

FINANCE COMMITTEE MEETING
2.00pm on 28th February 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 24th January 2018	<i>Chair</i>
5	Action Log	<i>Chair</i>
6	Financial Plans 2018/19 to 2020/21	<i>Oral – Bob Chadwick</i>
7	Finance Report as at Month 10	<i>Chris Lewis</i>
8	<ul style="list-style-type: none"> • 8a - Financial Governance Review – Progress Report • 8b – Deloitte's recommendations progress Feb'18 Appendix 1 	<i>Chris Lewis</i>
9	Cost Reduction Programme and Cross Cutting Themes	<i>Andrew Gough</i>
10	<ul style="list-style-type: none"> • 10a - Finance Risk Register Feb'18 (word) • 10b – Finance Risk Register Feb'18 (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 March 2018, Large Meeting Room, HQ, UHW	<i>Oral - Chair</i>

UNCONFIRMED MINUTES OF THE FINANCE COMMITTEE**HELD ON 24th JANUARY 2018****LARGE MEETING ROOM, HQ, UHW****Present:**

Len Richards	Chief Executive
John Union	Chair (Finance Committee)
Dr Sharon Hopkins	Deputy Chief Executive
Bob Chadwick	Executive Director of Finance
Steve Curry	Chief Operating Officer
Martin Driscoll	Director of Workforce
Maria Battle	Chair
Andrew Gough	Assistant Director of Finance (Transformation & Planning)
Christopher Lewis	Deputy Director of Finance
John Antoniazzi	Independent Member

In Attendance:**Secretariat:**

Paul Emmerson	Finance Manager
---------------	-----------------

FC – 18/148 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/149 APOLOGIES FOR ABSENCE

Apologies were received from Charles Janczewski, Ruth Walker and Abigail Harris.

FC – 18/150 DECLARATIONS OF INTEREST

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

FC – 18/151 MINUTES OF THE FINANCE COMMITTEE HELD ON 3RD JANUARY 2018

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 3rd JANUARY 2018.

FC - 18/152 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 3rd January 2018 and **NOTED** the following:

FC 18/142 – 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.

FC - 18/153 FINANCIAL PLANS 2018/19 to 2020/21

The Deputy Director of Finance confirmed that the Finance Section of the Draft IMTP was scheduled to be submitted to Welsh Government at the end of January. The section was included in the Committee papers and the Deputy Director of Finance guided the Committee through a presentation of the key assumptions and planning objectives set out in the IMTP.

The following points were highlighted:

- The UHB had made significant Cash Releasing savings in each year from 2014/15 to 2017/18, however a large proportion of the savings made were non recurrent
- Despite the level of savings achieved the UHB had reported deficits of £21.4m in 2014/15; £29.2m in 2016/17 and had a forecast deficit of £30.9m in 2017/18. A surplus of £0.010m had been achieved in 2015/16 after the receipt of £26.5m non recurrent funding from Welsh Government. This suggested that the UHB had been in a position of underlying deficit for a number of years.
- The Draft IMTP planned for continuing improvement on the assumptions that:
 - The UHB will not be required to make good any of its prior year deficits and this needed 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.
- The UHB must identify an additional £5.582m recurrent saving schemes in the remainder of 2017/18 to reduce the carry forward underlying deficit to the £49m assumed in the Draft IMTP.
- The UHB is seeking additional Welsh Government funding of £4.5m to support annual population growth and £11m additional support in 2018/19 and a further £4.5m to support annual population growth and £11m additional

support in 2019/20, A further £4.5m to support annual population growth is sought in 2020/21.

A query (JU) was raised regarding the probability the UHB receiving the additional allocations identified. The Chief Executive confirmed that the Draft IMTP represented an offer to Welsh Government based on what the UHB could deliver. The provision of additional funding at the start of the year would enable the UHB to deliver sustainable investments in capacity and reach a balanced position and maintainable base in year 3. It was unclear at this stage whether the request for additional support at the beginning of the planning cycle would be acceptable to Welsh Government.

- Cost pressures included in the plan are those that are determined to be unavoidable and are forecast to total £33.3m in 2018/19; 39.7m in 2019/20 & £29.8m in 2020/21.
- Curtailing the amounts set aside for growth is a risk to the UHB. Prescribing cost pressures had been capped by £3.2m in 18/19; CHC pressures in PCIC are capped by £1.2m in 18/19; CHC has been capped in Mental Health by £1m in 18/19 FNC has been capped by £0.050m in 18/19 NICE, Velindre and WHSSC costs are best estimates at this time.

A query (JU) was raised regarding the level of cost pressures that remained to be managed Clinical Boards with particular reference to the PCIC Clinical Board. The Director of Finance confirmed that some of the outlined pressures initially identified by Clinical Boards had subsequently diminished below the levels identified in the presentation e.g. the NCSO drug price concession which placed pressure on PCIC budgets. However the UHB recognised that a significant level of financial challenge remained with Clinical Boards particularly when considered with the 3% recurrent and 1% non recurrent savings requirement. In this context material pressures would be placed on and monitored through the Risk Register.

- Investment proposals of £6.290m included in the plan were above the cap of £4.3m and therefore the UHB would need to prioritize the schemes to go forwards.
- The Efficiency Plan to support the IMTP required the UHB to achieve recurrent 3% cash releasing savings in both 2018/19 and 2019/20 and 2% cash releasing savings in 2020/21. This would be a considerable challenge and evidence suggested that the levels of savings required is at the top end of what was achievable and sustainable.
- The 3 year plan was expected to deliver a deficit of £21.9m in 2018/19; a deficit of 3.3m in 2019/20 and return the UHB to a sustainable position with a surplus of £0.9m in 2020/21.
- Approximately £11.3m of the £24.1m cost pressures identified by Clinical Boards will need to be managed by Clinical Boards in 2018/19 alongside the savings targets delegated to Clinical Boards.
- The key Financial Risks to the Plan are:

- Securing IMTP approval – The plan does not break even over the three year period 2018/19 – 2020/21, however the UHB was seeking approval for the plan on the basis of restoration of financial balance in year 3. The financial support requested from Welsh Government is a fundamental component of this plan 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 and will be supported by the Cross Cutting Steering Group and the Programme Management Office.
- Management of Cost Pressures – the UHB expects budget holders to manage all carried forward and unfunded cost pressures within their total of delegated resources. It is expected that this will be successfully achieved in 2017/18 but does pose a risk given the scale of efficiencies being sought.

The Committee then discussed the plan focussing on the evidence of delivery of the 2017/18 plan and the level of confidence that the Committee and Board should have in respect of the likelihood of savings targets being delivered. .

A query (MB) was raised regarding the level of assurance that the UHB had in respect of efficiency opportunities offered by theatre utilisation rates etc. The Chief Operating Officer confirmed that length of stay, theatre and outpatient benchmarking indicated that the UHB had the scope to reduce its cost base if opportunities were worked through the whole system and across organisational boundaries. The Deputy Chief Executive stated that the implementation of the Emergency Surgery Plan was predicated on clear clinical objectives that clinical and management teams had been motivated to deliver and that the success of the plan provided the UHB with a template for engaging the service with further opportunities.

It was noted by the independent member (JA) and the Chair (MB) that 2017/18 performance should provide the Board with some assurance that the draft plan could be delivered and that the UHB could return to a sustainable base in the 3rd year of the plan. The Committee acknowledged that pay costs represented a large proportion of the UHB's cost base and in this context savings plans would need to be underpinned by workforce plans which safeguarded performance, patient safety and delivery.

