

**FINANCE COMMITTEE MEETING**  
**2PM - 30<sup>TH</sup> May 2018**  
**Large Meeting Room, Headquarters UHW**

PART 1 : ITEMS FOR ACTION		
1	Welcome and introductions	Oral - chair
2	Apologies for absence	Oral – chair
3	Declarations of interest	Oral – chair
4	Minutes of the meeting held 25 April 2018	Chair
5	Action Log	Chair
6a	Revised Terms of Reference cover sheet	Chris Lewis
6b	Revised Terms of Reference	
7	Financial Plans 2018/19	Len Richards
8	Finance Report as at month 1	Chris Lewis
9a	Financial governance review – progress report	Chris Lewis
9b	Deloitte's recommendations progress May 2018 Appendix 1	
10	Cost Reduction Programme and Cross Cutting Themes	Andrew Gough
11a	Finance Risk Register	Andrew Gough
11b	Finance Risk Register Appendix 1	
PART 2: ITEMS TO BE RECORDED AS RECEIVED AND NOTED FOPR INFORMATION BY THE BOARD		
12	Items to bring to the attention of the Board/other Committees	Oral - chair
13	Date, Time and venue of the next meeting of the Finance Committee: 2pm Wednesday 27 June 2018, Large Meeting Room HQ	Oral - chair

**CONFIRMED MINUTES OF THE FINANCE COMMITTEE****HELD ON 25<sup>th</sup> APRIL 2018****LARGE MEETING ROOM, HQ, UHW****Present:**

John Union	Chair (Finance Committee)
Maria Battle	Chair (Board)
Steve Curry	Director of Operations
Len Richards	Chief Executive
Charles Janczewski	Vice Chair (Board)
Abigail Harris	Director of Planning
Andrew Gough	Assistant Director of Finance (Transformation & Planning)
Christopher Lewis	Deputy Director of Finance
Martin Driscoll	Director of Workforce

**In Attendance:****Secretariat:**

Paul Emmerson	Finance Manager
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**FC – 18/184 WELCOME AND PURPOSE OF THE COMMITTEE**

The Chair welcomed everyone to the meeting.

**FC – 18/185 APOLOGIES FOR ABSENCE**

Apologies were received from John Antoniazzi, Ruth Walker, Sharon Hopkins and Robert Chadwick.

**FC – 18/186 DECLARATIONS OF INTEREST**

The Chair invited members to declare any interests in proceedings on the Agenda.

The UHB Vice Chair (CJ) indicated that he had been appointed to Chair a WHSCC sub-committee and declared an interest in discussions in respect of WHSCC.

**FC – 18/187 MINUTES OF THE FINANCE COMMITTEE HELD ON 28<sup>th</sup> MARCH 2018**

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 28<sup>th</sup> March 2018.

**FC - 18/188 ACTION LOG FOLLOWING THE LAST MEETING**

The Committee **RECEIVED** the Action Log from the meeting of 28th March 2018 and **NOTED** the following:

**FC 18/167** – Final Financial Governance Review Progress Report to be brought back to the May meeting – incomplete – scheduled for May 2018 meeting

**FC - 18/177** - Unfunded 2018/19 cost pressures to be managed by budget holders - Complete – Risk included on draft 2018/19 Risk Register presented at April 25th Finance Committee

**FC - 18/177** - Confirmation of 2018/19 Performance/ RTT Funding to be added to and monitored through the 2018-19 Risk Register - Complete – Risk included on draft 2018/19 Risk Register presented at April 25th Finance Committee

**FC - 18/179** - Drivers of the Clinical Services and supplies overspend should be reported back to the Committee in more detail - Complete – Detail provided in the month 12 Finance Report presented at April 25th Finance Committee

**FC - 18/179** - Pressure arising from the increased demand for CAMHS Tier 4 services in February 2018 - Complete – The pressure arising on CAMHS Tier 4 services is managed within the totality of the WHSCC contract. There was a relatively high number of Tier 4 admissions in February due to normal statistical variation. This resulted in a £0.04m adverse variance in February however overall activity is expected to revert back to the mean over time. In response to a query (CJ) the Deputy Director of Finance agreed that there had also been an increase in demand on tier 1 services.

**FC - 18/181** - 2018/19 Draft Risk Register to be brought to next Finance Committee. Complete – update provided to 25th April 2018 Finance Committee

**FC - 18/189 FINANCIAL PLANS 2018/19 to 2020/21**

The Chief Executive provided the Committee with an update from the Targeted intervention meetings with Welsh Government (WG) and progress on the plan since the last meeting. The Committee was reminded that it had previously been advised that Welsh Government was expected to challenge the UHB to reduce its 2018/19 planned deficit to a figure lower than the previously submitted planned deficit of £29.2m. The £29.2m planned deficit was discussed further at Targeted Intervention meetings and was not acceptable by Welsh Government. The UHB consequently accepted the challenge of working throughout the year to deliver an additional £9.3m financial improvement target and amended its projected deficit to £19.9m. The Chief Executive confirmed that the financial improvement target had been accepted by the

UHB subject to a number of conditions and following a query from the UHB Chair (MB) it was agreed that the conditions would be shared with the Finance Committee.

**ACTION: CHIEF EXECUTIVE**

The Director of Operations advised the Committee that it was important for the UHB to maintain pressure on Welsh Government to recognise the service and financial consequences of the continuing population growth in Cardiff and Vale where rates of increase are high in comparison to the rest of Wales. The additional service pressures on both primary and secondary care are expected to continue with the progress of the Cardiff Local Development Plan (LDP) and the expansion of housing to the North West and North East of the city. The Director of Planning indicated that the UHB has already progressed discussion with Cluster groups and Welsh Government in respect of the increase in capacity required by the localities that are expected to see increasing incremental growth. In this context, the committee was informed that the UHB was considering the commission of an independent report so that the implications of the increase in population in Cardiff and Vale could be fully understood.

The UHB had indicated that it expected Welsh Government to support the UHB's bid for additional RTT funding. In response to a query from the UHB Chair the Chief Executive confirmed that Welsh Government had indicated that it expected the UHB to continue to incur spend on RTT in lieu of confirmation of additional funding and this was expected to be confirmed in the minutes. In this context a request had been made to the Director of Finance to separately identify RTT spend that was expected to be covered by an additional allocation. The expenditure would be highlighted to WG through the monthly monitoring returns.

**ACTION: DIRECTOR OF FINANCE**

On a related funding matter the Director of Operations informed the committee that Welsh Government had indicated that there were plans to allow early access to the All Wales Transformation Fund through a bidding process that maybe targeted at specific healthcare areas. The fund was c £100m over 2 years and the UHB's share was expected to be circa £7m p.a.

The Committee was also informed that Welsh Government had agreed to allow the UHB additional time to implement the Welsh Government NHS R&D Finance Policy and that this should help the UHB to minimize the financial risks inherent in extracting the R & D budgets which were currently embedded within Clinical Board and Directorate funding.

The UHB Vice Chair (CJ) queried whether de-escalating the UHB out of targeted intervention was contingent upon the production of a balanced IMTP and the UHB Chair (MB) also asked whether the 1 year operational plan enabled the UHB to return to balance in 2020/21. The Chief Executive confirmed that the escalation

process with Welsh Government was fluid and that the UHB had an opportunity to return to a balanced position if it was successful in reducing the underlying deficit.

In response to a query from the Committee Chair (JU) the Deputy Director of Finance indicated that Clinical Boards had been fully involved in the 2018/19 budget setting process and were fully sighted budgets for the new year. Initial budgets had already rolled over on the UHB's ledger and 2018/19 planning assumptions including savings targets would be identified on the ledger within month 1 financial reports.

### **FC - 18/190 FINANCE REPORT AS AT MONTH 12**

The Deputy Director of Finance presented the UHB's financial performance to month 12 and advised the Committee that the UHB's provisional draft year end outturn was a deficit of £26.853m which was £0.047m better than the £26.9m forecast deficit. The Finance Committee was asked to note that this is subject to External Audit scrutiny and whilst not expected to materially change is still draft at this stage.

The Committee was asked to note that the UHB had breached its statutory duty to remain within its Resource Limit and that the UHB would start 2018/19 with an underlying deficit of £49m. The Deputy Director of Finance indicated that the UHB had met its statutory duty to remain within its Capital Resource Limit.

Moving on to the detail of month 12 financial performance the Deputy Director of Finance indicated that the settlement of contractual inflows and outflows in month 12 meant that income and expenditure recorded in month 12 differed from the levels recorded in previous months. The majority of month 12 settlements and provisions were expected and there were no significant issues that had not previously been included in the UHB year-end forecast and plans.

It was confirmed that the under recovery on NHS patient related income was primarily due to confirmation of a £1m adverse Aneurin Bevan LTA position and that moving forwards the UHB intended to report and accrue in year LTA performance on a monthly basis in 2018/19. In response to a query from the UHB Vice Chair (CJ) the Deputy Director of Finance confirmed that year end balances had formally been agreed with all other Welsh Health Boards.

The Committee was informed that Month 12 pay spend was higher than the trend for the first 11 months of the year due to the confirmation of a number year end provisions, winter pressures and activity related demands. The UHB Vice chair (CJ) asked whether the UHB has observed pressure on pay costs as a result of the snow which had disrupted travel in March. The Deputy Director of Finance agreed to establish if data was readily available and if the data was available to report back to the Committee on whether additional costs were observed.

### **ACTION: DIRECTOR OF FINANCE**

The turnaround in non pay performance in month 12 was primarily due to the UHB taking advantage of opportunities to minimise the final year end deficit. In respect of a query raised at the previous meeting the Deputy Director of Finance indicated that the key drivers for the overspend in clinical services and supplies were operating theatre over-performance, CIP slippage of £0.3m on product prices due to reduced usage against volume sensitive contracts and £0.2m pressures in 2017/18 on blood products.

The UHB Vice Chair (CJ) asked if the net in month increase of 22 Continuing Healthcare (CHC) would impact on 2018/19 performance. The Deputy Director of Finance confirmed that the impact of CHC growth had been recognised within the 2018/19 plan, however the level of growth recognized was below that initially identified by Clinical Boards and this budget pressure would be monitored through 2018/19.

The Deputy Director of Finance confirmed that all Clinical Boards managed and delivered year end outturn within planned positions. The Committee agreed that the control and management of performance demonstrated by Clinical Boards was commendable and this had underpinned the full retention of additional performance monies that had been awarded to the UHB by Welsh Government.

The Committee was asked to note that Public Sector Payment Policy Performance had fallen marginally in month and the UHB Vice Chair asked whether the UHB was confident that the No Purchase Order (PO) No payment Policy would improve this performance measure and the Deputy Director of Finance confirmed that the no PO no payment policy was due for implementation across Wales in June 2018 and that a report would be brought back to the Finance Committee after this date

#### **ACTION: DEPUTY DIRECTOR OF FINANCE**

**LIMITED ASSURANCE** was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The draft month 12 position of £26.853m which is £4.047m less than the profiled deficit within the financial plan;
- The draft month 12 position which is £0.047m lower than the forecast out turn position of £26.900m.

