	108,447	109,449	108,795	135,229	1,313,355
Income (phased as per budget plan)	98,952	98,579	104,814	104,728	105,337	104,301	107,158	106,993	105,865	106,867	106,213	132,647	1,282,455
Net surplus/ (deficit)	-3,674	-1,494	-2,527	-2,596	-2,514	-2,604	-2,582	-2,582	-2,582	-2,582	-2,582	-2,582	-30,900

Notes

Unidentified savings to deliver the stretch target have been phased in from month 7 and are stepped up every two months

April gross costs are lower than average in part due to the monthly 1 budget setting process and the unwinding and confirmation of previous year estimates.

Gross costs in May are abated by the 7.3m profit on disposal arising from the sale of CRI West Wing and sale of the former petrol station at Llandough

Monthly gross costs will vary due to demand side seasonal care and prescribing pressures; the implementation of in year plans; the timing of weekly pay runs and the payment of pay enhancements

The spike in month 12 gross costs is primarily due to the additional £23.3m of AME Donated Depreciation\Impairments profiled into month 12 and the expected settlement of LTAs

Appendix 3

BALANCE SHEET AS AT 30th SEPTEMBER 2017

	Opening Balance 1 st April 2017	Closing Balance 30 th September 2017
Non-Current Assets	£'000	£'000
Property, plant and equipment	628,042	632,052
Intangible assets	1,601	1,656
Trade and other receivables	42,437	47,978
Other financial assets		
Non-Current Assets sub total	672,080	681,686
Current Assets		
Inventories	15,129	16,374
Trade and other receivables	137,493	206,688
Other financial assets	0	0
Cash and cash equivalents	881	2,600
Non-current assets classified as held for sale	1,815	0
Current Assets sub total	155,318	225,662
TOTAL ASSETS	827,398	907,348
Current Liabilities		
Trade and other payables	157,516	133,544
Other financial liabilities	0	0
Provisions	102,277	173,392
Current Liabilities sub total	259,793	306,936
NET ASSETS LESS CURRENT LIABILITIES	567,605	600,412
Non-Current Liabilities		
Trade and other payables	10,207	9,942
Other financial liabilities	0	0
Provisions	44,615	44,764
Non-Current Liabilities sub total	54,822	54,706
TOTAL ASSETS EMPLOYED	512,783	545,706
FINANCED BY:		
Taxpayers' Equity		
General Fund	399,057	431,980
Revaluation Reserve	113,726	113,726
Total Taxpayers' Equity	512,783	545,706

Appendix 4

CASH FLOW FORECAST AS AT 30th SEPTEMBER 2017

	April £'000	May £'000	June £'000	July £'000	Aug £'000	Sept £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £,000	Total £,000
RECEIPTS													
WG Revenue Funding - Cash Limit (excluding NCL)	77,340	60,358	90,378	66,386	67,086	79,642	68,392	74,102	84,700	68,670	79,485	27,245	843,784
WG Revenue Funding - Non Cash Limited (NCL)	1,830	1,830	1,150	1,410	1,610	1,815	1,375	1,720	1,620	1,620	1,967		19,567
WG Revenue Funding - Other (e.g. invoices)	2,360	2,360	2,506	2,361	2,361	2,331	2,356	2,356	2,356	2,356	2,356	7,190	33,249
WG Capital Funding - Cash Limit	9,000	2,000	1,000	2,100	3,900	2,950	900	4,200	4,000	1,822	1,722	2,592	36,186
Sale of Assets	0	9,152	0	0	0	0	0	0	0	0	0	0	9,152
Income from other Welsh NHS Organisations	47,076	17,644	41,554	29,101	31,459	41,273	25,343	31,721	38,654	26,497	30,613	35,367	396,302
Other - (Specify in narrative)	11,438	3,599	7,579	5,630	8,324	6,620	6,521	5,596	5,629	5,742	4,917	8,200	79,795
TOTAL RECEIPTS	149,044	96,943	144,167	106,988	114,740	134,631	104,887	119,695	136,959	106,707	120,713	82,561	1,418,035
PAYMENTS													
Primary Care Services : General Medical Services	5,249	4,042	8,318	3,992	3,986	6,294	4,035	4,036	5,801	4,036	4,036	5,801	59,626
Primary Care Services : Pharmacy Services	153	124	144	112	125	135	121	130	130	520	260	260	2,214
Primary Care Services : Prescribed Drugs & Appliances	15,528	2	15,095	4	7,945	16,115	0	7,815	15,630	0	7,815	7,815	93,764
Primary Care Services : General Dental Services	1,734	1,877	1,908	1,936	1,720	1,806	1,845	1,835	1,835	1,835	1,835	1,835	22,001
Non Cash Limited Payments	1,986	2,196	1,910	2,173	2,105	2,125	2,085	2,115	2,115	2,115	2,115	2,115	25,155
Salaries and Wages	45,715	47,104	47,578	46,857	46,825	46,822	46,861	47,063	46,719	46,837	47,280	47,384	563,045
Non Pay Expenditure	41,188	43,621	48,892	44,051	45,352	44,772	43,523	42,669	44,362	44,351	44,402	43,329	530,512
Capital Payment	9,738	1,925	1,323	1,802	3,587	2,322	3,218	3,967	3,972	4,076	3,917	4,989	44,836
Other items (Specify in narrative)	15,801	2,891	17,084	2,836	9,095	16,775	2,877	9,035	16,331	2,880	9,035	10,176	114,816
TOTAL PAYMENTS	137,092	103,782	142,252	103,763	120,740	137,166	104,565	118,665	136,895	106,650	120,695	123,704	1,455,969
Net cash inflow/outflow	11,952	(6,839)	1,915	3,225	(6,000)	(2,535)	322	1,030	64	57	18	(41,143)	
Balance b/f	881	12,833	5,994	7,909	11,134	5,134	2,599	2,921	3,951	4,015	4,072	4,090	
Balance c/f	12,833	5,994	7,909	11,134	5,134	2,599	2,921	3,951	4,015	4,072	4,090	(37,053)	



2017-18 Cost Reduction Programme	
Name of Meeting : Finance Committee	31 st October 2017
Executive Lead : Executive Director of Finance	
Author : Assistant Director of Finance	
Caring for People, Keeping People Well: This report underpins the Health Board's "Grip and Control" element of the strategy to make the best use of the resources we have.	
Financial impact: Delivery of £35.001m total CRP Target made up of £17.333m devolved (1.5% recurrent and 0.5% non-recurrent CRP), £2.695m Transformation and £14.973m Stretch.	
Quality, Safety, Patient Experience impact: The financial plan aims to support the delivery of high quality and safe services.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not Applicable	

ASSURANCE AND RECOMMENDATION

The Finance Committee is asked to:-

- **NOTE** the progress against the 2017/18 CRP target

INTRODUCTION

This report summarises progress against the UHB savings programme of £35.001m and updates the Finance Committee on the 2017/18 CRP position.