The Finance Committee Chair (JU) queried whether Welsh Government was likely to accept the UHB draft IMTP. The Chief Executive advised the Committee that the UHB's draft 3 year plan provided the UHB with a firm base for progressing capacity planning, staff/workforce development and a return to financial balance in year 3. The Chief Executive noted that the UHB and Welsh Government were discussing the level of underlying deficit that the UHB had identified as being carried forward into 2018/19 and that agreement of the level of underlying deficit moving into 2018/19 was a key assumption within the UHB's plan. The Director of Finance added that the

UHB had written to Welsh Government outlining the non recurrent savings and benefits that supported the UHB's 2017/18 forecast outturn and confirmed that the Board would only be presented with a plan based on firm foundations that the UHB could deliver.

In response to a query from the UHB Chair (MB), the Chief Executive indicated that the UHB may need to operate under a 1 year plan if a 3 year plan could not be agreed with Welsh Government. This could impact on capacity planning and the time required to return to a balanced financial position.

The Finance Committee:

- **NOTED** the work completed on the plan to date and the draft IMTP Finance section.

FC - 18/154 BENCHMARKING OPPORTUNITIES

The Director of Finance referred the Committee to the report on Benchmarking Financial Opportunities and confirmed that the UHB considered both internal and external benchmarking data from a number of sources. The headline figures in the report were significant, however the UHB should make a mature assessment of the timing and level of savings that could be delivered. Benchmarking data highlighted which areas the UHB should approach to identify savings and flagged potential opportunities to budget holders and provided a starting point for the exploration of future change in processes to deliver services.

The Director of Operations added that the UHB should target its approach to the pursuit of savings particularly if additional support was required to deliver savings.

The Finance Committee:

- **NOTED** the benchmarking work already undertaken in supporting delivery of the financial plan
- **NOTED** the next steps in driving further financial savings opportunities

FC - 18/155 FINANCE REPORT AS AT MONTH 9

The Deputy Director of Finance presented the UHB's financial performance to month 9. The UHB recorded a £22.177m deficit at the end of month 9 and remained on track to deliver a financial position within the £30.9m planned deficit.

The UHB had now incorporated the current year costs of £1m for increased NHS Funded Nursing Care (FNC) fees within its forecast position and therefore the risk associated with NHS funded nursing fees following the Supreme Court Judgement

had fallen to approximately £2.7m. The risk associated with NCSO drug concessions had also fallen in month.

The favourable budget management variance had improved in month and was now c.£1m and the overall £22.177m deficit at month 9 was made up as follows:

- (£0.998m) favourable budget management variance
- £23.175m planned deficit (9/12th of £30.900m)

The Deputy Director of Finance informed the Committee that in light of the improving financial position that the UHB would review its year-end forecast over January and consequently may be able to reduce its year end forecast by £2m - £4m to support the position across Wales. In particular the review would focus on the reduction in demand for some high cost drugs as well as seeking clarification from the Welsh Risk Pool on the UHB's expected 2017/18 contribution.

The Director of Finance confirmed that the improving financial position was due to the continuing control exercised over budgets and indicated that there was an expectation that any improvement in the UHB's forecast outturn would in part be re-provided by Welsh Government in 2018/19.

The Deputy Director of Finance drew the Committee's attention to the Finance Dash Board that indicated that the underlying deficit had fallen by £0.5m in month and that the in month creditor payment compliance rate was above target at 95.7%.

The in month income surplus was primarily due to the over-performance against NHS Patient Related Income in month 9. Cumulative performance against income targets remained favourable. Pay budgets showed a year to date underspend of £1.553m and non pay budgets reported an in month underspend of £0.592m. The Deputy Director of Finance indicated that a further meeting was scheduled with WHSCC to discuss additional income for the costs of the temporary outsourcing of the neuro-interventional radiology service and added that the UHB had already covered the additional cost incurred within its forecast position.

All Clinical Boards bar CD&T remained on track to deliver balanced year end budget.

The Deputy Director of Finance referred the Committee to table 14 of the report which indicated that the UHBs underlying financial position now stood at £54.5m which was equivalent to the underlying deficit brought forward into 2017/18. The UHB expected the underlying deficit to fall further towards the year end planning figure of £49m over the remaining months of the year.

The Committee was informed by the Deputy Director that the UHB may need to reduce its request for strategic cash assistance if the UHB reduced its forecast year end deficit.

The Deputy Director of Finance outlined the key concerns and remedial actions

around budget overspends, financial risks and the underlying deficit to the Committee and noted that there had been an in month improvement in the areas of concern.

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

FC - 18/156 COST REDUCTION PROGRAMME

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

- As at 30st December 2017, the UHB remained on track to deliver the £35.001m savings programme.
- Cross Cutting schemes were expected to deliver £10.5m of indicative savings in 2018/19. 2017/18 themes would continue into 2018/19 with the addition of the Efficiency Opportunities theme. Each theme was sponsored by an executive officer and would be progressed by a named project manager, implementation lead and finance lead.
- As at 31st December 2017, £3.263m of 2018/19 opportunities had been identified as Green or Amber. It was expected that the majority of schemes

(90%) would be categorised as either green or amber prior to the start of the financial year and progress would need to accelerate to achieve this.

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 - 18/157 RISK REGISTER

The Assistant Director of Finance (Transformation & Planning) presented the risk register to the Finance Committee and highlighted the number of risk in each category.

The Committee was asked to endorse the removal of 3 risks from the risk register where optimum controls are in place

The Finance Committee:

- **NOTED** the risks highlighted within the risk register.
- **ENDORSED** risks to be removed from register where optimum controls are in place.

FC - 18/158 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/159 DATE AND TIME OF NEXT MEETING

Wednesday 28th February; 2.00pm; Large Meeting Room, HQ, UHW

FINANCE REPORT FOR THE PERIOD ENDED 31st JANUARY 2018	
Name of Meeting : Finance Committee	Date: 28 th February 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 January 2018 is a deficit of £24.258m comprised of the following: <ul style="list-style-type: none"> • (£1.492m) favourable budget variance; • £25.750m planned deficit (10/12th of £30.900m). 	
Quality, Safety, Patient Experience impact: This report details financial performance against the one year operational plan which supports improvements in quality, safety and patient / carer experience.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not applicable	

ASSURANCE AND RECOMMENDATION

LIMITED ASSURANCE is provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 10 position which is £1.492m less than the profiled deficit within the financial plan;
- The identification of a full £35m savings programme.

The Finance Committee is asked to:

- **NOTE** that the UHB has an one year operational plan that has a planned deficit of £30.900m for the year;
- **NOTE** that the UHB has reduced its forecast year end deficit by £4m in month to £26.900m
- **NOTE** the £24.258m deficit at month 10 which includes a planning deficit of £25.750m and budget underspends of (£1.452m);
- **NOTE** that the UHB has written to Welsh Government to confirm a reduction to the cash assistance required by the UHB in line with the reduction the forecast year end deficit.

SITUATION

Following a review of expected outturn for the remainder of the year and confirmation of the month 10 position which is nearly £1.5m better than planned, the UHB's year-end forecast has improved to a deficit of £26.9m. The reduction in the forecast deficit

is within the range outlined within the December Report and the forecast deficit is now £4m better than the planned deficit of £30.9m.

The £4m improvement to the UHB's year-end forecast is underpinned by the following budget surpluses:

- A £1.8m non recurrent underspend against delegated budgets.
- Clarification of the required recurrent contribution for the Welsh Risk Pool (WRP) which is £1m less than the WRPs planning assumption.
- A £1.2m recurrent surplus on the UHB's Hepatitis C drugs budget.

The £1m recurrent reduction to the required Welsh Risk Pool contribution and £1.2m recurrent surplus on Hep C budget have reduced the UHBs underlying deficit to be carried forward into 2018/19 by £2.2m from £54.5m to £52.3m

The forecast deficit of £26.9m also assumes that the UHB will cover the £2.7m potential cost of backdated NHS Funded Nursing Care costs that are expected to arise following the recent Supreme Court judgement.