The Finance Committee:

- **NOTED** the draft year-end financial deficit of £26.853m which is £4.047m below the planned deficit of £30.900m and £0.047m lower than the £26.900m forecast position;
- **NOTED** that the final position is still provisional as it is subject to external audit review;
- **NOTED** that the UHB will fail its statutory duty in respect of its Revenue Resource Limit.

- **NOTED** that the UHB met its statutory duty to remain within its Capital Resource Limit.
- **NOTED** the recurrent underlying deficit of £49.0m c/f to 2018/19.

## **FC - 18/191 COST REDUCTION PROGRAMME**

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

As at 19<sup>th</sup> April 2018 £15.484m of savings had been identified against the £25.335m recurrent 3% element of the devolved target and £3.968m had been identified against the £8.445m non-recurrent 1% element of the devolved target. It was emphasised it was important that non recurrent opportunities did not mask underperformance on recurrent schemes in 2018/19

The Finance Committee was informed that the additional £9.300m stretch target will be profiled into the last quarter of the financial year.

The Finance Committee was also informed that income generation schemes and accounting opportunities would be taken out of savings reported to Welsh Government.

In response to a query from the UHB Chair the Assistant Director of Finance indicated that green and amber 2018/19 schemes identified to date compared relatively well compared to the previous years. The Chief Executive indicated that some large schemes that possibly could generate significant savings were still under development and review, the Director of Operations added that support was being offered to Clinical Boards to develop further schemes where there was a shortfall against targets.

The Finance Committee:

- **NOTED** the progress against the 2018/19 CRP target and the Cross Cutting contribution
- **NOTED** the progress against the £9.300m stretch target

## **FC - 18/192 RISK REGISTER**

The Assistant Director of Finance (Transformation & Planning) presented the 2018/19 Risk Register to the Finance Committee and highlighted the number of risks in each category. It was confirmed that further risks may emerge as the year proceeded.

The Finance Committee:

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

**FC - 18/193 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES**

No other items to bring to the main Board.

**FC - 18/194 DATE AND TIME OF NEXT MEETING**

Wednesday 30<sup>th</sup> May; 2.00pm; Large Meeting Room, HQ, UHW



**FINANCE COMMITTEE**  
**ACTION LOG FROM 25<sup>th</sup> APRIL 2018**

MINUTE	DATE	SUBJECT	AGREED ACTION	ACTIONED TO	STATUS
FC - 18/167	28.02.18	Financial Governance Review Progress Report	Final report could be brought back to the Committee and it was agreed that a final report should be brought back to the May meeting	Deputy Director of Finance	Complete –Final Report scheduled for May Finance Committee
FC - 18/189	25.04.18	RTT spend to be supported through confirmation of 2018/19 Performance/ RTT Funding	Director of Finance to separately identify RTT spend that is expected to be covered by an additional Welsh Govt allocation through the monthly monitoring return process	Director of Finance	Complete – The April 2018 MMR reported that month 1 £0.304m expenditure had been incurred against the £6.079m assumed additional allocation for RTT
FC - 18/189	25.04.18	UHB conditions to deliver the £19.9m improvement plan.	Conditions for the UHB to meet the £19.9m improvement plan to be shared with the Finance committee.	Chief Executive	Complete – Letter outlining Welsh Govt support required for UHB delivery of the stretch target to reach £19.9m deficit relayed with papers.
FC - 18/189	25.04.18	Pressure on pay costs as a result of snow which had disrupted travel in March	Establish if data is readily available and if the data is available to report back to the Committee on additional costs observed.	Deputy Director of Finance	Complete – no data is readily available to enable the calculation of additional pay pressures arising.
FC - 18/189	25.04.18	Public Sector Payment Policy Compliance	Report on impact of No Purchase Order No payment Policy to be shared with Finance Committee following All Wales implementation in June 2018.	Deputy Director of Finance	Incomplete – Report to be brought back to future Finance Committee post June 2018 All Wales implementation.

<b>REVISED TERMS OF REFERENCE FOR THE FINANCE COMMITTEE</b>	
<b>Name of Meeting :</b> Finance Committee	<b>Date of Meeting:</b> 30 <sup>th</sup> May 2018
<b>Executive Lead:</b> Executive Director of Finance	
<b>Author :</b> Deputy Director of Finance	
<b>Caring for People, Keeping People Well:</b> This report strengthens financial governance which supports the values of the UHB.	
<b>Financial impact :</b> None	
<b>Quality, Safety, Patient Experience impact :</b> N/A	
<b>Health and Care Standard Number:</b> Governance, leadership and accountability Standard 7.1 Workforce	
<b>CRAF Reference Number:</b> 8	
<b>Equality and Health Impact Assessment Completed:</b> Not Applicable	

#### ASSURANCE AND RECOMMENDATION

**ASSURANCE** is provided by:

- Implementing revisions approved by the Board;
- Compliance with the agreed action from the Deloitte financial governance review.

#### RECOMMENDATIONS

The Finance Committee is asked to:

- **APPROVE** subject to any further amendments the revised terms of reference of the Finance Committee.

#### SITUATION

Deloitte LLP undertook an independent financial governance review of Cardiff and Vale University Health Board. 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. One of the agreed actions was to revise the Terms of Reference of the Finance Committee. This is attached for consideration and approval by the Finance Committee.

## BACKGROUND

The Deloitte's financial governance review contained 22 recommendations. One of the recommendations related to the Terms of Reference of the Finance Committee and this is set out below.

'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'.

## ASSESSMENT AND ASSURANCE

This change was agreed at the November meeting of the Board and attached is an updated terms of reference of the Finance Committee which has been prepared by the Director of Governance. The Finance Committee was set up as an interim committee and this has now been made permanent. This is also reflected in the revised terms of reference.



# Finance Committee

## Terms of Reference and Operating Arrangements

**May 2018**

**CARING FOR PEOPLE  
KEEPING PEOPLE WELL**



## 1. INTRODUCTION

The Board shall establish a Committee to be known as Finance Committee. The detailed terms of reference and operating arrangements in respect of this Committee are set out below. This will be an interim arrangement whilst the Health Board is working with the Welsh Government during the period of “Targeted Intervention”.

## 2. CONSTITUTION AND PURPOSE

The purpose of this Committee is to advise and assure the Board in discharging its responsibilities during the period of Targeted Intervention with regard to its current and forecast financial position, performance and delivery.

The Board has resolved to establish an Interim Finance Committee which will allow appropriate scrutiny and review to a level of depth and detail not possible in Board Meetings in respect of performance relating to :-

- Financial plans and monitoring including delivery of savings programmes;
- Scrutiny and monitoring of Financial monthly performance

The Committee will ensure that evidence based and timely interventions are implemented to drive forward improved financial performance thereby allowing the Health Board to achieve the requirements and standards determined for the NHS in Wales.

## 3. DELEGATED POWERS

The Committee, in respect of its provision of advice and assurance will, and is authorised by the Board to: -

- Review monthly Financial Report prior to submission to the Board
- Monitor review and scrutinise Cost Reduction Programme and Financial Tracker System for Corporate and Clinical Boards
- Approve and monitor the IMTP financial plan
- Scrutinise the delegated budgets within budget plan
- Receive assurances with regard to the progress and impact /pace of implementation of Health Boards Cost Reduction Programmes/ Savings Plan

- Seek assurance on the Financial Planning process and consider Financial Plan proposals
- Scrutinise financial performance and cash management against revenue budgets and statutory duties
- Scrutinise submissions to be made in respect of revenue or capital funding and the service implications of such changes.
- Monitor and review agreed dis-investments.
- Review the Board's Scheme of Financial Delegation as and when necessary
- Receive reports arising from financial reviews, including performance and accountability reviews of Corporate and Clinical Boards.

#### 4. AUTHORITY

The Committee may investigate or have investigated any activity (clinical and non-clinical) within its terms of reference. It may seek relevant information from any:

- employee (and all employees are directed to cooperate with any legitimate request made by the Committee); and
- other committee, subcommittee or group set up by the Board to assist it in the delivery of its functions.

May obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers it necessary, in accordance with the Board's procurement, budgetary and other requirements;

May consider and where appropriate, approve on behalf of the Board any policy within the remit of the Committee's business;

Will review risks from the Corporate Risk and Assurance Framework that are assigned to the Committee by the Board and advise the Board on the appropriateness of the scoring and mitigating actions in place.

#### 5. SUB-COMMITTEES

The Committee may, subject to the approval of the Health Board, establish sub-committees or task and finish groups carry out on its behalf specific aspects of Committee business.

## 6. MEMBERSHIP

### Members

Chair – Independent Member - Finance  
Two Independent Members of the Board

### In attendance

Chief Executive  
Executive Director of Finance  
Chief Operating Officer  
Executive Director of Workforce and Organisational Development  
Executive Director of Strategy and Engagement  
Executive Director of Nursing  
Director of Corporate Governance  
Deputy Director of Finance

Other Directors/Officers will attend as required by the Committee Chair, as well any others from within or outside the organisation who the Committee considers should attend, taking into account the matters under consideration at each meeting.

### Member Appointments

The membership of the Committee shall be determined by the Chairman of the Board taking account of the balance of skills and expertise necessary to deliver the Committee's remit and subject to any specific requirements or directions made by the Welsh Government.

This Committee will be chaired by the Chair of the Health Board and supported by a Vice Chair who shall also be an Independent Member.

Appointed Independent Members shall hold office on the Committee until such time it is stood down.

### Secretariat

Secretary: as determined by the Director of Corporate Governance.

### Support to Committee Members

The Director of Corporate Governance, on behalf of the Committee Chair, shall:

- Arrange the provision of advice and support to Committee members on any aspect related to the conduct of their role;
- Ensure the provision of a programme of development for Committee members as part of the overall Board Development programme.

## 7. COMMITTEE MEETINGS

### Quorum

At least two Independent Members must be present to ensure the quorum of the Committee. This should include either the Chair or the Vice-Chair of the Committee. In the interests of effective governance it is expected that a minimum of two Executive Directors will also be in attendance.

### Frequency of Meetings

Meetings shall be routinely held on a monthly basis. This will be reviewed on a regular basis.

### Withdrawal of individuals in attendance

The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

## 8. RELATIONSHIP & ACCOUNTABILITIES WITH THE BOARD AND ITS COMMITTEES/GROUPS

Although the Board has delegated authority to the Committee for the exercise of certain functions as set out within these terms of reference, it retains overall responsibility and accountability for ensuring the quality and safety of healthcare for its citizens through the effective governance of the organisation.

The Committee is directly accountable to the Board for its performance in exercising the functions set out in these Terms of Reference,

The Committee, through its Chair and members, shall work closely with the Board's other Committees including Sub Committee/Advisory Groups to provide advice and assurance to the Board through the:

- planning and co-ordination of Board and Committee business; and
- sharing of information
- in doing so, contributing to the integration of good governance across the organisation, ensuring that all sources of assurance are incorporated into the Board's overall risk and assurance arrangements.