PROGRESS AGAINST TOTAL CRP REQUIREMENT 2017-18

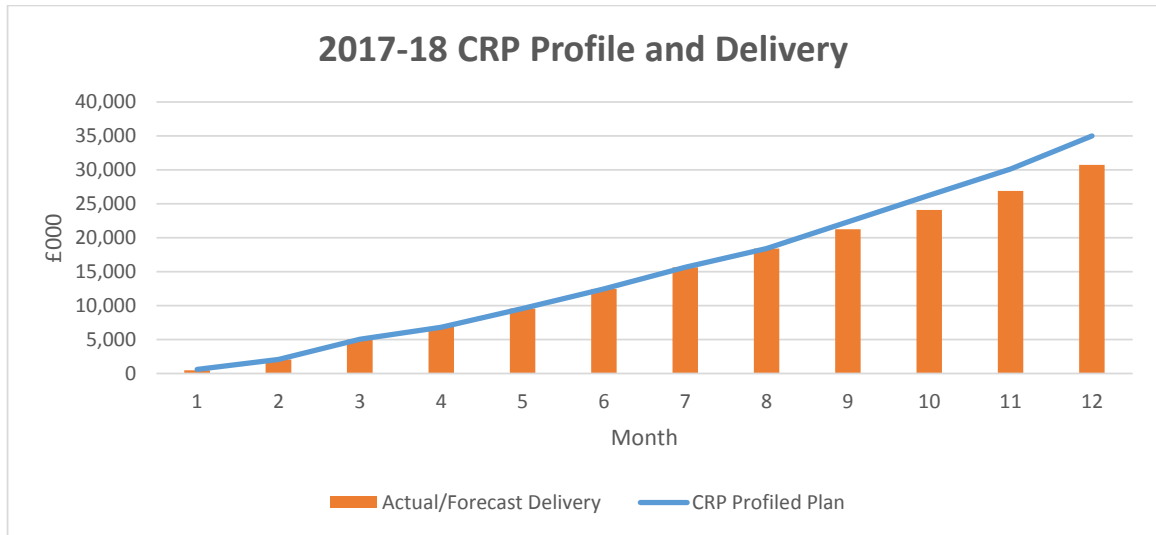
As at 30th September 2017, £30.720m of opportunities have been identified as Green or Amber against the total savings target of £35.001m.

The value of Green schemes is £19.847m and Amber schemes £10.873m.

There remains an unidentified shortfall against the savings plan of £4.281m. Any remaining shortfall will be profiled into the position from month 9 onwards.



The profiled £35.001m CRP target and actual / forecast delivery is shown below:



7

PROGRESS AGAINST DEVOLVED CRP 2017-18

As at 30th September 2017, £18.808m of opportunities have been identified as Green or Amber against the devolved CRP target of £17.333m.

The value of Green schemes is £17.753m and Amber schemes £1.055m.

PROGRESS AGAINST CROSS CUTTING THEMES 2017-18

The Cross Cutting Themes (formerly known as Leaner & Fitter) was established to support the delivery of the CRP target totalling £17.333m.

The table below details indicative targets and progress to date.



Cross Cutting Progress									
	Project	Sponsor	Implementation Lead	Finance Lead	Project Manager	First Line Reporting Forum	Indicative Savings target £k	Savings Identified to date £k	RAG Rating
1	Medical Productivity	Graham Shortland	Peter Durning	Andrew Gough	Laurence James	Medical Productivity steering group	1,000	465	Red
2	Medicines Management	Graham Shortland	Darrell Baker	Lynne Aston	Laurence James	Corporate Medicines Management Group	2,000	2,476	Green
3	Nursing Productivity	Ruth Walker	Ruth Walker	Andrew Gough	Laurence James	Nursing Productivity Group	1,500	663	Red
4	Procurement (Non pay influence and Control)	Bob Chadwick	Claire Salisbury	Chris Lewis	Claire Salisbury	Cross Cutting	2,000	1,906	Amber
5	Workforce Productivity	Julie Cassley	Julie Cassley	Andrew Gough	Andrew Crook	Workforce Productivity Group	1,000	406	Red

As at 30th September 2017, £5.916m of opportunities have been identified as Green or Amber contributing towards the delivery of the £17.333m CRP target.

There is an urgency to progress detailed plans to deliver targets against identified cross cutting themes to feed in to Clinical Board CIP trackers.

SUMMARY

To date the value of Green and Amber schemes identified totals £30.720m against the delegated £35.001m target. There remains an unidentified shortfall of £4.281m.

The UHB has a full CRP in place against the devolved target of £17.333m. All Clinical and Service Boards have now identified 100% green schemes.

The summary and detailed CRP tracker will be discussed in Clinical Board Performance Reviews.



Appendix A - Tables Showing 2017/18 CRP Progress At 30th September 2017

Month Ending 30th September 2017-18 PYE

Identified Savings	17-18 CRP Target	Granular Identified Green	Amber	Red Pipeline	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Execs	681	941	106	72	1,046	-365
Specialist Services	2,400	2,636	311	324	2,947	-547
Capital Estates and Facilities	1,244	1,255	100	0	1,355	-111
PCIC	3,323	3,327	226	450	3,553	-230
Surgery	2,357	2,357	155	35	2,513	-156
Dental	400	408	0	10	408	-8
Children & Women	1,775	1,655	157	420	1,812	-37
CD&T	1,880	1,890	0	163	1,890	-10
Mental Health	1,395	1,406	0	45	1,406	-11
Medicine	1,878	1,879	0	94	1,879	-1
Clinical Board Forecasts			3,049		3,049	-3,049
Corporate schemes	17,668	2,094	6,769	234	8,863	8,805
Total Savings	35,001	19,847	10,873	1,846	30,720	4,281

