

FINANCE COMMITTEE MEETING
10.00am on 30th November 2017
Boardroom, Llandough Hospital

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 31st October 2017	<i>Chair</i>
5	Action Log	<i>Chair</i>
6	Finance Report as at Month 7	<i>Chris Lewis</i>
7	Cost Reduction Programme, Cross Cutting Themes and Efficiency Framework	<i>Andrew Gough</i>
8	Review of Financial Reporting	<i>Chris Lewis</i>
9 9a	Financial Governance Review Progress Report Deloitte's Recommendations Progress Nov '17 Appendix 1	<i>Chris Lewis</i>
10	Clinical Board Financial Plans 2018/19 to 2021/22 Progress Report	<i>Chris Lewis</i>
11 11a	Finance Risk Register Nov' 17 (word) Finance Risk Register Nov '17 (excel)	<i>Andrew Gough</i>
PART 2: ITEMS TO BE RECORDED AS RECEIVED AND NOTED FOR INFORMATION BY THE BOARD		
9	Items to bring to the attention of the Board / other Committees	<i>Oral - Chair</i>
10	Date, time and venue of the next meeting of the Finance Committee: 9.00am on Wednesday 3 rd January 2018, Large Meeting Room, HQ, UHW	<i>Oral - Chair</i>

UNCONFIRMED MINUTES OF THE FINANCE COMMITTEE**HELD ON 31st OCTOBER 2017****UHW HQ****Present:**

Len Richards	Chief Executive
Maria Battle	Chair
Dr Sharon Hopkins	Director of Public Health
Bob Chadwick	Executive Director of Finance
Martin Driscoll	Director of Workforce
Charles Janczewski	Vice Chair
John Union	Independent Member
Andrew Gough	Assistant Director of Finance (Transformation & Planning)

In Attendance:

Urvisha Perez	Welsh Audit Office (Observer)
Mark Jones	Welsh Audit Office (Observer)

Secretariat:

Paul Emmerson	Finance Manager
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FC – 18/110 Welcome and Purpose of the Committee

The Chair welcomed everyone to the meeting.

FC – 18/111 Apologies for Absence

Apologies were received from Chris Lewis, Abigail Harris, Ruth Walker, Steve Curry, John Antoniazzi and Peter Welsh.

FC – 18/112 Declarations of Interest

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

FC – 18/113 Minutes of the Finance Committee Held on 28th September 2017

The Committee RECEIVED and APPROVED minutes of the meeting held on 28th SEPTEMBER 2017.

FC - 18/114 Matters arising from the minutes of the meeting held on 28th SEPTEMBER 2017

The Vice Chair noted that the UHB's initial draft 3 year forecast and plan assumed additional 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. Further to this the Vice Chair asked what level of confidence the committee should have in respect of the assumption of additional funding.

The Director of Finance confirmed that the planning assumption had been made in the context of a LHB allocation review that was being undertaken by Welsh Government for implementation in 2019/20. The Director of Finance indicated however, that at this point the UHB had received limited assurance from Welsh Government in respect of the assumption of additional funding for higher rates of population growth in Cardiff & Vale and that the UHB would need to adjust future forecasts and plans accordingly if the additional funding was not provided.

For the benefit of the newly appointed independent members there was agreement to re-circulate the Draft 2018/19 – 2020/21 Financial Plan presentation provided to the Finance Committee on the 28th September 2017

Action: Assistant Director of Finance (Transformation & Planning)

FC - 18/115 Action log following the last meeting

The Board RECEIVED the Action Log from the meeting of 28th October 2017 and NOTED that reports on Public Sector Payment Performance (PSPP) and the NCSO Cost pressure would be picked up under the agenda

FC - 18/116 Finance Report as at Month 6

The Assistant Director of Finance (Transformation & Planning) presented the UHB's financial performance to month 6. The UHB remained on target to meet the £30.9m planned deficit. A further £4.5m of savings had been identified in month and work was continuing to bridge the remaining savings gap of £4.3m which was profiled into months 7-12.

The UHB recorded a £15.409m deficit at the end of month 6 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
- (£0.041m) favourable budget management variance
- £15.450m planned deficit (6/12th of £30.900m)

Performance against income targets improved by £0.043m in month leaving a cumulative over recovery against targets of £0.209m. The improvement in the in

month position was primarily due over-performance on NHS Patient Related Income relating to the recovery of costs from Commissioning Groups in England for care provided to English patients.

The reported £1.186m cumulative month 6 pay and 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. All other pay groups with the exception of unregistered nurses have a year to date and in month underspend in September. The UHB has plans in place to reduce the premium cost of covering vacancies which is driving the overspend in unregistered nursing.

A cumulative overspend of £1.354m and an in month overspend of £0.529m was reported against non-pay budgets in September. The committee was informed that the UHB had incurred significant additional drug costs arising from NCSO ('No Cheaper Stock Obtainable') concessions which were agreed nationally. The UHB has no influence over agreed concession price. The risk to the UHB arising from drugs that were granted NCSO concession would be picked up later on the agenda.

The committee was informed that the full year cost of outsourcing the neuro-interventional radiology service might rise to a figure in excess of £0.600m by the end of the year. The UHB has planned to minimise additional costs by maximising the level of work undertaken through the partially re-instated in house service. In addition the UHB had initiated a constructive discussion with WHSCC in respect of additional WHSCC income coverage for the extra costs that have arisen.

The committee asked for an update on the agreement of WHSSC support to the neuro-interventional radiology service at the next committee meeting.

Action: Assistant Director of Finance (Transformation & Planning)

All Clinical Boards were on track to deliver their forecast position year end position and all had balanced plans with the exception of Medicine and CD&T which were working to deliver the best possible positions.

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 urgent work was continuing to identify the additional £4.282m of savings schemes required to deliver the plan and the Committee was informed that the UHB remained confident of bridging this gap.

The Committee was advised that a significant proportion of 2017/18 savings were non recurrent and that there was an urgent drive to identify further recurrent savings c £1.5m in 2017/18 so that the UHB's underlying deficit moving into 2018/19 was no greater than the £54.5m at the beginning of 2017/18.

The UHB's forecast year end **cash** deficit remained at £37m and the committee was advised that Welsh Government would be asked to provide additional cash coverage for this. The UHB had already considered its cash management plans in lieu of the provision of additional cash from Welsh Government.

The Committee was informed that the identification and delivery of a further £4.3m of savings schemes along with impact of a £2m increase in NHS Funded Nursing Fees following the Supreme Court judgement in respect of weekly fees were the main risks to the achievement of the plan. The increase in NHS Funded Nursing Care Fees was an All Wales issue and Welsh Government support would be requested.

The Assistant Director of Finance re-iterated that a significant proportion of 2017/18 savings were non recurrent and that as a result the underlying deficit going into 2018/19 was currently £56m which is £1.5m higher than the £54.5m underlying deficit brought forward to the current year.

The Chief Executive indicated that the progression of the transformational agenda is expected to maintain organisational grip and control and that Corporate Services would provide a lead through the identification of recurrent savings.

The Committee agreed that the reported position gave limited assurance in the context of the planned deficit of £30.9m and the remaining risks that could influence the year end outcome.

FC - 18/117 Cost Reduction Programme

The Assistant Director of Finance (Transformation & Planning) reminded the Committee that the £35.001m savings target was comprised of a £17.333m devolved target (1.5% recurrent and 0.5% non-recurrent CRP), £2.695m Transformation and £14.973m Stretch Targets.

The following key points were highlighted from the Cost Reduction Report:

- As at 30th September 2017, against the total savings target of £35.001m, £30.720m of opportunities had been identified as Green or Amber.
- Against the devolved CRP target of £17.333m, £18.808m of schemes had been identified as Green or Amber as at 30th September 2017. All but one Clinical Board had reached the milestone of 100% Green Schemes by the 1st October which was a positive reflection on the organisation's culture.
- At the end of September, £5.916m of cross cutting opportunities had been identified as Green or Amber. Each theme was led by an Executive Director.

It was confirmed that there was no double count of cross cutting schemes as actual targets and savings were only counted once within the delegated CRP targets.

The Committee was informed that as at month 6 that the Mental Health, CD&T, Dental and Capital Estates Clinical Boards were short of their recurrent savings targets. Clinical Boards that were short of recurrent savings target are subject to additional scrutiny.

For the benefit of new committee members the Director of Finance provide a broad outline of the RAG rating criteria that supported the delivery of saving schemes. Green schemes were confirmed and monitored through the budget process, amber schemes had indicative values and delivery times and red schemes were pipeline ideas. The process was constructed so that all Clinical Boards were sighted on and able to roll out schemes across the patch. Red pipeline schemes were important as they provided assurance that the process of developing savings was continuing.

The Committee noted that to date pay savings schemes have primarily focussed on reducing variable costs. The Director of Workforce indicated that a reduction in fixed costs was dependent on the re-structuring of the delivery of services and this would generally take longer to achieve.

FC - 18/118 Public Sector Payment Performance – Improvement Plan

The Assistant Director of Finance (Transformation & Planning) presented the Plan to improve Public Sector Payment Performance to the 95% Target. The compliance rate had improved to 90.6% in September. Poor performance in previous years was driven by cash flow difficulties however the primary reason for the current year poor performance was a delay in authorizing invoices.

In the short term the UHB planned to improve performance through the implementation of a number of technical adjustments, the use of robotics in the invoice validation process and improvements in the turnaround of invoices by budget holders. Longer term improvements would be gained through the implementation of the “No Purchase Order, No Payment” policy. The Director of Finance noted that the expected gain from the “No Purchase Order, No Payment” policy may be preceded by a dip in performance whilst the new process bedded in.

The Committee was advised that if the UHB experiences any cash flow difficulties at year end, this could significantly impact upon the ability to maintain performance levels.

It was confirmed that progress against the plan would be monitored and that the Finance Committee would be notified of the compliance rate as the year unfolded through the monthly finance report.

FC - 18/119 Risk Register

The Director of Finance presented the risk register to the Finance Committee and advised that 1 new risk had been added to the register in respect the underlying deficit carried forward from 2017/18.

The Vice Chair noted that a number of risks that were now scored at a low risk. The Director of Finance confirmed that the risks had previously attracted a higher score and that the revised scores reflected the current assessment.

In respect of delivery of transformational opportunities and the underlying deficit carried forward to 2018/19 the Committee asked for the timetable for the establishment of the Transformation Board to monitor the delivery of transformational opportunities to be shared with the Finance Committee.

Action: Director of Public Health to share the Timetable for the establishment of the Transformation Board to monitor the delivery of transformational opportunities with the Finance Committee.

The Committee also requested for the Timetable for the roll out of budget manager training programme across the organization to be added to the risk register

Action: Director of Finance to add the Timetable for the roll out of budget manager training programme to the risk register

FC - 18/120 NO CHEAPER STOCK OBTAINABLE (NCSO)

The Assistant Director of Finance (Transformation & Planning) presented a paper on financial risks arising from drugs that had been granted an NCSO concession. The Pharmaceutical Services Negotiating Committee (PSNC) is able to apply monthly to the Department of Health for a price concession or NCSO status for generic drugs that are in short supply. Where a concession is granted, prescriptions dispensed by a community pharmacy contractor are reimbursed at a price concession tariff rather than the national drug tariff. This in turn leads to an increase in prescribing costs incurred by the UHB as the price concession tariff is higher than the national drug tariff.

The price concession only applies to the month that it is granted. In previous years NCSO have not been a significant financial issue as there has been limited price movement for a limited length of time which has not had any material impact on the cost of prescribing. For the year to date the extent of price movement and the length of the concession periods granted was moving beyond the patterns established in previous years. The committee was asked to note that that NCSO status was a national issue over which the UHB had no influence and that the scope to switch to other drugs was limited by a patient safety protocols.

