

## Bundle Finance Committee 31 October 2018

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## **UNCONFIRMED MINUTES OF THE FINANCE COMMITTEE**

**HELD ON 26<sup>th</sup> SEPTEMBER 2018**

**LARGE MEETING ROOM, HQ, UHW**

### **Present:**

John Union	Chair (Finance Committee)
Charles Janczewski	Vice Chair (Board)
Andrew Gough	Assistant Director of Finance
Chris Lewis	Deputy Director of Finance
Len Richards	Chief Executive
Martin Driscoll	Executive Director of Workforce and Organisational Development
Nicola Foreman	Director of Corporate Governance
Robert Chadwick	Executive Director of Finance
Steve Curry	Chief Operating Officer

### **In Attendance:**

Mark Jones	Welsh Audit Office
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### **Secretariat:**

Paul Emmerson	Finance Manager
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## **FC – 18/244 WELCOME AND PURPOSE OF THE COMMITTEE**

The Chair welcomed everyone to the meeting.

## **FC – 18/245 APOLOGIES FOR ABSENCE**

Apologies were received from John Antoniazzi, Maria Battle, Abigail Harris, Dr Sharon Hopkins, and Ruth Walker.

## **FC – 18/246 DECLARATIONS OF INTEREST**

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

The UHB Vice Chair (CJ) stated that he was Chair of a WHSCC sub-committee and declared an interest in discussions in respect of WHSCC.

## **FC – 18/247 MINUTES OF THE FINANCE COMMITTEE HELD ON 29<sup>th</sup> AUGUST 2018**

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 29<sup>th</sup> August 2018 subject to an amendment to minute FC - 18/236 where the reference to the UHB Chair is to be amended to the UHB Vice Chair.

## **FC - 18/248 ACTION LOG FOLLOWING THE LAST MEETING**

The Committee **RECEIVED** the Action Log from the meeting of 29<sup>th</sup> August 2018 and **NOTED** the following:

**FC - 18/189 – 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. **Incomplete** - Recommended that a report is brought back to the October 2018 Finance Committee post June 2018 All Wales implementation.

**FC - 18/200 REVISED TERMS OF REFERENCE FINANCE COMMITTEE** - Revised TOR to be taken to the Board for approval. **Incomplete** –This is being progressed and the revised TOR and covering paper had been relayed for inclusion on the agenda of the Board meeting scheduled for 27<sup>th</sup> September 2018.

**FC - 18/225 DETAILED REVIEW OF THE FORECAST YEAR END POSITION AT CLINICAL BOARD LEVEL TO BE UNDERTAKEN AFTER THE CONFIRMATION OF THE MONTH 4 POSITION.** **Incomplete** – Deadlines for forecasts had been extended to ensure Clinical Board ownership particularly in respect of the improvement plans. An update is to be provided in the month 6 Finance report

**FC - 18/225 THE NURSING PRODUCTIVITY GROUP TO BE ASKED TO EXPLORE THE LIKELY IMPACT OF INTRODUCING A WEEKLY PAYROLL FOR PAYMENT OF BANK STAFF.** **Incomplete** – Raised with the Nursing Productivity Group. Future progress will be reported back to the Finance Committee. The Executive Nurse Director is generally unable to attend the Finance Committee when it is held on the last Wednesday of the month due to national and external commitments. The Executive Nurse Director has offered to arrange a meeting with the independent members on the Finance committee to provide assurance of Corporate Nursing actions if required. In addition the possibility of using the last Thursday in each calendar month where there was not a scheduled Board meeting would be investigated.

## **ACTION**

Finance Committee Secretariat

## FC - 18/249 FINANCE REPORT AS AT MONTH 5

The Deputy Director of Finance presented the UHB's financial performance to month 5 and brought the Committee's attention towards the Month 5 Finance Dashboard where three of the measures were rated as red as follows:

- The UHB's 2018/19 planned deficit of £9.9m meant that the UHB did not expect to remain within the revenue resource limit in 2018/19 and this remained RAG rated red.
- The UHB's assessed underlying deficit position was £39.1m at month 4 and this is RAG rated red.
- The forecast year end cash deficit was now £24.793m and remained RAG rated red. The UHB expected to formally request cash assistance from Welsh Government later in the year.

The UHB had reported a deficit of £4.913m for the year to date which was made up of a planning deficit of £4.125m (5/12 of the £9.9m planned deficit) and a £0.788m adverse variance against plan.

The variance against the plan had deteriorated by £0.227m in month and in this context the UHB Vice Chair (CJ) asked whether the UHB was confident of remaining within its 2018/19 planned deficit. The Deputy Director of Finance indicated that the current overspend against plan was a relatively small percentage of the UHBs total expenditure and advised that the Clinical Board year-end financial forecasts would be reported to the next committee meeting to provide assurance that the UHB was on track to deliver the 2018/19 financial plan. The forecasts would also provide the UHB with an additional tool for the monthly management of financial performance moving towards year end. All forecasts would be subject to technical scrutiny by the Finance Team and those forecasts that were not deemed to be reasonable would be scrutinised further through a round of meetings with representation from the Executive Team.

In respect of current pressure points the Director of Finance indicated to the Committee that work had already progressed with the Executive Nurse Director and Chief Operating Officer to analyse and secure the nursing position and that the non delivery of savings programmes would also now attract additional focus. The Chief Operating Officer added that there had been a favourable shift in the rates of overspend in areas where the UHB had concentrated its attention.

Turning back to performance for the year to date, the Deputy Director of Finance highlighted a £0.250m in month deficit and a cumulative deficit of £0.924m against income budgets.

The UHB Vice Chair (CJ) asked for assurance that the UHB's management of income was as strong as its cost management. The Deputy Director of Finance confirmed that the two main areas of under-recovery related to NHS patient related

income and other operating income which in turn were both determined by the level of patient activity delivered. Some under-recoveries were balanced by a reduction in commissioning costs through WHSCC e.g. critical care. However this was not the case in all areas particularly where there was evidence of a declining trend in referrals from other Health Boards e.g. orthopaedics. In this context the Committee was advised that it was unlikely that all of the underperformance against income would be recovered in year and that the UHB would need to recognise any recurrent shifts in activity into its future operational plans.

Moving on to pay expenditure the Committee was directed towards the analysis of fixed and variable pay costs in Table 7 and informed that the UHB was spending more on nursing agency and temporary medical staff for the year to date compared to the first five months of 2017/18. The Finance Committee Chair (JU) asked for clarification of the UHB's strategy in respect of the use of agency nursing. The Director of Finance informed the Committee that the UHB's policy was in the first instance to employ more substantive nurses to reduce the number of vacant posts and secondly to expand the availability of bank nurses. To date the expansion of the nursing bank had not gained enough traction to enable the UHB to maintain safe levels of capacity without the continuing use of agency staff. The Chief Executive confirmed that the significant progress already made by the Corporate Nursing team to eradicate the use of off contract agency nursing and non-qualified agency staff provided assurance that the UHB's nursing agenda was moving forwards and that nursing pressures were being tackled in line with UHB policy.

The continuing nursing overspend was noted alongside the increasing overspend against Medical and Dental pay budgets where there were pressures in Women and Children services and Diagnostics posts. In response to a query from the UHB Vice Chair (CJ) it was clarified that the overspend against Diagnostics posts was linked to investment in increased capacity to improve performance against targets as opposed to the maintenance of current performance.

The Finance Committee Chair (JU) asked whether the UHB expected any additional pressures to arise from recent NHS pay announcements. The Director of Workforce and Organisational Development confirmed that the detail of the agreement was relatively complex and that staff would be fully briefed so that the implications could be understood. The Deputy Director of Finance indicated that in line with communication from Welsh Government that the UHB was assuming that the additional costs would be fully funded and that an all Wales Working Group was responsible for advising Welsh Government on the additional costs of the 2018/19 pay award. Additional funding was expected to be provided on a provider basis in 2018/19 and on a commissioner basis from 2019/20 onwards. In this context it was important that 2019/20 LTA uplifts recognised the impact of the pay awards to ensure that the UHB which provided a relatively high proportion of its services to other commissioners was not disadvantaged.