2017-18 Full Year Effect

Identified Savings	Recurrent 17-18 CRP Target	Granular Identified Green	Amber	Red Pipeline	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000
PCIC	2,493	3,239	275	160	3,514	-1,021
Mental Health	1,047	1,031	0	45	1,031	16
CD&T	1,382	1,155	0	163	1,155	227
Dental	300	88	0	20	88	212
Surgery	1,768	1,776	234	146	2,010	-242
Capital Estates and Facilities	933	431	300	420	731	202
Children & Women	1,331	914	448	723	1,362	-31
Medicine	1,408	1,702	0	116	1,702	-294
Specialist Services	1,800	1,365	450	324	1,815	-15
Corporate Execs	501	609	87	16	696	-195
Corporate schemes	17,668	2,711	0	0	2,711	14,957
Total Savings	30,631	15,021	1,794	2,132	16,815	13,816



Cross Cutting Tracker Weekly Summary 2017-18

PYE

Clinical Group	17-18 Indicative Target	Identified Green	Shortfall vs Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber	Shortfall on Total Target vs Green & Amber
	(£'000)	(£)	(£)	(£)	(£)	(£)	£	%
Medical Productivity	1,000	423	577	42	37	465	535	54%
Medicines Management	2,000	1,939	61	537	625	2,476	-476	-24%
Nursing Productivity	1,500	663	837	0	73	663	837	56%
Procurement	2,000	1,805	195	101	92	1,906	94	5%
Workforce Productivity	1,000	406	594	0	0	406	594	59%
Total	7,500	5,236	2,264	680	827	5,916	1,584	21%

FYE

Clinical Group	17-18 Indicative Target	Identified Green	Shortfall vs Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber	Shortfall on Total Target vs Green & Amber
	(£)	(£)	(£)	(£)	(£)	(£)	£	%
Medical Productivity	1,000	420	580	61	37	481	519	52%
Medicines Management	2,000	2,444	-444	725	335	3,169	-1,169	-58%
Nursing Productivity	1,500	1,028	472	0	85	1,028	472	31%
Procurement	2,000	1,786	215	165	198	1,951	50	2%
Workforce Productivity	1,000	374	626	0	0	374	626	63%
Total	7,500	6,052	1,448	951	655	7,003	497	7%

* Cross Cutting themes are in place to support the delivery of both the 1.5% recurrent and 0.5% non recurrent UHB CIP target



Appendix B – CRP RAG Rating

	Red Pipeline	Amber	Green
Project plan/brief	<ul style="list-style-type: none"> ▶ Evidence of project planning (project brief, milestones with timescales etc.) appears incomplete considering level of complexity / risk 	<ul style="list-style-type: none"> ▶ Non complex project ▶ Evidence of some important elements of a project plan (project brief, milestones with timescales etc.), however some key areas are not sufficiently addressed ▶ Project planning not deemed sufficiently specific / comprehensive 	<ul style="list-style-type: none"> ▶ Appropriate degree of project planning (project brief, milestones with timescales etc.) evidenced considering the level of complexity / risk
Lead responsible & support	<ul style="list-style-type: none"> ▶ Lead to be identified 	<ul style="list-style-type: none"> ▶ Project lead identified, however indication that roles & responsibilities are not entirely clear ▶ Inappropriate lead assigned to project ▶ Indication that not all the necessary individuals are involved in supporting the delivery of the project 	<ul style="list-style-type: none"> ▶ Appropriate individual identified and actively leading the project ▶ The appropriate individuals appear to be included within the delivery team
Financial & activity calculation	<ul style="list-style-type: none"> ▶ Calculation of savings ongoing ▶ Significant factors to be worked through ▶ Savings to be fully quantified 	<ul style="list-style-type: none"> ▶ Evidence that the majority of the key financial implications have been factored into calculations, some specific factors have been omitted / are yet to be clarified ▶ Number represents actual savings identified, not a target 	<ul style="list-style-type: none"> ▶ Simple project, limited financial planning deemed sufficient ▶ All elements of the saving adequately identified and incorporated into the calculation ▶ Number represents actual savings identified, not a target
Financial phasing	<ul style="list-style-type: none"> ▶ Rationale for financial phasing outstanding 	<ul style="list-style-type: none"> ▶ Rationale deemed appropriate ▶ Financial savings phased according to timing of plans and milestones 	<ul style="list-style-type: none"> ▶ Financial savings phased according to timing of plans and milestones

PUBLIC SECTOR PAYMENT PERFORMANCE (PSPP) – IMPROVEMENT PLAN	
Name of Meeting : Finance Committee Meeting	Date: 31 st October 2017
Executive Lead : Executive Director of Finance	
Author : Deputy Director of Finance 02920 743555	
Caring for People, Keeping People Well: This report details performance against the Public Sector Payment requirement. This is intended to ensure invoices are promptly paid to enhance cash liquidity and sustainability of our suppliers.	
Financial impact: This is a financial target for the UHB.	
Quality, Safety, Patient Experience impact: Ensuring prompt payment of suppliers will support sustainability of services.	
Health and Care Standard Number: Not applicable	
CRAF Reference Number: Not applicable	
Equality Impact Assessment Completed: Not applicable	

ASSURANCE AND RECOMMENDATION
<p>ASSURANCE is provided by:</p> <ul style="list-style-type: none"> • Understanding of the key issues effecting performance and the work that is being undertaken to improve the UHB PSPP. <p>The Finance Committee is asked to:</p> <ul style="list-style-type: none"> • NOTE the current PSPP of the UHB at 90.6% against the 95% target; • NOTE and SUPPORT the actions being taken to make improvements in the short term and the plans for longer term sustainable delivery.

SITUATION

The UHB has a financial duty (not statutory) to pay 95% of non NHS bodies within 30 days of receipt of a valid invoice. For the last few years, the UHB has failed to achieve this target. Performance this year is again below the required level and was below 90% in Month 5. The Finance Committee requested an improvement plan at its September meeting. This paper sets out the actions being taken to improve this position.

BACKGROUND

Prior year performance of the UHB against this financial target is shown in Table 1.

