

FINANCE COMMITTEE MEETING
9.00am on 24th January 2018
Large Meeting Room, Headquarters, UHW

AGENDA

PART 1: ITEMS FOR ACTION		
1	Welcome and Introductions	<i>Oral - Chair</i>
2	Apologies for Absence	<i>Oral - Chair</i>
3	Declarations of Interest	<i>Oral – Chair</i>
4	Minutes of the meeting held on 3rd January 2018	<i>Chair</i>
5	Action Log	<i>Chair</i>
6	Financial Plans 2018/19 to 2020/21 6.1 - Financial Plan from Draft IMTP • Presentation	<i>Chris Lewis</i>
7	Benchmarking Opportunities	<i>Andrew Gough</i>
8	Finance Report as at Month 9	<i>Chris Lewis</i>
9	Cost Reduction Programme and Cross Cutting Themes	<i>Andrew Gough</i>
10	10.1 – Finance Risk Register (Word) 10.2 – Finance Risk Register (Excel)	<i>Andrew Gough</i>
PART 2: ITEMS TO BE RECORDED AS RECEIVED AND NOTED FOR INFORMATION BY THE BOARD		
11	Items to bring to the attention of the Board / other Committees	<i>Oral - Chair</i>
12	Date, time and venue of the next meeting of the Finance Committee: 2.00pm on Wednesday 28 th February 2018, Large Meeting Room, HQ, UHW	<i>Oral - Chair</i>

UNCONFIRMED MINUTES OF THE FINANCE COMMITTEE**HELD ON 3rd JANUARY 2018****LARGE MEETING ROOM, HQ, UHW****Present:**

Len Richards	Chief Executive
John Union	Chair (Finance Committee)
Dr Sharon Hopkins	Director of Public Health
Bob Chadwick	Executive Director of Finance
Ruth Walker	Executive Nurse Director
Steve Curry	Chief Operating Officer
Martin Driscoll	Director of Workforce
Charles Janczewski	Vice Chair
Andrew Gough	Assistant Director of Finance (Transformation & Planning)
Christopher Lewis	Deputy Director of Finance
Akmal Hanuk	Independent Member
Abigail Harris	Director of Planning
Michael Imperato	Independent Member
Fiona Jenkins	Director of Therapies
Graham Shortland	Medical Director

In Attendance:**Secretariat:**

Paul Emmerson	Finance Manager
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FC – 18/136 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/137 APOLOGIES FOR ABSENCE

Apologies were received from John Antoniazzi, Maria Battle, Susan Elsmore and Peter Welsh.

FC – 18/138 DECLARATIONS OF INTEREST

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

FC – 18/139 MINUTES OF THE FINANCE COMMITTEE HELD ON 30TH NOVEMBER 2017

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 30th NOVEMBER 2017.

FC - 18/140 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 30th November 2017 and **NOTED** the following:

FC 18/128 – The letter to Welsh Government of 12 July 2017 analysing key recent causes of the underlying deficit was relayed to Independent Members on 21.12.2017.

FC 18/130 – The WAO Report ‘Comparative review of NHS financial reporting – Cardiff and Vale University Health Board’ was circulated to Finance Committee Members on 08.12.2017.

FC 18/130 – The UHB wrote to WAO on the 05.12.2017 to confirm the actions taken in response to the WAO report; ‘Comparative review of NHS financial reporting – Cardiff and Vale University Health Board’.

FC 18/132 - Draft 2018/19 – 2020/21 Financial Plan was included on the Finance Committee agenda on the 3rd January 2018.

FC 18/132 - All Board Independent Members (IMs) and UHB Executive Officers were invited to the Finance Committee on January 3rd to consider the Draft 2018/19 – 2020/21 Financial Plan in the context of the IMTP.

FC 18/133 - Risks Fin02/17, Fin04/17, Fin08/17, Fin11/17 & Fin12/17 where optimum controls are now in place have been removed from the risk register.

FC - 18/141 FINANCIAL PLANS 2018/19 to 2020/21

The Deputy Director of Finance guided the Committee through a presentation on the UHB’s Financial Forecast and Outlook between 2018/19 to 2020/21.

The Committee was informed that UHB’s management executive had considered 8 different scenarios in developing the High Level Financial Plan for 2018/19 and was advised of the key assumptions around the b/f underlying deficit; allocation uplift, 2018/19 CIP and investments underpinning each of the scenarios.

A query (CJ) was raised regarding the probability of the UHB receiving its full allocation as assumed in 3 out of the 8 scenarios. The Committee was informed that the level of additional funding that Welsh Government will provide to the UHB in 2018/19 was uncertain as the 2018/19 cash letter issued on the 21st December 2017

had not allocated all of the additional investment of £230 million revenue funding provided for in the 2018-19 Draft Welsh Government Budget. The UHB did expect to receive some additional funding from the residual amount left with Welsh Government and it was noted that the cash letter had already applied additional Performance Improvement and Local Service Improvement funding to 2 out of the 7 Health Boards to reflect the recurrent effect of allocation uplifts issued in 2017-18.

The Chief Executive added that the UHB was working towards presenting Welsh Government with a realistic and workable plan that would move the UHB towards a balanced financial position over 3 years. The plan would clearly indicate the annual allocation uplifts that the UHB would require to deliver the plan.

The Deputy Director of Finance indicated that the UHB's management executive had dismissed 6 of the potential 2018/19 scenarios because either the year end deficits, the percentage level of savings or the level of investments were deemed too high. The 2 scenarios that the Executive Team considered best met the UHB objective of moving towards balance whilst maintaining levels of performance and patient safety were scenarios 4 & 8.

The Deputy Director of Finance advised the committee that modelling of Scenario 4 was based on the following key financial assumptions:

- B/F underlying Deficit to 2018/19 - £49.0m
- Assume allocation Uplift -2%
- Assumed recurrent CIP -3%
- Assumed non recurrent CIP -1%
- Annual Investments £4.3m

The modelling indicated that scenario 4 would deliver a £31.0m deficit in 2018/19, a £25.7m deficit in 2019/20 and a deficit of £16.8m in 2020/21. The Committee was advised that scenario 4 did not deliver financial balance in year 3.

The presentation then moved to consider scenario 8 and the Committee was informed that this scenario was based on the same assumptions as scenario 4 bar the 2% allocation uplift. Scenario 8 assumed that the UHB would receive its full share of the Welsh Government allocation uplift in 2018/19, 2019/20 & 2020/21. The Committee was advised that scenario 8 delivered a deficit of £19.7m in 2018/19, a deficit of £8.5m in 2019/20 and an in year financial surplus of £12.7m in year 3. The Committee was advised that the risk of the UHB not receiving the full allocation was c £11m per year.

In response to a query (CJ) raised around gaps in financial plans across Wales, the Chief Executive informed the Committee that only 3 Welsh Health Boards were currently forecasting a balanced position in 2017/18.

The committee chair (JU) asked if the assumption of receiving its full share of the allocation in 2017/18 incorporated additional funding for the differential rate of population growth observed in the Cardiff & Vale area. The Deputy Director of Finance confirmed that this was not included in the calculation and emphasized that at this stage the figures and assumptions should be seen as planning figures which would be subject to development and change. The Director of Operations noted that the impact of providing services to a population that was increasing by approximately 3,500 people on an annual basis had been factored into service requirements and that the additional funding requirement was in part required to meet the health needs of the projected increase in the population served.

A query (MI) was raised in relation to whether either scenario 4 or 8 would satisfy the statutory requirement to ensure that UHB expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years. The Committee was informed that without additional financial support from Welsh Government that neither scenario 4 or 8 met this requirement and that the UHBs accounts would be qualified if the UHB did not balance its position over a 3 year rolling period.

The Committee was asked (EB) why an option to achieve balance over a 3 year rolling period was not considered. The Committee was informed that the management executive had ruled out this option as this would require a level of savings in excess of 5% which evidence suggested would be both unsustainable and unachievable without a reduction to either level of service or patient safety. The Medical Director indicated that the proposed annual investment of £4.3m was relatively small and the Chief Executive added that both scenario 4 & 8 already placed pressure on established staff numbers going into 2018/19. The Chief Executive confirmed that the UHB would not pursue savings to the detriment of patient safety and the Nurse Director indicated that this approach had enabled the UHB to deliver in 2017/18 and establish an effective and mature relationship with Welsh Government.

The Chair asked when any reduction in established posts would materialise under scenario 8. The Chief Executive informed the Committee that changes in workforce numbers would be worked through each of the 3 years of the IMTP and that the detailed plans developed by Corporate Departments and Clinical Boards would be subject to scrutiny through the UHB's governance framework. **Any reduction in established posts would be included within the Final Draft of the UHB's 3 year IMTP which would be considered by the UHB Board before formal submission to Welsh Government.**

In response to a query (EB) on the delivery of savings at the earliest opportunity, the Director of Finance stated that the process of identifying future efficiencies and populating 2018/19 savings trackers had started in month 7 so that Corporate Departments and Clinical Boards were clear of their responsibilities in pushing the UHB towards recurrent financial balance.

The presentation moved on to consider the financial settlement identified by the 2018/19 cash allocation letter. The Deputy Director of Finance confirmed that the UHB had received an additional allocation of £13.2m out of the £230m uplift across Wales. However £4.6m had been top-sliced from the £13.2m to fund Welsh Government priorities leaving the UHB with an uplift of £8.6m (1.3%). The Committee was informed that Welsh Government had indicated that further funding would be made available for Mental Health Services and in response to a query (CJ) the Deputy Director of Finance indicated it was unclear at this stage what proportion of the funding would be allocated to the UHB.

The initial cash allocation letter indicated that Welsh Government had retained a significant amount of the additional £230m allocated to the NHS in Wales although additional allocations had been provided to Cwm Taf and Aneurin Bevan Health Boards for performance and service improvement. On this theme the Chief Executive suggested that the UHB's evolving track record of delivery should help to increase the level of confidence that Welsh Government has in the UHB which in turn should enable a transparent discussion on the additional resources required by the UHB to deliver the IMTP. The Director of Finance emphasised that the UHB must restrict investments to c £4.3m and commit to delivering the planned recurrent 3% and 1% non recurrent savings if it intended to request additional resources from Welsh Government to support the IMTP.

The Chair (JU) queried the timetable for agreement of the plan. It was agreed that a further draft would be brought back to the next Finance Committee and that an update would be provided at the next Board.

The Finance Committee:

- **NOTED** the work already completed and **AGREED** that scenario 8 should be worked up in detail and presented back to the Finance Committee on January 24th.
- **NOTED** that the outcome of the planned discussions at the Finance Committee on January 24th would inform the parameters for the IMTP to be presented to the Board in March

FC - 18/142 FINANCE REPORT AS AT MONTH 8

The Deputy Director of Finance presented the UHB's financial performance to month 8. The UHB recorded a £20.444m deficit at the end of month 8 and remained on track to stay within the planned year end deficit of £30.900m.

The risks in respect of NHS funded nursing fees had not changed in month and were still assessed at approximately £3.6m. The risk associated with NCSO drug concessions had diminished in month.

The favourable budget management variance had increased in month although the overall deficit at month 8 was still broadly in line with the plan being made up as follows:

- (£0.156m) favourable budget management variance
- £20.600m planned deficit (8/12th of £30.900m)

Performance against income targets remained favourable.

A £1.487m cumulative month 8 pay underspend and in month underspend of £0.124m was reported. Pressure against nursing budgets remained and whilst the overall trend suggested a move towards balance there was an overspend against in month and year to date nursing budgets.

A cumulative overspend of £1.610m and an in month overspend of £0.094m was reported against non-pay budgets in November. The Committee was informed that the risks around NCSO drugs and cost of outsourcing the neuro-interventional radiology service remained. In month pressures had been observed against establishment expenses and this was offset by an underspend against energy budgets.

All Clinical Boards bar CD&T remained on track to deliver a balanced year end. The CD&T Clinical Board was working to deliver the best possible position in light of the additional costs arising from the outsourcing of the neuro interventional radiology service. The Committee was informed that delivery of financial balance by the Women and Children Clinical Board was subject to hitting NICU activity target thresholds in order to secure agreed levels of funding from WHSCC.

The Deputy Director of Finance referred the Committee to table 14 of the report which indicated that the UHBs underlying financial position had not improved in month.

It was reported that Welsh Government had confirmed £29.389m strategic cash support to the UHB for 2017/18 and that the UHBs request for working balances cash assistance had been noted and that the level of support to be provided would be confirmed later in the year.