The Committee was asked to note that:

- The additional NCSO costs to September for the UHB are estimated at £1.579m;
- The range of estimated 2017/18 additional NCSO costs for the UHB is £2.638m to £4.711m, of which £3.5m is built into the UHB's financial forecast;

FC - 18/121 Items to bring to the attention of the Board/Other Committees

No other items to bring to the main board.

FC - 18/122 Date and time of next meeting

Thursday 30th November; 10.00am; Boardroom, Llandough Hospital

FINANCE COMMITTEE

ACTION LOG FROM 31st OCTOBER 2017

MINUTE	DATE	SUBJECT	AGREED ACTION	ACTIONED TO	STATUS
FC 18/	31.10.17	Draft 2018/19 – 2020/21 Financial Plan	Re-circulate presentation provided to the Finance Committee on the 28 th September 2017	Andrew Gough	Complete. Re-circulated on 22 November 2017.
FC 18/	31.10.17	WHSSC financial support for the additional commissioning costs of the neuro-interventional radiology service	Update to be provided on the agreement of WHSSC support to the neuro-interventional radiology service through the established risk sharing protocol.	Andrew Gough	Risk share proposal sent to WHSSC on 2 nd November and initial response received on 3 rd November. Further discussions are taking place between WHSSC Directors to determine the level of support for this.
FC 18/	31.10.17	Public Sector Payment Performance (PSPP)	Finance Committee to be informed of the two Health Boards to be visited so that the UHB can learn from the issues arising from the implementation of the No Purchase Order (PO)/No Pay” policy.	Andrew Gough	The two Health Boards to have implemented this policy are Aneurin Bevan and Hywel Dda. Aneurin Bevan were visited on 1 st November and Hywel Dda had to cancel the planned meeting which is now re-scheduled for 17 th January.
FC 18/	31.10.17	Transformation Board	Timetable for the establishment of the Transformation Board to monitor the delivery of transformational opportunities to be shared with the Finance Committee.	Sharon Hopkins	The Health Services Management Board (HSMB) has taken on the role of the transformation board in order to secure the ownership and full involvement of all of the Clinical Boards and Corporate Departments. The HSMB meets monthly and has a

					<p>dedicated section on transformation at the beginning of each agenda. This revised form began in October 2017.</p> <p>The transformation board (HSMB) is supported by a monthly business group meeting and the three formal boards unscheduled care, locality and planned care. The content and structure is developing well and the identification and implementation of programmes of work is underway.</p>
FC 18/	31.10.17	Budget manager training	Timetable for the roll out of budget manager training programme across the organization to be added to the risk register	R Chadwick	Complete. This has been added to the risk register.

FINANCE REPORT FOR THE PERIOD ENDED 31st OCTOBER 2017	
Name of Meeting : Finance Committee	Date: 30 th November 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 October 2017 is a deficit of £17.963m comprised of the following: <ul style="list-style-type: none"> • (£0.062m) favourable budget variance; • £18.025m planned deficit (7/12th 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	

<p>ASSURANCE AND RECOMMENDATION</p> <p>LIMITED ASSURANCE is provided by:</p> <ul style="list-style-type: none"> • The work that has been undertaken to develop the 2017/18 operational plan; • The scrutiny of financial performance undertaken by the Finance Committee; • The month 7 position which is broadly on line with the profiled deficit within the financial plan; • The identification of a full £35m savings programme. <p>The Finance Committee is asked to:</p> <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 £17.963m deficit at month 7 which includes a planning deficit of £18.025m and budget underspends of (£0.062m); • NOTE that the UHB now has a savings plan that is fully identified; • NOTE the key risks that are outside the current expenditure projection that need to be managed; • NOTE that the Board is being asked to approve a request to Welsh Government for £36.423m cash assistance.

SITUATION

This report details the financial position of the UHB for the 7 months to period ended 31st October 2017. The UHB closed its £4.3m gap in savings schemes in October and remains on target to meet the £30.9m planned deficit which now includes a fully

identified £35.0m savings plan. This is however dependent upon maintaining delivery of identified savings, the containment of operational cost pressures and the management of financial risks. To deliver its forecast position the UHB has some key risks which sit outside the plan that will need to be managed. These include:

- The impact of increased NHS funded nursing care fees following the Supreme Court judgement of circa £2m;
- The management of winter pressures of circa £0.5m;
- The continued exceptional cost of £1.7m for NCSO drugs;

BACKGROUND

The UHB submitted a financial plan to Welsh Government on 10th March 2017 which had a deficit of £45.873m. The plan was reconsidered by the UHB at its Board meeting on the 25th May 2017 where it was agreed to work towards a stretch target to deliver a position no worse than the £30.9m forecast position in 2016/17. The opening underlying deficit position was £54.5m and whilst the UHB has been working towards delivering a £30.9m deficit, many items needed to achieve this are non recurrent in nature. At month 7, the assessed underlying deficit to be carried forward into 2018/19 is £55.0m.

This report has been prepared against the 2017/18 planned deficit of £30.9m. A summary of this plan is provided in table 1.

Table 1: Revised Operational Plan 2017/18 @ October 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 @ October 17	14,973
Financial Plan with Stretch Target: surplus / (deficit)	-30,900

ASSESSMENT AND ASSURANCE

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

Table 2: Finance Dashboard @ October 2017

Finance Indicators	Statutory Target	Standard	Performance		In Month	Year to Date	Full Year Forecast
			In Month	Year to Date	RAG Rating		
Remain within revenue resource limit - Variance Adv/(Fav)	Yes	£0	£2.555m	£17.963m			
Reduction in underlying deficit c/f to 18/19 (£54.5m b/f to 17/18)		£0	(£1.004m)	£55.047m			
Variance against unapproved 2017/18 £30.9m deficit plan		£0	(£0.020m)	(£0.062m)			
Pay expenditure (actual versus Plan)		£0	(£0.176m)	(£1.363m)			
Non-Pay Expenditure (Actual versus Plan)		£0	£0.162m	£1.516m			
Income (actual versus Plan)		£0	(£0.006m)	(£0.215m)			
Remain with CAPEX resource limit	Yes	£0	n/a	(£2.309m)			
Creditor payments compliance 30 day Non NHS		95%	93.57%	91.70%			
CRP Green / Amber status - Delegated Targets @ Oct 31st		100% Green		100%			

Month 7 Cumulative Financial Position

The UHB reported a deficit of £17.963m at month 7 as follows:

- (£0.062m) favourable budget management variance;
- £18.025m planned deficit (7/12th of £30.900m).

Table 3 analyses the operating variance between income, pay, non pay and planned deficit.

Table 3: Summary Financial Position for the period ended 31st October 2017

Income/Pay/Non Pay	In Month			Year to Date			Full Year		
	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Forecast £m	Variance (Fav)/Adv £m
Income	(88.874)	(88.880)	(0.006)	(705.378)	(705.593)	(0.215)	(1,270.793)	(1,270.793)	0.000
Pay	48.699	48.522	(0.176)	341.170	339.807	(1.363)	585.316	585.316	0.000
Non Pay	42.751	42.913	0.162	382.232	383.749	1.516	716.376	716.376	0.000
Variance to Draft Plan £m	2.575	2.555	(0.020)	18.025	17.963	(0.062)	30.900	30.900	0.000
Planned Deficit	(2.575)	0.000	2.575	(18.025)	0.000	18.025	(30.900)	0.000	30.900
Total £m	0.000	2.555	2.555	(0.000)	17.963	17.963	(0.000)	30.900	30.900

Income

The year to date and in month financial position for income is shown in table 4.

Table 4: Income Variance @ October 2017

Income	In Month			Year to Date		
	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Actual £m	Variance (Fav)/Adv £m
Revenue Resource Limit	(55.692)	(55.692)	0.000	(469.447)	(469.447)	0.000
Non Cash Limited Expenditure	(1.694)	(1.694)	0.000	(11.399)	(11.399)	0.000
Accommodation & Catering	(0.231)	(0.213)	0.018	(1.316)	(1.344)	(0.029)
Education & Training	(3.204)	(3.209)	(0.005)	(22.030)	(22.095)	(0.065)
Injury Cost Recovery Scheme (CRU)	(0.362)	(0.292)	0.069	(1.544)	(1.660)	(0.116)
NHS Patient Related Income	(22.389)	(22.405)	(0.016)	(158.472)	(158.876)	(0.405)
Other Operating Income	(4.332)	(4.324)	0.007	(34.879)	(34.936)	(0.057)
Overseas Patient Income	(0.013)	(0.076)	(0.063)	0.144	0.044	(0.100)
Private Patient Income	(0.113)	(0.100)	0.013	(0.802)	(0.578)	0.224
Research & Development	(0.845)	(0.875)	(0.030)	(5.632)	(5.300)	0.332
Total £m	(88.874)	(88.880)	(0.006)	(705.378)	(705.593)	(0.215)

An in month surplus of £0.006m and a cumulative surplus of £0.215m is reported against income budgets.

The reported cumulative deficit against R & D income is primarily due to the reduction in Welsh Government funding. The in month over recovery is due a catch up in the collection of commercial R & D income.

The adverse movement against Compensations Recovery Unit follows a re-assessment of the UHBs bad debt provision against long standing claims.

The cumulative recovery of NHS Patient Related Income primarily relates to the recovery of costs from Commissioning Groups in England for care provided to English patients. A significant proportion of the over recovery relates to level 3 critical care activity.

Pay

Pay budgets continue to show sound performance with a year to date underspend of £1.363m. Table 5 highlights that this is favourable performance compared to a month 7 overspend of £2.040m in 2016/17.

Table 5: Analysis of fixed and variable pay costs

	2016/17 Total Spend £m	2016/17 Month 1 to Month 6 £m	2017/18 Month 1 to Month 6 £m	2016/17 Month 7 £m	2017/18 Month 7 £m	2016/17 Cum. to Month 7 £m	2017/18 Cum. to Month 7 £m
Basic	502.093	246.833	254.003	42.374	42.576	289.207	296.579
Enhancements	23.635	11.433	12.143	1.915	1.852	13.348	13.996
Maternity	4.136	2.065	2.146	0.324	0.365	2.390	2.510
Protection	0.743	0.395	0.338	0.052	0.060	0.447	0.398
Total Fixed Pay	530.607	260.727	268.630	44.666	44.853	305.393	313.483
Agency (mainly registered Nursing)	9.017	4.408	4.137	0.700	0.674	5.108	4.811
Nursing Bank (mainly Nursing)	14.249	6.657	7.043	1.097	1.203	7.754	8.246
Internal locum (Medical & Dental)	2.105	1.112	2.134	0.173	0.312	1.285	2.447
External locum (Medical & Dental)	9.547	4.915	3.360	0.745	0.617	5.660	3.977
On Call	2.154	1.052	1.071	0.155	0.173	1.207	1.245
Overtime	6.072	3.086	2.798	0.451	0.367	3.537	3.164
WLI's & extra sessions (Medical)	3.549	1.845	2.112	0.245	0.323	2.090	2.435
Total Variable Pay	46.693	23.075	22.655	3.565	3.670	26.640	26.324
Total Pay	577.301	283.802	291.285	48.231	48.523	332.033	339.807
Pay Budget	576.692	282.396	292.471	47.596	48.700	329.992	341.170
Budget Variance (Fav)/Adv £m	0.609	1.406	(1.186)	0.634	(0.176)	2.040	(1.363)

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 6.