Table 1: UHB PSPP 2009/10 – 2016/17

Year	PSPP Year End Position
2009/10	54.8%
2010/11	95.6%
2011/12	95.7%
2012/13	95.2%
2013/14	96.0%
2014/15	88.7%
2015/16	92.8%
2016/17	94.0%

The key driver for poor performance has historically tended to be cash flow difficulties.

The UHB's cumulative performance against this target in 2017/18 is show in Table 2.

Table 2: UHB PSPP 2017/18

Period	PSPP Year to Date Cumulative Position
Month 2	89.8%
Month 3	89.4%
Month 4	90.3%
Month 5	89.9%
Month 6	90.5%

To the end of September 2017 the UHB performance improved in month by 0.6% and now stands at 90.5%. However, this is significantly lower than the 95% target and the 94% achieved in 2016/17. Poor performance is not linked to cash flow difficulties.

This deterioration is mainly linked to:

- Invoicing issues from nursing agencies as part of the transition to the All Wales Nursing Contract. The change in fee rate has caused a significant number of billing errors which have taken a significant amount of time to resolve. This in turn has led to an invoice backlog (which at one point was up to 2,000 invoices) causing valid invoices to fail to be paid within the required timescale.
- There are also issues with other invoices resulting from time delays in budget holders authorising and returning invoices for payment and issues with NWSSP Accounts Payable paying invoices in a timely manner, once authorisation to pay has been given.

ASSESSMENT

The procurement and payments functions are provided for the UHB by the NHS Wales Shared Services Partnership (NWSSP). Monthly meetings between UHB Finance Staff and NWSSP colleagues are held with a view to identifying recurring

problems and agreeing solutions. The actions being taken to improve the UHBs PSPP are set out below.

Reporting Adjustments

Across NHS Wales, Health Bodies make various allowable technical adjustments to their reported position. Through the NHS Wales Finance Academy we have obtained details of what other bodies correct for and have discussed these with NWSSP colleagues to try and establish best practice. With effect from October 2017, the UHB intends to make the following non contentious corrections in line with other LHBs.

- 1) Where invoices could not be paid in time as the suppliers account had untaken credit notes which exceeded the value of outstanding invoices, these invoices should not be counted as failing the 30 day compliance target.
- 2) Some Invoices are entered onto the payment system at the start of the year which generates recurrent payments throughout the year (e.g. rates). Currently, all these payments (other than the first one made) fail the 30 day compliance test, since the invoice received date on the Accounts Payable (AP) system references the date that the original invoice was received. Clearly these invoices should pass the compliance test if they are paid in the month in which payment falls due and so the AP system will be corrected to reflect this.
- 3) Similar to the above, when amounts withheld in respect of construction industry tax is paid over to HMRC, these payments can fail the 30 day compliance test, since the invoice received date on the AP system references the date that the original contractor invoice was received. Clearly these invoices should pass the compliance test if they are paid to HMRC in the month in which payment falls due and so the AP system will be corrected to reflect this.

These corrections will not only bring us in line with other bodies but are expected to improve performance in month 7 by > 1%.

Other Immediate Short Term Actions

The UHB is rolling out an automated ordering and receipting process (robotics) in respect of nurse agency suppliers. This roll out began on 1st August 2017 and while it will take time to get all suppliers on board this will improve our reported performance.

The Director of Finance has send out a message to all budget holders via Clinical Board Heads of Finance to ensure invoices are authorised and returned within a set period of 3 days.

Medium Term Actions

The UHB is working towards implementing a policy of “No Purchase Order (PO)/No Pay”. Following the decision to implement this a Working Group has been set up which is chaired by the Head of Procurement consisting of UHB and NWSSP colleagues. This is a significant project and will take several months to complete. Work already started includes:

- A full review of Clinical Board ordering/approval hierarchies;
- The development of a draft No PO/No Pay protocol;
- Two site visits to other Health Boards have been arranged in order that we can learn from their experiences of similar implementations.

In conjunction with PO/No Pay it is planned to implement a work flow approval system for manual invoices. This should reduce the time period between invoices being approved and being paid and should also give better management information about those budget holders who are not responding to requests for the prompt authorisation of invoices.

CONCLUSION

The actions being taken should show some immediate improvements in the UHB PSPP compliance rates. It is unlikely however that sustainable delivery can be achieved until the medium term actions are implemented and these should be completed by the end of 2017/18. It should be noted however that if the UHB experiences any cash flow difficulties at year end, this could significantly impact upon the ability to maintain performance levels.



Finance Risk Register	
Name of Meeting : Finance Committee	31 st October 2017
Executive Lead : Executive Director of Finance	
Author : Assistant Director of Finance	
Caring for People, Keeping People Well: This report sets out the financial risks to be managed to support delivery of the financial plan which supports the one year operational plan.	
Financial impact: The UHB will need to manage the risks set out in the Finance Risk Register in order to achieve its planned financial deficit of £30.9m.	
Quality, Safety, Patient Experience impact: The financial plan aims to support the delivery of high quality and safe services.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not Applicable	

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<p>ASSURANCE AND RECOMMENDATION</p> <p>The Finance Committee is asked to:-</p> <ul style="list-style-type: none"> • NOTE the risks highlighted within the risk register
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INTRODUCTION

This report highlights the Finance Risk Register risk categorisation as at 31st October 2017. The detailed risk register is shown in Appendix 1.

ASSESSMENT

Following the most recent review the number of risks in each risk category is:



Risk Category	Risk Score	Number of Risks as at 31 October 2017
Extreme Risk	20 - 25	1
High Risk	12 - 16	5
Moderate Risk	4 - 10	7
Low Risk	1 - 3	4

SUMMARY

The Finance Committee will be kept up to date regarding any additions to the Risk Register or any change in risk assessment.