In respect of non pay the Deputy Director of Finance highlighted a significant in month overspend against clinical services and supplies primarily due to pressures in theatres and diagnostics. In this context the UHB Vice Chair (CJ) asked what controls were in place to ensure that the UHB was using cost effective clinical supplies. The Director of Finance indicated that the cross cutting procurement scheme was focussing on areas of high spend in respect of clinical supplies initially working with clinicians in orthopaedics and that the work programme was now moving onto other areas. In addition the UHB was looking at theatre activity to ensure that stock levels were optimised and that the spend on clinical supplies and consumables was consistent with levels of activity delivered.

The Committee was informed that there was a £0.436m favourable variance against LTAs at month 6 and in respect of a query from the Vice chair (CJ) the Chief Operating Officer confirmed that the UHB had made good progress in repatriating out of area mental health placements.

Significant pressures within the Women & Children, Medicine, Surgery and Mental Health Clinical Boards were reported. It was noted that the overspend in Mental Health was starting to slow down, however a significant in month pressure had emerged in Clinical Diagnostics and Therapies (CD & T) . The Deputy Director of Finance confirmed that any longer term pressures would be drawn out in the forecasting exercise to be completed for the October Finance Committee. The Chief Operating Officer indicated that following confirmation of the month 5 position lead officers in the CD & T Clinical Board had met to take immediate action to limit the impact of emerging pressures.

The Vice Chair (CJ) noted that 7 out of 8 Clinical Boards were reporting a year to date overspend and asked whether the escalation process required further consideration. The Chief Operating Officer indicated that further evolution of the current process would continue and added that the correct issues needed to be factored in if the process was to remain meaningful. Currently the drivers of overspends were considered alongside current performance and recovery plans and actions of Clinical Boards before moving into the escalation process.

It was confirmed that the UHB had a full Savings and Financial Improvement Programme in place and that there had been no movement in the underlying deficit in month.

The Committee was informed that the UHB expected to request approximately £26m of cash support from Welsh Government to cover the forecast shortfall in cash at year end. In response to a query from the Committee Chair the Deputy Director of Finance indicated that the UHB had already signalled this requirement to Welsh Government through the UHB's monthly monitoring return. It was noted that the timing of confirmation of cash support to be provided may have an impact on the UHB's Public Sector Payment Compliance score.

The Committee noted the continuing improvement in the UHB's Public Sector Payment Compliance score and the Deputy Director of Finance reminded the Committee that the improving position was a reflection of progress made by both NWSSP and the UHB.

The rate of spend against the capital resource limit had improved in month and the Deputy Director of Finance confirmed that the current overspend against plan would be recovered before the year end. The Finance Committee Chair (JU) asked if the purchase of Woodland House was supported by brokerage and the Deputy Director of Finance confirmed that this was the case and that the brokerage was expected to be repaid from 2019/20 capital receipts.

To conclude the Director of Finance highlighted that the operational overspend and underlying deficit remained the two main financial concerns for the UHB.

**LIMITED ASSURANCE** was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 5 position which is broadly on line with the profiled deficit within the draft operational plan.

The Finance Committee:

- **NOTED** that the UHB has an unapproved draft one year operational plan that has a planned deficit of £9.900m for the year;
- **NOTED** the £4.913m deficit at month 5 which includes a planning deficit of £4.125m and an adverse variance against plan of £0.788m;
- **NOTED** the key concerns and actions being taken to manage risks.

## **FC - 18/250 CLINICAL BOARDS IN ESCALATION**

The Chief Operating Officer confirmed that there were currently 4 Boards in escalation where the required level of assurance was not attained in respect to finance, activity and quality and safety. As previously outlined Women and Children had a budgetary overspend and shortfall against savings targets, Surgery had a shortfall against 2018/19 savings targets and a budgetary overspend and the Dental Clinical Board had difficulty in delivering its 2018/19 commitments within its funding envelope. In addition the Specialist Clinical Board was now being supported to improve Referral to Treatment (RTT) times.

It was noted that progress had been made in Women and Children to reduce medical staff pressures. Advances had also been made in Surgery to secure the 2018/19 savings target, to reduce pressure on nurse specialising and clinical supplies. Specialising had been reduced with learning from the Medicine Clinical Board and an

increasing focus on stock management was being applied to reduce pressure in respect of clinical supplies. The framework for the management and delivery of services provided through the Dental Clinical Board was under review through consultation.

The Finance Committee:

- **NOTED** the Clinical Boards in escalation and actions being taken to manage performance;

## **FC - 18/251 COST REDUCTION PROGRAMME**

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

- At the end of the month, £31.201m of schemes had been identified as Green or Amber against the devolved 4% savings target of £33.780m, leaving a gap of £2.579m
- £21.041m has been identified against the £25.335m recurrent 3% element of the devolved target.
- £10.160m has been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at month 4 £12.264m of cross cutting opportunities had been identified as Green or Amber contributing towards the delivery of the £33.780m devolved CRP target.

The Assistant Director of Finance highlighted the £2.579m gap against the overall delegated 2018/19 CRP target and stressed that whilst this was covered by the identification of additional corporate opportunities that Clinical Boards were still required to reach their delegated targets in 2018/19.

The Committee was informed that the full year effect of recurrent savings schemes was £0.472m more than the 2018/19 recurrent target and the Director of Finance added that further progress on recurrent schemes was expected in 2018/19 which should in turn help to minimize the UHBs underlying deficit moving into 2019/20.

It was noted that the impact on Whole Time Equivalent (WTE) was also now identified on the UHBs Tracker Summary and that this information would be useful in workforce planning.

The Finance Committee:

- **NOTED** the progress against the £33.780m devolved 2018/19 CRP target and the Cross Cutting contribution
- **NOTED** that the £9.266m improvement target had been achieved without any adverse impact on service delivery.



## **FC - 18/252 RISK REGISTER**

The Assistant Director of Finance presented the 2018/19 Risk Register and informed the Finance Committee that one new risk had been added to the register in respect of the payment of working time directive holiday pay for staff working overtime. This was a national issue and current estimates suggested that the risk to Cardiff and Vale UHB could be circa £0.400m p.a.

It was highlighted that 2 red risks remained on the register in respect of the underlying deficit and the delivery of the 3% recurrent CIP. It was noted that these risks would be reviewed before the next Finance Committee meeting.

The Finance Committee:

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

## **FC - 18/253 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES**

No other items to bring to the main Board.

## **FC - 18/254 DATE AND TIME OF NEXT MEETING**

Wednesday 31<sup>st</sup> October; 2.00pm; Large Meeting Room, HQ, UHW

## FINANCE COMMITTEE

### ACTION LOG FROM 26<sup>th</sup> SEPTEMBER 2018

MINUTE	DATE	SUBJECT	AGREED ACTION	ACTIONED TO	STATUS
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	Complete – Report brought back to the October 2018 Finance Committee.
FC - 18/200	27.06.18	Finance Committee Terms of Reference (TOR)	Revised TOR to be taken to the Board for approval.	Committee Secretariat	Complete- Revised TOR and a covering paper to request ratification of the revised TOR were on the agenda of the Board meeting scheduled for the 27 <sup>th</sup> September 2018
FC - 18/225	25.07.18	2018/19 year end forecast outturn	Detailed review of the forecast year end position at Clinical Board level to be undertaken after the confirmation of the month 4 position.	Deputy Director of Finance	Complete – Clinical Boards have finalised a detailed forecast position profiled for the remainder of the year based on the month 6 position and this is included in the Finance report to the October Finance Committee.
FC - 18/225	25.07.18	The impact of weekly vs monthly payroll on the availability of bank staff	The Nursing Productivity Group to be asked to explore the likely impact of introducing a weekly payroll for payment of bank staff	Assistant Director of Finance	Raised with the Nursing Productivity Group. Future progress will be reported back to the Finance Committee alongside Executive Nurse Director Report.
FC - 18/236	29.08.18	In year nursing pressures and associated overspend	Report on the wider issues and actions around the Nursing Position to be provided to the Finance Committee	Executive Nurse Director	Raised with the Executive Nurse Director. Date of report back to the Finance Committee to be confirmed dependent on re-scheduling of diaries. The December meeting is currently scheduled for Thursday January 3 <sup>rd</sup> 2018.