Public Sector Payment compliance had improved in month and the key concerns and remedial actions around budget overspends, financial risks and the underlying deficit were outlined to the Committee.

A number of queries in respect of the report were raised as follows:

- It was noted that an underspend of £4.8m was reported against the Capital Resource Limit at month 8. In response to a query (EB) on the likely year end position and the risk of a significant underspend the Deputy Director of Finance confirmed that the UHB expected expenditure against the capital resource limit to be broadly balanced at year end

- A query (CJ) was raised in respect of the RAG rating of the in year reduction in the underlying deficit which was marked as amber in month and for the year to date. The Deputy Director Director of Finance indicated that an amber score had been registered as there was no adverse movement in month and that there was still an expectation that the underlying deficit c/f into next year would be lower than the level b/f to 2017/18.
- A query (CJ) around the adequacy of the bad debt provision in for the Compensations Recovery Unit was raised. The Deputy Director of Finance confirmed that the UHB used a local rate subject to regular review. The local rate was higher than the nationally recommended rate.
- In response to a query (CJ) about progress on manpower planning the Director of Workforce confirmed that plans would be considered at either the February or March Resource and Delivery Committee.
- The Deputy Director of Finance agreed to inform the next Finance Committee of action to improve the budget performance against establishment and telephone expenses in response to a query (CJ) raised about what remedial action was planned.

ACTION: DEPUTY DIRECTOR OF FINANCE

- In response to a query (CJ) on progress in securing additional income for the outsourced neuro interventional radiology service, the Deputy Director of Finance confirmed that whilst limited progress had been made in month, discussion with WHSSC was continuing. The Chair (JU) questioned whether this issue would run into 2018/19 and assurance was provided that any impact in 2018/19 would be relatively small given that the in house provision of the service had been re-established.
- In response to a question (CJ) the Deputy Director of Finance confirmed that the increase in trade receivables was linked to monies expected from the Welsh Risk Pool which in turn was matched by an increase in the UHB's provision for contributions to the Welsh Risk Pool.

LIMITED ASSURANCE was provided by:

- 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 8 position which is broadly on line with the profiled deficit within the financial plan;
- The identification of a full £35m savings programme.

The Finance Committee:

- **NOTED** that the UHB has a one year operational plan that has a planned deficit of £30.900m for the year;
- **NOTED** the £20.444m deficit at month 8 which includes a planning deficit of £20.600m and budget underspends of (£0.156m);

- **NOTED** that the UHB now has a savings plan that is fully identified;
- **NOTED** the key risks that are outside the current expenditure projection that need to be managed;
- **NOTED** that the UHB will continue to inform Welsh Government of cash assistance requirements through the monthly monitoring return

FC - 18/143 Cost Reduction Programme

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

- As at 30th November 2017, a full savings programme of £35.001m remained in place. The programme was being delivered evenly over the course of the year as indicated by the graph of the delivery profile included within the written report.
- Cross Cutting schemes continued to progress the development of savings with buy in and momentum from Clinical Boards. It was hoped that the number of themes could be extended in 2018/19
- As at 11th December 2017, £3.220m of 2018/19 opportunities had been identified as Green or Amber.

The Finance Committee:

- **NOTED** the progress against the 2017/18 CRP target and the Cross Cutting contribution.
- **NOTED** the progress against the 2018/19 CRP target.

FC - 18/144 RISK REGISTER

The Assistant Director of Finance (Transformation & Planning) presented the risk register to the Finance Committee and highlighted that the risk associated with NCSO concessions had fallen to £1.4m in month.

The Committee was asked to endorse the removal of 5 risks from the risk register where optimum controls are in place

The Finance Committee:

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

- **ENDORSED** risks to be removed from register where optimum controls are in place.

FC - 18/145 Any Other Business

A question (CJ) was raised in respect of the pursuit of recurrent transformational opportunities. The Director of Public Health confirmed that the Health Services Management Board (HSMB) had 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 dedicated section on transformation at the beginning of each agenda. Management Executive could expedite decisions coming out of the transformation Board if required.

A query (CJ) was raised in respect of the timetable for determining the liability for NHS Funded Nursing Care. The Director of Finance indicated that Welsh Government had set up a Task and Finish Group which was expected to confirm the final position before year end.

A further query (CJ) was raised in respect of UHB contingency plans for NCSO price concessions. The Medical Director stated that price concessions were agreed by the Department of Health and were difficult to predict. The UHB had no direct influence over the approval of a concession. In the event of a long term price concession, the UHB would ask the medicines management group to consider alternatives.

The Nurse Director conveyed apologies for absence for the next planned meeting.

FC - 18/146 Items to bring to the attention of the Board/Other Committees

No other items to bring to the main Board.

FC - 18/147 Date and time of next meeting

Wednesday 24th January; 9.00am; Large Meeting Room, HQ, UHW

FINANCE COMMITTEE

ACTION LOG FROM 3rd JANUARY 2018

MINUTE	DATE	SUBJECT	AGREED ACTION	ACTIONED TO	STATUS
FC 18/1142	03.01.18	Month 8 in month overspend against Establishment Expenses	To inform the next Finance Committee of action to improve the budget performance against establishment budgets particularly in relation to postage and telephone expenses.	Deputy Director of Finance	The month 8 in month overspend of £0.105m against establishment expenses was turned around to an underspend of £0.043m in month 9. Part of the month 8 overspend against telephone was offset and managed by underspends against other delegated budgets. Postage budgets reported a small underspend in month 9.

FINANCIAL PLAN

Introduction and Background

The UHB was not in a position to have its three year IMTP approved in 2016/17 and in 2017/18. The primary reason for this being that the UHB was unable to produce a plan that either met its statutory breakeven duty over a three year period or made sufficient progress into delivering financial sustainability by having a recurrently balanced financial plan. The UHB has since worked with Welsh Government to agreed one year operational plans for 2016/17 and 2017/18.

The operational plan for 2017/18 is to achieve a year end out-turn position of a £30.9m deficit, whilst maintaining the quality and safety of services and delivering upon agreed performance measures. At January 2018, the UHB is fully on course to deliver its financial plan for 2017/18 which requires the identification and delivery of £35m efficiency savings and further increases in clinical productivity to deliver performance targets.

The financial environment in which the NHS Wales has been operating has been extremely challenging for a number of years. The UHB has had to make significant efficiencies to offset inflationary and other service pressures. The resource releasing efficiencies made by the UHB in recent years is summarised in the following table.

Cash Releasing savings made 2014/15 to 2017/18

	Actual 2014/15	Actual 2015/16	Actual 2016/17	Forecast 2017/18
Savings made	£28m	£21m	£23m	£35m
% saving of relevant baseline	3.4%	2.6%	2.7%	4.0%

These savings reflect reasonable progress made in mitigating financial risks faced by the UHB. Notwithstanding delivery of these savings, the UHB has not been financially stable over this period. A summary of financial performance is summarised in the following table.

Financial Performance 2014/15 to 2017/18

	Actual 2014/15	Actual 2015/16	Actual 2016/17	Forecast 2017/18
Out-turn position deficit/(surplus)	£21.4m	£(0.01)m	£29.2m	£30.9m

Note: The UHB managed to break even in year in 2015/16 but only after £26.5m of non-recurrent funding provided by Welsh Government

This clearly shows that the UHB has struggled to deliver an annual financial balanced position. In the new finance regime, there is a statutory duty to break even over a three year period and have an IMTP that is approved by Welsh Government. The first three years of this new finance regime came into effect in the year ended March 2017. On both counts the UHB will breach its statutory financial duty in 2016/17 and 2017/18.

The UHB has had a significant in year and underlying deficit for a number of years that it has not been able to eradicate. A key objective of the UHB is to tackle this unacceptable financial position, to be in a position to have an approvable IMTP and to restore ongoing financial balance and financial sustainability as soon as possible. This plan sets out ambitions to deliver upon this objective.

Overview of the Financial Plan

The Financial Plan sets out the financial strategy of the UHB which supports delivery of the service improvements outlined for 2018/19 – 2020/21. In addition, the UHB aims to meet its own key financial objectives of improving its in year financial position, reducing its accumulated underlying deficit and restoring in year and recurrent financial balance. This will provide the UHB with a significant financial challenging over the period of the plan.

The overall ambition is to submit an IMTP that can be approved, and that demonstrates compliance against high level key performance indicators which builds upon good performance in 2017/18. In terms of financial sustainability, the UHB is on track to achieve its forecast of a £30.9m deficit and reducing its accumulated underlying financial position by £5.5m. The

IMTP aims to deliver improved levels of efficiency alongside improved and sustained delivery against performance standards. In terms of efficiency, the UHB will be setting a target at the top end of delivery (3% recurrent in 1% non-recurrent in 2017/18) and will need to limit any investments to those unavoidable items to address sustainability and safety issues.

To achieve the further improvements in the underlying financial position and provide a financially sustainable IMTP that can be approved, there is a need for additional Welsh Government financial support to deliver improved performance in light of increased local and regional demand.

The Financial Plan aims to:

- Deliver in year financial surpluses;
- Reduce its underlying deficit year on year;
- Achieve in year financial balance in 2020/21 and recurrent balance thereafter.

The following key assumptions are currently being used in the plan:

- The UHB will not be required to make good any of its prior year deficits and this will need to be confirmed with Welsh Government;
- There will be no material loss of income from SIFT and other education budgets due to the creation of HEIW and revisions to commissioning arrangements;
- The commissioning approach from WHSSC and neighbouring LHBs does not financially destabilise the UHB;
- The UHB can manage to deliver expected performance levels within the budget set.

Resource Planning Assumptions

Underlying Deficit

The UHB started 2017/18 with a £54.5m carried forward accumulated underlying deficit as set out below.

2016/17 Accumulated Underlying Deficit

	2016/17 £'000
Operational planned deficit	22,000
Plus non recurrent savings	7,400
Plus RTT performance funding	10,500
Recurrent planned deficit	39,900
Recurrent CIP shortfall	14,633
2016/17 c/f accumulated underlying deficit	54,533

In 2017/18, upon request from Welsh Government, the UHB did a transparent forensic analysis on the main causes that have led to this accumulated deficit. In essence this represents both planned deficits which reflects planning to operate outside of the resources available and the non-delivery of financial plans. Some of the financial drivers for this have been:

- Non delivery of recurrent CIPs as set out in plans (which underpinned recurrent spending decisions);
- 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 recognised these weaknesses and its 2017/18 financial plan aimed 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 underlying financial position.

The UHB recognises its responsibility in tackling its accumulated deficit and has maintained the principles set out above in this three year Financial Plan.

The UHB worked closely with the Welsh Government in 2017/18 to agree a one year operational plan that would deliver an end of year position that was no worse than the 2016/17 forecast which was a deficit of £30.9m. In order to deliver this, the UHB developed a risk adjusted plan that was further stretched by £15m. The UHB is on track to deliver this target, but has only been able to do so with the assistance of a large number of significant non recurrent opportunities e.g. profits from the sale of West Wing. The latest assessment of the 2017/18 c/f accumulated deficit is shown in the following table.

2017/18 Accumulated Underlying Deficit

	2017/18 £'000
Operational planned deficit	30,900
Plus non-recurrent mitigating actions as contained in plan	10,194
Plus other non-recurrent opportunities to deliver stretch target	13,488
2017/18 accumulated deficit as at January 2018	54,582
Further recurrent savings schemes being pursued	(5,582)
2017/18 c/f accumulated underlying deficit	49,000

This shows that at January 2018, the UHB has broadly maintained its accumulated deficit at £54.5m. The UHB however recognises its responsibility to apply downward pressure on this and is pursuing an additional £5.5m recurrent schemes in 2017/18 to reduce the carried forward amount to £49m. The table below shows the carried forward accumulated deficit for the last three years which demonstrated that the UHB has now stabilised a deteriorating position. It also contains the proposals set out in this plan to address this and to restore financial sustainability.

Accumulated Underlying Deficit 2015/16 – 2019/20

	2015/16 Actual £m	2016/17 Actual £m	2017/18 Planned £m	2018/19 Planned £m	2019/20 Planned £m
c/f accumulated underlying deficit	26.7	54.5	49.0	30.4	11.7

Income Assumptions

The Welsh Government has issued Health Board revenue allocations for 2018/19. This sets out the levels of allocation growth available to meet new inflationary and cost growth pressures in 2017/18. A summary of the income growth assumed for 2018/19 is set out below.