The Committee shall embed the Health Board's strategy, corporate goals and priorities through the conduct of its business.



## 9. REPORTING AND ASSURANCE ARRANGEMENTS

The Committee Chair shall:

- report to each Board meeting on the Committee's key activities via the Chair's report
- ensure the public minutes of each meeting of the Committee are presented to the Board meeting.
- ensure appropriate escalation arrangements are in place to alert the Board and Welsh Government of any urgent/critical matters that may affect the operation and/or reputation of the Health Board during the period of Targeted Intervention.

The Director of Corporate Governance, on behalf of the Board, shall oversee a process of regular and rigorous self-assessment and evaluation of the Committee's performance and operation.

## 10. APPLICABILITY OF STANDING ORDERS TO COMMITTEE BUSINESS

The requirements for the conduct of business as set out in the Standing Orders are equally applicable to the operation of the Committee, except in the following areas:

- Quorum

## 11. REVIEW

These terms of reference and operating arrangements shall be reviewed monthly by the Committee and any changes recommended to the Board for approval. This will continue whilst the Health Board is working with Welsh Government during the period of Targeted Intervention.

<b>FINANCE REPORT FOR THE PERIOD ENDED 30<sup>th</sup> APRIL 2018</b>	
<b>Name of Meeting :</b> Finance Committee	<b>Date:</b> 30 <sup>th</sup> May 2018
<b>Executive Lead :</b> Executive Director of Finance	
<b>Author :</b> Deputy Director of Finance 02920 743555	
<b>Caring for People, Keeping People Well:</b> 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.	
<b>Financial impact:</b> The UHB draft financial position at the end of April 2018 is a deficit of £1.809m comprised of the following: <ul style="list-style-type: none"> <li>• £0.151m adverse budget variance;</li> <li>• £1.658m planned deficit.</li> </ul>	
<b>Quality, Safety, Patient Experience impact:</b> This report details financial performance against the one year operational plan which supports improvements in quality, safety and patient / carer experience.	
<b>Health and Care Standard Number 1</b>	
<b>CRAF Reference Number 6.7</b>	
<b>Equality Impact Assessment Completed:</b> Not applicable	

#### ASSURANCE AND RECOMMENDATION

**LIMITED ASSURANCE** is provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 1 position which is broadly on line with the profiled deficit within the draft operational plan.

The Committee is asked to:

- **NOTE** that the UHB has an unapproved draft one year operational plan that has a planned deficit of £19.900m for the year;
- **NOTE** the £1.809m deficit at month 1 which includes a planning deficit of £1.658m and budget overspends of £0.151m;
- **NOTE** the key concerns and actions being taken to manage risks.

#### SITUATION

The UHB's draft 2018/19 operational plan includes a £19.9m planned deficit. The UHB recorded a £1.809m deficit at the end of April which includes a planning deficit of £1.658m and budget overspends of £0.151m. The adverse variance against plan at month 1 is not considered material and is expected to be recovered in year.

The key challenges for the UHB in delivering the plan as the year unfolds are expected to be:

- Delivery of a 3% recurrent and a 1% non-recurrent savings target of £25.3m and £8.4m respectively;
- Identification of opportunities to deliver the £9.3m financial improvement target;
- Managing operational service pressures within current budgets;
- Managing down the underlying deficit.

## BACKGROUND

The UHB considered a draft IMTP at its January 2018 Board Meeting. This was submitted to Welsh Government by the end of January 2018 and was not acceptable due to assumptions around additional funding. The UHB then revised its financial plan and was not in a position to submit an IMTP to Welsh Government for approval as the revised plan was some way from being financially balanced.

Consequently the UHB was required to agree an acceptable one year Operational Plan with Welsh Government and the UHB wrote to Welsh Government setting out a revised 2018/19 planning deficit of £29.2m. This was discussed at Targeted Intervention meetings and was not acceptable to Welsh Government.

The Health Board reconsidered its position at its March 2018 Board Meeting and following dialogue with Welsh Government reduced its projected deficit to £19.9m. The Board accepted that it would need to work throughout the year to deliver this £9.3m financial improvement target. This decision has been shared with Welsh Government and in this context the UHB is operating on the planning assumption of a £19.9m deficit in 2018/19. A summary of this plan and how it has changed from the draft submitted in January 2018 is provided in Table 1.

**Table 1: Operational Plan 2018/19**

	Jan Plan £m	March Plan £m	Var £m	Notes
<b>b/f underlying deficit</b>	<b>(49.0)</b>	<b>(49.0)</b>	<b>0.0</b>	Reduction in FNC costs Reduction for RTT Reduction for RTT No income assumed
Non Recurrent Cost Improvement Plans	8.4	8.4	0.0	
Net allocation uplift (inc LTA inflation)	20.0	20.0	0.0	
Cost pressures	(33.3)	(31.1)	2.2	
Cost Pressures due to population growth	(4.5)	(3.5)	1.0	
Investments	(4.3)	(3.3)	1.0	
Recurrent cost improvement plans	25.3	25.3	0.0	
Additional funding assumed	15.5	0.0	(15.5)	
<b>In year Financial Plan</b>	<b>27.2</b>	<b>15.9</b>	<b>(11.3)</b>	
<b>Planned Surplus/(Deficit)</b>	<b>(21.9)</b>	<b>(33.2)</b>	<b>(11.3)</b>	
<b>Planned c/f from 2017/18 (non recurrent)</b>	<b>0.0</b>	<b>4.0</b>	<b>4.0</b>	17/18 under plan c/f assumed
<b>Financial Improvement Target</b>	<b>0.0</b>	<b>9.3</b>	<b>9.3</b>	
<b>Revised Planned Surplus/(Deficit)</b>	<b>(21.9)</b>	<b>(19.9)</b>	<b>2.0</b>	

The actual and forecast performance against the 3 year break even duty on revenue is shown in Table 2 below.

**Table 2: Performance against 3 year financial break even duty**

	Actual / forecast year end position surplus /(deficit) £m	Rolling 3 year break even duty surplus /(deficit) £m	Pass or fail financial duty
2014/15	(21.364)	n/a	n/a
2015/16	0.068	n/a	n/a
2016/17	(29.243)	(50.539)	Fail
2017/18	(26.853)	(56.028)	Fail
2018/19	(19.900)	(75.996)	Fail

The three year break even duty came into effect in 2014/15 and the first measurement of it was in 2016/17. **The above table shows that the UHB breached its statutory financial duty in both 2016/17 and 2017/18 and the plan current approved by the Board will also result in a breach of Financial duty at the end of 2018/19.**

## ASSESSMENT AND ASSURANCE

The Finance Dashboard outlined in Table 3 reports actual and forecast financial performance against key financial performance measures.

**Table 3: Finance Dashboard @ April 2018**

Measure	Status report					Time period
	Apr-18	RAG rating		Latest Trend	Target	
Financial balance: remain within revenue resource limits	£1.809m deficit at month 1. £0.151m adverse variance against plan	R	●	é	2018/19 planned deficit £19.9m	M12 2018-19
Remain within capital resource limits.	The UHB had an approved capital resource limit of £36.099m at the end of April. Expenditure at the end of April was £0.568m against a plan of £0.570m.	G	●	↔	Approved planned expenditure £36.099m	M12 2018-19
Reduction in Underlying deficit	£45.9m assessed underlying deficit position at month 1	R	●	é	If 2018/19 plan achieved reduce underlying deficit to £39.6m	M12 2018-19
Delivery of recurrent 3% savings target	£16.244m identified at Month 1	R	●	é	£25.335m	M12 2018-19
Delivery of non recurrent 1% savings target	£4.174m identified at month 1	R	●	é	£8.445m	M12 2018-19
Delivery of financial improvement target	£2.100m identified at month 1	R	●	é	£9.3m	M12 2018-19
Creditor payments compliance 30 day Non NHS	92.4% in April	R	●	é	95% of invoices paid within 30 days	M12 2018-19
Remain within Cash Limit	The UHB currently has a forecast cash deficit of £28.791m. Cash management plans will be developed if Welsh Government cash support is not provided.	R	●	↔	To remain within Cash Limit	M12 2018-19
Maintain Positive Cash Balance	The UHB Cash balance was £2.305m at the end of April	G	●	↔	To Maintain Positive Cash Balance	Monthly

### Month 1 Cumulative Financial Position

The UHB reported a deficit of £1.809m at month 1 as follows:

- £0.151m favourable budget management variance;
- £1.658m planned deficit.

The £0.151m adverse variance against plan primarily related to overspends against ward nursing budgets and under recovery against income targets.

The month 1 position excludes the financial impact of unidentified savings schemes and mitigating actions to deliver the financial improvement target, which will be profiled into the position later in the year if they remain unachieved.

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

**Table 4: Summary Financial Position for the period ended 30<sup>th</sup> April 2018**

Income/Pay/Non Pay	In Month			Year to Date			Full Year		
	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Forecast £m	Variance (Fav)/Adv £m
Income	(106.470)	(106.052)	0.418	(106.470)	(106.052)	0.418	(1,310.507)	(1,310.507)	0.000
Pay	49.155	49.233	0.078	49.155	49.233	0.078	583.335	583.335	0.000
Non Pay	58.973	58.628	(0.345)	58.973	58.628	(0.345)	747.072	747.072	0.000
Variance to Draft Plan £m	1.658	1.809	0.150	1.658	1.809	0.150	19.900	19.900	0.000
Planned Deficit	(1.658)	0.000	1.658	(1.658)	0.000	1.658	(19.900)	0.000	19.900
Total £m	0.000	1.809	1.809	0.000	1.809	1.809	(0.000)	19.900	19.900

## Income

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

**Table 5: Income Variance @ April 2018**

Income	In Month			Year to Date		
	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Actual £m	Variance (Fav)/Adv £m
Revenue Resource Limit	(72.635)	(72.635)	0.000	(72.635)	(72.635)	0.000
Non Cash Limited Expenditure	(1.615)	(1.615)	0.000	(1.615)	(1.615)	0.000
Accommodation & Catering	(0.219)	(0.191)	0.028	(0.219)	(0.191)	0.028
Education & Training	(3.105)	(3.082)	0.023	(3.105)	(3.082)	0.023
Injury Cost Recovery Scheme (CRU)	(0.214)	(0.214)	(0.000)	(0.214)	(0.214)	(0.000)
NHS Patient Related Income	(23.502)	(23.367)	0.135	(23.502)	(23.367)	0.135
Other Operating Income	(4.378)	(4.172)	0.206	(4.378)	(4.172)	0.206
Overseas Patient Income	(0.010)	(0.022)	(0.012)	(0.010)	(0.022)	(0.012)
Private Patient Income	(0.092)	(0.048)	0.044	(0.092)	(0.048)	0.044
Research & Development	(0.700)	(0.705)	(0.005)	(0.700)	(0.705)	(0.005)
Total £m	(106.470)	(106.052)	0.418	(106.470)	(106.052)	0.418

An in month deficit of £0.418m is reported against income budgets.