FC - 18/249	26.09.18	Risk Register	Review of RAG rating of risks on the Finance Risk Register.	Assistant Director of Finance	Complete – Risks have been reviewed and re-categorised for the October 2018 Risk Register
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## FINANCE REPORT FOR THE PERIOD ENDED 31<sup>st</sup> OCTOBER 2018

**Name of Meeting :** Finance Committee

**Date:** 31<sup>st</sup> October 2018

**Executive Lead :** Executive Director of Finance

**Author :** Deputy Director of Finance 02920 743555

**Caring for People, Keeping People Well:** This report details performance against the annual financial plan supporting the UHB to deliver service priorities, maximise patient outcomes whilst maintaining the sustainability of services.

**Financial impact:** The UHB financial position at the end of September 2018 is a deficit of £5.705m comprised of the following:

- £4.950m planned deficit (6/12th of £9.900m);
- £0.755m adverse variance against plan.

**Quality, Safety, Patient Experience impact:** This report details financial performance against the one year operational plan which supports improvements in quality, safety and patient / carer experience.

**Health and Care Standard Number 1**

**CRAF Reference Number 6.7**

**Equality Impact Assessment Completed:** Not applicable

### ASSURANCE AND RECOMMENDATION

**LIMITED ASSURANCE** is provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 6 position which is broadly on line with the profiled deficit within the Annual Operational Plan.

The Committee is asked to:

- **NOTE** that the UHB has an accepted one year operational plan that has a planned deficit of £9.900m for the year;
- **NOTE** the £5.705m deficit at month 6 which includes a planning deficit of £4.950m and budget overspends of £0.755m;
- **NOTE** the key concerns and actions being taken to manage risks.

### SITUATION

The UHB's 2018/19 operational plan includes a £9.9m planned deficit. This is dependent upon managing the following key challenges:

- identifying and delivering a £33.780m savings target;
- identifying and delivering a further £9.266m of financial improvement;
- the management of operational cost pressures and financial risks within delegated budgets.

The UHB has a full savings programme and financial improvement plan in place and the delivery of these is now key to the success of the plan. The overspend against the plan fell by £0.033m in month to £0.755m and is primarily driven by income under-recovery, nursing costs, overspends in clinical supplies and services and slippage against savings schemes.

## **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.

Consequentially 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 was shared with Welsh Government and on the 10th July the UHB submitted its one year operational plan to Welsh Government. This position has been accepted and the UHB has received £10m additional annual operating plan funding and consequently the UHB has reduced its forecast deficit to £9.9m. 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	Final Plan £m	Var £m	Notes
<b>b/f underlying deficit</b>	<b>(49.0)</b>	<b>(49.0)</b>	<b>0.0</b>	
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	Reduction in FNC costs
Cost Pressures due to population growth	(4.5)	(3.5)	1.0	Reduction for RTT
Investments	(4.3)	(3.3)	1.0	Reduction for RTT
Recurrent cost improvement plans	25.3	25.3	0.0	
Additional funding assumed	15.5	0.0	(15.5)	No income assumed
<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) March 2018</b>	<b>(21.9)</b>	<b>(19.9)</b>	<b>2.0</b>	
<b>Additional Annual Operating Plan Funding July 2018</b>		<b>10.0</b>	<b>(10.0)</b>	
<b>Revised Planned Surplus/Deficit July 2018</b>	<b>(21.9)</b>	<b>(9.9)</b>	<b>(12.0)</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 of 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	(9.900)	(65.996)	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 @ September 2018**

Measure	n	STATUS REPORT				
		September 2018	RAG Rating	Latest Trend	Target	Time Period
Financial balance: remain within revenue resource limits	36	£5.705m deficit at month 6. £0.755m adverse variance against plan	R 		2018/19 planned deficit £9.9m	M6 2018-19
Remain within capital resource limits.	37	Expenditure at the end of September was £13.906m against a plan of £15.325m.	G 		Approved planned expenditure £33.355m	M6 2018-19
Reduction in Underlying deficit	36a	£39.1m assessed underlying deficit position at month 6	R 		If 2018/19 plan achieved reduce underlying deficit to £39.1m	M6 2018-19
Delivery of recurrent 3% savings target	36b	£25.335m identified at Month 6	G 		£25.335m	M6 2018-19
Delivery of non recurrent 1% savings target	36c	£10.658m identified at month 6.	G 		£8.445m	M6 2018-19
Delivery of financial improvement target	36d	£9.3m identified at month 6	G 		£9.3m	M6 2018-19
Creditor payments compliance 30 day Non NHS	37a	Cumulative 95.6% in September	G 		95% of invoices paid within 30 days	M6 2018-19
Remain within Cash Limit	37b	Forecast cash deficit of £24.793m	R 		To remain within Cash Limit	M6 2018-19
Maintain Positive Cash Balance	37c	Cash balance = £4.274	G 		To Maintain Positive Cash Balance	End of Sept.

### Month 6 Cumulative Financial Position

The UHB reported a deficit of £5.705m at month 6 as follows:

- £4.950m planned deficit (6/12th of £9.900m);
- £0.755m adverse variance against plan.

The £0.755m adverse variance which is not considered material is profiled to be recovered over the final 6 months of the year.

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> September 2018**

Income/Pay/Non Pay	In Month			Year to Date			Full Year		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv	Budget	Forecast	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income	(111.742)	(111.572)	0.171	(662.950)	(661.856)	1.094	(1,356.638)	(1,356.638)	0.000
Pay	49.685	49.467	(0.218)	296.596	296.307	(0.289)	588.996	588.996	0.000
Non Pay	62.882	62.897	0.015	371.305	371.255	(0.050)	777.542	777.542	0.000
Variance to Draft Plan £m	0.825	0.792	(0.033)	4.950	5.705	0.755	9.900	9.900	0.000
Planned Deficit	(0.825)	0.000	0.825	(4.950)	0.000	4.950	(9.900)	0.000	9.900
Total £m	0.000	0.792	0.792	(0.000)	5.705	5.705	(0.000)	9.900	9.900

## Income

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

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

Income	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Revenue Resource Limit	(74.453)	(74.453)	0.000	(441.207)	(441.208)	(0.000)
Non Cash Limited Expenditure	(1.615)	(1.615)	0.000	(9.689)	(9.690)	(0.000)
Accommodation & Catering	(0.403)	(0.294)	0.108	(1.597)	(1.523)	0.073
Education & Training	(3.096)	(3.106)	(0.010)	(18.832)	(18.833)	(0.001)
Injury Cost Recovery Scheme (CRU)	(0.214)	(0.188)	0.026	(0.983)	(0.823)	0.159
NHS Patient Related Income	(24.473)	(24.303)	0.170	(145.970)	(145.421)	0.548
Other Operating Income	(6.549)	(6.601)	(0.052)	(39.436)	(39.043)	0.393
Overseas Patient Income	(0.005)	(0.018)	(0.013)	(0.031)	(0.143)	(0.112)
Private Patient Income	(0.106)	(0.098)	0.007	(0.615)	(0.433)	0.181
Research & Development	(0.830)	(0.896)	(0.066)	(4.592)	(4.739)	(0.147)
Total £m	(111.742)	(111.572)	0.171	(662.950)	(661.856)	1.094

An in month deficit of £0.171m and a cumulative deficit of £1.094m is reported against income budgets. The main adverse variances are:

- £0.548m variance on NHS patient related income where the position has deteriorated by £0.170m in month. Further detail is provided below;
- £0.393m variance on other operating income mainly due to underperformance against critical care, PICU and NICU activity targets. This income can be volatile and can also be seasonal. The in month position was a favourable variance and the activity in these areas will continue to be monitored and is expected to improve;
- The income variance on private patient activity is mainly driven by neurosciences. There is a monthly income target of £0.021m for one spinal rehabilitation patient from outside Wales to be placed in Rookwood with a cumulative adverse variance of £0.126m. Assuming successful recruitment of a second spinal rehabilitation consultant the team plan to re-engage with English commissioners and offer placements which is assumed to be from February onwards;
- The 2018/19 CRU position moved £0.025m in month, to a cumulative variance of £0.159m against the budget profile at Month 6. Collections on a monthly



basis can vary significantly, depending on the number of new and withdrawn claims, affecting the income profile. Overall income recovery is largely outside the control of the UHB.