These potential costs are to be managed as follows:

- £0.4m NICE drugs underspend following a revised forecast from Velindre Trust
- £1.1m upturn in expected income in relation to the Compensation Recovery Unit (CRU), LTAs and English Income
- £1.2m management of financial risks and opportunities in central budgets.

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. Following a review of cumulative actual and forecast future expenditure at month 10 the UHB has reduced its forecast year-end deficit by £4m to £26.9m.

The opening underlying deficit position was £54.5m and whilst now forecasting a £26.9m deficit, many of the items needed to achieve this are non recurrent. The UHB's assessed underlying deficit to be carried forward into 2018/19 fell by £2.2m in month and is currently assessed at £52.3m. The UHB is pursuing further recurring efficiencies with the objective of reducing the carried forward underlying deficit into 2018/19 to below £50m.

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

Table 1: Revised Operational Plan 2017/18 @ January 2018

	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
WRP revision to required contribution	1,000
Surplus on Hep C budget	1,200
Improvement in forecast delegated budget position	1,800
Forecast Outturn (£m)	-26,900

ASSESSMENT AND ASSURANCE

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

Table 2: Finance Dashboard @ January 2018

Finance Dashboard	Statutory	Standard	Performance		In Month	Year to Date	Month 10 Full Year Forecast
			Target				
					In Month	Year to Date	RAG Rating
Remain within revenue resource limit - Variance Adv/(Fav)	Yes	£0	£2.081m	£22.177			
Reduction in underlying deficit c/f to 18/19 (£54.5m b/f to 17/18)		£0	(£2.2m)	£52.382m			
Variance against unapproved 2017/18 £30.9m deficit plan		£0	(£0.494m)	(£1.492m)			
Pay expenditure (actual versus Plan)		£0	(£0.583m)	(£2.136m)			
Non-Pay Expenditure (Actual versus Plan)		£0	£0.475m	£1.493m			
Income (actual versus Plan)		£0	(£0.386m)	(£0.849m)			
Remain with CAPEX resource limit	Yes	£0	n/a	(£0.371m)			
Creditor payments compliance 30 day Non NHS		95%	89.60%	92.30%			
CRP Green / Amber status - Delegated Targets @ Dec 31st		100% Green		100%			

Month 10 Cumulative Financial Position

The UHB reported a deficit of £24.258m at month 10 as follows:

- (£1.492m) favourable budget management variance;
- £25.750m planned deficit (10/12th 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 January 2018

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	(110.338)	(110.724)	(0.386)	(1,029.010)	(1,029.859)	(0.849)	(1,278.766)	(1,278.766)	0.000
Pay	49.729	49.146	(0.583)	489.288	487.152	(2.136)	588.792	588.792	0.000
Non Pay	63.177	63.652	0.475	565.471	566.965	1.493	720.874	720.874	0.000
Variance to Draft Plan £m	2.569	2.075	(0.494)	25.750	24.258	(1.492)	30.900	30.900	0.000
Planned Deficit	(2.575)	0.000	2.575	(25.750)	0.000	25.750	(30.900)	0.000	30.900
Total £m	(0.006)	2.075	2.081	0.000	24.258	24.258	(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 @ January 2018

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	(77.136)	(77.136)	0.000	(690.707)	(690.707)	0.000
Non Cash Limited Expenditure	(1.686)	(1.686)	0.000	(16.359)	(16.359)	0.000
Accommodation & Catering	(0.230)	(0.192)	0.039	(2.002)	(1.942)	0.060
Education & Training	(3.254)	(3.274)	(0.020)	(31.509)	(31.612)	(0.104)
Injury Cost Recovery Scheme (CRU)	(0.189)	(0.313)	(0.124)	(1.888)	(2.072)	(0.184)
NHS Patient Related Income	(23.361)	(23.344)	0.017	(231.040)	(231.578)	(0.538)
Other Operating Income	(3.509)	(3.802)	(0.294)	(46.246)	(46.890)	(0.644)
Overseas Patient Income	(0.010)	(0.007)	0.003	0.114	(0.011)	(0.125)
Private Patient Income	(0.100)	(0.050)	0.050	(1.118)	(0.745)	0.373
Research & Development	(0.861)	(0.918)	(0.057)	(8.255)	(7.942)	0.313
Total £m	(110.335)	(110.721)	(0.386)	(1,029.010)	(1,029.859)	(0.849)

An in month surplus of £0.386m and a cumulative surplus of £0.849m is reported against income budgets.

The favourable variance reported against the Injury Cost Recovery Scheme follows an increase in the number of cases notified to the UHB in January.

The majority of the in month favourable variance reported against other operating income relates to activity related income for neonatal intensive care where the forecast underperformance against WHSCC targets has improved in January.

Both the in month and cumulative underperformance against private patient income targets relates to Specialist Services. The reduction in income will in part be offset by a corresponding reduction in costs.

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

Pay

Pay budgets continue to show sound performance with a year to date underspend of £2.136m. Table 5 highlights that this is favourable performance compared to a month 10 overspend of £1.173m in 2016/17.

Table 5: Analysis of fixed and variable pay costs

	2016/17 Total Spend £m	2016/17 Month 1 to Month 9 £m	2017/18 Month 1 to Month 9 £m	2016/17 Month 10 £m	2017/18 Month 10 £m	2016/17 Cum. to Month 10 £m	2017/18 Cum. to Month 10 £m
Basic	502.093	373.335	382.821	41.860	43.003	415.194	425.825
Enhancements	23.635	17.364	18.002	1.815	1.820	19.179	19.822
Maternity	4.136	3.170	3.114	0.307	0.328	3.477	3.443
Protection	0.743	0.560	0.509	0.061	0.059	0.621	0.567
Total Fixed Pay	530.607	394.429	404.447	44.043	45.210	438.472	449.657
Agency (mainly registered Nursing)	9.017	6.077	5.910	0.753	0.773	6.830	6.683
Nursing Bank (mainly Nursing)	14.249	9.754	10.466	1.181	1.210	10.934	11.677
Internal locum (Medical & Dental)	2.105	1.577	3.160	0.182	0.363	1.759	3.523
External locum (Medical & Dental)	9.547	7.116	5.225	0.774	0.543	7.889	5.768
On Call	2.154	1.558	1.596	0.160	0.178	1.718	1.774
Overtime	6.072	4.501	4.041	0.426	0.431	4.927	4.472
WL's & extra sessions (Medical)	3.549	2.588	3.161	0.223	0.438	2.812	3.599
Total Variable Pay	46.693	33.172	33.559	3.698	3.936	36.869	37.495
Total Pay	577.301	427.600	438.006	47.741	49.147	475.341	487.152
Pay Budget	576.692	425.821	439.559	48.347	49.729	474.168	489.288
Budget Variance (Fav)/Adv £m	0.609	1.779	(1.553)	(0.606)	(0.583)	1.173	(2.136)

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 @ January 2018

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	1.903	1.824	(0.079)	18.920	18.343	(0.577)
Management, admin & clerical	5.768	5.768	(0.000)	57.621	56.751	(0.870)
Medical and Dental	13.003	12.718	(0.285)	126.346	125.404	(0.942)
Nursing (registered)	14.969	14.540	(0.428)	146.659	144.823	(1.836)
Nursing (unregistered)	3.859	4.243	0.384	38.687	42.433	3.745
Other staff groups	7.410	7.336	(0.074)	73.127	72.769	(0.358)
Scientific, prof & technical	2.817	2.717	(0.100)	27.929	26.631	(1.298)
Total £m	49.729	49.146	(0.583)	489.288	487.152	(2.136)

The in month underspend of £0.583m is a step up from trend established in the first 9 months of the year. This is partly due to the in month application of £0.163m of non recurrent Invest to Save funding for Emergency Surgery which was confirmed by Welsh Government on the 5th February 2018. The funding has been allocated to nursing budgets leading to an in month underspend of £0.044m against nursing budgets.