The two main adverse variances to note are:

- £0.135m variance on NHS patient related income primarily driven by the UHB LTA position, expanded on below.
- £0.206m variance on other operating income due to underperformance against activity targets in critical care and NICU. Whilst this is not considered to be recurrent in nature it will be reviewed in future months to confirm any trends.

### LTA Provider Performance

The UHB receives circa £260m income from its contracts with WHSSC and LHBs. In-month reporting reflects an estimate based on the prior month's activity, given the timeline for receipt of coded contract information. The Month 1 ledger position is summarised in Table 6 and reflects the deterioration in the Aneurin Bevan position, driven by the FYE of a disinvestment action and continued under performance from

last financial year. The WHSSC position does not show a variance as this is managed predominantly at a Clinical Board level.

**Table 6: Month 1 LTA Provider Performance**

	YTD Profile £m	YTD Actual £m	YTD Variance £m
WHSSC	(16.183)	(16.183)	0.000
Aneurin Bevan	(2.394)	(2.294)	0.100
Other LHBs	(2.971)	(2.966)	0.005
	(21.547)	(21.442)	0.105

The admitted patient care activity trend per contract across the LHBs is set out below and highlights the change in Aneurin Bevan patient flows.

**Table 6: FCE Activity Data from 2011/12 to 2017/18**

	ALL FCE's						
All Organisations	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Abertawe Bro Morgannwg UHB	4,660	4,735	5,164	4,879	5,128	5,010	4,672
Aneurin Bevan LHB	23,703	22,088	20,562	18,421	18,014	17,052	16,991
Betsi Cadwaladr UHB	87	79	101	89	75	133	71
Cardiff and Vale UHB	172,309	174,792	175,045	171,569	174,298	172,627	169,241
Cwm Taf LHB	10,364	10,592	11,233	10,333	9,552	9,667	9,948
Hywel Dda LHB	3,160	3,003	3,152	3,063	3,252	3,078	3,066
NON WELSH	1,344	1,540	1,288	1,240	1,403	1,344	1,389
Powys Teaching LHB	850	926	848	757	882	861	773
<b>Total FCE's</b>	<b>216,477</b>	<b>217,755</b>	<b>217,393</b>	<b>210,351</b>	<b>212,604</b>	<b>209,772</b>	<b>206,151</b>
<b>Total FCE's OOA 5 LHBs combined</b>	<b>42,737</b>	<b>41,344</b>	<b>40,959</b>	<b>37,453</b>	<b>36,828</b>	<b>35,668</b>	<b>35,450</b>

<b>Total FCE's</b>		<b>1%</b>	<b>0%</b>	<b>-3%</b>	<b>-2%</b>	<b>-3%</b>	<b>-5%</b>
<b>Total FCE's C&amp;V</b>		<b>1%</b>	<b>2%</b>	<b>0%</b>	<b>1%</b>	<b>0%</b>	<b>-2%</b>
<b>Total FCE's OOA 5 LHBs combined</b>		<b>-3%</b>	<b>-4%</b>	<b>-12%</b>	<b>-14%</b>	<b>-17%</b>	<b>-17%</b>

## Pay

In total pay budgets are showing an adverse variance of £0.078m as reported in Table 7.

**Table 7: Analysis of fixed and variable pay costs**

	2017/18 Total Spend £m	2017/18 Month 0 to Month 0 £m	2018/19 Month 0 to Month 0 £m	2017/18 Month 1 £m	2018/19 Month 1 £m	2017/18 Cum. to Month 1 £m	2018/19 Cum. to Month 1 £m
Basic	515.377	0.000	0.000	41.732	42.605	41.732	42.605
Enhancements	24.533	0.000	0.000	1.772	2.116	1.772	2.116
Maternity	4.088	0.000	0.000	0.316	0.309	0.316	0.309
Protection	0.676	0.000	0.000	0.059	0.053	0.059	0.053
<b>Total Fixed Pay</b>	<b>544.674</b>	<b>0.000</b>	<b>0.000</b>	<b>43.879</b>	<b>45.083</b>	<b>43.879</b>	<b>45.083</b>
Agency (mainly registered Nursing)	8.767	0.000	0.000	0.805	0.944	0.805	0.944
Nursing Bank (mainly Nursing)	14.439	0.000	0.000	1.030	0.614	1.030	0.614
Internal locum (Medical & Dental)	4.306	0.000	0.000	0.368	0.411	0.368	0.411
External locum (Medical & Dental)	7.118	0.000	0.000	0.555	0.620	0.555	0.620
On Call	2.224	0.000	0.000	0.154	0.194	0.154	0.194
Overtime	5.758	0.000	0.000	0.488	0.897	0.488	0.897
WLI's & extra sessions (Medical)	5.111	0.000	0.000	0.214	0.470	0.214	0.470
<b>Total Variable Pay</b>	<b>47.722</b>	<b>0.000</b>	<b>0.000</b>	<b>3.614</b>	<b>4.150</b>	<b>3.614</b>	<b>4.150</b>
<b>Total Pay</b>	<b>592.396</b>	<b>0.000</b>	<b>0.000</b>	<b>47.493</b>	<b>49.233</b>	<b>47.493</b>	<b>49.233</b>
<b>Pay Budget</b>	<b>594.938</b>	<b>0.000</b>	<b>0.000</b>	<b>47.733</b>	<b>49.155</b>	<b>47.733</b>	<b>49.155</b>
<b>Budget Variance (Fav)/Adv £m</b>	<b>(2.541)</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.240)</b>	<b>0.078</b>	<b>(0.240)</b>	<b>0.078</b>

The increase in 2018/19 pay levels is mainly due to the cost of the 2017/18 annual pay award which is not included in the April 2017/18 expenditure and additional overtime and enhancements paid in 2018/19.

An analysis of pay expenditure by staff group is shown in Table 8.

**Table 8: Analysis of pay expenditure by staff group @ April 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	1.911	1.813	(0.098)	1.911	1.813	(0.098)
Management, admin & clerical	5.653	5.684	0.031	5.653	5.684	0.031
Medical and Dental	12.667	12.749	0.082	12.667	12.749	0.082
Nursing (registered)	14.851	14.786	(0.065)	14.851	14.786	(0.065)
Nursing (unregistered)	3.977	4.288	0.310	3.977	4.288	0.310
Other staff groups	7.280	7.239	(0.040)	7.280	7.239	(0.040)
Scientific, prof & technical	2.816	2.674	(0.142)	2.816	2.674	(0.142)
<b>Total £m</b>	<b>49.155</b>	<b>49.233</b>	<b>0.078</b>	<b>49.155</b>	<b>49.233</b>	<b>0.078</b>

The key concern is within nursing budgets which in total are £0.245m overspend, mainly in medicine (£0.128m), mental health (£0.151m) and surgery (£0.144m). Whilst budget holders have mainly mitigated this by underspends elsewhere, increased management attention will be required to curtail nursing expenditure. This will be monitored by the Finance Committee and is included on its risk register. The in month overspend of £0.078m against pay budgets reflects a change from the trend of pay underspends reported in 2017/18 and is in part due to the re-establishment of pay budgets within Clinical Boards.



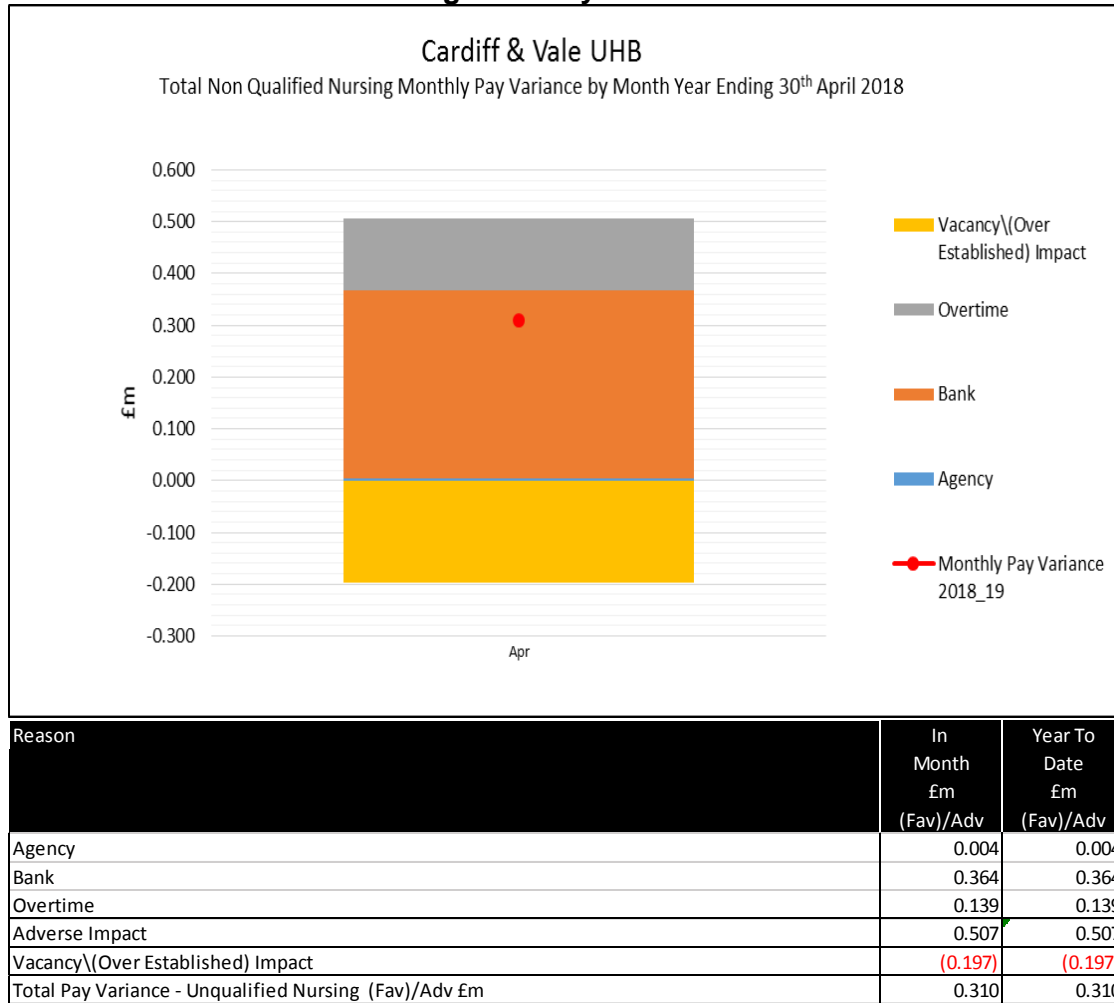
**Table 9 – Non Qualified Nursing Staff Pay Variance**

Table 9 indicates that the adverse variance against non-qualified nursing assistants is due to an overspend of £0.364m on bank staff which is partly offset by an underspend against established posts.