Estimated Net Income Growth 2018/19 – 2020/21

	2018/19 £'000	2019/20 £'000	2020/21 £'000
HCHS	11,532	20,935	15,147
GMS / GDS	1,700	1,700	1,700
LTA income @ 2%	4,520	4,520	4,520
Net I2S repayments and other adjustments	2,219	(840)	130
Sub total	19,971	26,315	21,497

The key points to note are:

- The revenue resource limit growth on HCHS funding equates to a 2% uplift plus a ring fenced uplift for Mental Health services. Growth on HCHS has been allocated to meet pay and non-pay inflationary pressures. This amount has been top sliced in 2018/19 to meet agreed national developments, the resultant effect being a net uplift of 1.3%. The full year effects of this have been incorporated into the expected net allocation uplift in 2019/20.
- It is assumed that further allocations will be made for GMS and GDS services to meet contract agreements and income growth in this area which is matched by estimated cost growth;

- The UHB is assuming that commissioners will pass onto providers appropriate funding for pay and non-pay inflation. The UHB is assuming a 2% LTA uplift for this, in line with its allocation growth;
- The UHB is assuming that any changes to employers pensions contribution in 2019/20 will be met by an additional revenue allocation. This is assessed as a potential £6.3m pressure.

In addition to this the UHB is seeking additional Welsh Government support in order to produce an approvable IMTP that will bring the UHB back into financial balance. This additional support requested is set out in the following table.

Additional Welsh Government Support Requested 2018/19 – 2020/21

	2018/19 £'000	2019/20 £'000	2020/21 £'000
Annual population Growth	4,500	4,500	4,500
Additional Welsh Government Support	11,000	11,000	0
Total Welsh Government Support	15,500	15,500	4,500

The UHB is seeking annual support of £4.5m per annum for future population growth and this is based upon an assessment of the growth in population and its consumption of resources, both in primary and in secondary care. It is envisaged that this will be addressed going forward through the capitation formula review planned for 2019/20.

In addition, the UHB is requesting £11m strategic support in 2018/19 and 2019/20 in recognition of the UHB commitment to improving its financial position through accepting an efficiency target at the top end of delivery whilst driving forward improved performance against key indicators.

Cost Pressures

The UHB has worked through its initial assessment of its inflationary and demand pressures for 2018/19 – 2020/21. The UHB has used the best information available locally to assess these pressures and this has then been sense checked back to the All Wales National Cost Assessment work that was done in 2016. The following table shows the assessment of new income and expenditure cost pressures in 2018/19 – 2020/21.

Assessed Cost Pressures 2018/19 – 2020/21

National and Local Cost Pressures	2018/19 Cost £'000	2019/20 Cost £'000	2020/21 Cost £'000
Pay Inflation	6,239	6,239	6,239
Pensions Costs	0	6,289	0
Non pay Inflation and statutory compliance	1,213	900	800
GMS and GDS	1,700	1,700	1,700
NICE and New High Cost Drugs	3,000	3,000	3,000
Continuing Health Care	6,077	6,077	4,554
Funded Nursing Care	2,947	1,997	174
Prescribing	0	1,500	1,500
Velindre Cancer Centre	1,200	1,200	1,200
Specialist Services	4,000	4,000	4,000
LTA Uplift (2% assumed)	2,520	2,520	2,520
Welsh Risk Pool	750	750	750
Total National Cost Pressures	29,646	36,172	26,437
Income reductions	700	500	400
Local cost pressures	3,000	3,000	3,000
Total Local Cost Pressures	3,700	3,500	3,400
Total	33,346	39,672	29,837

Over the three year period 2018/19 – 2020/21 new national and local inflationary and growth pressures are assessed as £33.3m, £39.7m and £29.8m respectively. These assessed costs place a significant pressure on the UHB and local cost assessments for 2018/19 have been reviewed and curtailed to minimize requirements on funding and impact upon the financial plan.

The following assumptions should be noted:

- A 1% wage award has been assumed for each financial year;
- There are anticipated increases in employers pensions contributions in 2019/20;
- GMS / GDS growth costs are expected to be matched by additional resource allocation;
- NICE and high cost drugs growth has been capped at £3m for each year;
- The local assessment of Continuing Health Care and Funded Nursing care growth costs has been reduced by £2.250m in 2018/19;
- FNC costs in 2018/19 an 2019/20 contain £1.8m in each year for the impact of the Judicial Review;
- CHC costs in 2018/19 an 2019/20 contain £1.5m in each year for the impact of retrospective claim settlements
- The local assessed cost of prescribing growth in 2018/19 has been reduced by £3.2m to nil on the assumption that the exceptional costs of NCSO will not be reoccurring and that category M drug savings made in 17/18 will be recurring;
- Velindre and specialist services commissioning costs are best assessments at this stage;
- In line with income assumptions, the UHB is assuming increases costs of LTA uplifts of 2%;
- The UHB is anticipating further income reductions across LHB commissioners, R&D and SIFT.

Whilst this cost assessment it is seen as a robust for planning purposes, a further review is planned for medicines, continuing healthcare and commissioning costs as these are both significant and most variable. The aim being to avoid cost increases wherever possible. It should be recognized however than curtailing the amounts being provided for growth does represent a financial risk that the UHB will need to manage.

Investments

The UHB has agreed to limit revenue investments to a total of £4.3m (0.5%) in each of the next 3 years to cover unavoidable issues of sustainability, safety or longer term “invest to save” requirements.

The following table represents potential 2018/19 investments following phase 1 scrutiny of investment proposals.

2018/19 Investment Proposals

Investment Proposal	£'000
IM&T – Electronic prescribing and medicines Admin (EPMA)	150
IM&T – E-advice	40
IM&T – Clinical pathways	215
IM&T – Cyber security	120
RTT – growth	1,000
RTT – 26 weeks	1,000
Birth rate plus	728
Nurse Staffing Level Wales Act 2016	1,817
Flu vaccine recommendations	228
GMS sustainability	210
Day of surgery admission (DOSA)	91
ENT – emergency / elective redesign	100
Air tube system	77
Point of Care Testing (POCT)	124
Obstetrics standards compliance	40
Orthodontic provision	70
Cancer single pathway	75
Non-Invasive ventilation service (NIV)	205
Total	6,290

Given that current investment proposals total £6.290m, there will be some very difficult choices to be made and these will need to be fully considered by the Board.

Efficiency Plan

The UHB needs an ambitious IMTP that pushes the organisation to deliver improved levels of efficiency alongside improved and sustained delivery against standards increasing the value that is derived from the resources available for the Cardiff and Vale population.

We are aiming to set our efficiency target at the top end of delivery through the 2018/21 IMTP with a recurrent cash out CIP of 3% and a non-recurrent cash out of 1% in year 1 and year 2 followed by 2% recurrent and 1% non-recurrent cash out in year 3.

Summary of Savings Targets 2018/19 – 2020/21

Savings Targets	2018/19 £'000	2019/20 £'000	2020/21 £'000
3% cash out recurrent	25,335	25,335	16,890
1% cash out non-recurrent	8,455	8,455	8,455
Total Savings Plan	33,790	33,790	25,345

All budget holders will need to deliver the CIP requirement and manage any brought forward operational pressures and CIP shortfalls from 2017/18. If brought forward operational pressures cannot be managed down, they will add to their savings requirement.

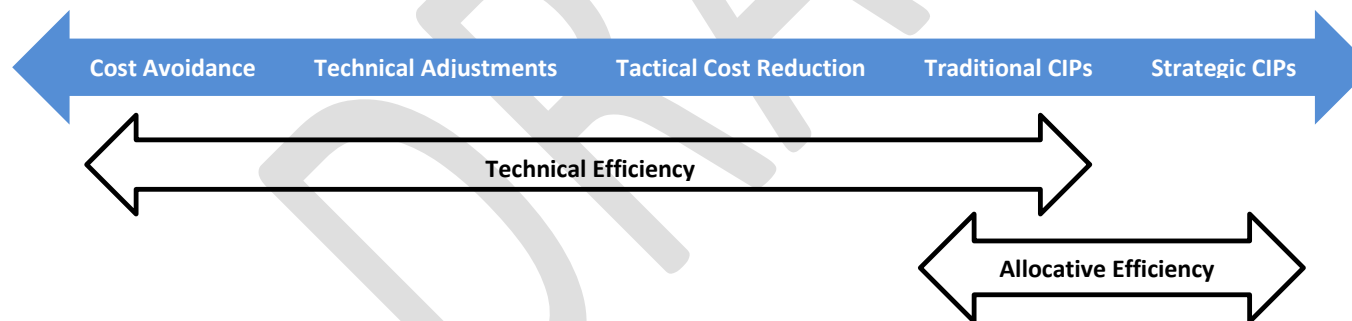
The identification of savings and the delivery of the target will be the responsibility of budget holders. To support this, the UHB is progressing a number of cross cutting savings schemes through the Cross Cutting Steering Group led by the

Director of Finance and supported by the Programme Management Office (PMO) through a formal programme management structure. Each work stream is led by an Executive Director with project management and finance support.

The Cross Cutting Steering Group has been successful in delivering of cash out savings throughout 2017/18 and the following themes are being pursued in 2018/19:

- Medical productivity
- Medicines management (primary and secondary care)
- Nursing productivity
- Procurement
- Workforce productivity
- Efficiency opportunities (collating, verifying and progressing at pace all efficiency opportunities from both internal and external sources including the National Efficiency Framework)

In order to drive the maximum value through the CIP Programme we will aim to balance all of our initiatives delivering technical and allocative efficiencies:



The UHB has been successful in 2017/18 delivering a £35.0m (4%) savings program through:

- Cost avoidance:** The scale of the challenge needs to be minimised by cost avoidance principles, applying rigor and scrutiny to investment proposals and cost pressures.
- Technical adjustments:** Reviewing departmental budgets and expenditure trends with budget holders ensuring appropriate and jointly agreed budget allocation.
- Tactical cost reduction:** Improving the cost base through “grip and control.” Embedding existing governance and performance practices across the organisation from “Board to ward level”.
- Traditional CIPs:** External benchmarking and internal analysis supported through the Cross Cutting Steering Group analysing performance, productivity and utilisation across all areas of workforce, medicines management and procurement driving cash out savings.

Tactical and traditional savings will be insufficient to address the UHB’s financial challenge. If the UHB is to continue to deliver required levels of savings over the next 3 year period **Strategic CIPs** will need to form a significant part of the financial plan. This will involve implementing new models of care and the redesign of existing care pathways to reduce the cost base whilst improving quality of service and patient value.

The UHB Transformation Programme launched in 2017/18 builds on the work of the UHB Bold Improvement Goals (BIG) Programme and is supporting the delivery of strategic CIPs. A learning alliance with Canterbury and other health systems will also support the challenge of reshaping our services enabling the UHB to respond to service and financial pressures.

External benchmarking coupled with internal assessment and validation has generated a long list of over 60 potential projects. Cash out priority opportunities with an indicative range of between £7.5m - £10.0m are listed in the table below.

Efficiency Opportunities

Opportunity
Emergency LOS general and geriatric medicine
Level 3 inpatient nursing and medical model
Improvement of Trauma pathway
Decrease elective LOS
Outpatients – productivity variation
Outpatients – targeted reduction in DNA rates
Outpatients – targeted reduction in follow-up rates
Physiotherapy – follow and productivity rate improvement
Theatres – continued reduction in cancelled ops
Theatres – session utilisation
Theatres – productivity
Optimising Outcomes for Patients (OOPs)

It is important that whilst these themes and opportunities are progressed additional schemes continue to be assessed and validated.

The organisation is clear that lasting transformation will require relentless hard work of local operational redesign through multidisciplinary teams. Major change and recurrent cash out savings will come from an aggregation of marginal gains across each of the work streams.

As described above a number of work streams are under way in developing tactical, traditional and strategic CIP schemes across the UHB. The indicative high level break down by savings category is shown below:

CIP Summary 2018/19 – 2020/21

Savings Category	2018/19 £'000	2019/20 £'000	2020/21 £'000
Continuing Care and Funded Nursing Care	2,500	2,500	2,500
Commissioned Services	1,000	1,000	1,000
Medicines Management (Primary and Secondary Care)	4,000	4,000	4,000
Non pay	14,790	9,290	11,845
Pay	11,000	16,500	5,500
Primary Care	500	500	500
Total	33,790	33,790	25,345

This indicative high level breakdown by category is subject to change as schemes are finalised and plans are approved.