### LTA Provider Performance

The UHB receives circa £265m income from its contracts with WHSSC and LHBs in addition to 'non-LTA' income for IPFRs/SLAs and English income. In-month reporting reflects an estimate based on the prior month's activity, given the timeline for receipt of coded contract information.

Income from LTAs and individual patient contracting moved adversely in month by £0.077m, bringing the cumulative variance to £0.495m. The Month 6 reported position is summarised in Table 6. This is driven significantly by under delivery against contracts with LHBs of £0.827m, offset by a favourable income position on WHSSC and NHS England.

The Month 6 reported position continues to reflect a deterioration in the Aneurin Bevan and other LHB position (mainly for Cwm Taf). In total there was a sharp deterioration of £0.285m in month driven by very low levels of orthopaedic activity for which there is a cost per case contract. Remedial actions to improve the position are being explored.

A favourable WHSSC position reflects a benefit that has started to accrue from the contingency for LTA risks, which is now crystallising as no longer required. However, most WHSSC contract performance is reflected directly in Clinical Board positions linked to activity delivery. The LTA position continues to materially over perform against baseline.

Non-Welsh income has seen an improved month, driven by unplanned emergency work across Neurosurgery, Cardiac and Critical Care, bringing the cumulative variance to £0.190m favourable.

**Table 6: Month 6 LTA Provider Position**

	Annual Budget £m	YTD Profile £m	YTD Actual £m	YTD Variance £m
WHSSC	(212.694)	(107.988)	(108.130)	(0.142)
Aneurin Bevan	(29.086)	(14.652)	(14.194)	0.458
Other LHBs	(38.313)	(19.190)	(18.820)	0.370
Non-Welsh	(3.217)	(2.053)	(2.243)	(0.190)
	<b>(283.310)</b>	<b>(143.883)</b>	<b>(143.388)</b>	<b>0.495</b>

## Pay

In total pay budgets are showing a cumulative underspend of £0.289m as reported in Table 7.

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

	2017/18 Total Spend £m	2017/18 Month 1 to Month 5 £m	2018/19 Month 1 to Month 5 £m	2017/18 Month 6 £m	2018/19 Month 6 £m	2017/18 Cum. to Month 6 £m	2018/19 Cum. to Month 6 £m
Basic	515.377	211.391	213.391	42.612	42.850	254.003	256.241
Enhancements	24.533	10.359	10.505	1.784	2.021	12.143	12.526
Maternity	4.088	1.790	1.639	0.356	0.318	2.146	1.957
Protection	0.676	0.272	0.286	0.066	0.052	0.338	0.338
<b>Total Fixed Pay</b>	<b>544.674</b>	<b>223.811</b>	<b>225.821</b>	<b>44.819</b>	<b>45.242</b>	<b>268.630</b>	<b>271.062</b>
Agency (mainly registered Nursing)	8.767	3.508	4.455	0.629	0.889	4.137	5.344
Nursing Bank (mainly Nursing)	14.439	5.839	5.142	1.203	1.094	7.043	6.236
Internal locum (Medical & Dental)	4.306	1.772	2.124	0.362	0.407	2.134	2.531
External locum (Medical & Dental)	7.118	2.678	2.940	0.682	0.577	3.360	3.517
On Call	2.224	0.891	1.019	0.180	0.187	1.071	1.206
Overtime	5.758	2.366	2.635	0.432	0.462	2.798	3.097
WL's & extra sessions (Medical)	5.111	1.762	2.704	0.350	0.610	2.112	3.314
<b>Total Variable Pay</b>	<b>47.722</b>	<b>18.817</b>	<b>21.019</b>	<b>3.838</b>	<b>4.225</b>	<b>22.655</b>	<b>25.244</b>
<b>Total Pay</b>	<b>592.396</b>	<b>242.628</b>	<b>246.840</b>	<b>48.657</b>	<b>49.467</b>	<b>291.285</b>	<b>296.307</b>
<b>Pay Budget</b>	<b>594.938</b>	<b>243.357</b>	<b>246.911</b>	<b>49.114</b>	<b>49.685</b>	<b>292.471</b>	<b>296.596</b>
<b>Budget Variance (Fav)/Adv £m</b>	<b>(2.541)</b>	<b>(0.729)</b>	<b>(0.071)</b>	<b>(0.457)</b>	<b>(0.218)</b>	<b>(1.186)</b>	<b>(0.289)</b>

The 2018/19 pay levels do not yet reflect the additional cost of the 2018/19 annual pay award. The UHB has set aside a reserve to cover the initial 1% planning assumption and expects the cost of any additional wage award to be met by additional Welsh Government funding.

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

**Table 8: Analysis of pay expenditure by staff group @ September 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	1.933	1.870	(0.063)	11.641	11.221	(0.419)
Management, admin & clerical	5.841	5.710	(0.130)	34.364	34.175	(0.189)
Medical and Dental	12.942	12.942	0.000	76.670	77.005	0.336
Nursing (registered)	14.789	14.692	(0.098)	89.123	88.747	(0.376)
Nursing (unregistered)	3.871	4.163	0.291	23.661	25.322	1.661
Other staff groups	7.433	7.342	(0.092)	44.069	43.607	(0.462)
Scientific, prof & technical	2.876	2.749	(0.127)	17.069	16.229	(0.840)
<b>Total £m</b>	<b>49.685</b>	<b>49.467</b>	<b>(0.218)</b>	<b>296.596</b>	<b>296.307</b>	<b>(0.289)</b>

In total pay budgets improved by £0.218m in month to an underspend for the year to date of £0.289m. The rate of overspend against nursing budgets is broadly consistent with the level reported in August and the continuing overspend in this area is driven by vacancies, sickness and specialing. Increased management attention is being directed to curtail nursing expenditure and actions being taken are due to be scrutinized by the Finance Committee.

A balanced in month position is reported against Medical and Dental Budgets following the in month overspend of £0.108m reported in August. In month Medical and Dental budgets overspends continued in both Women & Children Services and Diagnostics, however compared to the previous month the in month overspends fell from £0.114m to £0.055m and £0.084m to £0.043m respectively.