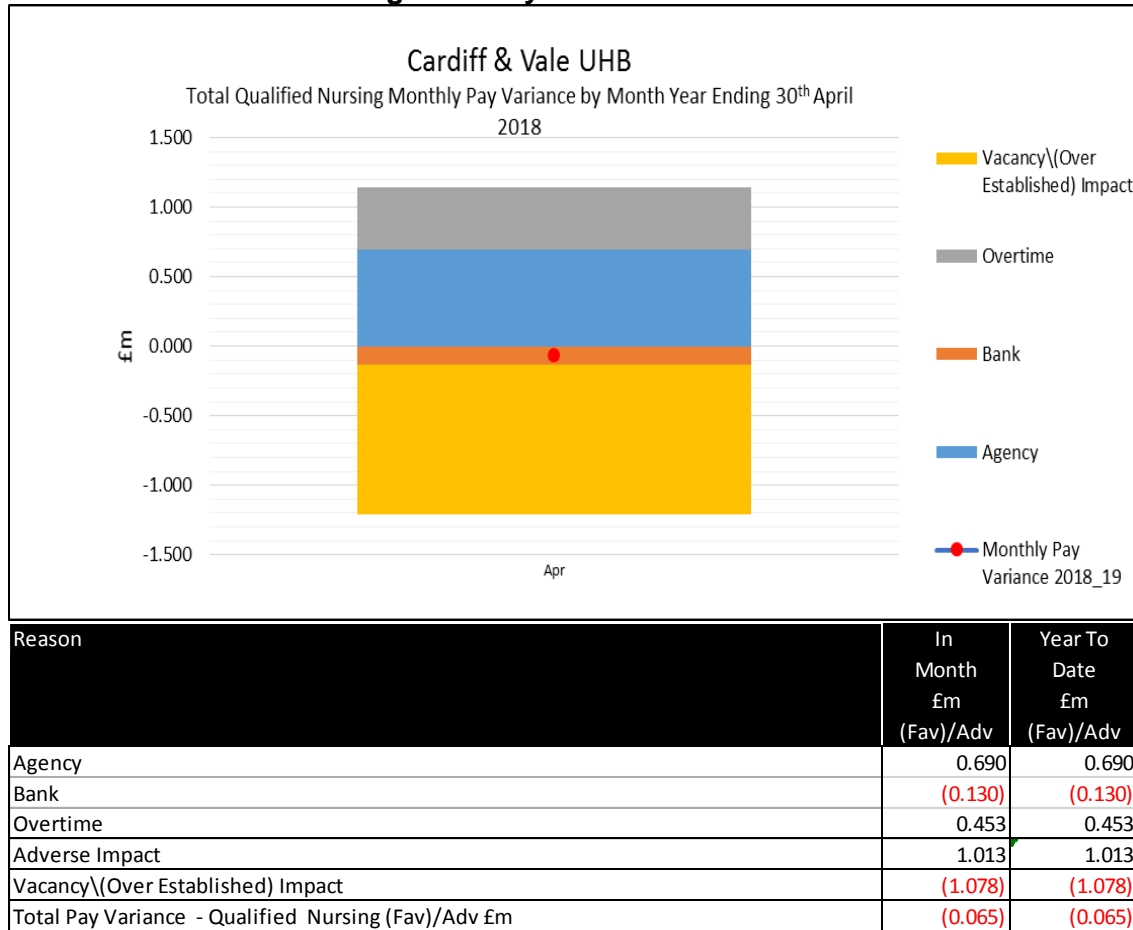
**Table 10 - Qualified Nursing Staff Pay Variance**

Table 10 confirms that expenditure on established qualified nursing posts is significantly less than budget and that the UHB is partly covering vacancies through additional spend on temporary staffing.

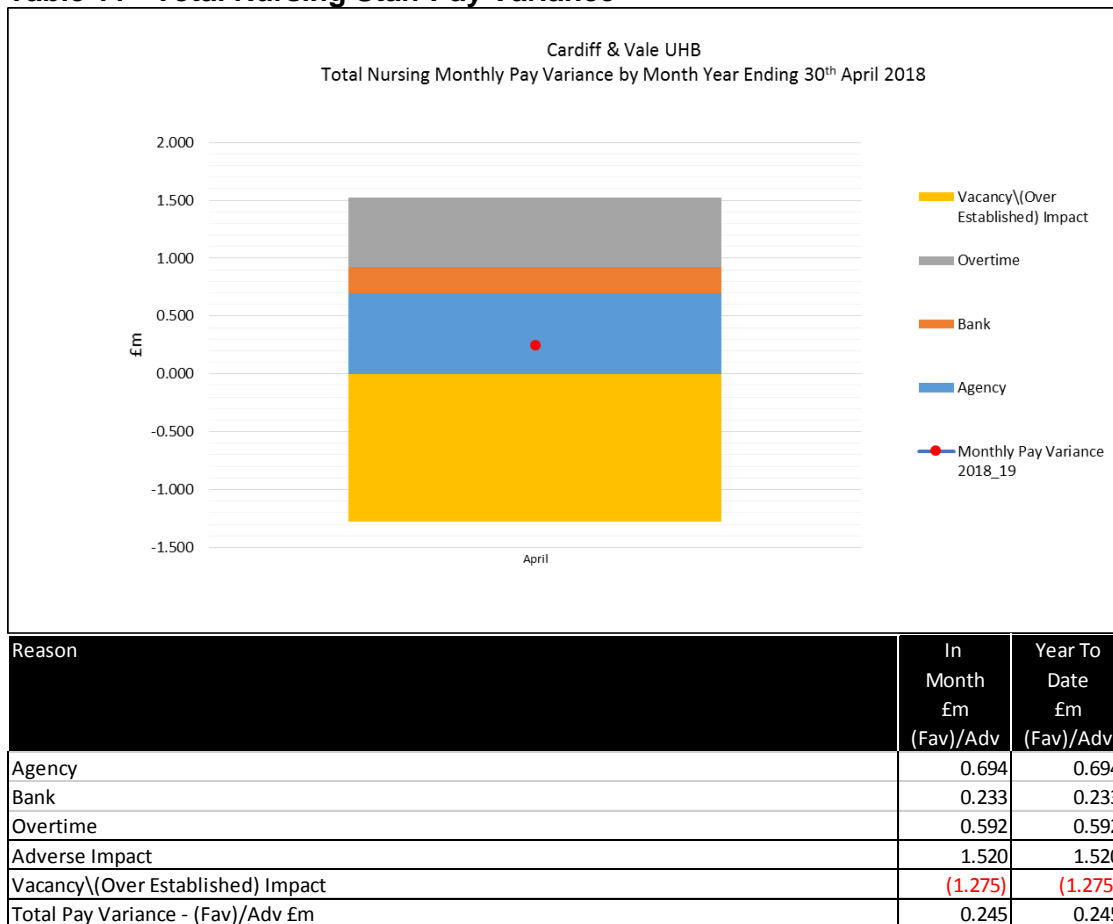
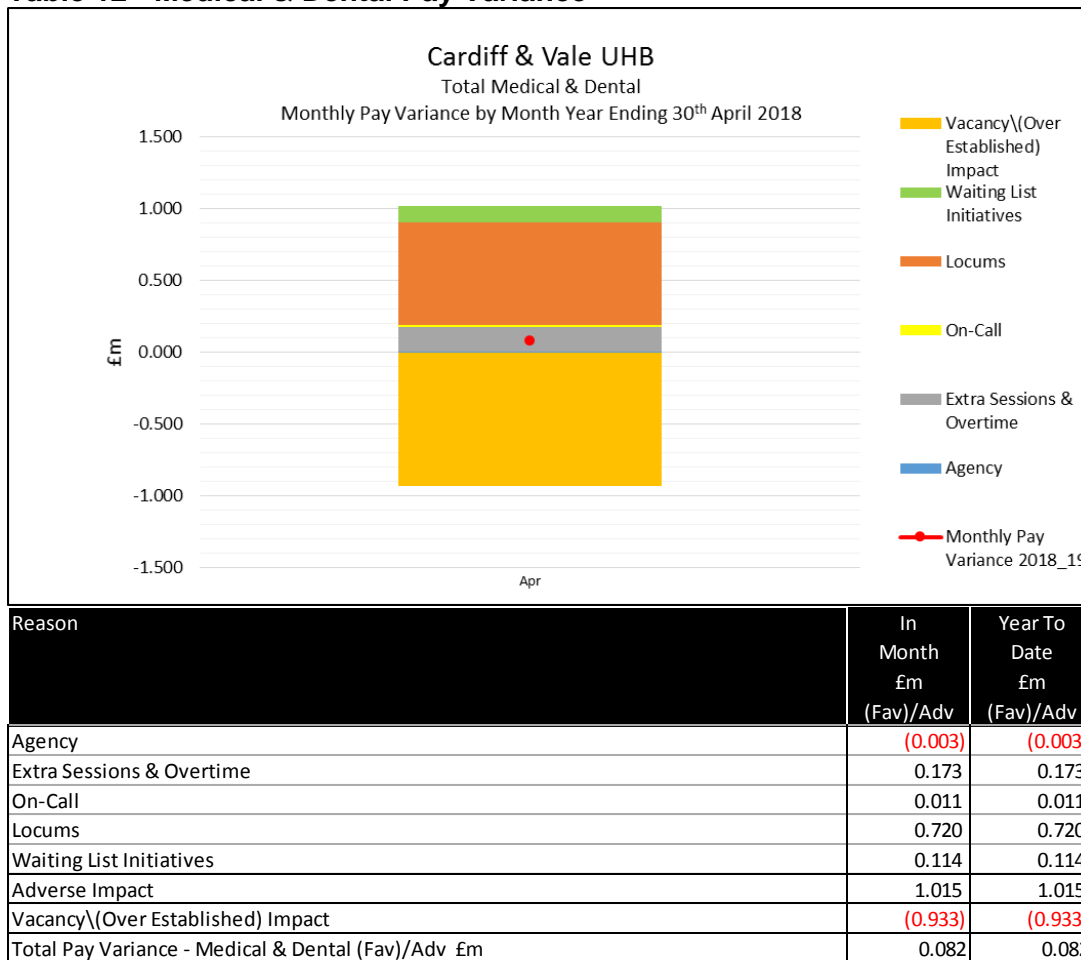
**Table 11 - Total Nursing Staff Pay Variance**

Table 11 identifies expenditure against substantive nursing posts for the year to date which is £0.245m more than budget. The £1.275m surplus against established posts is offset by a £1.520m overspend on agency, bank and overtime leading to an overall overspend against nursing budgets. Performance on nursing budgets remains a concern and it will feature on the risk register for 2018/19.

Table 12 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 an overspend of £0.082m at month 1.

**Table 12 - Medical & Dental Pay Variance**

The majority of the £0.082m overspend on Medical and Dental budgets is within the Women and Children (£0.078m) and CD&T (£0.068m) Clinical Boards.

### Non Pay

Table 13 highlights a £0.345m favourable variance against non pay budgets with small underspends in a number of areas. These underspends in clinical services and supplies, commissioned services, establishment expenses and premises and fixed plant are offsetting pressures in income and pay.