Weekly progress is being monitored through the UHB CIP tracker with an ambition to have 90% of schemes in place by 31st March 2018.

Financial Summary

A summary of the Financial Plan for 2018/19 – 2020/21, including the key cost drivers is shown in the following table.

Financial Plan Summary 2018/19 – 2020/21

	2018/19		2019/20		2020/21	
	£'000	£'000	£'000	£'000	£'000	£'000
Prior Year Financial Plan (surplus)/deficit		30,900		21,918		3,273
Plus non-recurring items from the previous year		18,100		8,455		8,455
B/f Underlying Position (surplus)/deficit		49,000		30,373		11,728
Net Income Growth	(19,971)		(26,315)		(21,497)	
Additional Funding Assumed	(15,500)		(15,500)		(4,500)	
		(35,471)		(41,815)		(25,997)
National and Local Cost Pressures	33,346		39,672		29,837	
Population Growth Cost Pressures	4,500		4,500		4,500	
Investments	4,333		4,333		4,333	
Total Cost Pressures		42,179		48,505		38,670
Less non-recurrent efficiency savings	(8,455)		(8,455)		(8,455)	
Less recurrent efficiency savings	(25,335)		(25,335)		(16,890)	
		(33,790)		(33,790)		(25,345)
In Year Financial Plan (surplus)/deficit		(27,082)		(27,100)		(12,672)
Planned (surplus)/deficit		21,918		3,273		(944)

This shows that the UHB's draft plan aims to deliver in year surpluses over the three year period to offset the brought forward underlying deficit of £49m. This results in a deficit of £21.9m in 2018/19, £3.3m in 2019/20 and a surplus of £0.9m in 2020/21.

A summary of the planned UHB income and expenditure from 2018/19 to 2020/21 is summarised in the following table.

Income and Expenditure Summary 2018/119 – 2020/21

	Annual Plan 2018/19	Annual Plan 2019/20	Annual Plan 2020/21
Income	£'000	£'000	£'000
Revenue Resource Limit	(908,632)	(946,708)	(968,185)
Other income	(402,323)	(406,343)	(410,463)
Total Income	(1,310,955)	(1,353,051)	(1,378,648)
Expenditure			
Pay	576,452	578,044	583,566
Primary Care Contractor Services	157,505	160,772	164,039
Primary and Secondary Care Drugs	147,290	148,323	149,356
Services Provided by Other NHS bodies	171,276	177,996	184,716
Continuing Care and Funded Nursing Care	67,549	73,123	75,351
Other	212,801	218,066	220,676
Total Expenditure	1,332,873	1,356,324	1,377,704
Forecast (Surplus)/Deficit	21,918	3,273	(944)

The ambition of the UHB is to have an approved IMTP. This financial plan sets out how the UHB intends to return to financial balance over a three year period. To do this it will need to generate efficiencies which are at the top end of

delivery and curtail investments and cost pressure funding. In return for this ambitious plan the UHB is looking for Welsh Government financial support to enable the UHB to continue to deliver its performance objectives whilst moving towards and achieving financial sustainability by 2020/21. The UHB will need to work closely with Welsh Government in securing support for this plan and in ongoing assurances on delivery.

Shifting Resources From Acute to Primary and Community Care Settings

The UHB continues with its ambition to move services and funding from hospital services to community and primary care with the aim of providing safe and sustainable services closer to home with its design principle being home first. A major theme of the Operational Plan is a focus on community and primary care and shifting of care settings. The UHB has set out its plans to develop and enhance community and primary care services and with assistance from Welsh Government targeted investment has made considerable progress in this area in 2015/16 - 2017/18. This will be built upon during the period of this plan where there will be further progress in the transfer of care settings closer to home e.g. virtual outpatient clinics.

Cash flow

An analysis of the prior year and forecast projected cash flow is shown in the following table.

Cash Flow Analysis 2017/18 – 2020/21

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Receipts:				
WG Revenue Funding	903,688	908,632	946,708	968,185
WG Capital Funding	40,965	47,950	29,340	15,800
WG Cash support required	32,722	22,000	3,000	0
Other (incl Non Cash limited)	494,314	518,729	522,749	526,869
Total Receipts	1,471,689	1,497,311	1,501,797	1,510,854
Payments:				
Revenue	1,310,332	1,332,873	1,356,324	1,377,704
Capital	44,951	47,950	29,340	15,800
Other	116,406	116,406	116,406	116,406
Total Payments	1,471,689	1,497,229	1,502,070	1,509,910
Net Cash Inflow / outflow	0	82	-273	944
Bank & Cash B/F	881	881	963	690
Bank & Cash C/F	881	963	690	1,634

The important points to note are:

- The UHB will be seeking cash support of £22m in 2018/19 and £3m in 2019/20 to mitigate against the impact of its planned deficits;
- The capital payments and receipts are based upon current plans and will change as future capital allocations are agreed.

Financial Risks

The UHB is facing a number of financial risks in the delivery of this Financial Plan. The key risks for are set out below:

- **Securing IMTP approval** – Whilst this plan does not break even over the three year period 2018/19 – 2020/21, it does restore financial balance. On this basis the UHB will be seeking IMTP approval from Welsh Government. A fundamental component of this plan and its approval is the financial support requested from Welsh Government and further discussions will be required in order to progress this.
- **Achievement of the efficiency plan target** – the CIP target is at the top end of what is achievable. The UHB will need to give this concerted attention in order to ensure delivery. This will be supported by the Cross Cutting Steering Group and the Programme Management Office.
- **Management of Cost Pressures** – the UHB will be expecting its budget holders to manage all carried forward and unfunded cost pressures within the totality of resources delegated to them. This was successfully achieved in 2017/18 but does pose a risk, especially given the scale of efficiencies being sought. Similarly the containment of growth pressures in continuing healthcare, medicines and commissioning is also a financial risk that will need ongoing attention in order to contain costs within allocated resources.

As highlighted in this section of the Plan, there are a number of financial risks that could impact upon the successful delivery of this plan. The Health Board recognises this and is taking appropriate actions in order to ensure that risks are appropriately managed and that financial opportunities to support mitigation are fully explored.

Benchmarking Financial Opportunities	
Name of Meeting : Finance Committee	Date: 24 th January 2018
Executive Lead : Executive Director of Finance	
Author : Assistant Director of Finance 02920 746289	
Caring for People, Keeping People Well: This report summarizes financial benchmarking opportunities supporting the UHB to deliver service priorities, maximise patient outcomes whilst maintaining the sustainability of services.	
Financial impact: Support the delivery of 3% recurrent and 1% non-recurrent savings in line with 3 year IMTP financial planning assumptions 2018/19 – 2020/21	
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 benchmarking work already undertaken in supporting delivery of the financial plan
- **NOTE** next steps in driving further financial savings opportunities

SITUATION

This report summarizes potential opportunities arising from financial benchmarking performance from external sources and internal analysis in supporting the UHB in delivering a 3% recurrent and 1% non-recurrent saving in each year over the next 3 year IMTP cycle.

BACKGROUND

The UHB has been successful in 2016/17 delivering a £35.0m savings program through:

- **Cost avoidance** – reducing cost pressures on the bottom-line. Understanding the root cause of the pressure and taking corrective actions.
- **Technical adjustments** – reviewing departmental budgets and expenditure trends with budget holders ensuring appropriate budget allocation.
- **Tactical cost reduction** – improving the cost base through “grip and control.”
- **Traditional CIPs** – Supported through the cross cutting steering group analyzing performance, productivity and utilisation across all areas of workforce, medicines management and procurement.

If the UHB is to continue to deliver required levels of savings over the next 3 year period **Strategic CIPs** will need to form a significant part of the financial plan. This will involve new models of care and redesign of existing care pathways to reduce the cost base whilst improving quality of service and patient value.

Benchmarking from external sources coupled with more refined internal evaluation and analysis will support the delivery of both traditional and Strategic CIPs.

EXTERNAL BENCHMARKING

In order to support CIP identification over the next 3 year IMTP cycle the Health Board has gathered performance and benchmarking data from external sources including Welsh Government, EY, GE, National benchmarking and CHKS. The data describes where the UHB is an apparent outlier and suggests that we have a number of high value opportunities.

The high value opportunities and sources are listed below are not exhaustive but a sample of potential opportunities:

Source: **EY Acute Benchmarking & Opportunity Analytics September 2016**

Opportunity	Potential Opportunity £'000
Beds - length of stay	3,600
Beds - long stay patients	
Theatres - improving utilisation	700
Outpatients - reducing DNA appointments	700
Outpatients - improving first to follow up appointments	
Procedures of limited value	800

Opportunity based on EY Performance Optimisation methodology using UHB 2016 data to benchmark performance against an agreed English peer group for key metrics across beds, theatres and outpatients. The analysis was limited to the two acute sites of UHW and UHL. Potential financial opportunities were risk adjusted up to 50%.

Source: **WG Improving Efficiency and Productivity within NHS Wales 2015/16 baselines**

Opportunity	Potential Opportunity £'000
Elective average length of stay	7,950
Daycases as a % of all elective cases	3,030
Operations on same day efficiency savings	1,860
Elective casemix average length of stay	950
Elective admissions with no procedure	836
New outpatient DNA rates	823
Follow-up outpatients DNA rates	2,167
Emergency average length of stay	12,980
Long stay bed reductions	19,607
Emergency casemix average length of stay	2,453

Opportunity derived from comparing All Wales data across Health Boards excluding Powys and financial impact if “Best in Class” performance was delivered using 2014/15 WCR 1 bed day tariff.

INTERNAL BENCHMARKING

Further internal analysis of our own and peers’ benchmarking data through CHKS and Albatross has also been undertaken to:

- Exclude variation as a direct result of significant differences in data capture
- Identify areas of most significant variation
- Undertake analysis to identify drivers of variation

This list is not exhaustive but represents work undertaken to date.

Opportunity	Potential Opportunity £'000
Emergency LOS General and Geriatric Medicine	1,470
Level 3 inpatient nursing and medical model	2,652
Improvement of Trauma pathway	396
Decrease elective LOS	453
Outpatients - productivity variation	1,200
Outpatients - targeted reduction in DNA rates	237
Outpatients - targeted reduction in follow-up rates	740
Physiotherapy - follow up and productivity rate improvement	112
Theatres - continued reduction in cancelled ops	1,140
Theatres - session utilisation	500
Theatres - productivity	600
Optimising Outcomes for Patients (OOPs)	350

Opportunities identified internally have been re-assessed by a multi-disciplinary team to substantiate the opportunity available and findings have been shared with Clinical Boards to ensure “sense-check” and “buy-in” whilst providing evidence of analytical assessment.

FURTHER BENCHMARKING OPPORTUNITIES

Whilst opportunities identified to date are progressed and translated into cash out savings further opportunities need to be continually identified. Areas requiring further analysis include:

Opportunity	Source
High cost patients (300 patients have cost £60m in 3 years)	Internal Analysis
Excess mortality rates and los for GIM patients with pneumonia, UTIs and ACS conditions	Internal Analysis
WAST conveyancy rates	Internal Analysis
Variation in cost between UHW and UHL for same pathways	Internal Analysis
CHC Assessment time	Internal Analysis
ALOS in our community hospitals	Internal Analysis
Effective use of IT solutions	Internal Analysis
20% variation between inpatient treatment costs	Carter - Unwarranted Variation
Health care support worker care hours variation	Carter - Unwarranted Variation
Operating theatre infection rates (orthopaedics)	Carter - Unwarranted Variation
Procurement	Carter - Unwarranted Variation
Pathology lab running costs	Carter - Unwarranted Variation
Medicines stockholding	Carter - Unwarranted Variation
Sickness and absence rates	Carter - Unwarranted Variation
Estates and facilities running costs per m2	Carter - Unwarranted Variation

This list is not exhaustive and does not include a number of schemes being taken forward through the Transformation team.

CONCLUSION

Whilst the UHB is in a challenging financial position needing to make 4% savings year on year through the next IMTP cycle (3% recurrent / 1% non-recurrent) it can be seen from the review of benchmarking data that there is a host of potential opportunities to support the delivery of high traditional and strategic CIPs.

It is essential that opportunities are assessed, validated and progressed at pace whilst further opportunities are identified.