Table 6: Analysis of pay expenditure by staff group @ October 2017

Pay	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Additional clinical services	1.871	1.780	(0.091)	13.200	12.793	(0.407)
Management, admin & clerical	5.724	5.682	(0.043)	40.119	39.446	(0.673)
Medical and Dental	12.523	12.466	(0.057)	87.938	87.339	(0.599)
Nursing (registered)	14.575	14.545	(0.030)	102.230	101.021	(1.209)
Nursing (unregistered)	3.883	4.168	0.285	27.036	29.782	2.746
Other staff groups	7.315	7.182	(0.133)	51.155	50.955	(0.200)
Scientific, prof & technical	2.808	2.700	(0.108)	19.492	18.471	(1.021)
Total £m	48.699	48.522	(0.176)	341.170	339.807	(1.363)

Performance against pay budgets is broadly in line with the trend established in the first six months of the year. An underspend of £0.176m is reported against pay budgets within the month.

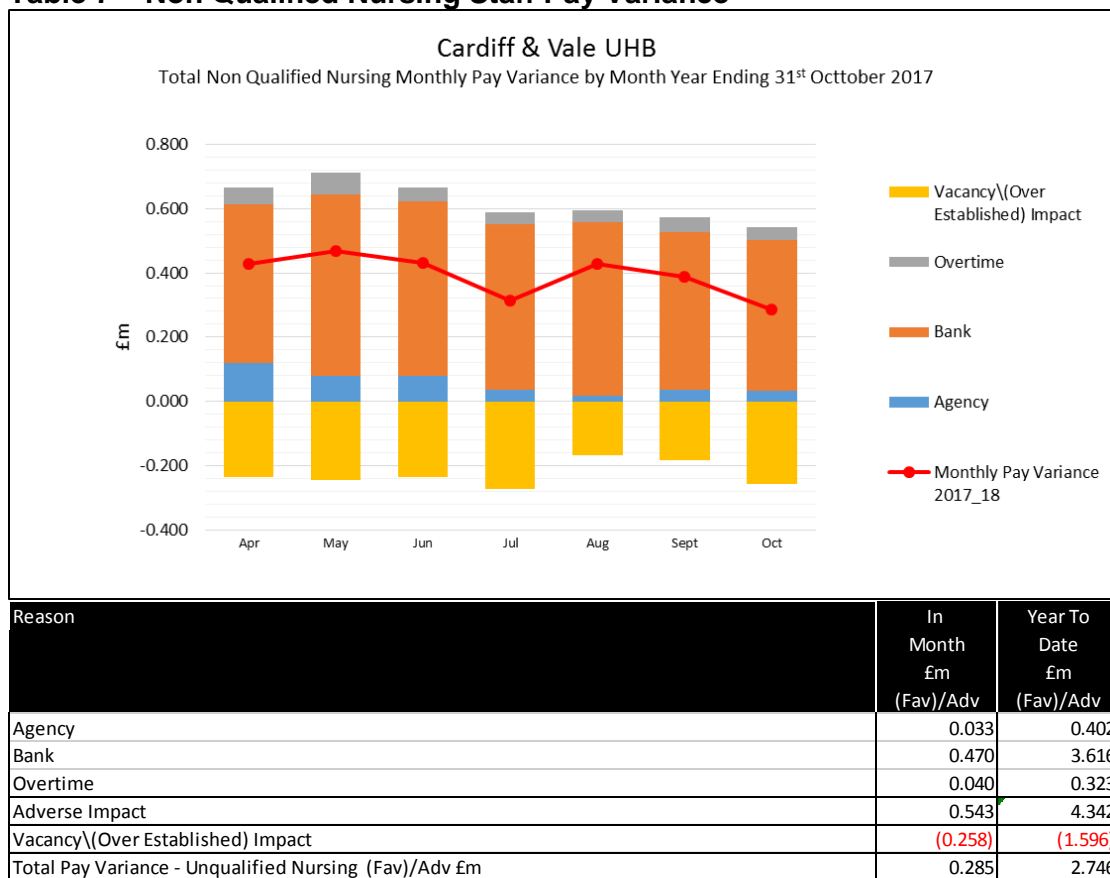
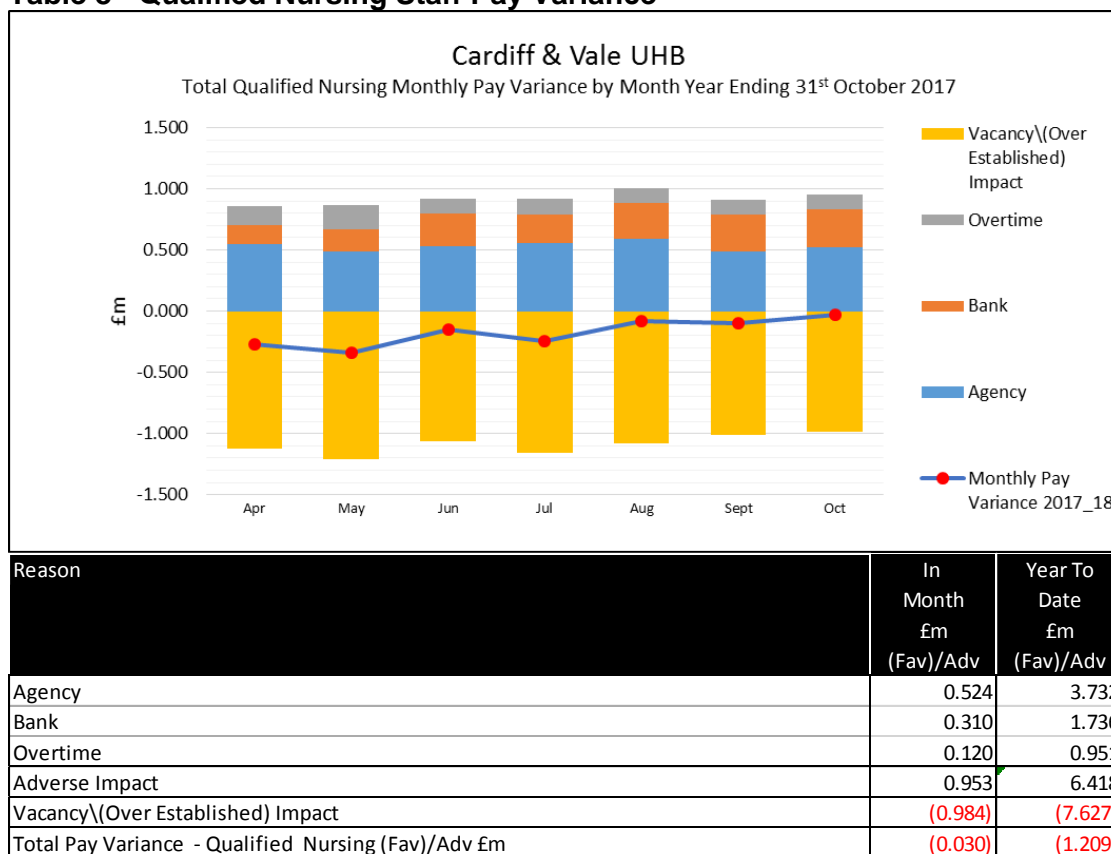
Table 7 – Non Qualified Nursing Staff Pay Variance

Table 7 demonstrates that the majority of adverse variance against non-qualified nursing assistants is due to an overspend of £3.616m on bank staff which is partly

offset by an underspend against established posts. The trend for the year to date indicates a reduction in the monthly overspend.

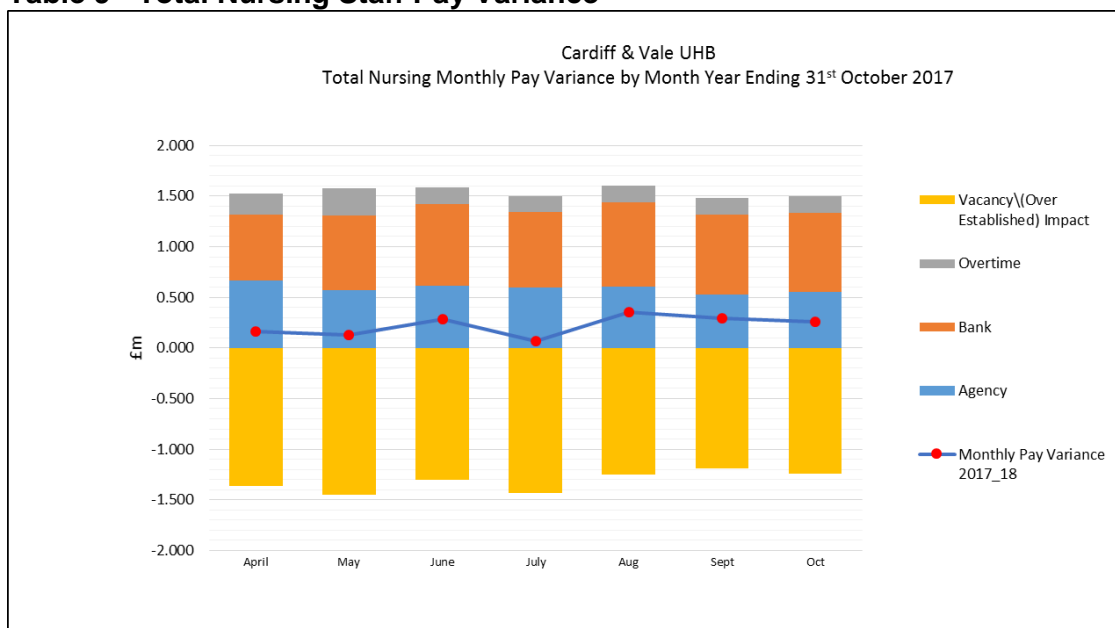
Table 8 - Qualified Nursing Staff Pay Variance



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.524	3.732
Bank	0.310	1.736
Overtime	0.120	0.951
Adverse Impact	0.953	6.418
Vacancy\((Over Established) Impact	(0.984)	(7.627)
Total Pay Variance - Qualified Nursing (Fav)/Adv £m	(0.030)	(1.209)

Table 8 confirms that expenditure on established posts is significantly less than budget. The overall trend for the year to date is moving towards broadly balanced monthly budgets.

Table 9 - Total Nursing Staff Pay Variance

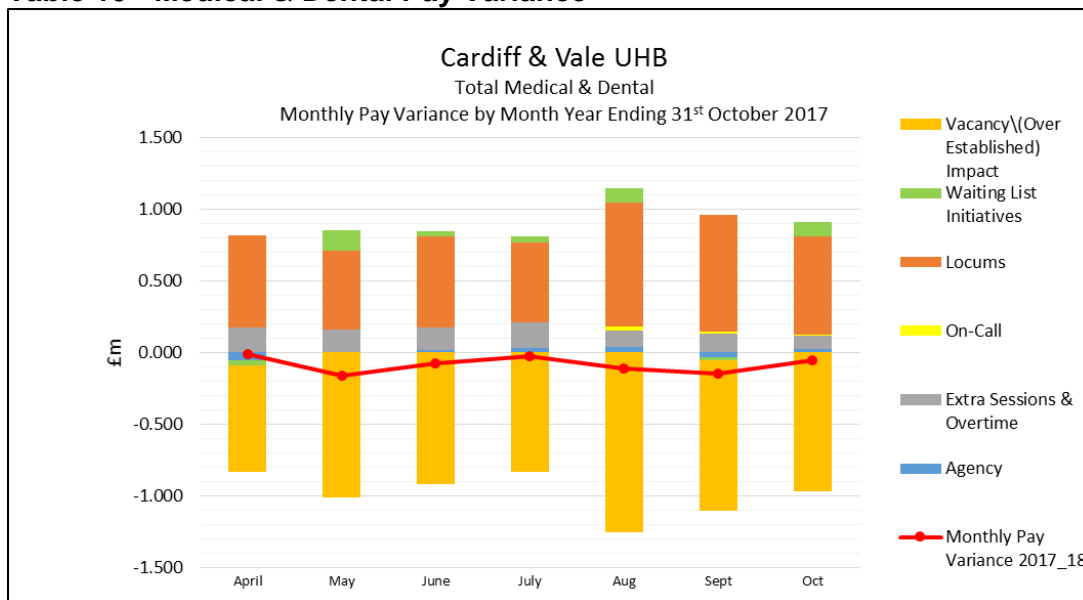


Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.558	4.134
Bank	0.779	5.352
Overtime	0.160	1.274
Adverse Impact	1.497	10.760
Vacancy\ (Over Established) Impact	(1.241)	(9.223)
Total Pay Variance - (Fav)/Adv £m	0.255	1.537

Expenditure against substantive nursing posts for the year to date is less than budget as reported by a £9.223m surplus against established posts. However the combined £10.760m overspend on agency, bank and overtime is greater than the underspend against vacant posts leading to an overall overspend against nursing budgets.