Table 7 – Non Qualified Nursing Staff Pay Variance

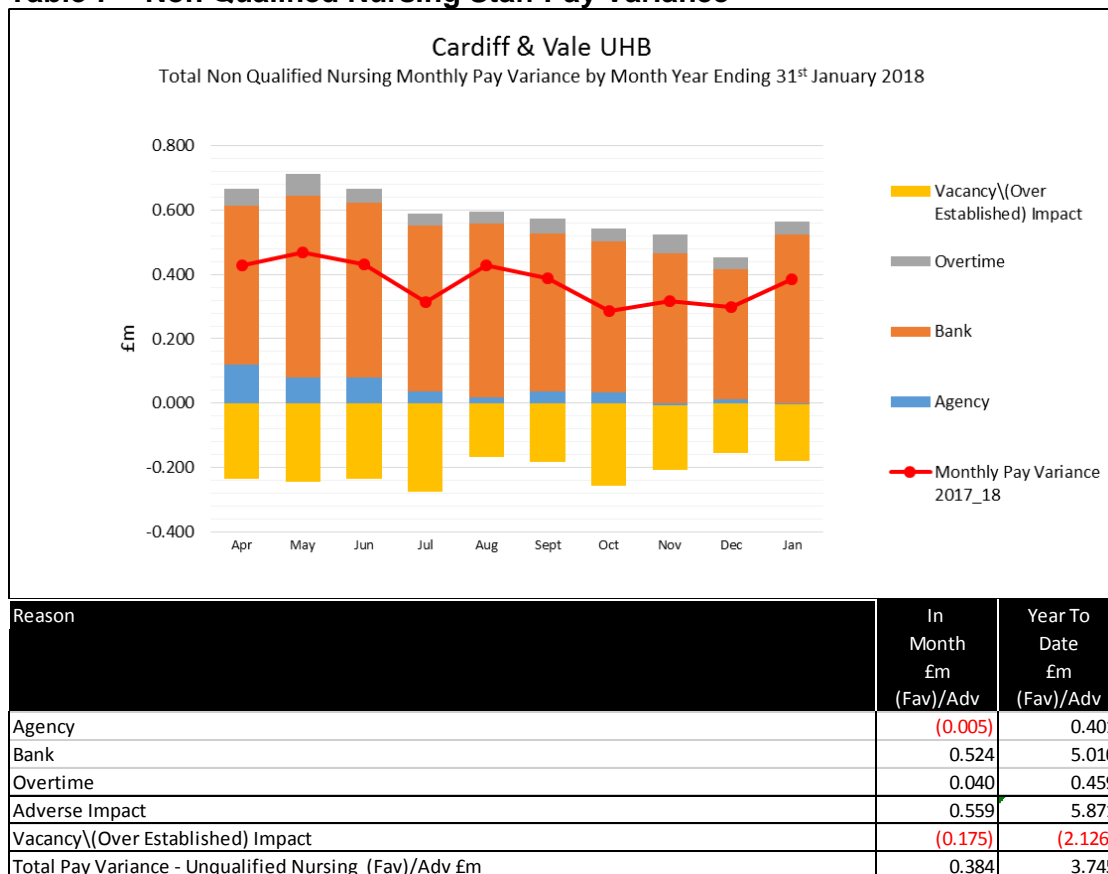


Table 7 demonstrates that the majority of adverse variance against non-qualified nursing assistants is due to an overspend of £5.010m on bank staff which is partly offset by an underspend against established posts. The in month overspend of £0.384m is broadly in line with the average monthly overspend for the year to date of £0.374m.

7

Table 8 - Qualified Nursing Staff Pay Variance

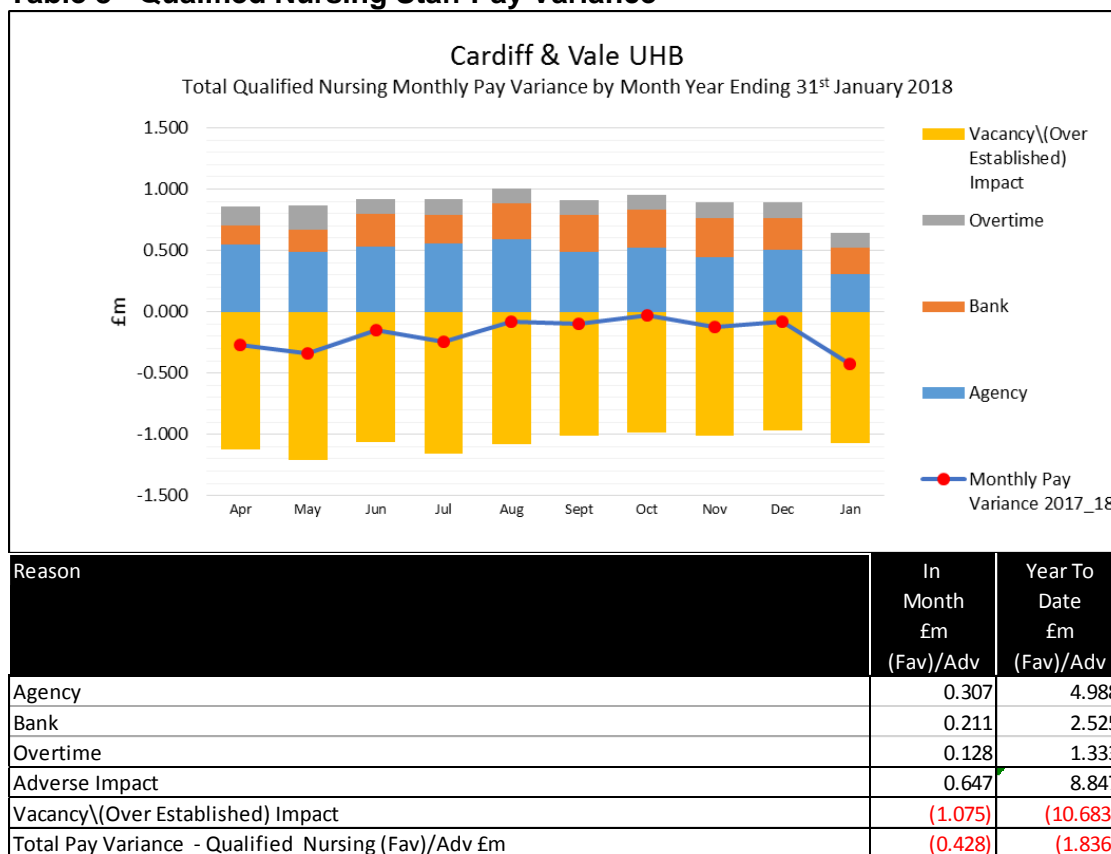
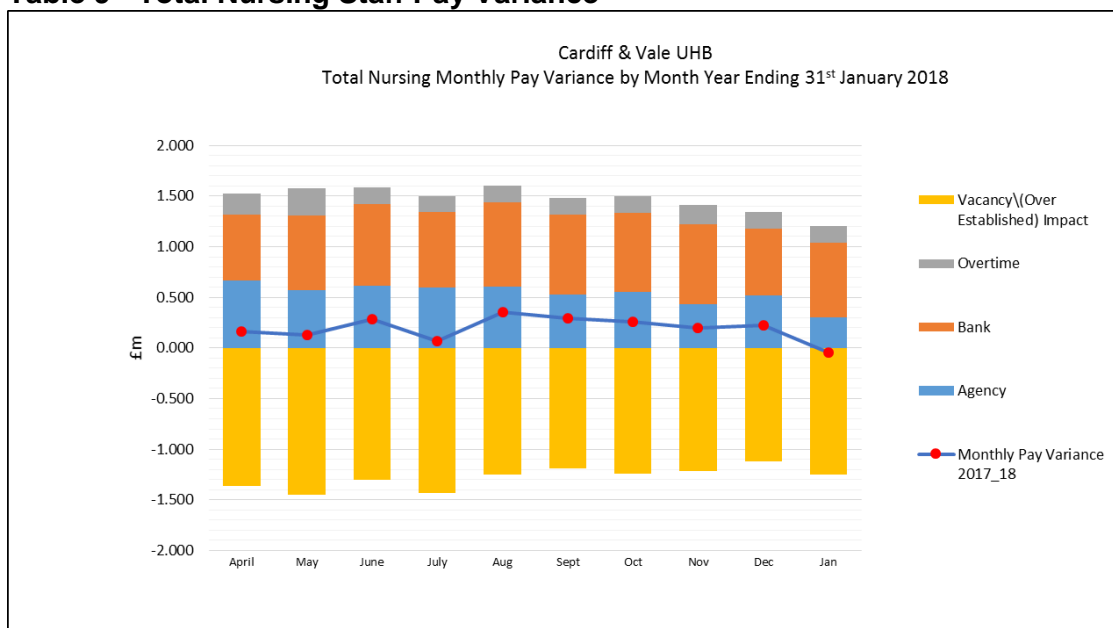