FINANCE REPORT FOR THE PERIOD ENDED 31st DECEMBER 2017	
Name of Meeting : Finance Committee	Date: 24th January 2018
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 December 2017 is a deficit of £22.177m comprised of the following: <ul style="list-style-type: none"> • (£0.998m) favourable budget variance; • £23.175m planned deficit (9/12th 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	

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<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 9 position which is £0.998m less than 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 £22.177m deficit at month 9 which includes a planning deficit of £23.175m and budget underspends of (£0.998m); • 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.
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SITUATION

The UHB remains on target to meet the £30.9m planned deficit which includes a fully identified £35.0m savings plan. The risk on NCSO drugs has fallen in month and the UHB forecast position now includes provision for the current year costs of £1m for increased NHS Funded Nursing Care (FNC) costs which are expected to arise following the recent Supreme Court judgement.

The residual risks that need to be managed now include:

- The impact of back dated costs arising from increased NHS funded nursing care fees following the Supreme Court judgement currently estimated at £2.7m;
- The continued exceptional cost of £0.6m for NCSO drugs;

The month 9 financial position of the UHB has seen a considerable in month improvement and is now nearly £1m better than planned. The UHB will review its year-end forecast over January and key to this is:

- An assessment of continued improvements and delivery of delegated budgets;
- Clarification of the extent of additional FNC liability that the UHB will be expected to manage;
- Clarification of the likely costs of the Welsh Risk pool for which the UHB currently holds a £1m provision;
- Greater assurances on the further efficiency schemes being pursued by the UHB;
- As assessment of the estimated costs of Winter above the plan.

The review of the financial forecast will be undertaken with a view of reducing the forecast deficit in order to support the All Wales Financial Position as requested by Welsh Government. The reduction could be between £2m - £4m but this is very much dependent upon gaining clarity to the key issues above, some of which are outside the control of the UHB.

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 worked towards delivering a £30.9m deficit, many of items needed to achieve this are non recurrent. The UHB's assessed underlying deficit to be carried forward into 2018/19 fell by £0.5m in month and is currently assessed at £54.5m. The UHB is applying further pressure on the underlying deficit with the objective of reducing the figure carried forward to 2018/19 to below £50m.

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 @ December 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 @ December 2017	14,973
Financial Plan with Stretch Target: surplus / (deficit)	-30,900

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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 @ December 2017

Finance Dashboard	Statutory	Standard	Performance		In Month	Year to Date	Month 9 Full Year Forecast
			Target	Year to Date			
			RAG Rating				
Remain within revenue resource limit - Variance Adv/(Fav)	Yes	£0	£1.733m	£22.177			
Reduction in underlying deficit c/f to 18/19 (£54.5m b/f to 17/18)		£0	(£0.5m)	£54.582m			
Variance against unapproved 2017/18 £30.9m deficit plan		£0	(£0.842m)	(£0.998m)			
Pay expenditure (actual versus Plan)		£0	(£0.066m)	(£1.553m)			
Non-Pay Expenditure (Actual versus Plan)		£0	(£0.592m)	£1.018m			
Income (actual versus Plan)		£0	(£0.184m)	(£0.463m)			
Remain with CAPEX resource limit	Yes	£0	n/a	(£1.211m)			
Creditor payments compliance 30 day Non NHS		95%	95.70%	92.50%			
CRP Green / Amber status - Delegated Targets @ Dec 31st		100% Green		100%			

Month 9 Cumulative Financial Position

The UHB reported a deficit of £22.177m at month 9 as follows:

- (£0.998m) favourable budget management variance;
- £23.175m planned deficit (9/12th 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 December 2017

Income/Pay/Non Pay	In Month			Year to Date			Full Year		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv	Budget	Forecast	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income	(105.345)	(105.529)	(0.184)	(918.678)	(919.142)	(0.463)	(1,275.157)	(1,275.157)	0.000
Pay	49.215	49.149	(0.066)	439.559	438.006	(1.553)	587.336	587.336	0.000
Non Pay	58.705	58.113	(0.592)	502.294	503.312	1.018	718.721	718.721	0.000
Variance to Draft Plan £m	2.575	1.733	(0.842)	23.175	22.177	(0.998)	30.900	30.900	0.000
Planned Deficit	(2.575)	0.000	2.575	(23.175)	0.000	23.175	(30.900)	0.000	30.900
Total £m	(0.000)	1.733	1.733	0.000	22.177	22.177	(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 @ December 2017

Income	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Revenue Resource Limit	(72.677)	(72.677)	0.000	(613.568)	(613.568)	0.000
Non Cash Limited Expenditure	(1.628)	(1.628)	0.000	(14.679)	(14.679)	0.000
Accommodation & Catering	(0.230)	(0.181)	0.049	(1.771)	(1.750)	0.021
Education & Training	(3.118)	(3.118)	(0.000)	(28.255)	(28.338)	(0.084)
Injury Cost Recovery Scheme (CRU)	0.011	(0.021)	(0.033)	(1.699)	(1.759)	(0.060)
NHS Patient Related Income	(22.761)	(22.946)	(0.185)	(207.679)	(208.235)	(0.555)
Other Operating Income	(3.877)	(4.004)	(0.127)	(42.737)	(43.088)	(0.351)
Overseas Patient Income	(0.010)	(0.013)	(0.003)	0.124	(0.005)	(0.129)
Private Patient Income	(0.107)	(0.034)	0.073	(1.018)	(0.695)	0.323
Research & Development	(0.949)	(0.907)	0.042	(7.395)	(7.025)	0.370
Total £m	(105.345)	(105.529)	(0.184)	(918.678)	(919.142)	(0.463)

An in month surplus of £0.184m and a cumulative surplus of £0.463m is reported against income budgets.

The reported cumulative deficit against R & D income is primarily due to the reduction in Welsh Government funding.

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

The over recovery of NHS Patient Related Income in month is due to a revised assessment of income due in month 9 as well as the recovery of further income for additional service delivery in critical care, transplant and haematology services.

The majority of the in month favourable variance reported against other operating income relates to activity related income collected at a directorate level.

Pay

Pay budgets continue to show sound performance with a year to date underspend of £1.553m. Table 5 highlights that this is favourable performance compared to a month 9 overspend of £1.779m in 2016/17.

Table 5: Analysis of fixed and variable pay costs

	2016/17 Total Spend £m	2016/17 Month 1 to Month 8 £m	2017/18 Month 1 to Month 8 £m	2016/17 Month 9 £m	2017/18 Month 9 £m	2016/17 Cum. to Month 9 £m	2017/18 Cum. to Month 9 £m
Basic	502.093	330.977	339.498	42.358	43.324	373.335	382.821
Enhancements	23.635	15.520	16.159	1.844	1.843	17.364	18.002
Maternity	4.136	2.812	2.756	0.359	0.358	3.170	3.114
Protection	0.743	0.498	0.453	0.061	0.055	0.560	0.509
Total Fixed Pay	530.607	349.807	358.866	44.622	45.580	394.429	404.447
Agency (mainly registered Nursing)	9.017	5.581	5.267	0.497	0.643	6.077	5.910
Nursing Bank (mainly Nursing)	14.249	8.837	9.435	0.917	1.031	9.754	10.466
Internal locum (Medical & Dental)	2.105	1.459	2.811	0.118	0.348	1.577	3.160
External locum (Medical & Dental)	9.547	6.471	4.632	0.645	0.593	7.116	5.225
On Call	2.154	1.399	1.431	0.159	0.165	1.558	1.596
Overtime	6.072	4.067	3.601	0.433	0.439	4.501	4.041
WLI's & extra sessions (Medical)	3.549	2.343	2.814	0.245	0.348	2.588	3.161
Total Variable Pay	46.693	30.157	29.991	3.015	3.568	33.172	33.559
Total Pay	577.301	379.964	388.858	47.637	49.149	427.600	438.006
Pay Budget	576.692	378.023	390.345	47.798	49.214	425.821	439.559
Budget Variance (Fav)/Adv £m	0.609	1.940	(1.487)	(0.161)	(0.066)	1.779	(1.553)

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

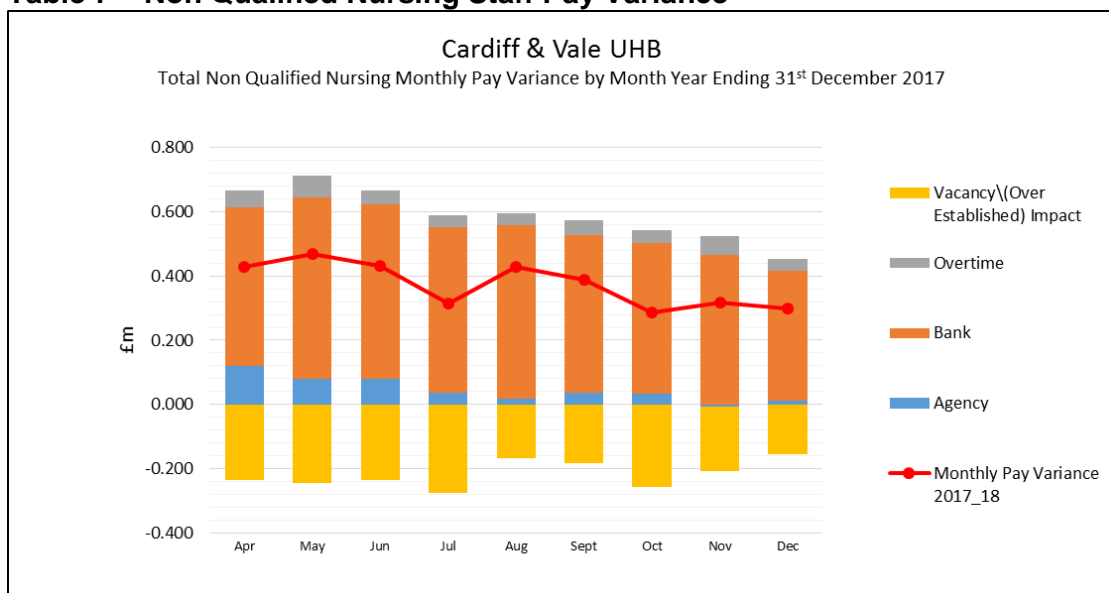
An analysis of pay expenditure by staff group is shown in Table 6.

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

Pay	In Month			Year to Date		
	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Actual £m	Variance (Fav)/Adv £m
Additional clinical services	1.929	1.856	(0.074)	17.017	16.519	(0.498)
Management, admin & clerical	5.883	5.808	(0.076)	51.853	50.983	(0.870)
Medical and Dental	12.716	12.716	(0.000)	113.343	112.685	(0.658)
Nursing (registered)	14.656	14.579	(0.077)	131.691	130.283	(1.408)
Nursing (unregistered)	3.821	4.119	0.298	34.828	38.189	3.361
Other staff groups	7.380	7.360	(0.020)	65.716	65.433	(0.284)
Scientific, prof & technical	2.829	2.712	(0.117)	25.112	23.914	(1.197)
Total £m	49.214	49.148	(0.066)	439.559	438.006	(1.553)

The in month underspend of £0.066m against pay budgets is broadly consistent with the trend established in the first eight months of the year.

Table 7 – Non Qualified Nursing Staff Pay Variance

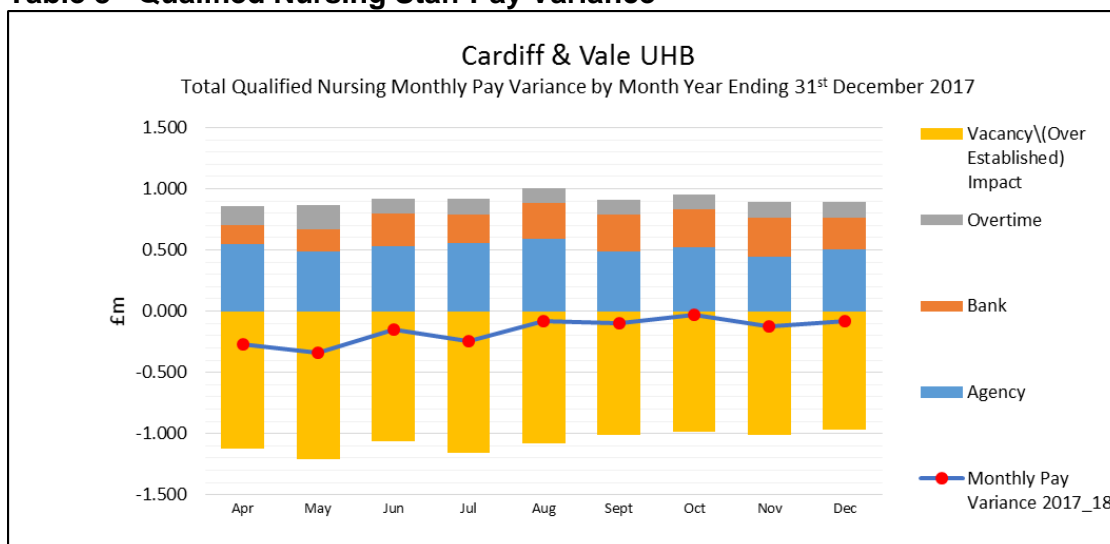


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Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.012	0.406
Bank	0.403	4.486
Overtime	0.039	0.420
Adverse Impact	0.454	5.311
Vacancy\ (Over Established) Impact	(0.156)	(1.950)
Total Pay Variance - Unqualified Nursing (Fav)/Adv £m	0.298	3.361

Table 7 demonstrates that the majority of adverse variance against non-qualified nursing assistants is due to an overspend of £4.486m on bank staff which is partly offset by an underspend against established posts. The in month overspend of £0.298m compares favourably against the average monthly overspend for the year to date of £0.373m.