Table 10 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 £0.599m at month 7.

Table 10 - Medical & Dental Pay Variance



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.021	0.011
Extra Sessions & Overtime	0.092	1.009
On-Call	0.007	0.053
Locums	0.685	4.746
Waiting List Initiatives	0.106	0.360
Adverse Impact	0.911	6.179
Vacancy\ (Over Established) Impact	(0.968)	(6.778)
Total Pay Variance - Medical & Dental (Fav)/Adv £m	(0.057)	(0.599)

Non Pay

Table 11 shows the financial performance against non pay budgets which are £1.516m overspend to the end of October 2017.

Table 11: Non Pay Variance @ October 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	7.944	8.108	0.163	53.976	54.285	0.309
Commissioned Services	13.326	13.029	(0.297)	94.384	94.339	(0.045)
Continuing healthcare	5.035	5.130	0.095	34.592	34.857	0.265
Drugs / Prescribing	12.601	12.653	0.052	85.170	85.252	0.083
Establishment expenses	0.937	0.904	(0.034)	6.029	5.872	(0.156)
General supplies & services	(1.125)	(1.063)	0.063	2.604	2.861	0.257
Other non pay	(10.519)	(10.319)	0.200	6.788	8.201	1.413
Premises & fixed plant	2.583	2.644	0.061	19.891	19.623	(0.268)
Primary Care Contractors	11.967	11.827	(0.140)	78.799	78.457	(0.342)
Total £m	42.751	42.913	0.162	382.232	383.749	1.516

Other non-pay includes the additional costs resulting from the outsourcing of the neuro-interventional radiology service which have increased by £0.065m in month and are estimated to be £0.469m for the year to date. The UHB has prepared a paper for WHSCC to consider the risk sharing implications of the outsourced service which has led to a constructive discussion in respect of additional WHSCC income coverage for the extra costs that have arisen. Also included in other non pay is a £0.982m contribution to the stretch target due to planned underspends in delegated budgets. The in month reduction in other non pay budgets relates to revisions in Welsh Government funded capital charge estimates.

A major cost pressure has been NCSO price concessions which have now resulted in the UHB incurring an additional £2.3m of prescribing costs for the year to date. This has however been offset by lower than expected growth in the costs and volume of drugs. However, given the length of time that has elapsed following concession to NCSO status for a number of high volume drugs and the uncertainty around the reversion to drug tariff prices, this is now a financial risk which is not included in the forecast out turn position.

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 7 months to 31st October 2017 by Clinical Board is shown in Table 12.

Table 12: Financial Performance for the period ended 31st October 2017

Clinical Board	M6 Budget Variance £m	M7 Budget Variance £m	In Month Variance £m	Cumulative % Variance
Clinical Diagnostics & Therapies	0.303	0.223	(0.080)	0.37%
Children & Women	0.289	0.459	0.170	0.80%
Capital Estates & Facilities	(0.142)	(0.133)	0.010	(0.36%)
Dental	(0.026)	(0.031)	(0.004)	(0.14%)
Executives	(0.117)	(0.155)	(0.037)	(0.70%)
Medicine	0.407	0.412	0.006	0.64%
Mental Health	(0.098)	(0.084)	0.014	(0.20%)
PCIC	(1.071)	(1.336)	(0.265)	(0.76%)
Specialist	(0.337)	(0.339)	(0.002)	(0.38%)
Surgery	0.104	0.270	0.167	0.36%
Central Budgets	0.648	0.649	0.001	0.89%
SubTotal	(0.041)	(0.062)	(0.021)	(0.01%)
Planned Deficit	15.450	18.025	2.575	2.56%
Total	15.409	17.963	2.554	2.55%

In total budget holders have broadly balanced month 7 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. 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 and sarcoma alongside 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.

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. The only Clinical Board that is now forecasting an overspend is CD&T due to the exceptional non recurring costs in neuro-interventional radiology. Without this cost pressure, the Clinical Board has a balanced plan. The expectation now is that all Clinical Boards will deliver the lower of their forecast position or a break even position.

Savings Programme

The UHB set a 1.5% recurrent savings target of £13m and a 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 and agreed a £14.973 stretch plan leading to an overall savings target of £35.001m

During the month the UHB has identified a further £4.3 savings as set out below:

- £1.5m - VAT rebate
- £0.8m – balance of risk mitigation reserve
- £0.3m - medicines management
- £0.2m – medical agency and locum cap
- £1.5m – clinical productivity

At month 7 the UHB now has a fully identified savings plan to deliver the £35.001m savings target as summarised in Table 13 and is detailed in **Appendix 1**.

Table 13: Progress against the 2017/18 Savings Programme at Month 7

	Total Savings Target £m	Total Savings Identified £m	Total Savings (Unidentified) £m
Total £m	35.001	35.001	0.000

For the year to date £17.206m 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 5 months of the year.

Underlying Financial Position

A key risk to the UHB is its c/f deficit from 2017/18 into 2018/19. The underlying deficit in 2016/17 b/f into 2017/18 was £54.5m. An analysis over recent years as to the key causes of this underlying deficit was set out in a letter to Welsh Government which is attached as **Appendix 6**. As demonstrated in this letter, some of the financial drivers for this have been:

- Non delivery of recurrent CIPs as set out in plans (which underpinned recurrent spending decisions) and reliance on non-recurring opportunities;
- Operational pressures outside of plan which have not been managed;
- Funding for growth and delivery of planned care, unplanned care and other targets above the resources available;
- Other Investments and cost pressures funded made that have added to the underlying deficit.

The assessed deficit c/f into 2018/19 has reduced by £1m in the month and is currently £55m. If this remains unchanged the underlying deficit will have deteriorated by £0.5m in 2017/18. This is shown in Table 14.

Table 14: Summary of Underlying Financial Position

	2017/18 Plan £m	Forecast Position @ Month 7	
		Non Recurrent £m	Recurrent Position £m
Opening Underlying Deficit	54.533	0.000	54.533
Income	(23.414)	0.000	(23.414)
Cost pressures less mitigating actions	34.782	5.861	40.643
Less CIPs	(35.001)	18.286	(16.715)
Deficit	30.900	24.147	55.047

The UHB continues to seek further recurrent savings in 2017/18 in order to reduce the c/f underlying deficit into 2018/19.

Balance Sheet

The Balance sheet is shown in **Appendix 3** and the opening balances reflect the carry forward balances within the Audited Accounts approved by the Board on 1st June 2017.

The increase in reported value of property, plant and equipment reflects the impact of the Valuation Office Agency's valuation of the UHB's Estate as at 1st April 2017.

The main reason for the increase in trade debtors is the increase in amounts due from the Welsh Risk Pool. 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 UHB's month 7 Welsh Government monthly monitoring return highlighted a requirement for cash support of £36.423m from Welsh Government. The main reasons for this level of cash support are shown in table 15.

Table 15: Reconciliation of opening and forecast closing cash position

	£m
Opening cash Position	0.881
Movement in working balances	(7.034)
Management actions to manage cash	1.511
Forecast Deficit	(30.900)
Forecast cash deficit	(35.542)
Cash Assistance requested	36.423
Forecast year end cash balance £m	0.881

It can be seen that the biggest driver for requiring cash assistance is the forecast deficit of the UHB. The UHB is taking actions to minimize cash support required by adhering to the limits of payment terms and where necessary prioritizing payments. Despite this, the UHB still has a considerable cash shortfall. The cash assistance received in recent years is shown in Table 16.

Table 16: Cash Assistance received from Welsh Government

	2014/15 £m Actual	2015/16 £m Actual	2016/17 £m Actual	2017/18 £m Forecast
Surplus / (deficit) £m	(21.364)	0.068	(29.243)	(30.900)
Net Cash Assistance received in year £m	10.470	0.000	27.925	36.423

For 2017/18, in order to support good financial governance, Welsh Government have requested formal Board recognition and approval to request cash assistance. The Board will therefore be asked to support and approve a request to Welsh Government for £36.423m cash assistance.

Public Sector Payment Compliance

The UHB's cumulative performance to the end of October improved by 1.2% in month to 91.7%. As previously reported 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. 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. In addition all Clinical Boards were formally reminded in month that the UHB expects all invoices received to either be authorised or receipted on Oracle within 3 days of receipt. Remedial actions to improve performance were reported to and endorsed by the UHB's Finance Committee in October with the expectation that the combination of actions will produce a steady improvement across the remaining months of the year

Capital Resource Limit (CRL)

Progress against the CRL for the period to the end of October 2017 is detailed in **Appendix 5** and summarised in Table 17.

Table 17: Progress against Capital Resource Limit @ October 2017

	£m
Planned Capital Expenditure at month 7	15.808
Actual net expenditure against CRL at month 7	13.499
Variance against planned Capital Expenditure at month 7	(2.309)

Capital progress to date has been slow. The reported net spend to the end of October is however skewed by the two significant asset sales where the net book value will provide a source of capital funds for the full year and not just the first seven months.

Financial Risks

The UHB remains on target to deliver its £30.9m forecast deficit position dependent upon the continued delivery of identified savings and containment of future operational cost pressures. There are however some key risks that are outside of the plan and these are set out below:

- The risk in NHS Funded Nursing Care fees following the Supreme Court judgement in respect of weekly fees which is assessed as circa £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.
- Whilst the UHB had accounted for NCSO drugs pressures of £3.5m as part of its forecast position, the costs continue to escalate which was not anticipated. If NCSO costs continue at the rate experienced in month 7 for the rest of the year the UHB has a £1.7m risk that is not covered in its plan.
- The assessed costs of managing winter are increasing and could be some £0.5m above the £1.5m provided for in the UHB plan.

The UHB continues to seek further cost reduction and curtailment measures to mitigate against the in year risks in addition to the identification of further recurrent savings schemes to reduce the underlying deficit carried forward into 2018/19.

Key Concerns & Recovery Actions

At month 7, the key concerns and challenges are set out below:

1. Concern- Budget overspends at month 7;

Action – All Clinical Boards have confirmed expected year end outturn through a detailed forecasting exercise. Clinical Boards with forecast year end overspends are required to implement recovery actions as part of the Clinical Board Performance Escalation process.

2. Concern – Key financial risks;

Action – Further savings are being sought to mitigate against these and other unforeseen risks that are not included within the UHB plan. These will need to be carefully monitored and managed in order to deliver the forecast position.

3. 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.