**Table 13: Non Pay Variance @ April 2018**

Non Pay	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Clinical services & supplies	7.796	7.644	(0.152)	7.796	7.644	(0.152)
Commissioned Services	13.814	13.680	(0.135)	13.814	13.680	(0.135)
Continuing healthcare	5.080	5.125	0.045	5.080	5.125	0.045
Drugs / Prescribing	12.111	12.126	0.015	12.111	12.126	0.015
Establishment expenses	0.899	0.800	(0.099)	0.899	0.800	(0.099)
General supplies & services	0.657	0.658	0.001	0.657	0.658	0.001
Other non pay	4.073	4.136	0.062	4.073	4.136	0.062
Premises & fixed plant	3.297	3.213	(0.084)	3.297	3.213	(0.084)
Primary Care Contractors	11.244	11.246	0.002	11.244	11.246	0.002
Total £m	58.973	58.628	(0.345)	58.973	58.628	(0.345)

**LTA Commissioner Performance**

The UHB spends circa £160m commissioning healthcare services for its population through contracts with WHSSC, LHBs and Velindre and other LHBs. A favourable Month 1 variance on LTAs of £0.149m is shown in Table 14 and is largely driven by the UHBs performance on contracts, including:

- underspend on the WHSSC ICP provision, although there are a number of recognised risks within the specialised commissioning plan that may present in-year;
- Lower than anticipated NICE cancer drugs expenditure with Velindre, although this is projected to grow through 2018/19;
- Continued under performance in ABMU recovered at an enhanced marginal rate.

**Table 14: Month 1 LTA Commissioner Performance**

	Annual Budget	YTD Profile	YTD Actual	YTD Variance
	£m	£m	£m	£m
WHSSC	120.122	10.010	9.971	(0.039)
Velindre	16.257	1.255	1.199	(0.056)
ABMU	12.364	1.030	1.010	(0.020)
Other LHBs	8.483	0.712	0.678	(0.034)
	157.226	13.007	12.858	(0.149)

## 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 the one month to 30<sup>th</sup> April 2018 by Clinical Board is shown in Table 15.

**Table 15: Financial Performance for the period ended 30<sup>th</sup> April 2018**

Clinical Board	M0 Budget Variance £m	M1 Budget Variance £m	In Month Variance £m	Cumulative % Variance
Clinical Diagnostics & Therapies	0.000	0.007	0.007	0.08%
Children & Women	0.000	0.070	0.070	0.86%
Capital Estates & Facilities	0.000	0.035	0.035	0.63%
Dental	0.000	(0.029)	(0.029)	(1.72%)
Executives	0.000	(0.051)	(0.051)	(1.64%)
Medicine	0.000	0.079	0.079	0.83%
Mental Health	0.000	0.036	0.036	0.60%
PCIC	0.000	(0.081)	(0.081)	(0.33%)
Specialist	0.000	(0.018)	(0.018)	(0.14%)
Surgery	0.000	0.148	0.148	1.42%
Central Budgets	0.000	(0.047)	(0.047)	(0.30%)
<b>SubTotal</b>	<b>0.000</b>	<b>0.151</b>	<b>0.151</b>	<b>0.14%</b>
Planned Deficit	0.000	1.658	1.658	1.56%
<b>Total</b>	<b>0.000</b>	<b>1.810</b>	<b>1.810</b>	<b>1.70%</b>

A number of Clinical Boards reported an overspend against budgets at month 1. The largest overspend was in Surgery where pressures against nursing budgets arose partly due to a 4 week delay in closing capacity due to Health Board bed pressures alongside additional specialising costs. The overspend in Children and Women is due to pressure in medical pay and the deficit in the Medicine is due to a continuation of the overspend on unregistered nursing.

## Savings Programme

The UHB has agreed a 3% recurrent savings target of £25.3m and a further 1% non recurrent savings targets of £8.4m for delegated budget holders.

At month 1 reporting the UHB has identified £21.750m savings to deliver against the £33.780m savings target as summarised in Table 16 and as detailed in **Appendix 1**. This reflected the updated position at the time of reporting to Welsh Government.

**Table 16: Progress against the 2018/19 Savings Programme at Month 1**

	Total Savings Target £m	Total Savings Identified £m	Total Savings Unidentified £m
Total £m	33.780	21.750	12.030
Total identified Savings includes income generation schemes			

In addition £2.050m of the £9.266m Financial Improvement Target has been identified which leaves £7.216m to be unidentified.

**If the £12.030m unidentified savings and £7.216m unidentified Financial Improvement Target were profiled into the reported position in 1/12ths, the Financial position at Month 1 would be £1.6m worse than reported.**

### Underlying Financial Position

A key risk to the UHB is its c/f deficit from 2018/19 into 2019/20. The recurrent underlying deficit in 2017/18 b/f into 2018/19 was £49.0m. If the 2018/19 plan is successfully delivered this would reduce to £39.6m by the year end. This is shown in Table 17.

**Table 17: Summary of Underlying Financial Position**

	2018/19 Plan £m	Forecast Position @ Month 1	
		Non Recurrent £m	Recurrent Position £m
Opening Underlying Deficit £m	49.000	0.000	49.000
Income	(23.958)	4.000	(19.958)
Cost pressures less mitigating actions	37.904		37.904
Less CIPs ( includes £1.799m income generation)	(33.780)	8.445	(25.335)
Unallocated Reserves (Positive Value)	(2.050)		(2.050)
Other mitigating actions required to deliver the financial improvement target	(7.216)	7.216	0.000
Deficit £m	19.900	19.661	39.561

Key points to note in the forecast underlying position are:

- £4m non recurrent income from Welsh Government in recognition of 2017/18 financial performance;

- The 1% non-recurrent savings target included in the plan of £8.445m;
- Of the £9.266m Financial Improvement Target, £2.050m has been identified through cost avoidance of Welsh Risk Pool costs (£0.550m) and curtailing spend on population growth (£1.5m) leaving £7.216m to find.

**If no further progress was made against the recurrent CIP target, the UHB would have a carried forward underlying deficit of £45.9m being £39.6m identified in Table 17 and the shortfall on the FYE of recurrent savings schemes of £6.3m identified in Appendix 1.**

5

## Balance Sheet

The 2018/19 brought forward balances will be confirmed following the approval of the UHB's 2017/18 Accounts and the Balance Sheet will be reported at month 2

## Cash Flow Forecast

The cash flow forecast will be reported in detail at month 2 following the approval of the UHB's 2017/18 Accounts. At the end of April 2018 the UHB had a forecast year end cash deficit of £28.791m. This consists of the anticipated deficit of £19.9m, £3.699m for 2017/18 year end revenue allocations not backed by cash and £5.192m of 2017/18 capital cash which was not drawn down last year. Cash management plans will be developed if Welsh Government cash support is not provided.

The UHB's cash balance at the end of April was £2.305m.

## Public Sector Payment Compliance

Month 1 non-NHS Creditor payment compliance was 92.4% for April which is better than the 92.2% 2017/18 cumulative performance but below the 95% 30 day target. The poor month 1 position is partly due to a small backlog of invoices brought forward from 2017/18 following prioritisation of 2017/18 year end payments.

## Capital Resource Limit (CRL)

Progress against the CRL for the period to the end of April 2018 is summarised in Table 18.

**Table 18: Progress against Capital Resource Limit @ April 2018**

	£m
Planned Capital Expenditure at month 1	0.568
Actual net expenditure against CRL at month 1	0.570
Variance against planned Capital Expenditure at month	0.002

Capital progress to date is in line with the expected profile. The UHB had an approved capital resource limit of £36.099m at the end of April 2018 comprising of £12.974m discretionary funding and £23.125m towards specific projects (including £19.724m to complete the Neo Natal upgrading project.)



## Financial Risks

The UHB's forecast year end position of a £19.900m deficit and the key risks to be managed in delivery of the plan are:

- Management of budget pressures;
- Deliver £25.3m recurrent CIP (3%);
- Deliver £8.4m non-recurrent CIP (1%);
- Delivery of £9.3m mitigating actions to deliver the financial improvement target.

## Key Concerns And Recovery Actions

At month 1, the key concerns and challenges are set out below:

1. Concern - Delivery of a 3% recurrent and a 1% non-recurrent savings target of £25.3m and £8.4m respectively.

Action - The impact of any CRP shortfall will be reflected in the month 2 position. All budget holders are required to prioritise the identification and implementation of schemes as a matter of urgency to ensure a full savings plan is in place. Until this is achieved, measures to curtail expenditure to ensure a balanced budget position each month need to be actioned.

2. Concern - Delivery of the £9.3m financial improvement target;

Action – the UHB is undertaking further work to refine this plan and further options are being considered to manage the financial risks in delivering the financial improvement target.

3. Concern - Managing within current budgets.

Action - overspending Clinical Boards will need to provide robust recovery action plans as part of the Clinical Board Performance Review escalation process.

4. Concern - Managing down the underlying deficit.

Action - a greater focus on recurrent savings supporting the continued reduction in the underlying deficit.

## CONCLUSION

The UHB is committed to achieving in year and recurrent financial balance as soon as possible. The UHB currently has a one year draft financial plan for 2018/19 which includes a financial improvement target of £9.3m to reach a planned deficit of

£19.9m. To deliver this the UHB will need to deliver £33.8m savings and identify mitigating actions of £9.3m to deliver the financial improvement target. At month 1, against these requirements the UHB has unidentified savings of £12.030m and unidentified mitigating actions of £7.2m. This is a key risk in the delivery of the financial plan and will remain an area of focus until this risk is managed.

A key aim of the UHB is to reduce its underlying deficit in order to move towards a sustainable financial position and secure IMTP approval in future years. The forecast year end underlying position at month 1 is a deficit of £39.6m and this is dependent upon finding further recurrent savings with a full year effect of £6.3m.

The reported financial position for the first month is a deficit of £1.809m. This is made up of a budget plan deficit of £1.658m and an adverse variance against plan of £0.151m.