Table 8 - Qualified Nursing Staff Pay Variance

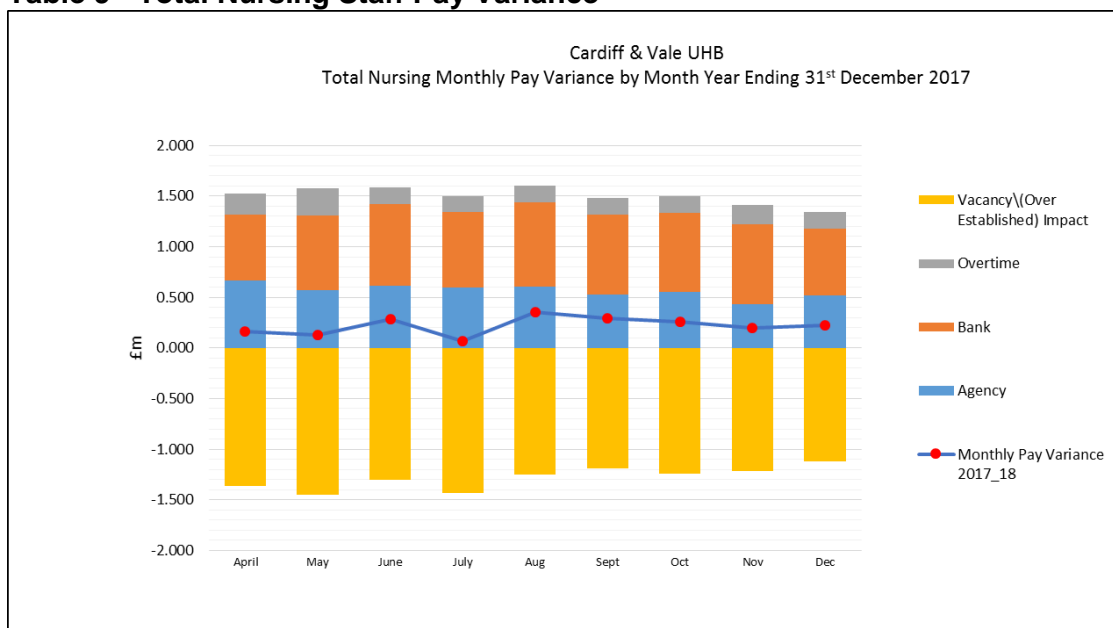


Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.507	4.681
Bank	0.254	2.314
Overtime	0.129	1.205
Adverse Impact	0.890	8.200
Vacancy\ (Over Established) Impact	(0.968)	(9.608)
Total Pay Variance - Qualified Nursing (Fav)/Adv £m	(0.077)	(1.408)

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

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Table 9 - Total Nursing Staff Pay Variance



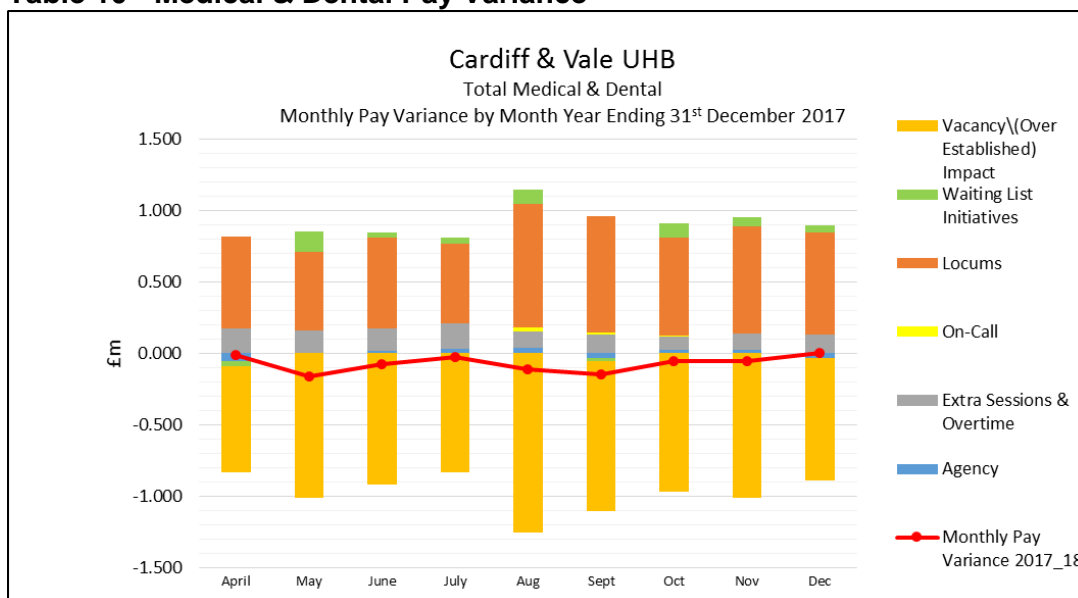
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Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.519	5.087
Bank	0.657	6.800
Overtime	0.168	1.625
Adverse Impact	1.344	13.511
Vacancy\Over Established Impact	(1.123)	(11.558)
Total Pay Variance - (Fav)/Adv £m	0.221	1.953

Table 9 shows that the expenditure against substantive nursing posts for the year to date is less than budget as reported by a £11.558m surplus against established posts. However the combined £13.511m 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 £0.658m at month 9.

Table 10 - Medical & Dental Pay Variance



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Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	(0.035)	(0.003)
Extra Sessions & Overtime	0.131	1.253
On-Call	(0.000)	0.052
Locums	0.712	6.209
Waiting List Initiatives	0.049	0.473
Adverse Impact	0.856	7.984
Vacancy\ (Over Established) Impact	(0.856)	(8.642)
Total Pay Variance - Medical & Dental (Fav)/Adv £m	(0.000)	(0.658)

Non Pay

Table 11 highlights an in month underspend of £0.592m and a £1.018m cumulative overspend against non pay budgets.

Table 11: Non Pay Variance @ December 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	8.021	8.041	0.020	70.292	70.619	0.327
Commissioned Services	13.202	13.250	0.048	120.815	120.940	0.125
Continuing healthcare	4.278	4.269	(0.009)	43.840	44.202	0.361
Drugs / Prescribing	12.021	11.610	(0.411)	110.437	109.971	(0.466)
Establishment expenses	1.049	1.005	(0.043)	8.057	7.963	(0.094)
General supplies & services	0.606	0.705	0.098	3.826	4.273	0.448
Other non pay	4.462	4.410	(0.052)	16.510	17.725	1.215
Premises & fixed plant	3.560	3.320	(0.240)	26.723	26.119	(0.604)
Primary Care Contractors	11.506	11.503	(0.003)	101.794	101.501	(0.293)
Total £m	58.705	58.113	(0.592)	502.294	503.312	1.018

The NHS funded nursing fees pressure arising from the recent court judgement is now assessed to be up to £0.941m in respect of 2017/18 and £2.705m for prior years. The in year costs are now included in the UHB's forecast however costs associated with previous years remain outside the forecast and therefore remain a risk.

The variance reported against commissioned services has arisen due to an increase in WHSCC commitments primarily to cover specialist services provided by the UHB through the WHSCC contract.

The surplus against premises and fixed plant in December and for the year to date is due to an underspend against the energy budget.

The December list of NCSO price concessions issued by the Department of Health confirmed that the price concession granted against a number of drugs had fallen in month. As a consequence the risk of continuing NCSO status for a number of high volume drugs has been re-assessed and quantified at £0.6m in the UHB's assessment of risk.

Other non-pay includes the additional costs resulting from the outsourcing of the neuro-interventional radiology service which are now estimated to be £0.516m for the year to date. The UHB has prepared a paper for WHSCC to consider sharing the risk of the outsourced service. Whilst some constructive dialogue has taken place a decision has still not been made regarding funding.

Also included in other non pay is a £1.119m contribution to the stretch target due to planned underspends in delegated budgets

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 9 months to 31st December 2017 by Clinical Board is shown in Table 12.

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

Clinical Board	M8 Budget Variance £m	M9 Budget Variance £m	In Month Variance £m	Cumulative % Variance
Clinical Diagnostics & Therapies	0.250	0.299	0.048	0.38%
Children & Women	0.666	0.657	(0.009)	0.89%
Capital Estates & Facilities	(0.191)	(0.312)	(0.121)	(0.65%)
Dental	(0.028)	(0.028)	0.000	(0.10%)
Executives	(0.193)	(0.235)	(0.042)	(0.82%)
Medicine	0.444	0.370	(0.074)	0.44%
Mental Health	(0.123)	(0.246)	(0.123)	(0.45%)
PCIC	(1.517)	(1.890)	(0.373)	(0.83%)
Specialist	(0.463)	(0.560)	(0.097)	(0.49%)
Surgery	0.397	0.283	(0.113)	0.29%
Central Budgets	0.601	0.663	0.062	0.67%
SubTotal	(0.156)	(0.998)	(0.842)	(0.11%)
Planned Deficit	20.600	23.175	2.575	2.52%
Total	20.444	22.177	1.733	2.41%

In total delegated budget holders are now reporting an underspend approaching £1m. The Medicine, Children and Women, Surgery and the CD&T Clinical Boards are reporting cumulative overspends.

The overspend against the Medicine Clinical Board is primarily due to its nursing budget performance. In month performance by the Medicine Board improved, however, pressures on nursing budgets remained. Underperformance in PICU and NICU alongside premium costs of medical cover and drug overspends are pressures in the Children and Women Clinical Board. The deficit reported by the Surgery Clinical Board fell by £0.113m in month and is primarily due to the early recognition of underperformance in orthopaedics, renal and sarcoma alongside overspends on wet AMD. The overspend reported by the CD&T Clinical Board is due to the 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

At month 9 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 9

	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 £24.1m (68.9%) 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 3 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. The assessed deficit c/f into 2018/19 is currently £54.5m as shown in Table 14.

Table 14: Summary of Underlying Financial Position

	2017/18 Plan £m	Forecast Position @ Month 9	
		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)	17.821	(17.180)
Deficit	30.900	23.682	54.582

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**.

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**.

Welsh Government wrote to the UHB on December 14 2017 to confirm that it will provide up to a maximum of £29.389m strategic cash only support to Cardiff & Vale UHB in 2017/18.

The total working balances cash assistance that the UHB is seeking fell by £3.701m to £3.333m following a revision to forecast provisions and working capital balance estimates in month 8. This requirement was reconfirmed in the UHB's month 9 financial report to Welsh Government. Welsh Government confirmed in the letter of December 14 that the request for working balance cash allocations for capital and revenue were noted, and would be confirmed and allocated in the normal manner, subsequent to HMT approval of the Welsh Government 2017-18 estimates in January 2018.

The UHB has requested total cash assistance of £32.722m (£29.389m strategic cash only support & £3.333m working balances cash assistance).

Public Sector Payment Compliance

The UHB's cumulative performance to the end of December improved by 0.5% in month to 92.5%. 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 is piloting a "No Purchase Order, No Pay" policy within corporate departments with the long term intention of rolling the policy out across the UHB and improving the efficiency of invoice payments. Furthermore all Clinical Boards have formally been reminded that the UHB expects all invoices received to either be authorised or receipted on Oracle within 3 days of receipt. It is expected

that the combination of remedial 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 December 2017 is detailed in **Appendix 5** and summarised in Table 15.