6

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. The UHB identified a further 4.3m of savings in month and now has a fully identified savings plan. There are however a number of significant financial risks that will need to be managed in order to achieve the forecast out turn position. The UHB will continue to seek further opportunities so that financial risks which have emerged can be successfully managed. In addition, the UHB aims to identify further recurrent savings in order to reduce the carried forward underlying deficit into 2018/19. 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 seven months to the end of October is a deficit of £17.963m. This is made up of a budget plan deficit of £18.025m and a favourable variance against plan of £0.062m.

Appendix 1

2017-18 Part Year Effect (PYE) Month Ending 31st October 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			3,105		3,105	-3,105
Corporate schemes	17,668	10,143	2,945	234	13,088	4,580
Total Savings	35,001	27,896	7,105	1,846	35,001	0

2017-18 Full Year Effect (FYE) Month Ending 31st October 2017-18

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	1,047	0	0	1,047	0
CD&T	1,382	1,155	0	163	1,155	227
Dental	300	0	0	0	0	300
Surgery	1,768	1,794	170	86	1,964	-196
Capital Estates and Facilities	933	431	300	420	731	202
Children & Women	1,331	926	425	723	1,351	-20
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	3,715	0	0	3,715	13,953
Total Savings	30,631	15,983	1,707	2,007	17,690	12,941

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	96,177	114,708	114,046	115,061	114,412	137,520	1,336,509
Identified savings	-618	-1,481	-2,972	-1,757	-2,739	-2,898	-4,741	-3,316	-3,382	-3,397	-3,385	-4,316	-35,001
Unidentified savings required for stretch target													
Total savings required	-618	-1,481	-2,972	-1,757	-2,739	-2,898	-4,741	-3,316	-3,382	-3,397	-3,385	-4,316	-35,001
Net costs	102,626	100,073	107,341	107,324	107,851	106,905	91,436	111,392	110,664	111,664	111,028	133,204	1,301,508
Income (phased as per budget plan)	98,952	98,579	104,814	104,728	105,337	104,301	88,882	108,805	108,077	109,077	108,440	130,616	1,270,608
Net surplus/ (deficit)	-3,674	-1,494	-2,527	-2,596	-2,514	-2,604	-2,554	-2,587	-2,587	-2,587	-2,587	-2,587	-30,900

Notes

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

Gross costs in October are abated by a £15.275m credit in respect of impairments and depreciation as a consequence of an adjustment required to the carrying value of the UHB's estate following receipt of the District valuers 5 yearly report on the estate. The October spike in savings reflects management action to recover a VAT claim c £1.5m.

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 £20.6m of AME Donated Depreciation\Impairments profiled into month 12 and the expected settlement of LTAs

Appendix 3

BALANCE SHEET AS AT 31ST OCTOBER 2017

	Opening Balance 1 st April 2017	Closing Balance 31st October 2017
Non-Current Assets	£'000	£'000
Property, plant and equipment	628,042	641,270
Intangible assets	1,601	1,601
Trade and other receivables	42,437	47,036
Other financial assets		
Non-Current Assets sub total	672,080	689,907
Current Assets		
Inventories	15,129	16,391
Trade and other receivables	137,493	189,125
Other financial assets	0	0
Cash and cash equivalents	881	3,127
Non-current assets classified as held for sale	1,815	0
Current Assets sub total	155,318	208,643
TOTAL ASSETS	827,398	898,550
Current Liabilities		
Trade and other payables	157,516	139,000
Other financial liabilities	0	0
Provisions	102,277	150,914
Current Liabilities sub total	259,793	289,914
NET ASSETS LESS CURRENT LIABILITIES	567,605	608,636
Non-Current Liabilities		
Trade and other payables	10,207	9,897
Other financial liabilities	0	0
Provisions	44,615	47,036
Non-Current Liabilities sub total	54,822	56,933
TOTAL ASSETS EMPLOYED	512,783	551,703
FINANCED BY:		
Taxpayers' Equity		
General Fund	399,057	437,662
Revaluation Reserve	113,726	114,041
Total Taxpayers' Equity	512,783	551,703

Appendix 4

CASH FLOW FORECAST AS AT 31st OCTOBER 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	71,292	73,102	80,804	67,374	79,339	36,435	849,536
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	1,620	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	0	4,200	4,075	4,350	4,172	2,144	39,891
Sale of Assets	0	9,152	0	0	0	0	212	0	0	0	0	0	9,364
Income from other Welsh NHS Organisations	47,076	17,644	41,554	29,101	31,459	41,273	25,977	32,203	38,453	26,662	30,718	35,477	397,597
Other - (Specify in narrative)	11,438	3,599	7,579	5,630	8,324	6,620	9,018	6,870	5,949	6,499	5,605	9,259	86,390
TOTAL RECEIPTS	149,044	96,943	144,167	106,988	114,740	134,631	110,230	120,451	133,257	108,861	123,810	92,472	1,435,594
PAYMENTS													
Primary Care Services : General Medical Services	5,249	4,042	8,318	3,992	3,986	6,294	4,142	4,066	5,844	4,064	4,064	5,844	59,905
Primary Care Services : Pharmacy Services	153	124	144	112	125	135	121	101	125	500	250	250	2,140
Primary Care Services : Prescribed Drugs & Appliances	15,528	2	15,095	4	7,945	16,115	3	7,426	15,530	0	7,765	7,765	93,178
Primary Care Services : General Dental Services	1,734	1,877	1,908	1,936	1,720	1,806	1,845	1,793	1,830	1,830	1,830	1,830	21,939
Non Cash Limited Payments	1,986	2,196	1,910	2,173	2,105	2,125	2,135	2,141	2,125	2,125	2,125	2,125	25,271
Salaries and Wages	45,715	47,104	47,578	46,857	46,825	46,822	46,626	47,032	46,619	46,736	47,185	47,285	562,384
Non Pay Expenditure	41,188	43,621	48,892	44,051	45,352	44,772	49,641	44,380	40,696	46,492	47,382	47,850	544,317
Capital Payment	9,738	1,925	1,323	1,802	3,587	2,322	2,277	3,967	4,248	4,316	4,168	9,024	48,697
Other items (Specify in narrative)	15,801	2,891	17,084	2,836	9,095	16,775	2,913	8,599	16,216	2,880	8,975	10,121	114,186
TOTAL PAYMENTS	137,092	103,782	142,252	103,763	120,740	137,166	109,703	119,505	133,233	108,943	123,744	132,094	1,472,017
Net cash inflow/outflow	11,952	(6,839)	1,915	3,225	(6,000)	(2,535)	527	946	24	(82)	66	(39,622)	
Balance b/f	881	12,833	5,994	7,909	11,134	5,134	2,599	3,126	4,072	4,096	4,014	4,080	
Balance c/f	12,833	5,994	7,909	11,134	5,134	2,599	3,126	4,072	4,096	4,014	4,080	(35,542)	



Ysbyty Athrofaol Cymru
University Hospital of Wales
UHB Headquarters

Heath Park
 Cardiff, CF14 4XW

Parc Y Mynydd Bychan
 Caerdydd, CF14 4XW

Appendix 6

Eich cyf/Your ref:
 Ein cyf/Our ref: SH-jb-03-6044
 Welsh Health Telephone Network:
 Direct Line/Llinell uniongychol: 02920 745681

Robert Chadwick
Director of Finance

12 July 2017

Ms Andrea Hughes
 Deputy Head of NHS Financial Management
 Health and Social Services Group
 Welsh Government
 Sarn Mynach
 Llandudno Junction
 LL31 9RZ

Dear Andrea,

Monitoring Return Review – to 31 May 2017

Further to my letter of the 7th July I write to provide you with more information on the UHB brought forward cost pressure which is included within our 2017/18 Financial Plan. We have re-looked at this and have undertaken a detailed review of our additional spend in the last two years.

Review of Financial Plans

An analysis of our financial plan and actual performance in 2015/16 and 2016/17 is shown in Appendix 1.

In 2015/16, the ambition was to make inroads into the accumulated deficit with a deficit plan of £13.2m being a reduction from the opening b/f deficit of £22m. Whilst the UHB broke even however, this was only due to £26.5m of income received outside of the plan. This in part was due to recognition of sound performance against tier 1 targets. As this income was non recurrent, the analysis shows that the UHB ended the year some £17m worse than expected due to recurrent cost pressures incurred above plan and the non delivery of recurrent planned CIPs.

In 2016/17 the analysis shows that not only did the UHB not deliver its planned CIP recurrently, but it also had a plan that led to an increased accumulated deficit due to investments made above of recurrent resources available. Albeit at the time, the UHB did not realise that the RTT funding would be non recurrent.

The non-delivery of recurrent CIPs in both these years in effect meant that the UHB made investments and supported cost pressures before it had secured the resources to do so.

A critical view of the Financial Plans and delivery against it can be summarized as follows.

Main contributory factors for the 2016/17 accumulated deficit c/f into 2017/18

	£m
Expected 2015/16 c/f position into 2016/17	(9.7)
Recurrent cost pressures incurred above plan in 2015/16 c/f into 2016/17	(6.2)
Recurrent CIP shortfall in 2015/16 c/f into 2016/17	(10.8)
2015/16 accumulated deficit c/f into 2016/17	(26.7)
2016/17 funded pressures and investment above resources available	(13.2)
Recurrent CIP shortfall in 2016/17 c/f into 2017/18	(14.6)
2016/17 accumulated deficit c/f into 2017/18	(54.5)

Whilst this is a subjective view, it does help explain why the UHB financial position remains unbalanced with a considerable c/f position into 2017/18.

Again, whilst in part subjective (as income and CIPs are not badged against specific items of spend), it is possible to broadly identify those funded cost pressures and investments that have given rise to the increased accumulated deficit over the last two years. These are shown in Appendices 2 to 5.

Main Areas of Additional Spend

The details indicate that some of the key expenditure areas over this period are:

- RTT delivery
- Unscheduled care
- Cancer and stroke
- Critical care
- Staffing pressures
- Income reductions
- Revenue costs of capital developments
- Sustaining services
- Service improvements
- Service and operational pressures

These costs are in excess of national cost pressures as these have been assumed to have been largely funded by allocation increases and cost savings made. It should be noted however that not all of the costs identified in the appendices are avoidable

Financial Governance

The accumulated deficit in essence represents both planned deficits which reflects planning to operate outside of the resources available and the non-delivery of financial plans. As demonstrated, some of the financial drivers for this have been:

- Non delivery of recurrent CIPs as set out in plans (which underpinned recurrent spending decisions) and reliance on non-recurring opportunities;
- Operational pressures outside of plan which have not been managed;

- Funding for growth and delivery of planned care, unplanned care and other targets above the resources available;
- Other Investments and cost pressures funded made that have added to the underlying deficit.

The UHB recognises these weaknesses and its 2017/18 financial plan and its delivery aims to:

- Focus on the recurrent achievement of the CIP target;
- Ensure cost pressures are managed;
- Limit investment to those areas that are unavoidable and essential
- Deliver an in year improved financial position.

I can assure you that the Board recognises its responsibility in tackling its accumulated deficit and will continue to work closely with Welsh Government towards achieving financial sustainability.