Table 8 confirms that expenditure on established qualified nursing posts is significantly less than budget. The in month position has been skewed by the allocation of £0.163m of non recurrent Invest to Save funding to Nursing for Emergency Surgery.

7

Table 9 - Total Nursing Staff Pay Variance



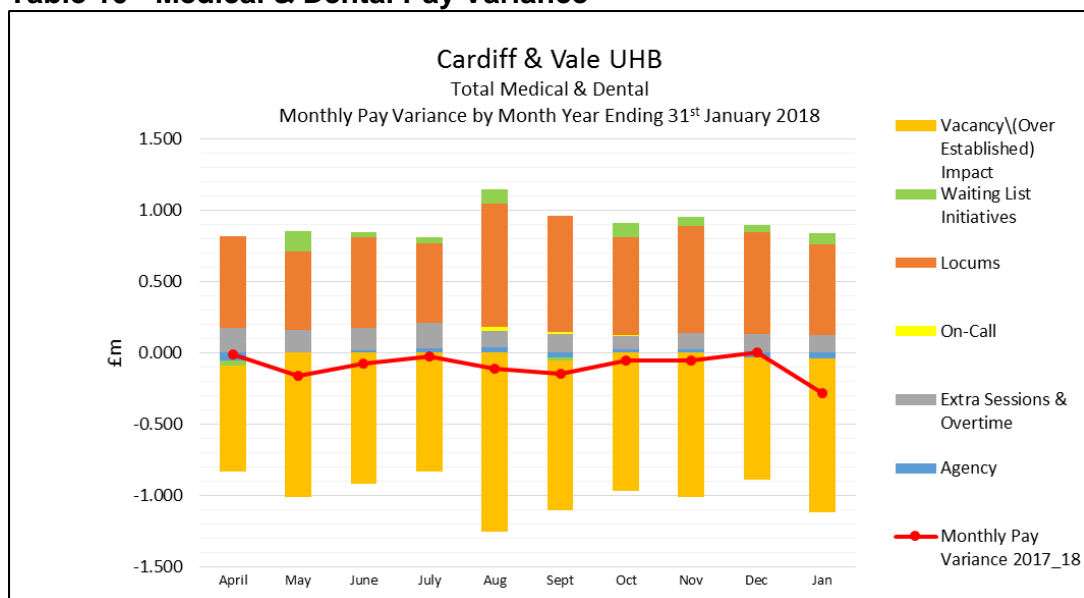
Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.303	5.389
Bank	0.736	7.535
Overtime	0.168	1.793
Adverse Impact	1.206	14.718
Vacancy\ (Over Established) Impact	(1.250)	(12.809)
Total Pay Variance - (Fav)/Adv £m	(0.044)	1.909

Table 9 shows that the expenditure against substantive nursing posts for the year to date is less than budget as reported by a £12.809m surplus against established posts. However the combined £14.718m 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 £0.942m at month 10.

7

Table 10 - Medical & Dental Pay Variance



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	(0.040)	(0.043)
Extra Sessions & Overtime	0.126	1.379
On-Call	0.000	0.051
Locums	0.634	6.843
Waiting List Initiatives	0.074	0.547
Adverse Impact	0.794	8.778
Vacancy\ (Over Established) Impact	(1.078)	(9.721)
Total Pay Variance - Medical & Dental (Fav)/Adv £m	(0.285)	(0.942)

Non Pay

Table 11: Non Pay Variance @ January 2018

Non Pay	In Month			Year to Date		
	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Actual £m	Variance (Fav)/Adv £m
Clinical services & supplies	8.472	8.633	0.161	78.764	79.252	0.488
Commissioned Services	13.188	12.927	(0.261)	134.003	133.868	(0.136)
Continuing healthcare	4.900	5.010	0.110	48.740	49.211	0.471
Drugs / Prescribing	13.791	13.686	(0.106)	124.228	123.656	(0.572)
Establishment expenses	1.005	0.967	(0.038)	9.062	8.929	(0.133)
General supplies & services	0.628	0.751	0.124	4.453	5.025	0.571
Other non pay	6.055	6.581	0.526	22.564	24.306	1.741
Premises & fixed plant	3.953	3.851	(0.102)	30.677	29.970	(0.707)
Primary Care Contractors	11.185	11.247	0.062	112.979	112.747	(0.231)
Total £m	63.177	63.652	0.475	565.471	566.965	1.493

Table 11 highlights an in month overspend of £0.475m and a £1.493m cumulative overspend against non pay budgets.

The in month overspend against clinical services and supplies is spread over a number of departments.

The NHS funded nursing fees pressure arising from the recent court judgement are assessed at up to £0.941m in respect of 2017/18 and £2.705m for prior years. Both the in year and previous years costs are now included in the UHB's forecast. The in month overspend against continuing healthcare is a consequence of growth in the number of placements through the course of the year.

A favourable variance reported against commissioned services has arisen due to a fall in WHSCC commitments primarily to cover specialist services provided by the UHB through the WHSCC contract.

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

The UHB was awaiting the final list of January NCSO price concessions at the time of reporting. Where concession prices have been published the price in general has dropped from the December concession price which has led to a reported underspend against GP prescribing in month. The UHB's forecast assumes that any further changes in price concession will be managed over the last 2 months of the year.

Other non-pay includes the additional costs resulting from the outsourcing of the neuro-interventional radiology service which are now estimated to be £0.559m for the year to date. The UHB's Director of Finance has met with the WHSCC Director of Finance to discuss whether additional income will be provided by WHSCC under the current LTA framework. The detail behind the issue was discussed and further progress was made at an LTA meeting with WHSCC on February 13 and there is an expectation that the issue will be concluded over the next month.

Also included in other non pay is a £1.635m 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 10 months to 31st January 2017 by Clinical Board is shown in Table 12.