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

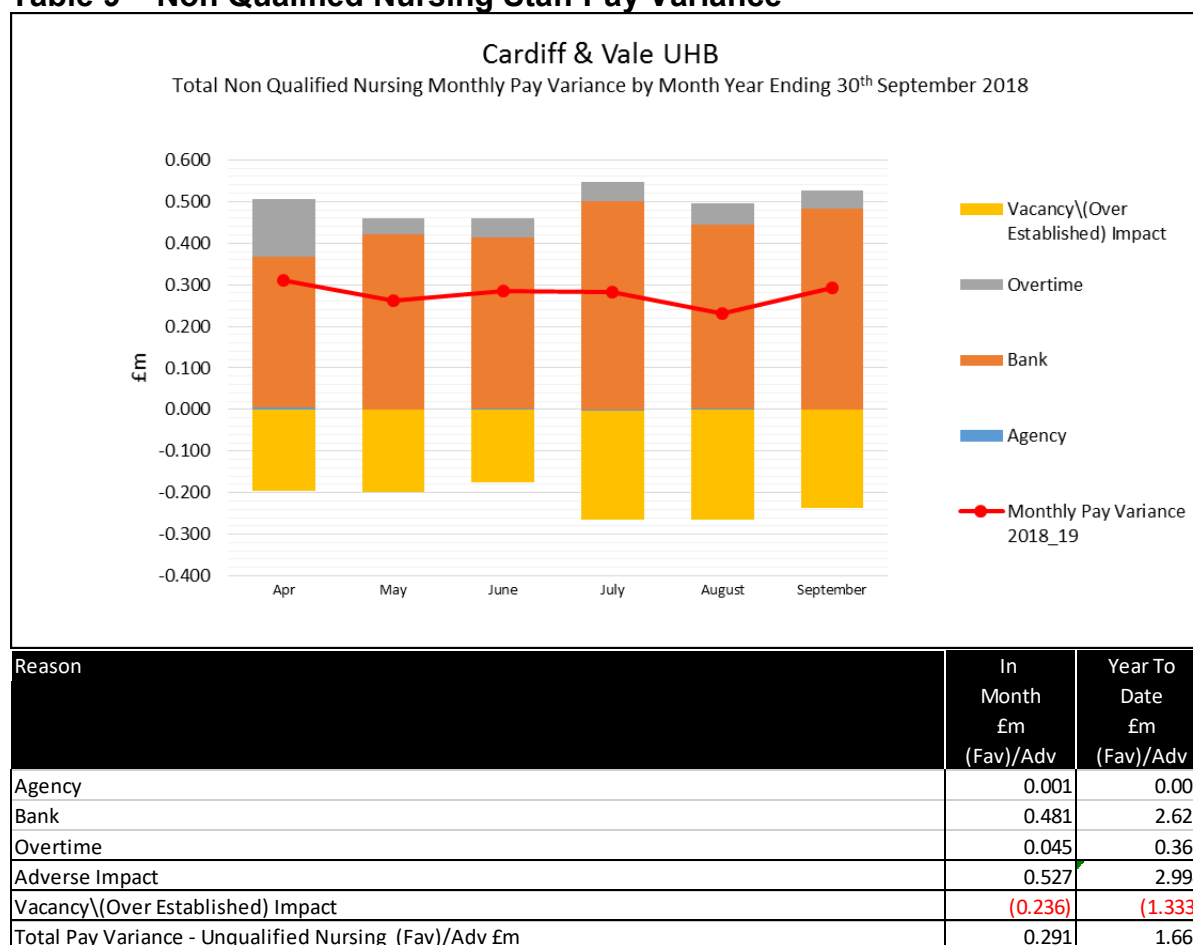
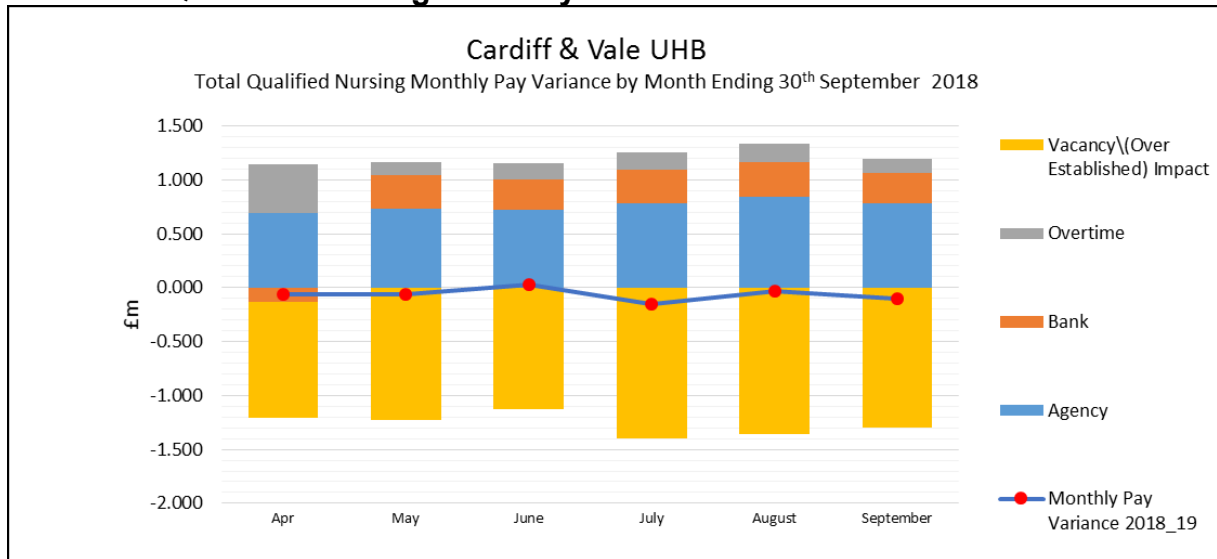


Table 9 indicates that the £1.661m adverse variance against non-qualified nursing assistants is due to overspends of £2.621m on bank staff and £0.367m on overtime which is partly offset by an underspend against established posts.

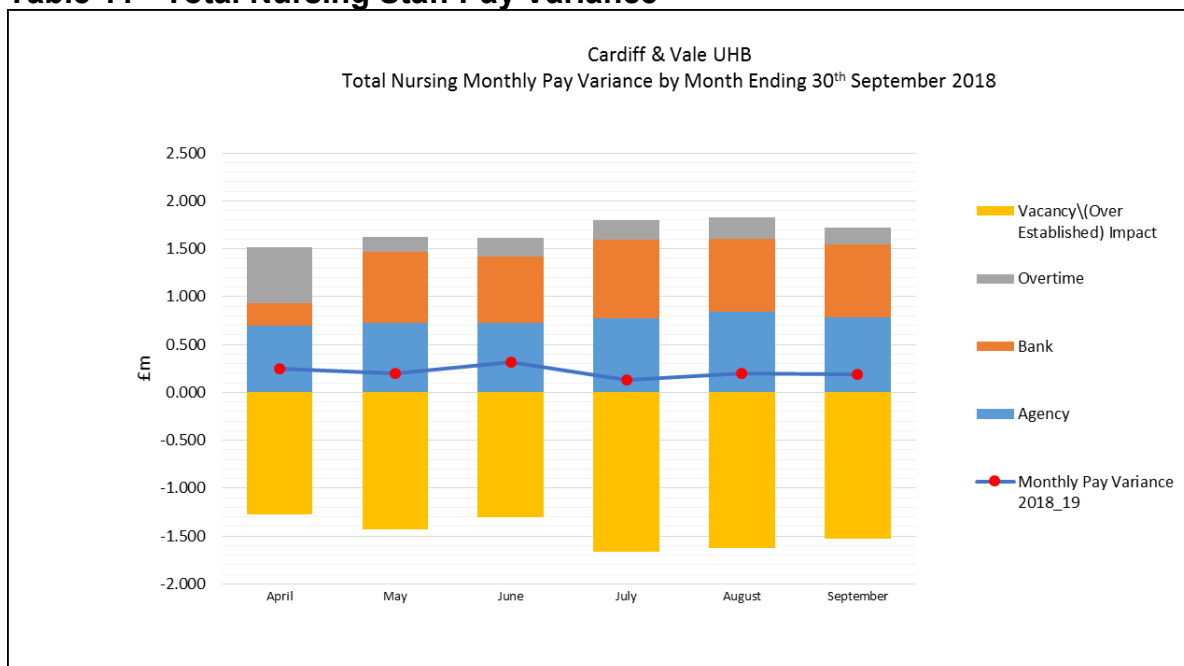
**Table 10 - Qualified Nursing Staff Pay Variance**



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.785	4.546
Bank	0.279	1.389
Overtime	0.133	1.186
Adverse Impact	1.198	7.120
Vacancy\ (Over Established) Impact	(1.295)	(7.496)
<b>Total Pay Variance - Qualified Nursing (Fav)/Adv £m</b>	<b>(0.098)</b>	<b>(0.376)</b>