Table 15: Progress against Capital Resource Limit @ December 2017

	£m
Planned Capital Expenditure at month 9	18.545
Actual net expenditure against CRL at month 9	17.334
Variance against planned Capital Expenditure at month	(1.211)

Capital progress to date has been slow but this has been skewed by three significant asset sales where the net book value will provide a source of capital funds for the full year and not just the first nine 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 still some key risks that are outside of the plan and these are set out below:

- The prior year risk in NHS Funded Nursing Care fees following the Supreme Court judgement in respect of weekly fees which is assessed as circa being £2.705m for previous years. 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 high costs continue which was not anticipated. If NCSO costs continue at the rate experienced in month 9 for the rest of the year the UHB has a £0.6m risk that is not covered in its 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 9, the key concerns and challenges are set out below:

1. Concern- Budget overspends at month 9;

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.

5

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. There are however a number of significant financial risks that need to be managed in order to achieve the forecast out turn position. The UHB financial position is currently better than planned. This financial improvement and clarity on financial risks and internal efficiencies being pursued will be reviewed in month with the intention, if possible, of reducing the UHB forecast position to support the NHS Wales overall financial position as requested by Welsh Government. In addition, the UHB aims to identify further recurrent savings in order to reduce the underlying deficit carried forward into 2018/19.

The UHB will continue to share progress being made with Welsh Government 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 nine months to the end of December is a deficit of £22.177m. This is made up of a budget plan deficit of £23.175m and a favourable variance against plan of £0.988m

Appendix 1

2017/18 Part Year Effect Month Ending 31st December 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	1,355	0	0	1,355	-111
PCIC	3,323	3,327	226	450	3,553	-230
Surgery	2,357	2,407	118	35	2,526	-169
Dental	400	408	0	10	408	-8
Children & Women	1,775	1,665	147	420	1,812	-37
CD&T	1,880	1,890	0	163	1,890	-10
Mental Health	1,395	1,433	0	0	1,433	-38
Medicine	1,878	1,879	0	157	1,879	-1
Clinical Board Forecasts			3,065		3,065	-3,065
Corporate schemes	17,668	10,143	2,945	234	13,088	4,580
Total Savings	35,001	28,084	6,918	1,864	35,001	0

2017-18 Full Year Effect Month Ending 31st December 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	1,340	0	163	1,340	42
Dental	300	88	0	20	88	212
Surgery	1,768	1,794	170	86	1,964	-196
Capital Estates and Facilities	933	873	60	420	933	0
Children & Women	1,331	926	425	723	1,351	-20
Medicine	1,408	1,702	0	368	1,702	-294
Specialist Services	1,800	1,365	450	324	1,815	-15
Corporate Execs	501	609	74	16	683	-182
Corporate schemes	17,668	4,197	0	0	4,197	13,471
Total Savings	30,631	17,180	1,454	2,279	18,634	11,997

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	113,911	110,823	118,150	117,264	144,276	1,345,186
Identified savings	-618	-1,481	-2,972	-1,757	-2,739	-2,898	-4,741	-3,568	-3,403	-3,381	-3,369	-4,073	-35,001
Unidentified savings required for stretch target													
Total savings required	-618	-1,481	-2,972	-1,757	-2,739	-2,898	-4,741	-3,568	-3,403	-3,381	-3,369	-4,073	-35,001
Net costs	102,626	100,073	107,341	107,324	107,851	106,905	91,436	110,343	107,420	114,769	113,894	140,203	1,310,186
Income (phased as per budget plan)	98,952	98,579	104,814	104,728	105,337	104,301	88,882	107,862	105,687	111,862	110,987	137,295	1,279,286
Net surplus/ (deficit)	-3,674	-1,494	-2,527	-2,596	-2,514	-2,604	-2,554	-2,481	-1,733	-2,908	-2,908	-2,908	-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 DECEMBER 2017

	Opening Balance 1 st April 2017	Closing Balance 31st December 2017
Non-Current Assets	£'000	£'000
Property, plant and equipment	628,042	640,304
Intangible assets	1,601	1,572
Trade and other receivables	42,437	46,621
Other financial assets		
Non-Current Assets sub total	672,080	688,497
Current Assets		
Inventories	15,129	16,252
Trade and other receivables	137,493	192,460
Other financial assets	0	0
Cash and cash equivalents	881	2,156
Non-current assets classified as held for sale	1,815	0
Current Assets sub total	155,318	210,868
TOTAL ASSETS	827,398	899,365
Current Liabilities		
Trade and other payables	157,516	130,354
Other financial liabilities	0	0
Provisions	102,277	151,981
Current Liabilities sub total	259,793	282,335
NET ASSETS LESS CURRENT LIABILITIES	567,605	617,030
Non-Current Liabilities		
Trade and other payables	10,207	9,808
Other financial liabilities	0	0
Provisions	44,615	43,365
Non-Current Liabilities sub total	54,822	53,173
TOTAL ASSETS EMPLOYED	512,783	563,857
FINANCED BY:		
Taxpayers' Equity		
General Fund	399,057	449,816
Revaluation Reserve	113,726	114,041
Total Taxpayers' Equity	512,783	563,857

Appendix 4

CASH FLOW FORECAST AS AT 31st DECEMBER 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	82,767	65,128	78,705	38,076	850,260
WG Revenue Funding - Non Cash Limited (NCL)	1,830	1,830	1,150	1,410	1,610	1,815	1,375	1,720	1,605	1,620	1,620	1,982	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	2,878	2,386	2,386	7,220	33,861
WG Capital Funding - Cash Limit	9,000	2,000	1,000	2,100	3,900	2,950	0	4,200	375	3,325	5,200	6,915	40,965
Sale of Assets	0	9,152	0	0	0	0	212	550	0	0	0	0	9,914
Income from other Welsh NHS Organisations	47,076	17,644	41,554	29,101	31,459	41,273	25,977	32,259	39,530	26,413	30,943	36,188	399,417
Other - (Specify in narrative)	11,438	3,599	7,579	5,630	8,324	6,620	9,018	6,738	5,850	6,573	5,125	8,489	84,983
TOTAL RECEIPTS	149,044	96,943	144,167	106,988	114,740	134,631	110,230	120,925	133,005	105,445	123,979	98,870	1,438,967
PAYMENTS													
Primary Care Services : General Medical Services	5,249	4,042	8,318	3,992	3,986	6,294	4,142	4,059	6,769	4,134	4,064	6,734	61,783
Primary Care Services : Pharmacy Services	153	124	144	112	125	135	121	101	215	484	250	250	2,214
Primary Care Services : Prescribed Drugs & Appliances	15,528	2	15,095	4	7,945	16,115	3	7,429	16,189	0	7,830	7,830	93,970
Primary Care Services : General Dental Services	1,734	1,877	1,908	1,936	1,720	1,806	1,845	1,793	1,768	1,839	1,820	1,820	21,866
Non Cash Limited Payments	1,986	2,196	1,910	2,173	2,105	2,125	2,135	2,174	2,201	2,220	2,140	2,140	25,505
Salaries and Wages	45,715	47,104	47,578	46,857	46,825	46,822	46,626	47,425	47,459	47,178	47,603	47,554	564,746
Non Pay Expenditure	41,188	43,621	48,892	44,051	45,352	44,772	49,641	44,931	40,770	42,345	45,674	49,011	540,248
Capital Payment	9,738	1,925	1,323	1,802	3,587	2,322	2,277	3,052	2,773	3,449	3,951	8,752	44,951
Other items (Specify in narrative)	15,801	2,891	17,084	2,836	9,095	16,775	2,913	8,717	17,075	3,186	9,200	10,833	116,406
TOTAL PAYMENTS	137,092	103,782	142,252	103,763	120,740	137,166	109,703	119,681	135,219	104,835	122,532	134,924	1,471,689
Net cash inflow/outflow	11,952	(6,839)	1,915	3,225	(6,000)	(2,535)	527	1,244	(2,214)	610	1,447	(36,054)	
Balance b/f	881	12,833	5,994	7,909	11,134	5,134	2,599	3,126	4,370	2,156	2,766	4,213	
Balance c/f	12,833	5,994	7,909	11,134	5,134	2,599	3,126	4,370	2,156	2,766	4,213	(31,841)	



2017-18 Cost Reduction Programme	
Name of Meeting : Finance Committee	24 th January 2018
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	

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<p>ASSURANCE AND RECOMMENDATION</p> <p>The Finance Committee is asked to:-</p> <ul style="list-style-type: none"> • NOTE the progress against the 2017/18 CRP target and the Cross Cutting contribution. • NOTE the progress against the 2018/19 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 and progress made to date in developing schemes to deliver the 2018/19 CRP requirement.

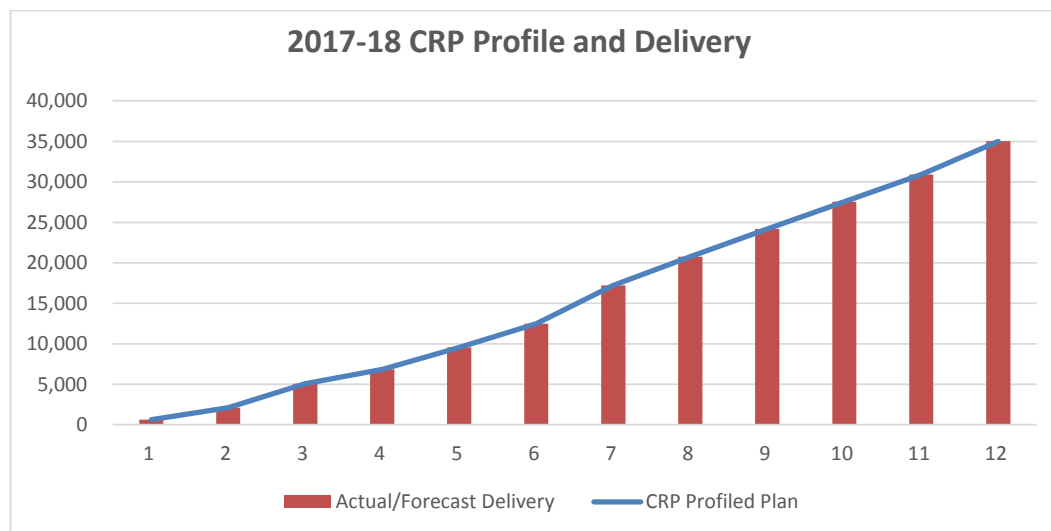
PROGRESS AGAINST TOTAL CRP REQUIREMENT 2017-18

As at 31st December 2017, £35.041m of opportunities have been identified as Green or Amber against the total savings target of £35.001m.



The value of Green schemes is £28.084m and Amber schemes £6.958m.

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



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PROGRESS AGAINST DEVOLVED CRP 2017-18

As at 31st December 2017, £18.848m of opportunities have been identified as Green or Amber against the devolved CRP target of £17.333m.

The value of Green schemes is £17.941m and Amber schemes £0.908m.

PROGRESS AGAINST CROSS CUTTING THEMES 2017-18

The Cross Cutting Themes was established to support the delivery of the CRP target totalling £17.333m.

As at 31st December 2017, £6.663m of opportunities have been identified as Green or Amber contributing towards the delivery of the £17.333m CRP target.

CROSS CUTTING THEMES 2017-18

In order to support the delivery of Cardiff and Vale University Health Board’s (UHB) cost reduction programme for FY 18-19, the following cross cutting projects have been identified and targeted with delivering **£10.5m** of indicative savings:



Cross Cutting Theme	Sponsor	Implementation Lead	Project Manager	Finance Lead	First Line Reporting Forum	Indicative savings target 18-19 £m	Status
Medical Productivity	Graham Shortland	Peter Durning	Alaa Khundakji	Andrew Gough	Medical Productivity Group	2.0	
Medicines Management	Graham Shortland	Darrel Baker	Natalie Proctor	Lynne Aston	Corporate Medicines Management Group	2.0	
Nursing Productivity	Ruth Walker	Ruth Walker	Alaa Khundakji	Andrew Gough	Nursing Productivity Group	1.0	
Procurement	Bob Chadwick	Claire Salisbury	Claire Salisbury	Andrew Gough	Cross Cutting Steering group	2.0	
Workforce Productivity	Marting Driscoll	Julie Casseley	Andrew Crook	Andrew Gough	Cross Cutting Steering group	2.0	
Efficiency Opportunities	Bob Chadwick		Cath David	Andrew Gough	Cross Cutting Steering group	1.5	

The themes have remained consistent with identified in 2017-18 with the addition of the Efficiency Opportunities theme. This theme will ensure that identified opportunities from both internal and external sources including the Welsh Government Efficiency Framework can be collated, verified and progressed at pace.