Categories	CB/Dir Ref No	Date Entered onto new CB/Dir/UHB Risk Register	Risk/Issue (including impact)	Existing Controls	Current Risk Rating		Adequacy Existing Controls	Summary of Additional Controls Required	Target Risk Rating if Controls in Place		Date of Last Review	Review Completed By	Comments	Date of Next Review	Risk Owner	Exec Lead	Assuring committee		
					Impact / Consequence	Likelihood			Score	Impact / Consequence								Likelihood	Score
Finance	Fin01/17	Apr-17	Manage Budget pressures of £9.0m	The requirement to manage budget pressures clearly communicated to primary budget holders. Standing Financial Instructions set spending limits. Monthly Financial Clearance Meeting. Executive / Clinical Board Performance Reviews. Budget reviews hold budget holders to account.	2	2	4	Adequate but more Action Required	2	1	2	Oct-17	Assistant Director of Finance	Overall the risks are being managed but some Clinical Boards still have forecast operational overpends.	Nov-17	The Board	Director of Finance	Finance Committee	
Finance	Fin02/17	Apr-17	Deliver £13.0m recurrent CIP	1.5% recurrent CIP target clearly communicated to budget holders. CIP tracker in place to monitor weekly progress across the organisation. Project Management Office in place to support the identification of cross cutting CIPs. Executive lead identified for each cross cutting theme. Monthly Financial Clearance Meeting. Executive / Clinical Board Performance Reviews.	2	1	2	Optimum Controls/NFA Required	Escalation process under review by the Executive team. Budget manager training programme to be rolled out across the organisation. Corporate Vacancy Scrutiny Panel (CVSP) to be established.	2	1	2	Oct-17	Assistant Director of Finance	Complete. £13.0m recurrent CIP identified	Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin03/17	Apr-17	Deliver £10.9m recurrent risk adjusted mitigating actions	Clear accountability for delivery with Executive leads allocated to each theme. Monthly Financial Clearance Meeting.	4	2	8	Adequate but more Action Required	4	2	8	Oct-17	Assistant Director of Finance	Scale of risks reducing	Nov-17	The Board	Director of Finance	Finance Committee	
Finance	Fin04/17	Apr-17	Deliver £10.2m non recurrent risk adjusted mitigating actions	0.5% non recurrent CIP target clearly communicated to budget holders. CIP tracker in place to monitor weekly progress across the organisation. Continue to drive the budgetary grip and control agenda following the establishment and continuation of "Turning the Curve." Monthly Financial Clearance Meeting. Executive / Clinical Board Performance Reviews.	2	1	2	Optimum Controls/NFA Required	2	1	2	Oct-17	Assistant Director of Finance	Complete. Non recurrent opportunities identified	Nov-17	The Board	Director of Finance	Finance Committee	
Finance	Fin05/17	Apr-17	Deliver £2.7m recurrent Transformational opportunities	Challenge clearly communicated across the organisation. Monitored by the transformation Board and supporting sub groups.	3	4	12	Adequate but more Action Required	A Transformation Board is to be established that will monitor the delivery of Transformational opportunities. The Transformation Board will report to the Management Executive.	3	3	9	Oct-17	Assistant Director of Finance	Part of the overall savings shortfall of £4.3m	Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin06/17	Apr-17	Deliver RTT within £10.5m resources available	Fortnightly meetings chaired by the Chief Operating Officer. Monthly Financial Clearance Meeting.	3	2	6	Adequate but more Action Required	Monthly progress report to be received through performance review meetings.	3	2	6	Oct-17	Assistant Director of Finance	Additional resources secured should help reduce this risk	Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin07/17	Apr-17	Winter pressures managed within £1.5m reserve	Winter plan for 2017/18 being developed for sign off by Management Executive.	3	3	9	Adequate but more Action Required	Progress report to be received through performance review meetings.	3	2	6	Oct-17	Assistant Director of Finance		Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin08/17	Apr-17	Incurring new development expenditure above or outside delegated budget	Standing Financial Instructions set spending limits. Financial Control Procedure for authorisation of development expenditure above or outside delegated budget. Business Case Approval Group (BCAG).	2	1	2	Optimum Controls/NFA Required	None	2	1	2	Oct-17	Assistant Director of Finance		Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin09/17	Apr-17	Commissioning Risks	Regular performance/TA meetings with other providers/WHSSC and internal commissioning group.	3	2	6	Adequate but more Action Required	Monitoring of position to ensure any management action required is identified.	3	2	6	Oct-17	Assistant Director of Finance		Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin10/17	Apr-17	Research & Development income £0.5m Included within recurrent risk mitigating actions	R&D position being taken forward by Medical Director with WG.	3	4	12	Adequate but more Action Required	None	3	4	12	Oct-17	Assistant Director of Finance	To be managed with recurrent risk mitigation reserve	Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin11/17	Apr-17	Birthrate plus compliance £0.1m	Not included within 2017/18 financial plan but is being managed within the resources available.	1	1	1	Optimum Controls/NFA Required	None	1	1	1	Oct-17	Assistant Director of Finance	Managed with investment reserve	Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin12/17	Apr-17	WHSSC risk share £0.5m - £1.0m	Participation in technical working group finalising rebasing methodology to ensure appropriate allocation to the organisation.	2	2	4	Adequate but more Action Required	None	2	3	6	Oct-17	Assistant Director of Finance	Latest calculations contain no risk to the UHB.	Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin13/17	Jun-17	Identification of £15.0m additional actions as stretch plan to achieve £30.9m deficit position	Under development.	5	5	25	Adequate but more Action Required	Detailed review of budgets, forecasts and opportunities being undertaken. In addition further cross UHB cost containment and cost reduction actions are being developed.	4	3	12	Oct-17	Assistant Director of Finance	Part of the overall savings shortfall of £4.3m	Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin14/17	Sep-17	Funded nursing care increase resulting from supreme court judgement Est. circa £2m depending on scale of liability and backdating	Not included within 2017/18 financial plan or within the forecast position.	3	4	12	Adequate but more Action Required	Work in being coordinated across NHS Wales to determine liability and financial impact of decision	3	3	9	Oct-17	Assistant Director of Finance	This is a new risk affecting all UHBs across Wales	Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin15/17	Sep-17	Neuro Interventional Radiology outsourcing £0.8m	Not included within 2017/18 financial plan but is being managed in the Clinical Board plans.	2	6	10	Adequate but more Action Required	Risk exposure to be managed by the Clinical Board.	2	6	10	Oct-17	Assistant Director of Finance		Nov-17	The Board	Director of Finance	Finance Committee
Finance	Fin16/17	Sep-17	Drugs dispensed in primary care NCSO (No cheaper stock obtainable) £3.5m	Not included within 2017/18 financial plan but currently being managed by surplus growth monies available.	3	4	12	Adequate but more Action Required	The risk need to be reviewed on a monthly basis.	3	3	9	Oct-17	Assistant Director of Finance	There is still some risk in the forecast position.	Nov-17	The Board	Director of Finance	Finance Committee