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

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

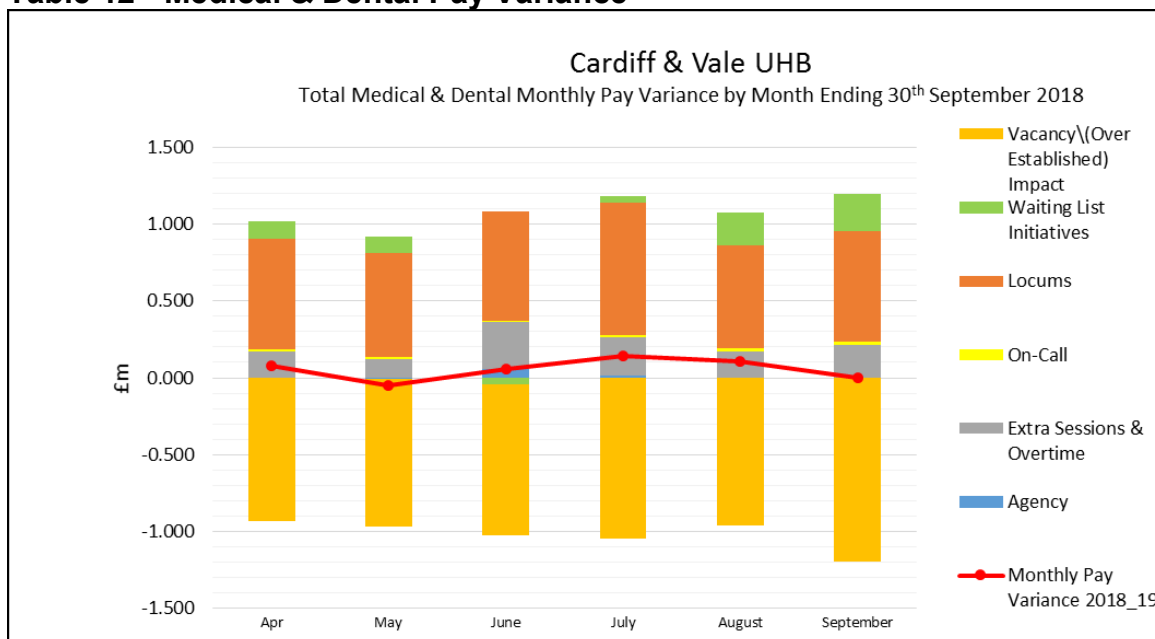


	Month £m (Fav)/Adv	Date £m (Fav)/Adv
Agency	0.786	4.552
Bank	0.761	4.010
Overtime	0.178	1.553
Adverse Impact	1.725	10.114
Vacancy\ (Over Established) Impact	(1.531)	(8.829)
<b>Total Pay Variance - (Fav)/Adv £m</b>	<b>0.194</b>	<b>1.286</b>

Table 11 identifies expenditure against substantive nursing posts for the year to date which is £1.286m more than budget. The £8.829m surplus against established posts is offset by a £10.114m overspend on agency, bank and overtime leading to an overall overspend against nursing budgets. Performance on nursing budgets remains a concern and features 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 offset by expenditure on locums, waiting list initiatives and extra sessions leaving an overspend of £0.336m at month 6.

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



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.003	0.065
Extra Sessions & Overtime	0.212	1.239
On-Call	0.021	0.079
Locums	0.721	4.369
Waiting List Initiatives	0.239	0.676
Adverse Impact	1.196	6.429
Vacancy (Over Established) Impact	(1.196)	(6.093)
<b>Total Pay Variance - Medical &amp; Dental (Fav)/Adv £m</b>	<b>0.000</b>	<b>0.336</b>

The key areas of concern are a £0.055m in month overspend and a £0.458m cumulative overspend within the Women and Children Clinical Board and a £0.043m in month overspend and a cumulative £0.323m overspend in the CD&T Clinical Board. These are offset by underspends elsewhere.

### Non Pay

Table 13 highlights an in month overspend of £0.015m and a £0.050m cumulative underspend against non pay budgets.

The key pressure area is in clinical services and supplies with the majority of the cumulative variance due to overspends in theatres and specialist services.

The in month overspend on premises and fixed plant is due to estates repairs and continual pressure on lifts repairs plus an in month increase in energy due to a stoppage at the UHW Combined Heat and Power Plant.

**Table 13: Non Pay Variance @ September 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	7.884	7.870	(0.014)	47.653	48.774	1.121
Commissioned Services	13.809	13.814	0.005	83.412	83.199	(0.213)
Continuing healthcare	5.341	5.364	0.022	30.374	30.654	0.279
Drugs / Prescribing	12.073	12.158	0.085	74.481	73.857	(0.624)
Establishment expenses	0.995	0.952	(0.044)	5.403	5.280	(0.123)
General supplies & services	0.699	0.708	0.009	3.981	4.197	0.216
Other non pay	5.101	4.992	(0.109)	27.870	26.997	(0.873)
Premises & fixed plant	3.017	3.131	0.114	16.621	16.838	0.217
Primary Care Contractors	13.963	13.909	(0.054)	81.510	81.460	(0.050)
<b>Total £m</b>	<b>62.882</b>	<b>62.897</b>	<b>0.015</b>	<b>371.305</b>	<b>371.255</b>	<b>(0.050)</b>

### LTA Commissioner Performance

The UHB spends circa £160m commissioning healthcare services for its population through contracts with WHSSC, LHBs and Velindre. A favourable Month 6 variance of £0.462m is shown in Table 14 and is largely driven by the UHBs performance on contracts, including:

- Continuation of lower than anticipated NICE cancer drugs expenditure with Velindre, although, subject to implementation timelines, this is projected to grow through 2018/19 - the position remained static in-month;
- Continued under performance in ABMU recovered at an enhanced marginal rate, and a higher than expected level of underperformance on the Cwm Taf contract. There are ongoing discussions around this through LTA meetings.

The WHSSC position has remained static in-month, with the YTD variance driven largely by the Cardiff and Vale provider contract over-performance and the UHB's relative risk share. This performance is expected to stabilise, and is supported by slippage on a number of ICP schemes and non-recurrent opportunities. The position includes the financial risk of ongoing negotiations between WHSSC and NHSE over the impact of HRGv4+, which may result in a more favourable outcome.

**Table 14: Month 6 LTA Commissioner Position**

	Annual Budget £m	YTD Profile £m	YTD Actual £m	YTD Variance £m
WHSSC	120.386	59.744	59.798	0.054
Velindre	16.406	8.148	7.889	(0.259)
LHBs	22.818	11.212	10.746	(0.466)
Other / NCAs	1.290	0.645	0.854	0.209
	<b>160.900</b>	<b>79.749</b>	<b>79.287</b>	<b>(0.462)</b>

The overall position on commissioned services is circa £0.250m worse than the LTA position however mainly due to out of area placements in Mental Health and Primary Care which have increased by £0.040m in the month.

### 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 six months to 30<sup>th</sup> September 2018 by Clinical Board is shown in Table 15.

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

Clinical Board	M5 Budget Variance £m	M6 Budget Variance £m	In Month Variance £m	Cumulative % Variance
Clinical Diagnostics & Therapies	0.306	0.468	0.162	0.88%
Children & Women	0.643	0.786	0.142	1.60%
Capital Estates & Facilities	0.118	0.152	0.034	0.49%
Dental	0.119	0.154	0.035	1.58%
Executives	(0.286)	(0.367)	(0.082)	(1.97%)
Medicine	0.687	0.920	0.233	1.61%
Mental Health	0.560	0.622	0.063	1.69%
PCIC	(0.722)	(0.858)	(0.136)	(0.52%)
Specialist	0.203	(0.005)	(0.208)	(0.01%)
Surgery	0.582	0.542	(0.041)	0.85%
Central Budgets	(1.423)	(1.658)	(0.235)	(1.67%)
<b>SubTotal</b>	<b>0.788</b>	<b>0.755</b>	<b>(0.033)</b>	<b>0.11%</b>
Planned Deficit	4.125	4.950	0.825	0.75%
<b>Total</b>	<b>4.913</b>	<b>5.705</b>	<b>0.792</b>	<b>0.86%</b>



In month and cumulative overspends were reported by 6 Clinical Boards in September. The largest in month overspend was in Medicine where the in month overspend on nursing and drugs accounted for £0.152m and £0.059m respectively out of a total in month overspend of £0.233m. Non Pay pressures including the gap to the CRP target accounted for the majority of the £0.162m in Clinical Diagnostics and Therapeutics and the in month overspends In Women & Children were driven by medical staff budgets and once again the shortfall against savings targets.

### **Clinical Board Budget Forecasts.**

All budget holders have undertaken a detailed financial forecast position profiled for the remainder of the year. Delegated budget holders are currently forecasting a year end deficit of £4.5m and this is shown in Table 16.

**Table 16: Budget Holder Financial Forecasts**

<b>Clinical / Service Board</b>	<b>Full year Forecast £m</b>
CD&T	1.124
CAW	1.654
Capital Estates & Facilities	(0.011)
Dental	0.600
Executives	(0.003)
Medicine	0.759
Mental Health	0.798
PCIC	(1.353)
Specialist	(0.010)
Surgery	0.967
<b>Total Variance to Budget</b>	<b>4.525</b>

All Clinical Boards that are forecasting a year end deficit are scheduled to have an escalation meeting on finance to provide assurances on delivery of this forecast and on further actions being taken to reduce it.