Table 12: Financial Performance for the period ended 31st January 2018

Clinical Board	M9 Budget Variance £m	M10 Budget Variance £m	In Month Variance £m	Cumulative % Variance
Clinical Diagnostics & Therapies	0.299	0.373	0.074	0.42%
Children & Women	0.657	0.427	(0.230)	0.52%
Capital Estates & Facilities	(0.312)	(0.412)	(0.100)	(0.76%)
Dental	(0.028)	(0.011)	0.016	(0.04%)
Executives	(0.235)	(0.276)	(0.041)	(0.85%)
Medicine	0.370	0.323	(0.046)	0.34%
Mental Health	(0.246)	(0.364)	(0.119)	(0.60%)
PCIC	(1.890)	(2.091)	(0.201)	(0.83%)
Specialist	(0.560)	(0.508)	0.053	(0.40%)
Surgery	0.283	0.239	(0.044)	0.22%
Central Budgets	0.663	0.807	0.144	0.71%
SubTotal	(0.998)	(1.492)	(0.494)	(0.15%)
Planned Deficit	23.175	25.750	2.575	2.50%
Total	22.177	24.258	2.081	2.36%

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 unregistered nursing budgets remained. Underperformance in PICU and NICU alongside premium costs of medical cover and drug overspends are pressures in the Children and Women (C & W) Clinical Board. The in month improvement in the C & W position is a result of a reduction in the contractual level of NICU under-performance which has led to the expectation that income for under-performance will now be returned to WHSCC at a marginal rate of 40% rather than the 85% previously assumed. The deficit reported by the Surgery Clinical Board improved again in month in part due to the application of the £0.163m retrospective Invest to Save funding against nursing budgets. 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 produced 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 10 the UHB has a fully identified savings plan to deliver the £35.001m savings target as detailed in **Appendix 1**.

For the year to date £27.2m (77.8%) 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 2 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 £52.3m as shown in Table 13.

Table 13: Summary of Underlying Financial Position

	2017/18 Plan £m	Forecast Position @ Month 10	
		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)	15.621	(19.380)
Deficit	30.900	21.482	52.382

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. As a consequence of the £4m reduction to the UHB forecast deficit in January the level of strategic cash assistance required by the UHB has also fallen by £4m from that previously requested. The UHB has therefore written to Welsh Government to confirm the Strategic Cash Assistance required is therefore now and £4m less at £25.389m. The UHB has also requested £3.333m cash assistance for working balance movements. The UHB has therefore requested total cash assistance of £28.722m (£25.389m strategic cash only support & £3.333m working balances cash assistance).

Public Sector Payment Compliance

Following an improvement in each of the past 4 months, the UHB's cumulative performance deteriorated by 0.2% in January largely due to a small backlog of invoices which accumulated over the holiday period and were subsequently settled in January. The reported figure to date is now 92.3%. 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 introduction on the 1st August 2017 of an automated ordering & receipting process that has now been rolled out to UHB's six largest agency suppliers. 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 2 months of the year.

Capital Resource Limit (CRL)

Progress against the CRL for the period to the end of January 2018 is detailed in **Appendix 5** and summarised in Table 14.

Table 14: Progress against Capital Resource Limit @ January 2018

	£m
Planned Capital Expenditure at month 10	21.302
Actual net expenditure against CRL at month 10	20.931
Variance against planned Capital Expenditure at month	(0.371)

The UHB anticipates to fully expend its CRL by the year end.

Financial Risks

The FNC financial risk has now been accommodated within the UHB forecast and risk around NCSO drugs has now largely gone. In addition Welsh Government have confirmed funding for PACS.

Therefore the only outstanding material risk relates to the performance of neonatal intensive care against the WHSSC contract. The UHB is on track to make good part of the year to date underperformance. Due to the stepped marginal cost in this contract however, if this is not achieved it will result in a £0.8m income reduction.

Key Concerns & Recovery Actions

At month 10, the key concerns and challenges are set out below:

1. Concern- Budget overspends at month 10;

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 have been identified to mitigate against these and therefore the UHB has greater assurance of delivering its 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.

CONCLUSION

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

The UHB's draft 2017/18 financial plan requires the delivery of £35m financial savings to achieve a £30.9m deficit. The underspend against the UHB plan increased by £0.494m in January from £0.998m to £1.492 providing the UHB with further assurance of its operational budget performance and the delivery of internal efficiencies. In addition the UHB has been able to clarify the extent of its exposure to a number of financial risks and as a result has reduced the UHBs forecast deficit by £4m to £26.9m. This will assist the NHS Wales overall financial position. Part of the savings identified are recurrent enabling the UHB to reduce the underlying deficit carried forward into 2018/19 by 2.2m.

The UHB will continue to share progress being made with Welsh Government and at its Targeted Intervention meetings. The UHB will also ensure good financial management processes remain in place to explore further options to support longer term financial sustainability.

The reported financial position for the ten months to the end of January is a deficit of £24.258m. This is made up of a budget plan deficit of £25.750m and a favourable variance against plan of £1.492m.

Appendix 1

2017-18 Part Year Effect Month Ending January 2018						
Identified Savings	17-18 Target	Granular Identified Green	Clinical Board Amber	Clinical Board Pipeline Red	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
Surgery	2,357	2,401	118	35	2,520	-163
PCIC	3,323	3,327	226	450	3,553	-230
Mental Health	1,395	1,433	0	0	1,433	-38
Children & Women	1,775	1,675	147	420	1,822	-47
Dental	400	408	0	10	408	-8
CD&T	1,880	1,890	0	163	1,890	-10
Medicine	1,878	1,879	0	157	1,879	-1
Clinical Board Forecast			4,541		4,541	-4,541
Corporate Schemes	17,668	15,142	500	234	15,642	2,026
Total Savings	35,001	33,087	5,949	1,864	39,035	-4,034
2017-18 Full Year Effect Month Ending January 2018						
Identified Savings	17-18 Target	Granular Identified Green	Clinical Board Amber	Clinical Board Pipeline Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Execs	501	609	87	16	696	-195
Specialist Services	1,800	1,365	450	324	1,815	-15
Capital Estates and Facilities	933	933	60	420	993	-60
Surgery	1,768	1,794	170	86	1,964	-196
PCIC	2,493	3,239	275	160	3,514	-1,021
Mental Health	1,047	1,047	0	0	1,047	0
Dental	300	88	0	20	88	212
Children & Women	1,331	946	425	723	1,371	-40
CD&T	1,382	1,382	0	163	1,382	0
Medicine	1,408	1,702	0	594	1,702	-294
Corporate Schemes	17,668	6,275	0	0	6,275	11,393
Total Savings	30,631	19,380	1,467	2,505	20,847	9,784

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	110,746	115,938	117,269	147,693	1,346,320
Identified savings	-618	-1,481	-2,972	-1,757	-2,739	-2,898	-4,741	-3,568	-3,326	-3,141	-3,369	-4,391	-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	-3,326	-3,141	-3,369	-4,391	-35,001
Net costs	102,626	100,073	107,341	107,324	107,851	106,905	91,436	110,343	107,420	112,797	113,900	143,302	1,311,319
Income (phased as per budget plan)	98,952	98,579	104,814	104,728	105,337	104,301	88,882	107,862	105,687	110,716	112,579	141,981	1,284,419
Net surplus/ (deficit)	-3,674	-1,494	-2,527	-2,596	-2,514	-2,604	-2,554	-2,481	-1,733	-2,081	-1,321	-1,321	-26,900

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 JANUARY 2018

	Opening Balance 1 st April 2017	Closing Balance 31st January 2018
Non-Current Assets	£'000	£'000
Property, plant and equipment	628,042	639,236
Intangible assets	1,601	1,518
Trade and other receivables	42,437	48,558
Other financial assets		
Non-Current Assets sub total	672,080	689,312
Current Assets		
Inventories	15,129	16,034
Trade and other receivables	137,493	190,416
Other financial assets	0	0
Cash and cash equivalents	881	4,328
Non-current assets classified as held for sale	1,815	0
Current Assets sub total	155,318	210,778
TOTAL ASSETS	827,398	900,090
Current Liabilities		
Trade and other payables	157,516	138,265
Other financial liabilities	0	0
Provisions	102,277	153,912
Current Liabilities sub total	259,793	292,177
NET ASSETS LESS CURRENT LIABILITIES	567,605	607,913
Non-Current Liabilities		
Trade and other payables	10,207	9,761
Other financial liabilities	0	0
Provisions	44,615	45,071
Non-Current Liabilities sub total	54,822	54,832
TOTAL ASSETS EMPLOYED	512,783	553,081
FINANCED BY:		
Taxpayers' Equity		
General Fund	399,057	438,989
Revaluation Reserve	113,726	114,092
Total Taxpayers' Equity	512,783	553,081