Guidance Notes to assist completing the risk register
Remember all risks must have undergone a risk assessment, prior to them being added to the Risk Register
UHB Reference No:- This number will be allocated by the Risk Management Department. Once added this will be communicated back to the Divisions.
Divisional / Directorate Reference No:- Each Division / Directorate should have a unique numbering system for the risks that they enter onto the register. It should contain the initials of the Division, a consecutive number and the year e.g. Mental Health = MH, Children's and Women's = CW, Primary, Community & Intermediate & Older Persons = PCIO, Dental = Den, Diagnostics & Therapeutics = DT, Medicine = M, Surgical Services = SS, Specialist Services = SpS. MH 01/10, SPS 01/10 etc. (Note - as this register is in the developmental stage please advise Melanie Westlake if their are alternative initials to be used).
Previous Reference No:- Whilst the UHB is in the process of consolidating and updating registers it will be necessary to include the previous reference number for audit purposes. This will be populated by the Risk Management Department.
Date entered onto original Register:- as above
Risk / Issue (Including Impact):- The Risk or Issue is the event that could cause an incident or hinder the achievement of objectives. A risk is something that may happen. An issue is already occurring. The impact is the effect that the Risk or Issue will have on the UHB.
Link to UHB Core Objectives:- List here, the main Strategic Goal that links to the risk being assessed.
Existing Controls:- Summarise in bullet form the existing controls to prevent the risk / issue occurring or reduce the impact.
Current Risk Rating:- Assess the current impact on the UHB using Tables 1,2 & 3.
Ranking:- This is the ranking of the risk e.g. The highest risk will score 25 and be ranked at 1, those that score 20 will be ranked at 2 etc.
Adequacy of existing controls:- Indicate how well controlled you feel the risk / issue is i.e. No control, Inadequate controls, Adequate but more action required and Optimum / NFA required.
Summary of Additional Controls Required:- Summarise in bullet form the controls that you know should be introduced to reduce the risk together with resources required.
Target Risk Rating if Controls in Place:- What will be the risk be if the actions proposed to further reduce / eliminate the risk are taken.
Date of Last Review:- When was the Risk Assessment / Control measures last reviewed.
Review completed by:- This should be a senior member of staff for high / medium risk on the register e.g. Divisional Manager / Nurse.
Date of Next Review:- This should be determined by the adequacy of controls and risk score e.g. risks scoring 25 with Inadequate control = monthly, risk scoring 12 with adequate controls but more action required = 6 monthly.
Risk Owner:- Who is the lead for taking the actions proposed relating to this risk . This should be Divisional Director, Board Secretary, Assistant Director etc.
Director Lead:- Who is the lead Director for this risk.
Assuring Committee:- This is the Committee that will monitor / manage the risk on behalf of the UHB Board or the UHB itself e.g. Quality & Safety Committee, Performance Committee.

9.1

Consequence score (severity levels) and examples of descriptors					
	1	2	3	4	5
Domains	Negligible	Minor	Moderate	Major	Catastrophic
Impact on the safety of patients, staff or public (physical/psychological harm)	Minimal injury requiring no/minimal intervention or treatment. No time off work	Minor injury or illness, requiring minor intervention Requiring time off work for >3 days Increase in length of hospital stay by 1-3 days	Moderate injury requiring professional intervention Requiring time off work for 4-14 days Increase in length of hospital stay by 4-15 days RIDDOR/agency reportable incident An event which impacts on a small number of patients	Major injury leading to long term incapacity/disability Requiring time off work for >14 days Increase in length of hospital stay by >15 days Mismanagement of patient care with long-term effects	Incident leading to death Multiple permanent injuries or irreversible health effects An event which impacts on a large number of patients
Quality/complaints/audit	Peripheral element of treatment or service suboptimal Informal complaint/inquiry	Overall treatment or service suboptimal Formal complaint/ Local resolution Single failure to meet internal standards Minor implications for patient safety if unresolved Reduced performance rating if unresolved	Treatment or service has significantly reduced effectiveness Formal complaint / Local resolution (with potential to go to independent review) Repeated failure to meet internal standards Major patient safety implications if findings are not acted on	Non-compliance with national standards with significant risk to patients if unresolved Multiple complaints/ independent review Critical report	Totally unacceptable level or quality of treatment/service Inquest/ombudsman inquiry Gross failure of patient safety if findings not acted on Gross failure to meet national standards
Human resources/ organisational development/staffing/ competence	Short-term low staffing level that temporarily reduces service quality (< 1 day)	Low staffing level that reduces the service quality	Late delivery of key objective/ service due to lack of staff Unsafe staffing level or competence (>1 day) Low staff morale Poor staff attendance for mandatory/key professional training	Uncertain delivery of key objective/service due to lack of staff Unsafe staffing level or competence (>5 days) Loss of key staff Very low staff morale No staff attending mandatory/ key professional training	Non-delivery of key objective/service due to lack of staff Ongoing unsafe staffing levels or competence Loss of several key staff No staff attending mandatory training /key professional training on an ongoing basis

9.1

Statutory duty/ inspections	No or minimal impact or breach of guidance/ statutory duty	Breach of statutory legislation	Single breach in statutory duty Challenging external recommendations/ improvement notice	Enforcement action Multiple breaches in statutory duty Improvement prohibition notices Critical report	Multiple breaches in statutory duty Prosecution Complete systems change required Severely critical report
Adverse publicity/ reputation	Rumours Potential for public concern	Local media coverage – short-term reduction in public confidence Elements of public expectation not being met	Local media coverage – long-term reduction in public confidence	National media coverage with <3 days service well below reasonable public expectation	National media coverage with >3 days service well below reasonable public expectation. MP/AM concerned (questions in the House/Assembly) Total loss of public confidence
Business objectives/ projects	Insignificant cost increase/ schedule slippage	<5 per cent over project budget Schedule slippage	5–10 per cent over project budget Schedule slippage	Non-compliance with national 10–25 per cent over project budget Schedule slippage Key objectives not met	Incident leading >25 per cent over project budget Schedule slippage Key objectives not met
Finance including claims	Small loss Risk of claim remote	Loss of 0.1–0.25 per cent of budget Claim less than £10,000	Loss of 0.25–0.5 per cent of budget Claim(s) between £10,000 and £100,000	Uncertain delivery of key objective/Loss of 0.5–1.0 per cent of budget Claim(s) between £100,000 and £1 million Purchasers failing to pay on time	Non-delivery of key objective/ Loss of >1 per cent of budget Failure to meet specification/ slippage Loss of contract Claim(s) >£1 million
Service/business interruption	Loss/interruption of >1 hour	Loss/interruption of >8 hours	Loss/interruption of >1 day	Loss/interruption of >1 week	Permanent loss of service or facility
Environmental impact	Minimal or no impact on the environment	Minor impact on environment	Moderate impact on environment	Major impact on environment	Catastrophic impact on environment