**The UHB has sufficient non recurrent opportunities to bridge this gap and therefore the forecast deficit of £9.9m remains intact.**

### **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 6 the UHB has fully identified schemes to deliver against the £33.780m savings target as summarised in Table 17. This includes income generation schemes of £2.794m and accounting gains of £4.665m. Clinical Boards identified a further £0.5m of schemes in month and those that have not yet achieved their target are still required to prioritise the identification and implementation of savings schemes as a matter of urgency to ensure that they meet their delegated targets. The latest position is shown in **Appendix 1**. It should be noted however that at month 6 savings of £13.012m have been achieved against a profiled target of £13.455m resulting in slippage of £0.443m which is reflected in the year to date variance.

**Table 17: Progress against the 2018/19 Savings Programme at Month 6**

	Total Savings Target £m	Total Savings Identified £m	Total Savings (Unidentified) £m
Total £m	33.780	33.780	0.000

In addition the UHB has a fully established £9.266m financial improvement plan.

Further details of performance against the savings programme and Financial Improvement Target are provided in the CRP report.

### 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 £39.1m by the year end. This is shown in Table 18.

**Table 18: Summary of Underlying Financial Position**

	2018/19 Plan £m	Forecast Position @ Month 6	
		Non Recurrent £m	Recurrent Position £m
Opening Underlying Deficit £m	49.000	0.000	49.000
Income	(33.958)	14.000	(19.958)
Cost pressures less mitigating actions	37.904		37.904
Less CIPs (includes £3.517m income generation & NR technical opportunities)	(33.780)	8.445	(25.335)
Unallocated Reserves (Positive Value)	(3.545)	0.995	(2.550)
Other mitigating actions required to deliver the financial improvement target	(5.721)	5.721	0.000
Deficit £m	9.900	29.161	39.061

Key points to note in the forecast underlying position are:

- The UHB has received £4m non recurrent income from Welsh Government in recognition of 2017/18 financial performance;
- Welsh Government confirmed an additional £10m of non-recurrent Annual Operating Plan funding in July 2018.
- The 1% non-recurrent savings target included in the plan of £8.445m;
- Of the £9.266m Financial Improvement Target, £3.545m has been identified through unallocated reserves of which £2.550m has been identified recurrently being the Welsh Risk Pool (£0.550m) and curtailing spend on investments (£2.000m) and £0.995m non recurrently through curtailing investments (£0.700m) and cost pressure funding (£0.295m). An additional £5.721m non recurrent opportunities have been identified to fully deliver the financial improvement target.

## Balance Sheet

The balance sheet at month 6 is detailed in **Appendix 2**.

The in year spend on capital projects is higher than depreciation charged to date and this has led to increase in the carrying value of property, plant & equipment since the beginning of the year.

The increase in the carrying value of Inventory held is due to a bulk stock order to take advantage of a significant supplier discount. The stock will be utilised over the remainder of the financial year.

Overall trade debtors have increased by £3.0m (1.3%) since the start of the year.

The value of Trade and other payables has fallen by around £31m since the start of the year due to a reduction in capital creditors and the cash settlement of clinical negligence claims and year end commissioner risk sharing liabilities with WHSCC and other LHB's. The reduction in the number of creditors held has made a positive impacted on the UHB's public sector payment compliance performance.

## Cash Flow Forecast

The cash flow projection is shown in **Appendix 3** with a closing cash balance for the month being £4.3m.

Amounts shown on the sale of assets line reflect the full value of anticipated in year sale proceeds. The UHB expects to reinvest £1.403m of these receipts in the purchase of property, plant & equipment.

The UHB estimates that it will require the following level of cash support in 2018/19:

- (i) Strategic Cash Assistance £9.900m
- (ii) Capital Working Balance Cash £13.050m

(iii) Revenue Working Balance Cash £3.699m

The working balances cash requirements reflect resource that was allocated to the UHB in 2017/18 that was not drawn down as cash.

The UHB requires significant capital cash assistance because of the relatively high level of capital creditors brought forward from the previous year. Given the UHB's anticipated monthly capital expenditure profile it will be difficult for the UHB to carry the same level of capital creditors into 2019/20, therefore the UHB requires £13m cash support to manage this working balance.

A reconciliation of the opening and closing cash position reported is shown below in Table 19.

**Table 19: Forecast movement in cash position 2018/19**

Description	£m
Opening Cash balance	1.856
Working balances arising	(16.749)
Management Actions (managing suppliers)	tbc
Forecast Deficit	(9.900)
Approved Cash Assistance & Working Balances Cash	tbc
<b>Forecast Cash Deficit £m</b>	<b>(24.793)</b>

### Public Sector Payment Compliance

The UHB's cumulative performance to the end of September is 95.6%. This is a cumulative improvement of 0.3% in month and is also significantly better than the cumulative rate achieved for the same period in 2017/18 (90.5%). The in month compliance rate was 97.1% in September 2018.

### Capital Resource Limit (CRL)

Progress against the CRL for the period to the end of September 2018 is summarised in Table 20 and is detailed in **Appendix 4**.

**Table 20: Progress against Capital Resource Limit @ September 2018**

	£m
Planned Capital Expenditure at month 6	15.325
Actual net expenditure against CRL at month 6	13.906
Variance against planned Capital Expenditure at month 6	(1.419)

Capital progress to date is satisfactory, with net spend to the end of September accounting for 42% of the UHB's approved CRL. The reported net spend to the end of September is £1.419m below the planned spend profile primarily due to a significant retrospective VAT recovery against discretionary schemes and slippage on the Neonatal BJC 2 scheme. Year end expenditure is expected to recover and

remain within the Capital Resource Limit. Planned spends for the year reflect the latest CRL received from Welsh Government dated 11<sup>th</sup> September 2018.

## Financial Risks

The UHB's forecast year end position is a £9.900m deficit and the key risks to be managed in delivery of the plan are management of budget pressures and delivering identified savings.

These risks are diminishing as further progress is being made on the plan.

## Key Concerns and Recovery Actions

At month 6, 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 UHB has identified corporate opportunities to cover the gap against the devolved saving target. The gap against the devolved savings target narrowed in month and in addition, all budget holders are still required to prioritise the identification and implementation of schemes as a matter of urgency to ensure that Clinical Boards meet their delegated targets.

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

Action – the UHB has a fully identified financial improvement programme.

3. Concern - Managing within current budgets.

Action – Net operational overspends fell by £0.033m in month to £0.755m. 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 has a one year financial plan for 2018/19 which delivers a deficit of £9.9m and requires the delivery of £33.8m savings and a further £9.3m financial improvement. The UHB has fully identified the required financial improvement and savings plans and the management of savings schemes and

operational pressures is now the key risk in the delivery of the financial plan and will remain an area of focus throughout the year.

The reported financial position for the first five months is a deficit of £5.705m. This is made up of a budget plan deficit of £4.950m and an adverse variance against plan of £0.755m.