## Appendix 1

## 2018-19 Weekly Summary LIVE 2018-19 PYE

Clinical Board	18-19 Target	Green	Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	6,600	4,956	422	5,378	3.26	1,221	1,222
Surgery	4,714	3,332	502	3,834	3.25	1,789	880
Mental Health	2,940	1,423	526	1,949	2.65	520	991
CD&T	3,442	514	1,708	2,222	2.58	727	1,220
Specialist Services	4,038	1,898	620	2,518	2.49	995	1,520
Capital Estates and Facilities	2,580	839	617	1,456	2.26	268	1,124
Children & Women	3,550	761	1,160	1,921	2.16	950	1,629
Medicine	3,754	1,510	489	1,999	2.13	1,731	1,755
Dental	800	98	100	198	0.99	73	602
Corporate Execs	1,362	251	24	275	0.81	514	1,087
Transformation	0	0	0	0	0.00	0	0
<b>Total</b>	<b>33,780</b>	<b>15,581</b>	<b>6,169</b>	<b>21,750</b>	<b>2.58</b>	<b>8,788</b>	<b>12,030</b>

## 2018-19 Weekly Summary LIVE 2018-19 FYE

Clinical Board	3% Recurrent	Green	Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	4,950	4,619	122	4,741	2.87	208	209
Mental Health	2,205	896	446	1,342	1.83	520	863
CD&T	2,582	303	2,138	2,441	2.84	980	141
Surgery	3,536	2,504	505	3,009	2.55	3,020	527
Capital Estates and Facilities	1,935	409	1,420	1,829	2.84	465	106
Dental	600	63	0	63	0.32	88	537
Children & Women	2,663	542	1,246	1,788	2.02	1,463	874
Medicine	2,816	1,530	350	1,880	2.00	2,333	935
Specialist Services	3,029	1,219	395	1,614	1.60	1,280	1,415
Corporate Execs	1,022	251	36	287	0.84	508	735
<b>Total</b>	<b>25,335</b>	<b>12,335</b>	<b>6,659</b>	<b>18,994</b>	<b>2.25</b>	<b>10,865</b>	<b>6,341</b>

<b>FINANCIAL GOVERNANCE REVIEW PROGRESS REPORT</b>	
<b>Name of Meeting :</b> Finance Committee	<b>Date of Meeting:</b> 30 <sup>th</sup> May 2018
<b>Executive Lead:</b> Executive Director of Finance	
<b>Author :</b> Deputy Director of Finance	
<b>Caring for People, Keeping People Well:</b> This report strengthens financial governance which supports the values of the UHB.	
<b>Financial impact :</b> None, the review was funded by Welsh Government	
<b>Quality, Safety, Patient Experience impact :</b> N/A	
<b>Health and Care Standard Number:</b> Governance, leadership and accountability Standard 7.1 Workforce	
<b>CRAF Reference Number:</b> 8 and 9	
<b>Equality and Health Impact Assessment Completed:</b> 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;
- The substantial assurance given by Internal Audit on the robustness of progress reporting against this action plan to 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 6<sup>th</sup> March 2017, the NHS Director of Finance in Welsh Government wrote to the Interim Chief Executive explaining the role and purpose of the independent review to be conducted by Deloitte LLP. As part of targeted intervention the Welsh Government commissioned Deloitte LLP to undertake this financial review of the development, adaptation and performance of the Health Board's 2016-17 financial plans. The aims and objectives of the review were:

### Aim:

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

### Objectives:

Deloitte LLP review included:

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

## ASSESSMENT AND ASSURANCE

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

The progress against each recommendation is contained in Appendix 1. Progress was last reported to the Finance Committee in February 2018 and since that date a further 8 actions have now been completed. Latest progress against the 22 recommendations is as follows:

- 20 have been completed;
- 2 are in progress.

Reasonable progress is therefore being made with only two actions that are not yet completed.

Internal Audit have recently reviewed the robustness and accuracy of progress reporting against this action plan to the Finance Committee and have issued a report that gives substantial assurance. This was reported to the Audit Committee at its 24<sup>th</sup> April meeting.

## Independent Review of Financial Governance Within Cardiff and Vale University Health Board Undertaken by Deloitte - Recommendations/Action Plan - Progress Report at May 2018

## 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	<b>Completed</b> , an executive team development Programme has been developed and is being implemented.	
2	Consider the appropriateness of the current ED responsibilities for Informatics and Information Technology	Chief Executive	Review to be completed by November 2017	<b>Completed</b> , 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.	<b>Completed</b> , training provided in 2017/18 and this will continue in 2018/19.	
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	<b>Completed</b> , 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.	<b>Completed</b> . Revised TOR taken to May 18 meeting of the Finance Committee.	
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	<b>Completed</b>	
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	<b>Completed</b> , 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	<b>Completed</b> , budget setting guidance and principles issued for 2018/19. This is supported by the introduction of monthly patient activity monitoring.	
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	<b>Completed</b> , this has been assessed and is not supported due to anticipated unintended consequences.	
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	<b>Completed</b> , 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.	<b>Completed</b>	
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	<b>Completed</b>	

## Independent Review of Financial Governance Within Cardiff and Vale University Health Board Undertaken by Deloitte - Recommendations/Action Plan - Progress Report at May 2018

## 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	<b>Completed</b> , revised management structures agreed in planning and finance with increased capacity in financial planning now in place.	
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	<b>Completed</b> , review concluded and focus and Exec lead for PMO has been revised.	
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	WG have yet to agreement the UHB latest proposed financial plan and therefore the longer term financial strategy is not yet finalised.	
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	<b>Completed</b>	
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	<b>Completed</b> . 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)	<b>Completed</b> , a full range of development programmes are now in place including a Clinical Director and Senior Leadership programme.	
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	Management Executive received and approved a revised performance management process on Monday 9 April. Further refinement of the escalation process is being finalised. This is in conjunction with revisions to the Finance and HR structure at clinical board level. In the meantime bespoke escalation processes remain in place for specific clinical boards.	
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	<b>Completed</b> . 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	<b>Completed</b> , 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	<b>Completed</b> , Directorate level financial analysis is now included in Executive Performance Review pack.	





<b>2018-19 Cost Reduction Programme</b>	
<b>Name of Meeting :</b> Finance Committee	30 <sup>th</sup> May 2018
<b>Executive Lead :</b> Executive Director of Finance	
<b>Author :</b> Assistant Director of Finance	
<b>Caring for People, Keeping People Well:</b> This report underpins the Health Board's "Grip and Control" element of the strategy to make the best use of the resources we have.	
<b>Financial impact:</b> Delivery of £33.780m delegated CRP Target (3% recurrent and 1% non-recurrent), and £9.266m improvement target to achieve 2018/19 £19.9m forecast deficit position.	
<b>Quality, Safety, Patient Experience impact:</b> The financial plan aims to support the delivery of high quality and safe services.	
<b>Health and Care Standard Number 1</b>	
<b>CRAF Reference Number 6.7</b>	
<b>Equality Impact Assessment Completed:</b> Not Applicable	

#### ASSURANCE AND RECOMMENDATION

The Finance Committee is asked to:-

- **NOTE** the progress against the £33.780m devolved 2018/19 CRP target and the Cross Cutting contribution.
- **NOTE** the progress against the £9.266m improvement target.

#### INTRODUCTION

This report summarises progress against the UHB devolved savings programme of £33.780m and the Cross Cutting contribution. The report also summarises progress against the £9.266m improvement target in supporting delivery of the 2018/19 £19.9m forecast deficit position.

#### PROGRESS AGAINST DEVOLVED CRP REQUIREMENT 2018-19

As at week commencing 14<sup>th</sup> May 2018, £22.054m of opportunities have been identified as Green or Amber against the devolved 4% savings target of £33.780m.



The value of Green schemes is £16.333m and Amber schemes £5.721m.

£17.062m has been identified against the £25.335m recurrent 3% element of the devolved target.

£4.992m has been identified against the £8.445m non-recurrent 1% element of the devolved target.

### **PROGRESS AGAINST CROSS CUTTING THEMES 2018-19**

The Cross Cutting Programme was established to support the delivery of the devolved CRP target.

As at week commencing 14<sup>th</sup> May 2018 £9.269m of opportunities have been identified as Green or Amber contributing towards the delivery of the £33.780m devolved CRP target.

### **PROGRESS AGAINST CRP IMPROVEMENT TARGET 2018-19**

An additional £9.266m improvement target is required in order to achieve a year end forecast £19.9m deficit position. This additional stretch target will be profiled into the last quarter of the financial year.

As at 30<sup>th</sup> April £2.050m of recurrent opportunities have been identified.

### **SUMMARY**

To date the value of Green and Amber schemes identified totals £22.054m against the 2018/19 devolved CRP £33.780m target.

The additional £9.266m improvement target will be profiled into the last quarter of the financial year. £2.050m recurrent opportunities have been identified at the end of month 1.

Progress against the 2018/19 CRP requirement will need to pick up pace with a focus on cash out recurrent savings.



## Savings Tracker Summary

### Week Commencing 14<sup>th</sup> May 2018 In-Year Effect

Clinical Board	18-19 4% Target	Granular Identified Green	Identified Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	%	£'000	£'000
Surgery	4,714	3,372	472	3,844	3.26	1,779	871
PCIC	6,600	4,956	422	5,378	3.26	1,221	1,222
Mental Health	2,940	1,423	526	1,949	2.65	520	991
CD&T	3,442	652	1,604	2,256	2.62	725	1,186
Specialist Services	4,038	2,204	385	2,589	2.57	1,066	1,449
Medicine	3,754	1,772	376	2,148	2.29	1,274	1,606
Capital Estates and Facilities	2,580	839	617	1,456	2.26	268	1,124
Children & Women	3,550	766	1,195	1,961	2.21	910	1,589
Dental	800	98	100	198	0.99	84	602
Corporate Execs	1,362	251	24	275	0.81	514	1,087
<b>Total</b>	<b>33,780</b>	<b>16,333</b>	<b>5,721</b>	<b>22,054</b>	<b>2.61</b>	<b>8,361</b>	<b>11,726</b>

### 2018-19 Full Year Effect

Clinical Board	18-19 3% Target	Granular Identified Green	Identified Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	%	£'000	£'000
Surgery	3,536	2,549	472	3,021	2.56	3,001	515
PCIC	4,950	4,619	122	4,741	2.87	208	209
Mental Health	2,205	896	446	1,342	1.83	520	863
CD&T	2,582	403	2,073	2,476	2.88	984	106
Specialist Services	3,029	1,475	295	1,770	1.75	1,463	1,259
Medicine	2,816	1,564	350	1,915	2.04	2,644	901
Capital Estates and Facilities	1,935	409	1,420	1,829	2.84	465	106
Children & Women	2,663	547	1,336	1,883	2.12	1,368	779
Dental	600	63	0	63	0.32	110	537
Corporate Execs	1,022	251	36	287	0.84	508	735
<b>Total</b>	<b>25,335</b>	<b>12,776</b>	<b>6,550</b>	<b>19,326</b>	<b>2.29</b>	<b>11,272</b>	<b>6,009</b>



Progress against 2018-19 Devolved Recurrent and Non Recurrent Targets  
Week Commencing 14<sup>th</sup> May

Clinical Board	Recurrent			Non-Recurrent		
	18-19 3% recurrent	Identified Green & Amber	Identified Green & Amber	18-19 1% non-recurrent	Identified Green & Amber	Identified Green & Amber
	£'000	£'000	%	£'000	£'000	%
Surgery	3,536	2,785	79%	1,179	1,059	90%
PCIC	4,950	4,950	100%	1,650	428	26%
Mental Health	2,205	1,322	60%	735	627	85%
CD&T	2,582	1,657	64%	861	599	70%
Specialist Services	3,029	1,607	53%	1,010	982	97%
Medicine	2,816	1,705	61%	939	443	47%
Capital Estates and Facilities	1,935	1,065	55%	645	391	61%
Children & Women	2,663	1,654	62%	888	307	35%
Dental	600	63	11%	200	135	68%
Corporate Execs	1,022	255	25%	341	20	6%
<b>Total</b>	<b>25,335</b>	<b>17,062</b>	<b>67%</b>	<b>8,445</b>	<b>4,992</b>	<b>59%</b>