Yours sincerely,

Robert Chadwick
Director of Finance

cc. Alan Brace, Director of Finance, Finance Directorate, Health and Social Services Group

Appendix 1

Financial Plan and Accumulated Deficit Analysis 2015/16 and 2016/17

	2015/16 £m	Note	2016/17 £m	Note
Financial Plan				
Accumulated deficit b/f from prior year	(22.0)	Shortfall on 14/15 CIP delivery against £50m savings target	(26.7)	
Non recurrent savings in plan	0.0		7.4	£4.0m rates rebate and 3.2m other opportunities
Allocation uplift	17.6		29.8	
Other assumed Income	0.0		10.5	RTT funding
Cost Pressures	(20.7)		(49.4)	
Investments	(16.9)		(19.6)	
CIP plan	28.8		26.0	
Planned deficit	(13.2)		(22.0)	
Actual position				
Year end position	(0.1)		29.2	
Note - Income received outside of plan	26.5		(0.7)	
Underlying position c/f to next year				
Planned deficit	(13.2)		(22.0)	
Assumed income in plan / non recurrent income	(5.6)	£4.3m provider share of allocation and £1.3m PGDME	(10.5)	
Non recurrent expenditure / savings in plan	9.1	£5m I2S repayment & £6.3m RTT less £2.2m meds cost avoidance	(7.4)	£4.0m rates rebate and 3.2m other opportunities
Expected c/f position	(9.7)		(39.9)	
Variance above plan	(17.0)	See detail below	(14.6)	Recurrent CIP shortfall
Actual c/f position into next year	(26.7)		(54.5)	
Impact on accumulated deficit				
Recurrent CIP shortfall	(10.8)		(14.6)	
Cost pressures above plan	(6.2)		0.0	
Funded pressures and investment above resources available	0.0		(13.2)	£39.9m expected c/f less £26.7m opening accumulated deficit
Total	(17.0)		(27.8)	

Appendix 2**Recurrent cost pressures incurred above plan in 2015/16 c/f into 2016/17**

	£'000
Liver Surgeon	132
Private patient income	185
Ward 2 relocation to A1 and Heulwen	241
Maintenance contracts in surgery	63
Anaesthetic staffing	206
Nursing pressures in medicine	450
Medical staffing in medicine	650
Radiology growth in medicine	155
Endoscopy income	48
Closure of West Wing Print room	50
Lab medicine non pay	500
Cardiology outpatient move	53
Critical care - level 2 beds & loss of LTV income	625
Neurosciences operational pressures	400
Haematology operational pressures	200
Cardiac operational pressures	250
Medical staffing pressure Children & Women	500
Non pay pressures in Children & Women	200
Children's continuing care	30
Fetal scanner	14
NICU income	97
Flying start overhead charges	165
Vaccines	350
HIV growth in primary care	235
Radiology growth in primary care	223
McMillan Information Manager	43
Volunteer Manager	45
Lone worker devices new contract	35
Total	6,248

Appendix 3

Investments made in 2015/16 not resources due to recurrent CIP shortfall

	£'000
Safeguarding - DoLS (Deprivation of Liberty Safeguards)	50
PACU (Post-anaesthetic care unit)	1,850
CAMHS service which meets needs of population	180
Patient concerns and complaints (including Evans response)	152
Revised antimicrobial guidance	170
Strategic change capacity	20
Smoking cessation - smoke-free enforcement officer	19
Deliver South Wales Programme in line with plan	400
Children's Hospital for Wales - C&V contribution	1,400
Developing the "CSI" Academy	50
WHSSC - general	1,993
e-Datix	70
Management capacity to support 'secure and sustain'	385
Support to CEO	71
Graduate trainees	60
Estates reconfiguration	40
ATC and SARC	70
Investment in pre-operative assessment	100
CHC Powys Phase 3	426
Peripheral vascular cannula packs	308
Nurse revalidation	50
Paediatric Diabetes	150
ALAS	800
Downs	350
RTA income loss	200
Dietetic led health and wellbeing programme for staff	40
Pharmacy Level 3 smoking cessation	290
Implement level 3 obesity service	140
Prudent healthcare - Citizen-driven healthcare	150
LIPS (Leading Improvement in Patient Safety) programme	80
Diabetes - Diabetes inpatient care: Think Glucose programme	40
Diabetes - Further roll out of structured patient education	10
Sustain and secure - Head of Planning/Operations and support	105
Leaner and fitter - medicines management	152
Leaner and fitter - theatres	115
Leaner and Fitter - non pay	80
Leaner and Fitter - other	130
Flow management	140
Total	10,836

Appendix 4

2016/17 funded pressures and investment above resources available

	£'000
Emergency Ambulance Services	990
Winter Pressures	1,500
Planned care - RTT	10,500
Patient Access Team	218
Total	13,208

Appendix 5

Investments and cost pressures supported in 2016/17 not resources due to recurrent CIP shortfall

	£'000
NICU disaggregation	317
Paediatric ward staffing (Gwidihw)	150
Paediatric diabetes peer review	42
Stroke services	600
Medicine protective administration	1,200
Full year effect of PACU	200
Critical care growth of Cardiff patients	500
Surgical assessment unit	600
EASC	500
Emergency Planning	50
DOLs	87
Lab ISO Standards	100
Emergency services review	1,847
Sustainable Nursing Home Capacity	100
Office accommodation	662
Leased accommodation	90
E-prescribing / chemocare	190
Stroke rehabilitation	120
Continuing health care	102
Trauma team	250
Mental Health Measure	144
Legal fees	450
Various Dental pressures	127
Blood growth	75
Junior Doctor posts (specialist)	620
Cardiology outpatient move	52
Surgery management structure	103
Wet AMD	150
Media resources & Medical physics income reduction	296
Llandough MH Unit	471
Rates increases	1,100
R&D Income reduction	1,200
LTA income orthopaedics	350
Project 111	161
GMS Premises	130
FNC	300
GP Out of Hours	350
Safeguarding	45
Microsoft licenses	424
Microbiology LTA	350
Total	14,605



2017-18 Cost Reduction Programme	
Name of Meeting : Finance Committee	30 th November 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

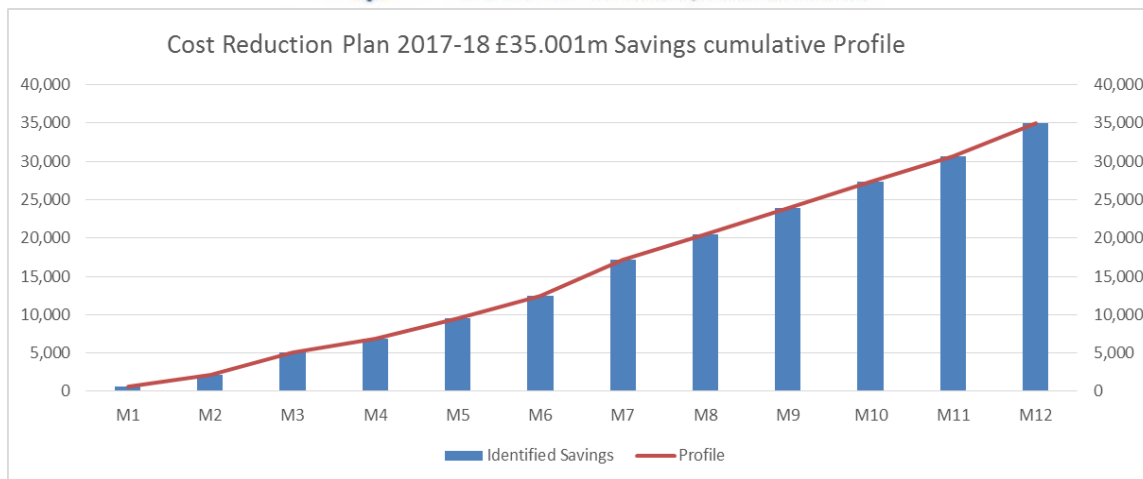
This report summarises progress against the UHB savings programme of £35.001m and updates the Finance Committee on the 2017/18 CRP position.

PROGRESS AGAINST TOTAL CRP REQUIREMENT 2017-18

As at 31st October 2017, the UHB has a full savings programme in place. £35.001m 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.

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



7

PROGRESS AGAINST DEVOLVED CRP 2017-18

As at 31st October 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 was established to support the delivery of the UHB £35.001m savings target.

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	Alaa Khundakji	Medical Productivity steering group	1,000	530	Amber
2	Medicines Management	Graham Shortland	Darrell Baker	Lynne Aston	Natalie Proctor	Corporate Medicines Management Group	2,000	2,611	Green



3	Nursing Productivity	Ruth Walker	Ruth Walker	Andrew Gough	Alaa Khundakji	Nursing Productivity Group	1,500	663	
4	Procurement (Non pay influence and Control)	Bob Chadwick	Claire Salisbury	Chris Lewis	Claire Salisbury	Cross Cutting	2,000	1,940	
5	Workforce Productivity	Julie Cassley	Julie Cassley	Andrew Gough	Andrew Crook	Workforce Productivity Group	1,000	906	

As at 31st October 2017, £6.650m of opportunities have been identified as Green or Amber contributing towards the delivery of the £35.001m UHB CRP target.

Further Cross Cutting schemes continue to be developed and progressed through the Cross Cutting Steering Group feeding Clinical Board CIP trackers.

PROGRESS AGAINST TRANSFORMATION SCHEMES

The Transformation Programme was established at the beginning of the financial year to support the UHB underlying deficit. The 2017/18 financial plan included a £2.695m Transformation target.

As at 31st October 2017, £0.400m of recurrent Transformation Schemes have been added to the savings tracker.

Whilst various benchmarking opportunities have been identified and a number of schemes are being pursued there is nothing further to add to the Transformation savings tracker at this stage.

SUMMARY

The UHB has a full savings programme in place. £35.001m of opportunities have been identified as Green or Amber against the total savings target of £35.001m.

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



Appendix A - Tables Showing 2017/18 CRP Progress At 31st October 2017 Month Ending 31st October 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			3,105		3,105	-3,105
Corporate schemes	17,668	10,143	2,945	234	13,088	4,580
Total Savings	35,001	27,896	7,105	1,846	35,001	0

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	1,047	0	0	1,047	0
CD&T	1,382	1,155	0	163	1,155	227
Dental	300	0	0	0	0	300
Surgery	1,768	1,794	170	86	1,964	-196
Capital Estates and Facilities	933	431	300	420	731	202
Children & Women	1,331	926	425	723	1,351	-20
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	3,715	0	0	3,715	13,953
Total Savings	30,631	15,983	1,707	2,007	17,690	12,941



Cross Cutting Tracker Weekly Summary 2017-18

PYE

Clinical Group	17-18 Indicative Target	Identified Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	(£'000)	(£)	(£)	(£)	(£)	£
Medical Productivity	1,000	298	232	37	530	470
Medicines Management	2,000	2,074	537	625	2,611	-611
Nursing Productivity	1,500	663	0	73	663	837
Procurement	2,000	1,876	64	47	1,940	60
Workforce Productivity	1,000	406	500	0	906	94
Total	7,500	5,317	1,333	782	6,650	850

FYE

Clinical Group	17-18 Indicative Target	Identified Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	(£)	(£)	(£)	(£)	(£)	£
Medical Productivity	1,000	295	638	37	933	67
Medicines Management	2,000	2,581	725	335	3,306	-1,306
Nursing Productivity	1,500	1,028	0	85	1,028	472
Procurement	2,000	1,838	101	93	1,939	62
Workforce Productivity	1,000	374	0	0	374	626
Total	7,500	6,116	1,464	550	7,580	-80

* Cross Cutting themes are in place to support the delivery of the £35m UHB savings requirement



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

7

REVIEW OF FINANCIAL REPORTING	
Name of Meeting : Finance Committee Meeting	Date: 30 th November 2017
Executive Lead : Executive Director of Finance	
Author : Deputy Director of Finance 02920 743555	
Caring for People, Keeping People Well: This report covers the adequacy of financial reporting in the UHB to support delivery of the financial plan which underpins the UHB delivery of service plans and priorities.	
Financial impact: The quality of reporting can impact upon financial decision making.	
Quality, Safety, Patient Experience impact: Financial reporting supports the UHB in delivering its operational plans which aims to improve quality, safety and patient / carer experience.	
Health and Care Standard Number: Supports standard 1.	
CRAF Reference Number: Supports 6.7	
Equality Impact Assessment Completed: Not applicable	

ASSURANCE AND RECOMMENDATION
<p>ASSURANCE is provided by:</p> <ul style="list-style-type: none"> The review of the main Wales Audit Office (WAO) findings of the UHB financial reporting and the update provided in this report. <p>The Finance Committee is asked to:</p> <ul style="list-style-type: none"> NOTE the main finding of the Wales Audit Office Report; NOTE and SUPPORT the actions that have been taken to make improvements in Financial Reporting.