9.1

Likelihood Score (L)

- What is the likelihood of the consequence occurring?
- The frequency based score is appropriate in most circumstances and is easier to identify. It should be used whenever it is possible to identify the frequency at which a risk is likely to occur.
- The probability score is more appropriate for risks relating to time limited or one-off projects or business objectives

Likelihood Score

Descriptor	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
<u>Frequency</u> How often does it might it happen	This will probably never happen/ recur	Do not expect it to happen / recur but it is possible it may do so	Might happen or recur occasionally	Will probably happen/recur but it is not a persisting issue	Will undoubtedly happen/recur, possibly frequently
<u>Probability</u> Will it happen or not? % chance of not meeting objective	<0.1 per cent	0.1-1 per cent	1 -10 per cent	10-50 per cent	>50 per cent

9.1

Table 3 - Risk Scoring = Consequence x Likelihood (C x L)

Consequence Score	Likelihood Score				
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
5 - Catastrophic	5	10	15	20	25
4 - Major	4	8	12	16	20
3 - Moderate	3	6	9	12	15
2 - Minor	2	4	6	8	10
1 - Negligible	1	2	3	4	5

For grading risk, the scores obtained from the risk matrix are assigned grades as follows

1 - 3 = Low Risk	Quick, easy measures implemented immediately and further action planned for when resources permit
4 - 10 = Moderate Risk	Actions implemented as soon as possible but no later than a year
12 - 16 = High Risk	Actions implemented as soon as possible but no later than six months
20 - 25 = Extreme Risk	Requires urgent action. The UHB Board is made aware and it implements immediate corrective action

NO CHEAPER STOCK OBTAINABLE (NCSO)	
Name of Meeting : Finance Committee Meeting	Date: 31 st October 2017
Executive Lead : Executive Director of Finance	
Author : Assistant Director of Finance	
Caring for People, Keeping People Well: This report provides a briefing on the use and costs of NCSO that need to be managed as part of the UHB's financial and operational plan.	
Financial impact: The additional cost in 2017/18 is assessed to be between £2.6m - £4.7m with £3.5m built into the financial forecast.	
Quality, Safety, Patient Experience impact: There is no adverse impact.	
Health and Care Standard Number: 1	
CRAF Reference Number: 6.7	
Equality Impact Assessment Completed: Not applicable.	

ASSURANCE AND RECOMMENDATION

ASSURANCE is provided by:

- The year to date and full year forecast management of this within the funds available.

The Finance Committee is asked to:

- **NOTE** the contents of this paper.
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SITUATION

This relates to primary care drugs only as all drugs listed in Part VIII (generic) of the drug tariff are eligible for 'no cheaper stock alternative' status. Occasionally when there are shortages of these drugs due to manufacturing or a change in demand, pharmacy contactors have to dispense an equivalent product that is only available above the set tariff price.

When this happens, Pharmaceutical Services Negotiating Committee (PSNC) is able to apply to the Department of Health for either a price concession or NCSO status for that particular month. This would then apply to all prescriptions for that month. This only applies for the specific month in which the application is made and then a new application is made in and for each future month. The NCSO category or price concessions are only implemented when the generic medication is not available at the tariff price.

BACKGROUND

The list of NCSOs is published each month. In previous years this has not been a significant financial issue and there has been limited price movement which has not had any material impact on the cost of prescribing.

In 2017/18 this has now become a significant and material financial issue. At June 2017 there were a total of 74 different combination of drugs and strength this applies to (includes 43 different drugs). At September this has reduced to 72 and 41 respectively. The cost of any increased prescribing cost is borne by the Health Board and reported within the PCIC cost of prescribing position. The historical average time for a NCSO price concession to apply is 5 months but this will vary significantly between drugs

ASSESSMENT

The financial impact has applied to varying extents to all Health Boards in Wales. Prescribing information is available 2-3 months in arrears and hence is only currently available to July 2017. The cost to date of the NCSO impact has been calculated using estimated prescribing volumes for August and September and actual drug concession prices. (The following estimates exclude pregablin which came off patent in July 2017 and is therefore at a reduced price compared with 2016/17 and offset against the savings plan cost for this drug.)

- The cumulative cost to September 2017 is estimated at £1.579m;
- If current drugs remain on NCSO for a 5 month average and NCSO is not applicable to any new drugs (which is unlikely given experience to date), the 2017/18 costs is estimated at £2.638m;
- If an average cost for the first 5 months is applied, the full year cost is estimated at £3.360m;
- If all current drugs remain on NCSO for the remainder of the financial year and the 5 month average is exceeded, the full year cost is estimated at £4.711m;
- The amount build into our financial forecast is £3.5m. The costs of this are offset by cost avoidance on growth and further prescribing savings.