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 December 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.

PROGRESS AGAINST 2018-19 CRP development

As at 31st December 2017, £3.263m of opportunities have been identified as Green or Amber.

The value of Green schemes is £0.996m and Amber schemes £2.267m.

It is essential that the majority of schemes (90%) are identified prior to the start of the financial year. Progress and development against the 2018/19 CRP requirement will be monitored across the organisation on a weekly basis.



SUMMARY

To date the value of Green and Amber schemes identified totals £35.041m against the total 2017/18 £35.001m target.

The UHB has a full CRP in place against the 2017/18 devolved target of £17.333m. Almost all Clinical and Service Boards have now identified 100% green schemes.

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

Progress against the 2018/19 CRP requirement will need to pick up pace in order to ensure the majority of schemes (90%) are identified prior to the start of the financial year.



Savings Tracker Summary

Month Ending 31st December 2017-18 Part Year Effect

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	1,355	0	0	1,355	-111
PCIC	3,323	3,327	226	450	3,553	-230
Surgery	2,357	2,407	118	35	2,526	-169
Dental	400	408	0	10	408	-8
Children & Women	1,775	1,665	147	420	1,812	-37
CD&T	1,880	1,890	0	163	1,890	-10
Mental Health	1,395	1,433	0	0	1,433	-38
Medicine	1,878	1,879	0	157	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	28,084	6,958	1,864	35,041	-40

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	1,340	0	163	1,340	42
Dental	300	88	0	20	88	212
Surgery	1,768	1,794	170	86	1,964	-196
Capital Estates and Facilities	933	873	60	420	933	0
Children & Women	1,331	926	425	723	1,351	-20
Medicine	1,408	1,702	0	368	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	4,180	0	0	4,180	13,488
Total Savings	30,631	17,163	1,467	2,279	18,630	12,001



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	2,125	537	625	2,662	-662
Nursing Productivity	1,500	625	0	92	625	875
Procurement	2,000	1,876	64	47	1,940	60
Workforce Productivity	1,000	406	500	0	906	94
Total	7,500	5,330	1,333	801	6,663	837

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	302	638	37	940	60
Medicines Management	2,000	2,619	725	335	3,344	-1,344
Nursing Productivity	1,500	1,028	0	387	1,028	472
Procurement	2,000	2,110	101	93	2,211	-211
Workforce Productivity	1,000	405	0	0	405	595
Total	7,500	6,465	1,464	852	7,929	-429



2018-19 Weekly Summary 2018-19 PYE

Clinical Board	18-19 4% Target (3% recurrent / 1% non-recurrent)	Granular Identified Green	Shortfall vs Green	Clinical Board Amber	Clinical Board Pipeline Red	Total Green & Amber	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000	%	£'000
Capital Estates and Facilities	2,580	0	2,580	575	477	575	0.89	2,005
PCIC	6,600	374	6,226	665	1,829	1,039	0.63	5,561
Surgery	4,714	165	4,549	562	380	727	0.62	3,987
Medicine	3,754	294	3,460	116	1,268	410	0.44	3,344
Dental	800	22	778	35	7	57	0.29	743
Corporate Execs	1,362	45	1,317	34	236	79	0.23	1,283
Children & Women	3,550	34	3,516	189	318	223	0.25	3,328
CD&T	3,442	0	3,442	91	811	91	0.11	3,351
Mental Health	2,940	62	2,878	0	1,000	62	0.08	2,878
Specialist Services	4,038	0	4,038	0	4,500	0	0.00	4,038
Total	33,780	996	32,784	2,267	10,826	3,263	0.39	30,517
Weekly Progress								
WC 11th December 2017	33,780	968	32,812	2,252	10,826	3,220	0.19	30,560
WC 1st January 2018	33,780	996	32,784	2,267	10,826	3,263	0.39	30,517

2018-19 Weekly Summary 2018-19 FYE

Clinical Board	18-19 3% Target	Granular Identified Green	Shortfall vs Green	Clinical Board Amber	Clinical Board Pipeline Red	Total Green & Amber	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000	%	£'000
PCIC	4,950	0	4,950	0	0	0	0.00	4,950
Mental Health	2,205	62	2,143	0	1,000	62	0.08	2,143
CD&T	2,582	0	2,582	91	811	91	0.11	2,491
Dental	600	0	600	0	0	0	0.00	600
Surgery	3,536	165	3,371	580	598	745	0.63	2,791
Capital Estates and Facilities	1,935	0	1,935	725	577	725	1.12	1,210
Children & Women	2,663	34	2,629	201	410	235	0.26	2,428
Medicine	2,816	294	2,522	116	1,459	410	0.44	2,406
Specialist Services	3,029	0	3,029	0	4,500	0	0.00	3,029
Corporate Execs	1,022	45	976	46	230	91	0.27	930
Total	25,335	600	24,735	1,759	9,585	2,359	0.28	22,976
Weekly Progress								
WC 11th December 2017	25,335	572	24,763	1,739	9,585	2,311	0.14	23,024
WC 1st January 2018	25,335	600	24,735	1,759	9,585	2,359	0.28	22,976



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

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Finance Risk Register	
Name of Meeting : Finance Committee	24 th January 2018
Executive Lead : Executive Director of Finance	
Author : Assistant Director of Finance	
Caring for People, Keeping People Well: This report sets out the financial risks to be managed to support delivery of the financial plan which supports the one year operational plan.	
Financial impact: The UHB will need to manage the risks set out in the Finance Risk Register in order to achieve its planned financial deficit of £30.9m.	
Quality, Safety, Patient Experience impact: The financial plan aims to support the delivery of high quality and safe services.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not Applicable	

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<p>ASSURANCE AND RECOMMENDATION</p> <p>The Finance Committee is asked to:-</p> <ul style="list-style-type: none"> • NOTE the risks highlighted within the risk register • 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 24th January 2018. 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 24 January 2018
Extreme Risk	20 - 25	1
High Risk	12 - 16	1
Moderate Risk	4 - 10	8
Low Risk	1 - 3	3

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
FIN01/17	Manage budget pressures of £9.0m	2
FIN03/17	Deliver £10.9m recurrent risk adjusted mitigating actions	2
FIN10/17	Research & Development income £0.5m	2

SUMMARY

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

Reference No	Date Entered onto new CB/Dir/UHB Risk Register	Risk/Issue (Including Impact)	Existing Controls	Current Risk Rating			Adequacy Existing Controls	Summary of Additional Controls Required	Target Risk Rating if Controls in Place			Date of Last Review	Review Completed By	Comments	Date of Next Review	Risk Owner	Exec Lead	Assuring committee
				Impact / Consequence	Likelihood	Score			Impact / Consequence	Likelihood	Score							
Fin01/17	Apr-17	Manage Budget pressures of £0.0m	Monthly Financial Clearance Meeting. Executive / Clinical Board Performance Reviews. Budget reviews hold budget holders to account.	2	1	2	Adequate but more Action Required	Budget manager training programme to be rolled out across the organisation. Corporate Vacancy Scrutiny Panel (CVSP) to be established.	2	1	2	Nov-17	Assistant Director of Finance	Overall the risks are being managed.	Feb-18	The Board	Director of Finance	Finance Committee
Fin03/17	Apr-17	Deliver £10.9m recurrent risk adjusted mitigating actions	Clear accountability for delivery with Executive leads allocated to each theme. Monthly Financial Clearance Meeting.	2	1	2	Adequate but more Action Required		2	1	2	Nov-17	Assistant Director of Finance	Good progress being made and the scale of risk is reducing.	Feb-18	The Board	Director of Finance	Finance Committee
Fin05/17	Apr-17	Deliver £2.7m recurrent Transformational opportunities	Monitored by the Transformation Board (HSMB) and supporting sub groups. £0.4m recurrent Transformation savings delivered to date. Shortfall being met by non recurrent, non transformational opportunities.	2	3	6	Adequate but more Action Required	The Transformation Board (HSMB) will report to the Management Executive.	2	3	6	Nov-17	Assistant Director of Finance	Part of the overall savings requirement which is now met. But this would support the recurrent position.	Feb-18	The Board	Director of Finance	Finance Committee
Fin06/17	Apr-17	Deliver RTT within £10.5m resources available	Fortnightly meetings chaired by the Chief Operating Officer. Monthly Financial Clearance Meeting.	3	2	6	Adequate but more Action Required	Monthly progress report to be received through performance review meetings.	3	2	6	Nov-17	Assistant Director of Finance	Additional resources secured should help reduce this risk	Feb-18	The Board	Director of Finance	Finance Committee
Fin07/17	Apr-17	Winter pressures managed within £1.5m reserve. Potential risk of £0.5m.	Winter plan for 2017/18 being developed for sign off by Management Executive.	2	3	6	Adequate but more Action Required	Progress report to be received through performance review meetings.	2	2	4	Nov-17	Assistant Director of Finance		Feb-18	The Board	Director of Finance	Finance Committee
Fin09/17	Apr-17	Commissioning Risks	Regular performance/LTA meetings with other providers/WHSSC and internal commissioning group.	3	2	6	Adequate but more Action Required	Monitoring of position to ensure any management action required is identified.	3	2	6	Nov-17	Assistant Director of Finance		Feb-18	The Board	Director of Finance	Finance Committee
Fin10/17	Apr-17	Research & Development income £0.5m included within recurrent risk mitigating actions	R&D position being taken forward by Medical Director with WG	2	1	2	Adequate but more Action Required	None	2	1	2	Nov-17	Assistant Director of Finance	This risk has been managed by the recurrent risk mitigation reserve	Feb-18	The Board	Director of Finance	Finance Committee
Fin13/17	Jun-17	Identification of £15.0m additional actions as stretch plan to achieve £30.9m deficit position	Identified schemes developed, but further opportunities are required to manage emerging risks.	3	2	6	Adequate but more Action Required	Further review of budgets, forecasts and opportunities being undertaken. Further savings are being sought to offset emerging risks.	3	2	6	Nov-17	Assistant Director of Finance	£35m savings now identified.	Feb-18	The Board	Director of Finance	Finance Committee
Fin14/17	Sep-17	Funded nursing care increase resulting from supreme court judgment. £0.941m in year and a further £2.705m if backdated.	Not included within 2017/18 financial plan or within the forecast position. The scale of risk should be finalised shortly.	5	4	20	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	9	Nov-17	Assistant Director of Finance	This is affecting all LHBS across Wales and is a major financial risk	Feb-18	The Board	Director of Finance	Finance Committee
Fin15/17	Sep-17	Neuro Interventional Radiology outsourcing £0.8m	Not included within 2017/18 financial plan but is being managed in the Clinical Board plans.	2	5	10	Adequate but more Action Required	Risk exposure to be managed by the Clinical Board.	2	5	10	Nov-17	Assistant Director of Finance	A 50% funding contribution is being sought from WHSSC.	Feb-18	The Board	Director of Finance	Finance Committee
Fin16/17	Sep-17	Drugs dispensed in primary care NCSO (No cheaper stock obtainable). £3.5m included within UHB forecast. A potential further risk of £0.6m.	Not included within 2017/18 financial plan but currently being managed by surplus growth monies available.	3	3	9	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	2	6	Nov-17	Assistant Director of Finance	There is risk to the forecast position.	Feb-18	The Board	Director of Finance	Finance Committee
Fin17/17	Oct-17	Underlying Deficit c/f into 2018/19. This currently stands at £54.5m, the same as the opening position c/f.	Governance reporting and monitoring arrangements through the Finance Committee and Board	4	3	12	Adequate but more Action Required	Progress against the underlying deficit is to be managed by Management Executive supported by the Transformation Board.	3	3	9	Nov-17	Assistant Director of Finance	£1m reduction to month 8	Feb-18	The Board	Director of Finance	Finance Committee
Fin17/18	Nov-17	Delays in the timetable for the roll out of budget training programme	Monitoring arrangements through the Finance Committee	3	3	9	Adequate but more Action Required	Further attention required to finalise and roll out programme.	2	2	4	Nov-17	Assistant Director of Finance		Feb-18	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

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

Likelihood Score (L)

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

Likelihood Score

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

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