SITUATION

The Wales Audit Office issued a report in November 2017 titled 'Comparative review of NHS financial reporting – Cardiff and Vale University Health Board'. This paper draws out the main issues contained in this report and the current UHB position on them.

BACKGROUND

In order to focus efforts and make good decisions, NHS Boards need robust financial information and interpretation about financial performance. In 2016, as part of their annual Structured Assessment work, the WOA examined Board Financial Reporting. This was however restricted to assessing the last financial report that was presented to the public Board at the time of the review. It recognizes therefore, that it may not be totally representative of a full year's financial reporting.

Their assessment was based upon:

- Attributes – expected features in a finance report
- Content areas – financial areas expected to be covered.

The purpose of the review was to share common themes and to promote improvements and learning. The WAO findings for Cardiff and Vale UHB are set out below.

ASSESSMENT

The WAO reviewed the UHBs month 2 financial report that was presented to the Board on 28th July 2016. The overall comments and key messages for the UHB were:

What aspects are good and show strengths:

- Summary revenue position in the context of the underlying deficit;
- Use of graphs/tables to analyse pay variances and set out savings risks;
- Inclusion of appendix setting out investments;
- Short summary of key risks and concerns.

What aspects could be better:

- The data in the report is not timely: presented 58 days after the period;
Action taken – the finance position is now reported to both the Finance Committee and Board within a month after the period end;
- No dashboard of KPIs used nor exception reporting;
Action taken - A RAG rated dashboard is now in place and key exception reporting is highlighted in bold;
- Statutory and administrative financial targets (or other KPIs) are not specified;
Action Taken – the key targets and KPIs are now included in the dashboard;
- Budget overspend by clinical are set out but no analysis of issues or detail of actions being taken.
Action taken - key concerns are set out which now include recovery actions.

CONCLUSION

The WAO shared the draft report with the UHB and action has already been taken to address its key recommendations on improvements.

FINANCIAL GOVERNANCE REVIEW PROGRESS REPORT	
Name of Meeting : Finance Committee	Date of Meeting: 30 th November 2017
Executive Lead: Executive Director of Finance	
Author : Deputy Director of Finance	
Caring for People, Keeping People Well: The review supports the robustness of the financial plan to support the IMTP/ Operational plan.	
Financial impact : None, the review was funded by Welsh Government	
Quality, Safety, Patient Experience impact : N/A	
Health and Care Standard Number: 1	
CRAF Reference Number: 6.7	
Equality and Health Impact Assessment Completed: Not Applicable	

ASSURANCE AND RECOMMENDATION

ASSURANCE is provided by:

- The report which was an independent review of the financial governance of Cardiff and Vale University Health Board carried out by Deloitte LLP;
- The action plan that has been prepared to address the key finding and recommendations of the report which was agreed by the Board at its September 2017 Board Meeting;
- The monitoring of progress being made against this action plan by the Finance Committee.

RECOMMENDATIONS

The Finance Committee is asked to:

- **NOTE** the progress being made against the action plan;
- **PROVIDE** assurance to the Board on the action that is being taken and the progress that is being made.

SITUATION

Deloitte LLP undertook an independent financial governance review of Cardiff and Vale University Health Board. This review was carried out against a scope set out in a contract with Welsh Government and took place between March to May 2017. The outcome was presented to Welsh Government and the Health Board in early July 2017. The UHB action plan was agreed by the Board at its September 2017 meeting. This report sets out the progress being made against this action plan.

BACKGROUND

On the 6th March 2017, the NHS Director of Finance in Welsh Government wrote to the Interim Chief Executive explaining the role and purpose of the independent review to be conducted by Deloitte LLP. As part of targeted intervention the Welsh Government commissioned Deloitte LLP to undertake this financial review of the development, adaptation and performance of the Health Board's 2016-17 financial plans. The aims and objectives of the review were:

Aim:

To review, on behalf of the Welsh Government, the internal governance arrangements of designated NHS Wales organisations with regard to the development, adoption and performance of their financial plans. To identify lessons to be learned by the organisations, other NHS Wales organisations and Welsh Government on this process.

Objectives:

Deloitte LLP review included:

- Review the management processes adopted for constructing draft and final versions of the 2016-17 financial plan as part of the IMTP or operational plan process;
- Review the process for seeking and obtaining Board approval for the draft and final versions of the financial plans;
- Review the process for considering and addressing issues raised by Welsh Government on the draft and final financial plans;
- Review the process for monitoring monthly financial performance against the plan;
- Review the process for reporting performance to the Board;
- Review the process for reporting financial performance to Welsh Government;
- To make recommendations to the Board for improvements in the processes of constructing and monitoring performance against financial plans;
- To make recommendations to Welsh Government on any wider governance lessons to be learned across NHS Wales.

ASSESSMENT AND ASSURANCE

There were 22 key findings and recommendations of this independent financial governance review. Against each recommendation, the UHB has produced a management response which includes actions to be taken. The Finance Committee has been asked to review the progress being made against this action plan and provide the Board with appropriate assurances.

The progress against each recommendation is contained in Appendix 1. This shows that against the 22 recommendations:

- 9 have been completed;
- 13 are in progress.

Reasonable progress is being made with all actions either having a green or amber status with expected completion dates given for all actions that are not yet completed.

Independent Review of Financial Governance Within Cardiff and Vale University Health Board Undertaken by Deloitte - Recommendations/Action Plan - Progress Report at November 2017

Appendix 1

Reference	Summary of Findings/Recommendations (as reported to Audit Committee)	Executive Lead	Management Response	Status	Status (RAG rated)
1	Implement an Executive Director (ED) Team Development Programme to focus on further developing an effective team	Chief Executive	The Chief Executive is considering team development for later in the year. In the first instance, a weekly two hour Executive Director's "time out" - was established in July 2017. This will provide opportunities for Executive Team development	An executive team development Programme is being progressed to implement by March 2018	
2	Consider the appropriateness of the current ED responsibilities for Informatics and Information Technology	Chief Executive	Review to be completed by November 2017	Completed, no change required	
3	Ensure there is allocated time within the current Board Development Programme to provide training and support to interpret financial management information, particularly for the new IMs	Executive Director of Finance	Supplementary training sessions introduced in 2017 for new IM's with further sessions planned this year.	Two sessions held. Further sessions to be provided to new Independent members by March 2018.	
4	Introduce monthly Board meetings in addition to bi-monthly Board Development sessions to provide an opportunity for BMs to receive and challenge assurance reports, particularly from the Finance Committee	Chair	Not required. We have a monthly Finance Committee meeting which is working effectively and providing the financial scrutiny required. These assurances are then provided to each meeting of the Board	Completed, no further action required	
5	Update the terms of reference of the Finance Committee to ensure that the Board Chair is not a member or the Chair of this committee, and all committee Terms of Reference to state that the Board Chair should attend each committee on a rolling basis	Chair	To be reviewed by end of October 2017 when new Independent Members identified. This will include review of Committee Membership including Chair of this Committee.	Completed, to be confirmed at November 2017 Board meeting	
6	Improve the committee reporting process to Board by ensuring the assurances or gaps in assurance are clearly drawn out from committee meetings, and co-locate the committee minutes/Executive Summary with the relevant ED report	Executive Directors	The Board and Committees paper template has a section on assurances to be provided and be further emphasized. In addition the governance coordinating group review regularly cross committee working and this recommendation will be also be brought to their attention	Completed	
7	Address areas for development identified within the Board and Finance Committee finance reports, such as inclusion of the underlying financial position, increased insight driving narrative, and greater integration of financial, operational performance and CIP information	Executive Director of Finance	Recent improvements will continue to be developed to incorporate issues highlighted	In progress. Financial Reporting to be considered at the November 2017 Finance Committee meeting	
8	Develop more detailed budget setting guidance, supporting increased transparency in budget allocation to Clinical Boards, directorates and cost centres and strengthened ownership for delivery. This should include more direct linkage between expenditure budgets and activity and productivity targets	Executive Director of Finance	Consideration for incorporation into 2018/19 budget setting process. Budget setting guidance to be developed and to be introduced in January 2018 for implementation in new financial year linked to activity	In progress. Due to be completed by February 2018	
9	Introduce a formal budget sign-off process at Clinical Board and directorate level, supporting increased understanding of budgets allocations and more explicit ownership for delivery	Executive Director of Finance	The practicality of this will be explored v benefits derived	In progress. To be concluded by April 2018.	
10	Consider simplification of the range of Cost Reduction Programmes, articulating and communicating the objectives of individual initiatives and their interrelationship across the organisation	Executive Director of Finance	Primary budget holder will be requested to provide information in performance meetings and implemented from January 2018	In progress. To be completed by Jan 2018	
11	Investigate and assess cross-cutting and transformational cost reduction opportunities, including identification of underpinning initiatives and quantification of financial impact. Prioritise initiatives and develop plans for implementation, including mechanisms to support and incentives cross-CB implementation at pace	Executive Director of Finance	1. Cross Cutting items forecast reduction already in place. 2. Transformation opportunities will be part of this implementation including cross CB working.	Completed	
12	Define future finance function focus, required skills and capabilities, to allow the function to act as a key enabler for implementation of the IMTP	Executive Director of Finance	Ongoing as part of all Wales NHS finance staff development, clear working with planning department established	Completed	

Independent Review of Financial Governance Within Cardiff and Vale University Health Board Undertaken by Deloittes - Recommendations/Action Plan - Progress Report at November 2017

Appendix 1

13	Determine future planning function required in the organisation to both develop an approved IMTP, with balanced financial plan and deliver its implementation	Chief Executive	Strengthen planning function to enable additional finance planning capacity. Review of Corporate resources being undertaken in October 2017	In progress. Management structures are currently being reviewed. To be completed by March 2018.	
14	Determine the future PMO function, including focus, skills and capabilities, establishing a function that will act as a critical enabler for implementation of the IMTP and financial recovery at increased pace	Executive Director of Strategic Planning	Review to be implemented and completed by end of October 2017. For discussion with the Chief Executive	In progress. To be completed by March 2018.	
15	Develop an enhanced financial strategy taking account of expected demand, capacity, service, corporate and wider transformational changes (short, medium and longer term)	Executive Director of Finance	Will be incorporate into an integrated improved IMTP process	IMTP process has started for 2018/19 - 2021/22. To be completed by March 2018.	
16	Ensure regular Board level scrutiny of financial risks within the 2017-18 financial plan and actions in place to mitigate these	Executive Director of Finance	Scrutiny taken place already but level of scrutiny to be increased - training planned for Board members October 2017. Risk Register and assurances provided to the Board by Chair of Finance Committee	Completed	
17	Create opportunities for Clinical Board leadership teams to share information to ensure that good practice can be shared widely. The EDs have a role to play in this as part of their oversight of operational structures	Executive Directors	To be included in Performance Reviews, commencing September 2017	Completed. Also to be included in revised Terms of Reference for HSMB which will be finalised in January 2018	
18	Ensure that there is a coordinated approach to leadership development for the Clinical Board and Clinical Directorate leadership team, including arrangements for specific finance focused training	Chief Operating Officer	To be discussed with the new Director of Workforce and Organisational Development when in post (October 2017)	In progress. Due to be completed by March 2018	
19	Clarify the trigger point(s) for a Clinical Board to be placed into protected administration, and ensure that all CB leadership teams understand this	Chief Executive	Discussed at Executive Directors 'Time Out' on 28 July 2017. Chief Executive review of escalation processes in progress	In progress and further reviewed planned. To be completed by March 2018.	
20	Ensure the Clinical Board Performance Review Meetings are both challenging and supportive, and focused on clear, timely actions to address areas of concern	Chief Executive	Management Executive to review performance reviews	Completed. New action log now in place to monitor agreed actions	
21	Use the opportunity of the new CEO to reconsider the focus of Health Services Management Board to ensure that it fulfils its role as the key forum to oversee all aspects of operational delivery	Chief Executive	HSMB to be reviewed by Chief Executive by end of October 2017	Review of Terms of Reference and work plan are underway and to be presented to HSMB in January 2018	
22	Improve the quality of Clinical Board performance information, including drilling down to directorate level metrics with a supporting narrative	Chief Operating Officer	To be considered as part of the Performance Reviews	In progress. Revised financial information is now in place. To be completed by March 2018.	