The concession cost of NCSO drugs against the March price is shown below

Drug Name	March price £	NCSO					
		April	May	June	July	August	September
		£	£	£	£	£	£
Amiloride 5mg tablets	0.88						9.25
Amitriptyline 50mg tablets	3.50	3.50					
Amlodipine 10mg tablets	0.70						3.50
Amlodipine 5mg tablets	0.67						3.20
Anastrozole 1mg tablets	1.10					14.99	14.45
Atorvastatin 80mg tablets	1.65						2.20
Betahistine 16mg tablets	1.41		12.55	11.95	11.95	11.05	8.84
Betahistine 8mg tablets	1.33		6.33	6.33	5.85	6.33	6.25
Buspirone 10mg tablets	3.85	9.57	9.95	9.57	9.57	9.00	9.00
Buspirone 5mg tablets	16.50	16.50	9.95	9.57			
Chlorpromazine 100mg tablets	1.65						35.00
Chlorpromazine 25mg tablets	1.62						32.20
Chlorpromazine 50mg tablets	1.63						28.00
Citalopram 10mg tablets	0.66						1.58
Citalopram 20mg tablets	0.71						2.30
Citalopram 40mg tablets	0.81						2.60
Clindamycin 150mg capsules	5.95	4.85	4.85				
Colecalciferol 400unit capsules	1.85						4.99
Dapsone 50mg tablets	46.19	46.19	46.19	45.20	46.19	44.50	39.52
Desogestrel 75mcg tablets	1.85						2.99
Diamorphine 30mg powder for solution for injection ampoules	16.52	16.52	16.52	16.52	16.52	16.52	16.52
Duloxetine 30mg capsules	2.00						5.99
Duloxetine 40mg capsules	4.19						7.75
Duloxetine 60mg capsules	1.96						6.00
Eplerenone 25mg tablets	3.57						7.00
Eplerenone 50mg tablets	5.15						12.60
Ethosuximide 250mg/5ml oral solution	4.22	173.00	173.00	173.00			
Exemestane 25mg tablets	12.60	11.50	12.00	12.00	65.00	63.50	63.50
Flecainide 50mg tablets	11.57	11.57					
Gabapentin 300mg capsules	2.62					13.95	13.95
Hydroxychloroquine 200mg tablets	3.39					11.49	16.50
Leflunomide 10mg tablets	7.76	7.76	8.50	8.35			
Leflunomide 20mg tablets	8.90	8.16	8.50	8.16			
Levetiracetam 1g tablets	5.49				95.34	95.34	92.50
Levetiracetam 250mg tablets	2.11				28.01	28.01	27.50
Levetiracetam 500mg tablets	2.48				49.32	49.32	49.32
Levetiracetam 750mg tablets	4.28				65.00	61.50	61.50
Lorazepam 1mg tablets	6.00	6.00					
Mefenamic acid 500mg tablets	5.80		59.99	55.00	55.00	55.00	55.00
Mirtazapine 15mg tablets	5.95	3.00	3.00				
Mirtazapine 30mg tablets	1.61	1.40					
Mirtazapine 45mg tablets	5.95	3.00	3.00				
Nitrofurantoin 100mg tablets	11.20	11.20	11.93		15.00	12.00	
Nitrofurantoin 50mg tablets	20.50	20.50	20.50				
Olanzapine 10mg tablets	1.07			69.82	69.92	65.00	65.00
Olanzapine 15mg tablets	1.33			88.95	85.00	85.00	84.50
Olanzapine 2.5mg tablets	0.97			16.95	16.00	16.75	16.49
Olanzapine 20mg tablets	1.55			127.12	110.00	110.00	108.99
Olanzapine 5mg tablets	0.98			33.00	32.00	33.25	32.25
Olanzapine 7.5mg tablets	0.91			52.44	45.00	65.00	52.44
Oxazepam 10mg tablets	7.97	7.97	7.97	18.95	19.97	19.97	18.49
Oxazepam 15mg tablets	7.75	7.97	7.97	6.50	19.97	19.97	18.49
Pramipexole 88mcg tablets	1.07	8.50	11.24	12.00	12.00	13.50	13.50
Quetiapine 100mg tablets	1.59			113.10	90.48	90.48	70.00
Quetiapine 150mg tablets	2.11			96.14	72.00	90.48	72.00
Quetiapine 200mg tablets	2.26			113.10	90.48	90.48	71.00
Quetiapine 25mg tablets	1.03			40.50	27.00	27.06	24.95
Quetiapine 300mg tablets	3.07			170.00	136.00	107.00	136.00
Rasagiline 1mg tablets	1.76					15.50	13.95
Rizatriptan 10mg tablets	1.42				13.37	13.37	13.37
Ropinirole 5mg tablets	165.00	165.00	165.00				
Sodium Cromoglicate 2% eye drops	0.00		5.99	6.99	9.72	9.72	9.72
Spirolactone 50mg tablets	5.20	5.20	5.20				
Sumatriptan 100mg tablets	1.51			32.00	32.00	32.00	22.00
Sumatriptan 50mg tablets	1.34		28.65	31.85	28.00	28.00	15.00
Terbinafine 250mg tablets	1.20				12.49	12.49	12.49
Tranexamic acid 500mg tablets	4.42		11.50	11.45	11.00	14.30	14.30
Trimethoprim 50mg/5ml Oral Susp SF	1.39						3.99
Valsartan 160mg capsules	17.65	17.25	17.10	17.10	12.00	12.00	14.95
Valsartan 40mg capsules	8.95	8.95	8.80	8.80	7.70	7.70	
Valsartan 80mg capsules	11.99	11.50	11.43	11.43	9.99	9.99	11.43
Vitamin B Co Strong tablets	1.32						5.50
Zolmitriptan 2.5mg orodispersible tablets sugar free	15.22	15.22	15.22	17.90	17.45	17.90	18.27
Zolmitriptan 2.5mg tablets	15.30	15.30	14.99	18.00	18.00	18.00	18.00

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The categories of drugs these broadly fall into relate to pain management, mental health and epilepsy. Switching of patients to alternative cheaper drugs is not possible in the short term because:

- The whole switching process would require implementation in all GP practices and prescribing advisor time would be taken up doing this with additional staff resources required and circa 2-3 months lead in time.
- There would be a potential switching back required to the ideal drug for the patient when the NCSO price ceased.
- Choice of an antipsychotic is tailored to the symptoms the patient has, what they have tried before, presence of negative symptoms, and individual factors. Patients should be carefully monitored following any change in medication. The BNF states that there is a high risk of relapse if medication is stopped. Withdrawal after long term therapy should be gradual and closely monitored to avoid the risk of acute withdrawal syndromes or rapid relapse.
- Switching between antipsychotics is not easy, and needs one to be reduced as the other is introduced over a few weeks. It should potentially only be done by a specialist with careful supervision and an ECG to monitor. This would require a mental health specialist's view.
- Epilepsy drugs have similar issues

SUMMARY

- The costs to date (September) for the UHB are estimated at £1.579m;
- The range of costs for the UHB is estimated at £2.638m to £4.711m, with £3.5m built into our financial forecast;
- This is an all Wales position with estimated costs of c£8m to date and forecast full year costs of c£22m if all NCSO prices continue to year end.