## Cross Cutting Tracker Weekly Summary 2018-19

PYE

Clinical Group	2018-19	Identified Green	Shortfall vs Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber	Shortfall on Total Target vs Green & Amber
	(£'000)	(£)	(£)	(£)	(£)	(£)	£	%
Medical Productivity	2,000	623	1,377	109	448	732	1,268	63%
Medicines Management	2,000	4,605	-2,605	846	1,974	5,452	-3,452	-173%
Nursing Productivity	1,000	495	505	347	810	841	159	16%
Procurement	2,000	1,317	683	440	286	1,756	244	12%
Workforce Productivity	2,000	488	1,512	0	0	488	1,512	76%
<b>Total</b>	<b>9,000</b>	<b>7,528</b>	<b>1,472</b>	<b>1,742</b>	<b>3,517</b>	<b>9,269</b>	<b>-269</b>	<b>-3%</b>

FYE

Clinical Group	2019-20	Identified Green	Shortfall vs Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber	Shortfall on Total Target vs Green & Amber
	(£)	(£)	(£)	(£)	(£)	(£)	£	%
Medical Productivity	2,000	498	1,502	119	490	617	1,383	69%
Medicines Management	2,000	4,873	-2,873	1,518	4,190	6,391	-4,391	-220%
Nursing Productivity	1,000	510	490	406	1,504	915	85	8%
Procurement	2,000	1,203	797	510	376	1,712	288	14%
Workforce Productivity	2,000	430	1,570	0	0	430	1,570	79%
<b>Total</b>	<b>9,000</b>	<b>7,513</b>	<b>1,487</b>	<b>2,553</b>	<b>6,560</b>	<b>10,066</b>	<b>-1,066</b>	<b>-12%</b>



## Appendix B – CRP RAG Rating

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



Finance Risk Register	
<b>Name of Meeting :</b> Finance Committee	30 <sup>th</sup> May 2018
<b>Executive Lead :</b> Executive Director of Finance	
<b>Author :</b> Assistant Director of Finance	
<b>Caring for People, Keeping People Well:</b> This report sets out the financial risks to be managed to support delivery of the financial plan which supports the one year operational plan.	
<b>Financial impact:</b> The UHB will need to manage the risks set out in the Finance Risk Register in order to achieve its forecast financial deficit of £19.9m.	
<b>Quality, Safety, Patient Experience impact:</b> The financial plan aims to support the delivery of high quality and safe services.	
<b>Health and Care Standard Number 1</b>	
<b>CRAF Reference Number 6.7</b>	
<b>Equality Impact Assessment Completed:</b> Not Applicable	

#### ASSURANCE AND RECOMMENDATION

The Finance Committee is asked to:-

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

#### INTRODUCTION

This report highlights the Finance Risk Register risk categorisation as at 30<sup>th</sup> May 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 30 May 2018
Extreme Risk	20 - 25	3
High Risk	12 - 16	4
Moderate Risk	4 - 10	9
Low Risk	1 - 3	0

## RECOMMENDATION

The Finance Committee are asked to note the risks highlighted.

## SUMMARY

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



Finance Risk Register 2017-18

Appendix 1

					Current Risk Rating				Target Risk Rating if Controls in Place									
Categories	CB/Dir Ref No	Date Entered onto new CB/Dir/UHB Risk Register	Risk/Issue (Including Impact)	Existing Controls	Impact / Consequence	Likelihood	Score	Adequacy Existing Controls	Summary of Additional Controls Required	Impact / Consequence	Likelihood	Score	Date of Last Review	Review Completed By	Date of Next Review	Risk Owner	Exec Lead	Assuring committee
Finance	Fin01/18	Mar-18	Underlying deficit c/ into 2019/20. The opening underlying deficit in 18/19 is £49.0m and this needs to be materially reduced in year.	Governance reporting and monitoring arrangements through the Finance Committee and Board	5	4	20	Adequate but more Action Required	Progress against the underlying deficit is to be managed by Management Executive supported by the Transformation Board.	4	4	16	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee
Finance	Fin02/18	Mar-18	Manage Budget pressures of £12.8m	The requirement to manage budget pressures clearly communicated to primary budget holders. Standing Financial Instructions set spending limits. Progress to be reviewed through Executive Performance Reviews with Clinical Boards.	4	3	12	Adequate but more Action Required		4	2	8	May-18	Assistant Director of Finance	Jun-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin03/18	Mar-18	Deliver 3% Recurrent CIP (£25.3m)	3% recurrent CIP target clearly communicated to budget holders. CIP tracker in place to monitor weekly progress across the organisation. Project Management Office in place to support the identification of cross cutting CIPs. Executive lead identified for each cross cutting theme. Monthly Financial Clearance Meeting. Executive / Clinical Board Performance Reviews.	5	4	20	Adequate but more Action Required	Escalation process under review by the Executive team. Budget manager training programme to be rolled out across the organisation.	4	3	12	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee
Finance	Fin04/18	Mar-18	Deliver 1% non recurrent CIP (£8.4m)	1% non-recurrent CIP target clearly communicated to budget holders. CIP tracker in place to monitor weekly progress across the organisation. Project Management Office in place to support the identification of cross cutting CIPs. Executive lead identified for each cross cutting theme. Monthly Financial Clearance Meeting. Executive / Clinical Board Performance Reviews.	4	3	12	Adequate but more Action Required		4	2	8	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee
Finance	Fin05/18	Mar-18	Develop and deliver financial opportunities of £9.3m to achieve £19.9m year end position	Under development	5	4	20	Adequate but more Action Required	Development of Transformation Board to identify and deliver transformational recurrent cash releasing savings	4	4	16	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee
Finance	Fin06/18	Mar-18	Deliver recurrent 10% Exec Director budgets management cost savings (£2.3m)	Plans developed by Executive leads with progress monitored through the Management Executive.	3	4	12	Adequate but more Action Required	None	3	4	12	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Workforce & OD	Finance Committee
Finance	Fin07/18	Mar-18	Manage internal investments within £3.3m envelope	Internal investment plan agreed with business cases to be approved through the Business Case Approval Group (BCAG)	3	2	6	Optimum Controls/NFA Required	None	3	2	6	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee
Finance	Fin08/18	Mar-18	Deliver RTT within resources available (£10.5m 18/19)	The UHB is proceeding at pace and will need to work closely with WG to ensure appropriate resources are made available to maintain progress.	4	3	12	Adequate but more Action Required	Monthly meetings with the COO, progress report to be received through performance review meetings and regular dialogue with WG.	3	2	6	May-18	Assistant Director of Finance	Jun-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin09/18	Mar-18	Winter pressures managed within (£1.5m 18/19)	Winter plan for 2018/19 being developed for sign off by Management Executive.	3	3	9	Adequate but more Action Required	Progress report to be received through performance review meetings.	3	2	6	May-18	Assistant Director of Finance	Jun-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin10/18	Mar-18	Commissioning Risks	Regular performance/LTA meetings with other providers/WHSSC and internal commissioning group.	3	3	9	Optimum Controls/NFA Required	None	3	2	6	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee
Finance	Fin11/18	Mar-18	Management of Nursing overspend (£2.7m 2017/18)	Progress to be monitored through Nursing Productivity Group and Executive / Clinical Board Performance Reviews.	3	3	9	Optimum Controls/NFA Required	None	3	3	9	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Nursing	Finance Committee
Finance	Fin12/18	Mar-18	Containment of IT developments	Internal investment plan agreed with business cases to be approved through the Business Case Approval Group (BCAG) / Capital Management Group.	2	3	6	Optimum Controls/NFA Required	None	2	3	6	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Therapies	Finance Committee
Finance	Fin13/18	Mar-18	Management of retrospective CHC costs (£1.5m)	Costs to be managed over two financial years	3	3	9	Adequate but more Action Required	None	2	3	6	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee
Finance	Fin14/18	Mar-18	Management of R&D income reduction	R&D position being taken forward by Medical Director with WG.	2	3	6	Optimum Controls/NFA Required	None	2	3	6	May-18	Assistant Director of Finance	Jun-18	The Board	Medical Director	Finance Committee
Finance	Fin15/18	May-18	Velindre drugs	NICE / HCD actuals differ to those assessed in the collective meeting	2	3	6	Optimum Controls/NFA Required	None	2	3	6	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee
Finance	Fin16/18	May-18	WHSSC services	Current sustainability concerns that are not provided for in the WHSSC financial plan present in year	2	3	6	Optimum Controls/NFA Required	None	2	3	6	May-18	Assistant Director of Finance	Jun-18	The Board	Director of Finance	Finance Committee



Guidance Notes to assist completing the risk register
<b>Remember all risks must have undergone a risk assessment, prior to them being added to the Risk Register</b>
<b>UHB Reference No:-</b> This number will be allocated by the Risk Management Department. Once added this will be communicated back to the Divisions.
<b>Divisional / Directorate Reference No:-</b> 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 there are alternative initials to be used).
<b>Previous Reference No:-</b> 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.
<b>Date entered onto original Register:-</b> as above
<b>Risk / Issue (Including Impact):-</b> 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.
<b>Link to UHB Core Objectives:-</b> List here, the main Strategic Goal that links to the risk being assessed.
<b>Existing Controls:-</b> Summarise in bullet form the existing controls to prevent the risk / issue occurring or reduce the impact.
<b>Current Risk Rating:-</b> Assess the current impact on the UHB using Tables 1,2 & 3.
<b>Ranking:-</b> 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.
<b>Adequacy of existing controls:-</b> 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.
<b>Summary of Additional Controls Required:-</b> Summarise in bullet form the controls that you know should be introduced to reduce the risk together with resources required.
<b>Target Risk Rating if Controls in Place:-</b> What will be the risk be if the actions proposed to further reduce / eliminate the risk are taken.
<b>Date of Last Review:-</b> When was the Risk Assessment / Control measures last reviewed.
<b>Review completed by:-</b> This should be a senior member of staff for high / medium risk on the register e.g. Divisional Manager / Nurse.
<b>Date of Next Review:-</b> 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.
<b>Risk Owner:-</b> Who is the lead for taking the actions proposed relating to this risk. This should be Divisional Director, Board Secretary, Assistant Director etc.
<b>Director Lead:-</b> Who is the lead Director for this risk.
<b>Assuring Committee:-</b> 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
<b>Impact on the safety of patients, staff or public (physical/psychological harm)</b>	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
<b>Quality/complaints/audit</b>	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
<b>Human resources/organisational development/staffing/competence</b>	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

<b>Statutory duty/ inspections</b>	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
<b>Adverse publicity/ reputation</b>	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
<b>Business objectives/ projects</b>	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
<b>Finance including claims</b>	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
<b>Service/business interruption</b>	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
<b>Environmental impact</b>	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
<b><u>Frequency</u></b> 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
<b><u>Probability</u></b> Will it happen or not? % chance of <b>not</b> 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
<b>5 - Catastrophic</b>	5	10	15	20	25
<b>4 - Major</b>	4	8	12	16	20
<b>3 - Moderate</b>	3	6	9	12	15
<b>2 - Minor</b>	2	4	6	8	10
<b>1 - Negligible</b>	1	2	3	4	5

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

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