CLINICAL BOARD FINANCIAL PLANS 2018/19 TO 2021/22 PROGRESS REPORT	
Name of Meeting : Finance Committee Meeting	Date: 30 th November 2017
Executive Lead : Executive Director of Finance	
Author : Deputy Director of Finance 02920 743555	
Caring for People, Keeping People Well: This report details progress of the Clinical Board financial plans which support the UHB to deliver service priorities, maximise patient outcomes and sustain clinical services.	
Financial impact: The Clinical Board plans support the development of the UHBs plan Integrated Medium Term Plan (IMTP) which includes the Financial Plan of the UHB.	
Quality, Safety, Patient Experience impact: Financial plans support the UHB in delivering its operational plans which aims to improve quality, safety and patient / carer experience.	
Health and Care Standard Number: Supports standard 1.	
CRAF Reference Number: Supports 6.7	
Equality Impact Assessment Completed: Not applicable	

ASSURANCE AND RECOMMENDATION
LIMITED ASSURANCE is provided by: <ul style="list-style-type: none"> The partial progress that has been made in developing balanced plans for 2018/19 and beyond. <p>The Finance Committee is asked to:</p> <ul style="list-style-type: none"> NOTE the progress that has been made; SUPPORT the next steps that need to be taken to make further progress.

SITUATION

As part of the IMTP Process for 2018/19 – 2021/22, Clinical Boards have been required to produce balanced 3 year financial plan that are integrated with regard to service / workforce / finance. This report sets out the progress that has been made in respect of their financial plans and further work required.

BACKGROUND

Clinical Boards were requested to submit first draft three year IMTPs by 9th November 2017. The requirement to develop local plans is an early part of an iterative process that is unlikely to be completed until March 2018. These plans will form a core part of the overall UHB plan, but will need to be put in context of an overall UHB Financial Plan that includes resource allocation assumptions, planned investments, agreed cost growth assumptions and total savings requirements.

These plans have been required to be developed within a prescribed financial framework using a set of financial assumptions. The key elements of this financial framework are set out below.

- All Primary Budget holders to produce a balanced 3 year financial plan;
- Plans to be truly integrated with regard to service / workforce / finance;
- Full details are required for year 1 with broad plans required for years 2 and 3;
- A full RAG rated CIP programme to be included for 2018/19 with values and details;
- Unachieved CIP to be carried forward;
- In the first instance, no funding to be assumed for IMTP developments;
- 2% CIP to be applied;
- Any pressures to be managed by cost avoidance or application of an additional CIP target;
- Local pressures should not exceed 1%, and an overall ceiling of a 3% CIP to be set;
- The UHB to then produce a consolidated plan to include proposals to move towards financial sustainability.

ASSESSMENT AND ASSURANCE

Progress to date

The first cut of the Clinical Board Financial Plans have now been received. These are in the early stages of development and are a considerable way off being finalized. There is significant further work required to get these plans to an acceptable state and at this stage concentration is on 2018/19.

The key points to note in these first submissions are:

- The underlying deficit in the Clinical Boards are assessed as £4.5m with a further £1.5m identified new year cost pressures. This equates to circa £6m assessed local pressures that would need to be managed which is an additional 0.7% savings requirement.
- The total savings requirement is therefore 2.7% on average, with a range being from 2.00% in the Mental Health Clinical Board to 3.84% in the Dental Clinical Board.
- So far £12.9m savings equivalent to 1.49% have been identified. This should be treated with some caution however as of this amount £10.7m are red schemes and £2.2m are green and amber.
- The savings shortfall to deliver 2.7% (a 2% savings target and 0.7% pressures to manage) is currently 1.21%.

- Clinical Boards have identified growth pressures of £14.7m for which they will be expecting funding. This excludes pay inflation and in some areas growth in NICE drugs. This amount also excludes corporate pressures in commissioning, investments and contractual uplifts to primary care contractors.

Next Steps

It is recognized that this is the first cut of Clinical Board budget plan and that further work is needed to progress them to an acceptable level by March 2018. The immediate next steps in the process will be to have individual meetings with each of the Clinical Board's Head of Finance to:

- Review and scrutinize the assessed underlying deficit (given the projected surplus in 2017/18);
- Review and validate new year cost pressures;
- Assess progress, robustness and gaps in savings plans;
- Scrutinize growth assumptions, especially those areas which were successfully risk adjusted last year (CHC growth, NICE, prescribing).

The intention will then be to request a second submission of the Clinical Board plans to better inform the production of the UHB Draft IMTP.



Finance Risk Register	
Name of Meeting : Finance Committee	30 th November 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	

ASSURANCE AND RECOMMENDATION

The Finance Committee is asked to:-

- **NOTE** the risks highlighted within the risk register
- **ENDORSE** risks to be removed from register where optimum controls are in place

INTRODUCTION

This report highlights the Finance Risk Register risk categorisation as at 30th November 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 30 November 2017
Extreme Risk	20 - 25	1
High Risk	12 - 16	3
Moderate Risk	4 - 10	9
Low Risk	1 - 3	5

RECOMMENDATION

The Finance Committee are asked to endorse the removal of the following risks from the risk register where optimum controls are now in place:

Reference No.	Risk	Risk Score
Fin02/17	Deliver £13.0m recurrent CIP	2
Fin04//17	Deliver £10.2m non recurrent risk adjusted mitigating actions	2
Fin08/17	Incurring new development expenditure above or outside delegated budgets	2
Fin11/17	Birthrate plus compliance £0.1m	1
Fin12/17	WHSSC risk share £0.5m - £1.0m	2

SUMMARY

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

Categories	Reference No	Date Entered onto new C&D/R/HRB 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			Impact / Consequence	Likelihood							
Finance	Fix01/17	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 held budget holders to account.	2	2	Adequate but more Action Required		2	2	Nov-17	Assistant Director of Finance	Overall the risks are being managed but some Clinical Boards still have forecast operational overruns to manage.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix02/17	Apr-17	Deliver £13.0m recurrent CP	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	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	Nov-17	Assistant Director of Finance	Complete. £13.0m recurrent CIP identified.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix03/17	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	Adequate but more Action Required		2	2	Nov-17	Assistant Director of Finance	Good progress being made and the scale of risk is reducing.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix04/17	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. Risk of Worst Wires completed.	2	1	Optimum Controls/NFA Required		2	1	Nov-17	Assistant Director of Finance	Complete. Non recurrent opportunities identified.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix05/17	Apr-17	Deliver £2.7m recurrent Transformational opportunities	Challenge clearly communicated across the organisation. Monitored by the Transformation Board (H&MB) and supporting sub groups. £0.4m recurrent Transformation savings delivered to date. Shortfall being met by non recurrent, non transformational opportunities.	4	3	Adequate but more Action Required	The Transformation Board (H&MB) will report to the Management Executive.	3	3	Nov-17	Assistant Director of Finance	Part of the overall savings requirement which is now met. But this would support the recurrent position.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix06/17	Apr-17	Deliver RTT within £10.5m resources available	Fortnightly meetings chaired by the Chief Operating Officer. Monthly Financial Clearance Meeting.	3	2	Adequate but more Action Required	Monthly progress report to be received through performance review meetings.	3	2	Nov-17	Assistant Director of Finance	Additional resources secured should help reduce this risk.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix07/17	Apr-17	Winter pressures managed within £1.5m reserve	Winter plan for 2017/18 being developed for sign off by Management Executive.	3	3	Adequate but more Action Required	Progress report to be received through performance review meetings.	3	2	Nov-17	Assistant Director of Finance		Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix08/17	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	Optimum Controls/NFA Required	None	2	1	Nov-17	Assistant Director of Finance		Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix09/17	Apr-17	Commissioning Risks	Regular performance/LTA meetings with other providers/WHSSC and internal commissioning groups.	3	2	Adequate but more Action Required	Monitoring of position to ensure any management action required is identified.	3	2	Nov-17	Assistant Director of Finance		Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix10/17	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	3	Adequate but more Action Required	None	3	3	Nov-17	Assistant Director of Finance	To be managed within recurrent risk mitigation register.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix11/17	Apr-17	Bitrate plus compliance £0.1m	Not included within 2017/18 financial plan but is being managed within the resources available.	1	1	Optimum Controls/NFA Required	None	1	1	Nov-17	Assistant Director of Finance	Managed within investment register.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix12/17	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	1	Adequate but more Action Required	None	2	1	Nov-17	Assistant Director of Finance	Latest proposals contain no risk to the NHS. Awaiting this position to be confirmed.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix13/17	Jun-17	Identification of £15.0m additional actions as stretch plan to achieve £30.5m deficit position	Identified schemes developed, but further opportunities are required to manage emerging risks.	3	3	Adequate but more Action Required	Further review of budgets, forecasts and opportunities being undertaken. Further savings are being sought to offset emerging risks.	3	3	Nov-17	Assistant Director of Finance	£35m savings now identified.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix14/17	Sep-17	Funded nursing care increase resulting from supreme court judgement. Range £1m - £4m depending on scale of liability and backdating	Not included within 2017/18 financial plan or within the forecast position. The scale of risk should be limited shortly.	5	4	Adequate but more Action Required	Work in being coordinated across NHS Wales to determine liability and financial impact of decision. Funding will be sought from Welsh Government. If this is not available further savings will be required.	3	3	Nov-17	Assistant Director of Finance	This is affecting all LHDs across Wales and is a major financial risk.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix15/17	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	5	Adequate but more Action Required	Risk exposure to be managed by the Clinical Board.	2	5	Nov-17	Assistant Director of Finance	A 50% funding contribution is being sought from WHSSC.	Dec-17	The Board	Director of Finance	Finance Committee
Finance	Fix16/17	Sep-17	Drugs dispensed in primary care NCSO (No cheaper stock obtainable). £3.5m included within UHB forecast. This could now be as high as £5.2m if current costs continue until the end of the year.	Not included within 2017/18 financial plan but currently being managed by surplus growth monies available.	3	4	Adequate but more Action Required	The risk need to be reviewed on a monthly basis. If costs continue savings will be needed elsewhere to mitigate this risk.	3	3	Nov-17	Assistant Director of Finance	There is risk to the forecast position.	Dec-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.

	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

11.1

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

11.1

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 <u>not</u> meeting objective	<0.1 per cent	0.1-1 per cent	1 -10 per cent	10-50 per cent	>50 per cent

11.1

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