Appendix 4

CASH FLOW FORECAST AS AT 31st JANUARY 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	72,858	73,094	879,431
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	1,630	1,530	19,125
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	5,280	2,662	5,280	35,091
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	26,020	31,945	36,010	399,848
Other - (Specify in narrative)	11,438	3,599	7,579	5,630	8,324	6,620	9,018	6,738	5,850	8,488	7,489	8,784	89,557
TOTAL RECEIPTS	149,044	96,943	144,167	106,988	114,740	134,631	110,230	120,925	133,005	109,861	121,784	131,613	1,473,931
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	4,242	4,142	6,795	62,030
Primary Care Services : Pharmacy Services	153	124	144	112	125	135	121	101	215	484	344	250	2,308
Primary Care Services : Prescribed Drugs & Appliances	15,528	2	15,095	4	7,945	16,115	3	7,429	16,189	3	7,765	7,825	93,903
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	1,904	1,830	21,960
Non Cash Limited Payments	1,986	2,196	1,910	2,173	2,105	2,125	2,135	2,174	2,201	2,094	2,023	2,125	25,247
Salaries and Wages	45,715	47,104	47,578	46,857	46,825	46,822	46,626	47,425	47,459	47,086	47,421	47,571	564,489
Non Pay Expenditure	41,188	43,621	48,892	44,051	45,352	44,772	49,641	44,931	40,770	46,476	45,573	49,138	544,405
Capital Payment	9,738	1,925	1,323	1,802	3,587	2,322	2,277	3,052	2,773	2,439	3,597	10,116	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	3,025	9,340	10,820	116,372
TOTAL PAYMENTS	137,092	103,782	142,252	103,763	120,740	137,166	109,703	119,681	135,219	107,688	122,109	136,470	1,475,665
Net cash inflow/outflow	11,952	(6,839)	1,915	3,225	(6,000)	(2,535)	527	1,244	(2,214)	2,173	(325)	(4,857)	
Balance b/f	881	12,833	5,994	7,909	11,134	5,134	2,599	3,126	4,370	2,156	4,329	4,004	
Balance c/f	12,833	5,994	7,909	11,134	5,134	2,599	3,126	4,370	2,156	4,329	4,004	(853)	

FINANCIAL GOVERNANCE REVIEW PROGRESS REPORT	
Name of Meeting : Finance Committee	Date of Meeting: 28 th February 2018
Executive Lead: Executive Director of Finance	
Author : Deputy Director of Finance	
Caring for People, Keeping People Well: This report strengthens financial governance which supports the values of the UHB.	
Financial impact : None, the review was funded by Welsh Government	
Quality, Safety, Patient Experience impact : N/A	
Health and Care Standard Number: Governance, leadership and accountability Standard 7.1 Workforce	
CRAF Reference Number: 8 and 9	
Equality and Health Impact Assessment Completed: Not Applicable	

ASSURANCE AND RECOMMENDATION

ASSURANCE is provided by:

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

RECOMMENDATIONS

The Finance Committee is asked to:

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

SITUATION

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

Board at its September 2017 meeting. This report sets out the progress being made against this action plan.

BACKGROUND

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

Aim:

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

Objectives:

Deloittes LLP review included:

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

ASSESSMENT AND ASSURANCE

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

The progress against each recommendation is contained in Appendix 1. Progress was last reported to the Finance Committee in November 2017 and since that date a further 3 actions have now been completed. Latest progress against the 22 recommendations is as follows:

- 12 have been completed;
- 10 are in progress.

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

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

Appendix 1

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

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

Appendix 1

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



2017-18 and 2018-19 Cost Reduction Programme	
Name of Meeting : Finance Committee	28 th February 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	

ASSURANCE AND RECOMMENDATION

The Finance Committee is asked to:-

- **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.

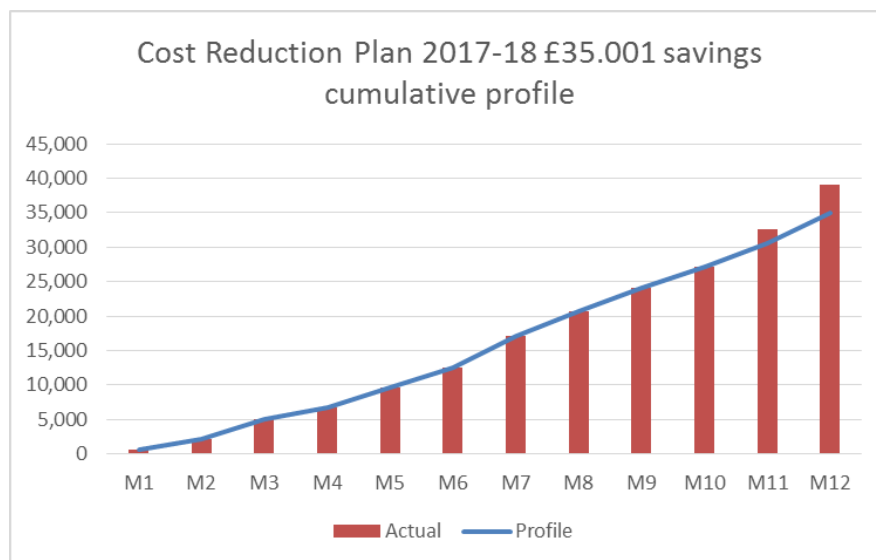
PROGRESS AGAINST TOTAL CRP REQUIREMENT 2017-18

As at 31st January 2018, £39.035m of opportunities have been identified as Green or Amber against the total savings target of £35.001m.



The value of Green schemes is £33.087m and Amber schemes £5.949m.

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



10

PROGRESS AGAINST DEVOLVED CRP 2017-18

As at 31st January 2018, £18.852m of opportunities have been identified as Green or Amber against the devolved CRP target of £17.333m.

The value of Green schemes is £17.945m 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 January 2018, £6.607m 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 those 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 January 2018, £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 week commencing 12th February 2018, £12.525m of opportunities have been identified as Green or Amber against the £33.780m target.

The value of Green schemes is £6.117m and Amber schemes £6.408m.

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 £39.035m 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 January 2017-18 Part Year Effect

Identified Savings	17-18 Target	Granular Identified Green	Clinical Board Amber	Clinical Board Pipeline Red	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
Surgery	2,357	2,401	118	35	2,520	-163
PCIC	3,323	3,327	226	450	3,553	-230
Mental Health	1,395	1,433	0	0	1,433	-38
Children & Women	1,775	1,675	147	420	1,822	-47
Dental	400	408	0	10	408	-8
CD&T	1,880	1,890	0	163	1,890	-10
Medicine	1,878	1,879	0	157	1,879	-1
Clinical Board Forecast			4,541		4,541	-4,541
Corporate Schemes	17,668	15,142	500	234	15,642	2,026
Total Savings	35,001	33,087	5,949	1,864	39,035	-4,034

10

2017-18 Full Year Effect

Identified Savings	17-18 Target	Granular Identified Green	Clinical Board Amber	Clinical Board Pipeline Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Execs	501	609	87	16	696	-195
Specialist Services	1,800	1,365	450	324	1,815	-15
Capital Estates and Facilities	933	933	60	420	993	-60
Surgery	1,768	1,794	170	86	1,964	-196
PCIC	2,493	3,239	275	160	3,514	-1,021
Mental Health	1,047	1,047	0	0	1,047	0
Dental	300	88	0	20	88	212
Children & Women	1,331	946	425	723	1,371	-40
CD&T	1,382	1,382	0	163	1,382	0
Medicine	1,408	1,702	0	594	1,702	-294
Corporate Schemes	17,668	6,275	0	0	6,275	11,393
Total Savings	30,631	19,380	1,467	2,505	20,847	9,784



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	2,100	537	625	2,637	-637
Nursing Productivity	1,500	625	0	92	625	875
Procurement	2,000	1,845	64	47	1,909	91
Workforce Productivity	1,000	406	500	0	906	94
Total	7,500	5,274	1,333	801	6,607	893

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	2,581	725	335	3,306	-1,306
Nursing Productivity	1,500	1,028	0	387	1,028	472
Procurement	2,000	2,072	101	93	2,173	-173
Workforce Productivity	1,000	405	0	0	405	595
Total	7,500	6,389	1,464	852	7,853	-353

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



2018-19 Weekly Summary 2018-19 PYE

Clinical Board	18-19 4% Target (3% recurrent / 1% non-recurrent)	Granular Identified Green	Shortfall vs Green	Identified Amber	Pipeline Red	Total Green & Amber	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000	%	£'000
PCIC	6,600	2,657	3,943	1,153	419	3,810	2.31	2,790
Mental Health	2,940	622	2,318	1,274	545	1,896	2.58	1,044
Surgery	4,714	1,090	3,624	438	220	1,528	1.30	3,186
Capital Estates and Facilities	2,580	466	2,114	1,055	360	1,521	2.36	1,059
CD&T	3,442	21	3,421	926	1,433	947	1.10	2,495
Medicine	3,754	294	3,460	116	1,268	410	0.44	3,344
Children & Women	3,550	265	3,285	812	672	1,077	1.21	2,473
Corporate Execs	1,362	47	1,315	54	282	101	0.30	1,261
Dental	800	22	778	35	10	57	0.29	743
Specialist Services	4,038	632	3,406	545	1,230	1,177	1.17	2,861
Total	33,780	6,117	27,663	6,408	6,438	12,525	1.48	21,255
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
WC 8th January 2018	33,780	996	32,784	2,267	10,835	3,263	0.39	30,517
WC 15th January 2018	33,780	996	32,784	2,440	10,969	3,436	0.41	30,344
WC 22nd January 2018	33,780	998	32,782	2,582	11,035	3,580	0.42	30,200
WC 29th January 2018	33,780	1,089	32,691	2,582	11,035	3,671	0.43	30,109
WC 5th February 2018	33,780	4,091	29,689	4,535	8,740	8,626	1.02	25,154
WC 12th February 2018	33,780	6,117	27,663	6,408	6,438	12,525	1.48	21,255

2018-19 Weekly Summary 2018-19 FYE

Clinical Board	18-19 3% Target	Granular Identified Green	Shortfall vs Green	Identified Amber	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	2,432	2,518	656	324	3,088	1.87	1,862
Mental Health	2,205	602	1,603	550	520	1,152	1.57	1,053
CD&T	2,582	21	2,561	404	2,343	425	0.49	2,157
Dental	600	22	578	0	10	22	0.11	578
Surgery	3,536	1,060	2,476	514	217	1,574	1.34	1,962
Capital Estates and Facilities	1,935	283	1,652	1,205	412	1,488	2.31	447
Children & Women	2,663	265	2,398	756	737	1,021	1.15	1,642
Medicine	2,816	294	2,522	116	1,459	410	0.44	2,406
Specialist Services	3,029	310	2,719	445	1,335	755	0.75	2,274
Corporate Execs	1,022	47	974	66	276	113	0.33	908
Total	25,335	5,336	19,999	4,712	7,633	10,048	1.19	15,287
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
WC 8th January 2018	25,335	600	24,735	1,759	9,594	2,359	0.28	22,976
WC 15th January 2018	25,335	622	24,713	2,009	9,704	2,631	0.31	22,704
WC 22nd January 2018	25,335	624	24,711	2,151	9,741	2,775	0.33	22,560
WC 29th January 2018	25,335	624	24,711	2,151	9,741	2,775	0.33	22,560
WC 5th February 2018	25,335	3,949	21,386	3,851	9,008	7,800	0.92	17,535
WC 12th February 2018	25,335	5,336	19,999	4,712	7,633	10,048	1.19	15,287



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

10



Finance Risk Register	
Name of Meeting : Finance Committee	28 th February 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	

<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
--

11

INTRODUCTION

This report highlights the Finance Risk Register risk categorisation as at 28th February 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 28 February 2018
Extreme Risk	20 - 25	0
High Risk	12 - 16	1
Moderate Risk	4 - 10	8
Low Risk	1 - 3	1

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
FIN014/17	FNC supreme court ruling	3

SUMMARY

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

Categories	Reference No	Date Entered onto new CB/Dir/UHB Risk Register	Risk/Issue (Including Impact)	Existing Controls	Current Risk Rating			Adequacy Existing Controls	Summary of Additional Controls Required	Target Risk Rating if Controls in Place			Date of Last Review	Review Completed By	Comments	Date of Next Review	Risk Owner	Exec Lead	Assuring committee
					Impact / Consequence	Likelihood	Score			Impact / Consequence	Likelihood	Score							
Finance	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	Feb-18	Assistant Director of Finance	Part of the overall savings requirement which is now met. But this would support the recurrent position.	Mar-18	The Board	Director of Finance	Finance Committee
Finance	Fin06/17	Apr-17	Deliver RTT within £10.5m resources available	Fortnightly meetings chaired by the Chief Operating Officer. Monthly Financial Clearance Meeting.	3	2	6	Adequate but more Action Required	Monthly progress report to be received through performance review meetings.	3	2	6	Feb-18	Assistant Director of Finance	Additional resources secured should help reduce this risk	Mar-18	The Board	Director of Finance	Finance Committee
Finance	Fin07/17	Apr-17	Winter pressures managed within £1.5m reserve	Winter plan for 2017/18 being developed for sign off by Management Executive.	2	2	4	Adequate but more Action Required	Progress report to be received through performance review meetings.	2	2	4	Feb-18	Assistant Director of Finance	Additional resources secured should help reduce this risk	Mar-18	The Board	Director of Finance	Finance Committee
Finance	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	Feb-18	Assistant Director of Finance		Mar-18	The Board	Director of Finance	Finance Committee
Finance	Fin13/17	Jun-17	Identification of £15.0m additional actions as stretch plan to achieve £30.9m deficit position	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	Feb-18	Assistant Director of Finance	£35m savings now identified.	Mar-18	The Board	Director of Finance	Finance Committee
Finance	Fin14/17	Sep-17	Funded nursing care increase resulting from supreme court judgement. £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.	3	1	3	Optimum Controls/NFA Required	Work has been coordinated across NHS Wales to determine liability and financial impact of decision. Funding has been agreed by Welsh Government.	3	1	3	Feb-18	Assistant Director of Finance	Funding agreed by WG	Mar-18	The Board	Director of Finance	Finance Committee
Finance	Fin15/17	Sep-17	Neuro Interventional Radiology outsourcing £0.8m	Not included within 2017/18 financial plan but is being managed in the Clinical Board plans.	1	5	5	Adequate but more Action Required	Risk exposure to be managed by the Clinical Board.	1	5	5	Feb-18	Assistant Director of Finance	Managed within Clinical Board Forecast	Mar-18	The Board	Director of Finance	Finance Committee
Finance	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	2	6	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	Feb-18	Assistant Director of Finance	There is risk to the forecast position.	Mar-18	The Board	Director of Finance	Finance Committee
Finance	Fin17/17	Oct-17	Underlying Deficit c/f into 2018/19. This currently stands at £52.4m, an improvement of £2.1m on 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	Feb-18	Assistant Director of Finance	£2.1m reduction to month 10	Mar-18	The Board	Director of Finance	Finance Committee
Finance	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	Feb-18	Assistant Director of Finance		Mar-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