## Month 6 In-Year Effect --TO UPDATE

Clinical Board	18-19 Target	Green	Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall at Performance Review Month 6
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	6,600	6,804	122	6,926	4.20	150	-326
Specialist Services	4,038	3,712	396	4,108	4.07	643	-70
Capital Estates and Facilities	2,580	1,822	758	2,580	4.00	133	0
Surgery	4,714	4,100	439	4,538	3.85	1,398	176
Medicine	3,754	2,144	1,366	3,509	3.74	531	245
CD&T	3,442	2,133	1,016	3,149	3.66	1,091	293
Mental Health	2,940	2,258	307	2,565	3.49	72	375
Children & Women	3,550	1,901	1,099	3,001	3.38	569	549
Corporate Execs	1,362	1,123	23	1,146	3.37	457	216
Dental	800	211	22	233	1.17	84	567
<b>Total</b>	<b>33,780</b>	<b>26,207</b>	<b>5,547</b>	<b>31,755</b>	<b>3.76</b>	<b>5,128</b>	<b>2,025</b>

## 2018-19 Full Year Effect--TO UPDATE

Clinical Board	3% Recurrent	Green	Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall at Performance Review Month 6
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	4,950	5,764	122	5,886	3.57	424	-936
Specialist Services	3,029	2,383	487	2,870	2.84	853	159
Capital Estates and Facilities	1,935	864	1,145	2,009	3.11	380	-74
Surgery	3,536	3,054	492	3,545	3.01	2,674	-10
Medicine	2,816	1,601	2,261	3,862	4.12	724	-1,047
CD&T	2,582	1,039	1,655	2,694	3.13	1,036	-112
Mental Health	2,205	1,535	307	1,842	2.51	20	363
Children & Women	2,663	1,152	1,394	2,546	2.87	774	116
Corporate Execs	1,022	532	13	545	1.60	491	477
Dental	600	94	0	94	0.47	110	506
<b>Total</b>	<b>25,335</b>	<b>18,018</b>	<b>7,875</b>	<b>25,893</b>	<b>3.07</b>	<b>7,486</b>	<b>-558</b>

## Appendix 2

### BALANCE SHEET AS AT 30<sup>th</sup> SEPTEMBER 2018

	Opening Balance 1 <sup>st</sup> April 2018	Closing Balance 30 <sup>th</sup> September 2018
<b>Non-Current Assets</b>	<b>£'000</b>	<b>£'000</b>
Property, plant and equipment	657,424	660,152
Intangible assets	2,245	1,832
Trade and other receivables	57,469	38,260
Other financial assets		
<b>Non-Current Assets sub total</b>	<b>717,138</b>	<b>700,244</b>
<b>Current Assets</b>		
Inventories	15,697	16,968
Trade and other receivables	166,189	188,393
Other financial assets	0	0
Cash and cash equivalents	1,856	4,272
Non-current assets classified as held for sale	0	0
<b>Current Assets sub total</b>	<b>183,742</b>	<b>209,633</b>
<b>TOTAL ASSETS</b>	<b>900,880</b>	<b>909,877</b>
<b>Current Liabilities</b>		
Trade and other payables	180,290	149,600
Other financial liabilities	0	0
Provisions	120,512	137,531
<b>Current Liabilities sub total</b>	<b>300,802</b>	<b>287,131</b>
<b>NET ASSETS LESS CURRENT LIABILITIES</b>	<b>600,078</b>	<b>622,746</b>
<b>Non-Current Liabilities</b>		
Trade and other payables	9,635	9,350
Other financial liabilities	0	0
Provisions	60,471	35,507
<b>Non-Current Liabilities sub total</b>	<b>70,106</b>	<b>44,857</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>529,972</b>	<b>577,889</b>
<b>FINANCED BY:</b>		
<b>Taxpayers' Equity</b>		
General Fund	417,207	463,214
Revaluation Reserve	112,765	114,675
<b>Total Taxpayers' Equity</b>	<b>529,972</b>	<b>577,889</b>



## Appendix 3

CASH FLOW FORECAST AS AT 30<sup>th</sup> SEPTEMBER 2018

	April £'000	May £'000	June £'000	July £'000	Aug £'000	Sept £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £,000	Total £,000
<b>RECEIPTS</b>													
WG Revenue Funding - Cash Limit (excluding NCL)	86,045	81,620	90,750	61,720	82,480	62,180	70,755	87,307	79,653	64,768	74,753	42,511	884,542
WG Revenue Funding - Non Cash Limited (NCL)	1,600	1,590	1,380	1,540	1,650	1,450	1,760	1,570	1,570	1,570	1,570	2,128	19,378
WG Revenue Funding - Other (e.g. invoices)	3,850	3,165	2,366	2,378	2,618	2,391	2,377	2,391	2,391	4,562	2,391	4,562	35,442
WG Capital Funding - Cash Limit	8,000	6,000	1,500	1,600	7,200	4,300	1,930	2,378	447	0	0	0	33,355
Sale of Assets	0	0	0	170	0	0	0	0	270	0	1,300	120	1,860
Income from other Welsh NHS Organisations	32,230	31,149	46,893	34,472	39,938	29,879	36,103	38,905	34,389	28,180	31,928	36,383	420,449
Other - (Specify in narrative)	8,139	5,359	5,198	14,605	8,136	6,049	13,792	6,295	5,541	13,137	6,492	7,841	100,584
<b>TOTAL RECEIPTS</b>	<b>139,864</b>	<b>128,883</b>	<b>148,087</b>	<b>116,485</b>	<b>142,022</b>	<b>106,249</b>	<b>126,717</b>	<b>138,846</b>	<b>124,261</b>	<b>112,217</b>	<b>118,434</b>	<b>93,545</b>	<b>1,495,610</b>
<b>PAYMENTS</b>													
Primary Care Services : General Medical Services	5,267	4,164	8,167	4,908	4,063	6,324	4,118	4,117	6,467	4,117	4,117	6,467	62,296
Primary Care Services : Pharmacy Services	134	135	123	106	128	131	134	125	250	500	250	250	2,266
Primary Care Services : Prescribed Drugs & Appliances	7,008	7,632	15,311	3	15,555	3	7,336	15,170	7,585	0	7,585	7,585	90,773
Primary Care Services : General Dental Services	1,755	1,800	1,766	1,974	1,684	1,828	1,894	1,815	1,815	1,815	1,815	1,815	21,776
Non Cash Limited Payments	1,958	2,086	2,111	2,093	2,040	2,215	2,043	2,080	2,080	2,080	2,080	2,080	24,946
Salaries and Wages	47,471	47,804	47,732	47,215	47,922	47,429	48,074	53,369	51,661	49,483	49,618	49,771	587,549
Non Pay Expenditure	54,604	51,324	57,727	54,191	44,288	43,936	52,759	43,251	40,725	48,586	41,921	38,106	571,418
Capital Payment	12,496	1,679	1,935	2,308	6,758	2,324	1,667	3,915	3,634	2,717	2,122	6,252	47,807
Other items (Specify in narrative)	8,721	8,960	17,124	3,343	15,476	3,933	8,892	14,980	10,072	2,910	8,945	10,072	113,428
<b>TOTAL PAYMENTS</b>	<b>139,414</b>	<b>125,584</b>	<b>151,996</b>	<b>116,141</b>	<b>137,914</b>	<b>108,123</b>	<b>126,917</b>	<b>138,822</b>	<b>124,289</b>	<b>112,208</b>	<b>118,453</b>	<b>122,398</b>	<b>1,522,259</b>
<b>Net cash inflow/outflow</b>	450	3,299	(3,909)	344	4,108	(1,874)	(200)	24	(28)	9	(19)	(28,853)	
<b>Balance b/f</b>	1,856	2,306	5,605	1,696	2,040	6,148	4,274	4,074	4,098	4,070	4,079	4,060	
<b>Balance c/f</b>	2,306	5,605	1,696	2,040	6,148	4,274	4,074	4,098	4,070	4,079	4,060	(24,793)	

PROGRESS AGAINST CRL AS AT 30<sup>th</sup> SEPTEMBER 2018Approved CRL issued September 11<sup>th</sup> 2018 £'000s

33,355

Performance against CRL	Year To Date			Forecast		
	Plan £'000	Actual £'000	Var. £'000	Plan £'000	F'cast £'000	Var. £'000
<b>All Wales Capital Programme:</b>						
Relocation of the Central Processing Unit	0	0	0	0	0	0
Neonatal BJC 2	5,408	3,958	(1,450)	13,990	13,990	0
CRI Safeguarding	548	625	77	548	519	(29)
Rookwood Emergency Works	0	90	90	499	499	0
Anti Ligature Works	100	148	48	100	148	48
UHW Interventional Radiology Suite	500	664	164	500	1,069	569
Acceleration and implementation of National Clinical Systems	28	27	(1)	597	597	0
Reurbishment of the Renal Facilities at UHW	110	6	(104)	1,197	1,149	(48)
Purchase of Woodland House	2,950	3,996	1,046	2,950	3,996	1,046
<b>Sub Total</b>	<b>9,644</b>	<b>9,514</b>	<b>(130)</b>	<b>20,381</b>	<b>21,967</b>	<b>1,586</b>
<b>Discretionary:</b>						
I.T.	319	268	(51)	916	916	0
Equipment	314	195	(119)	2,256	2,256	0
Statutory Compliance	1,011	1,029	18	2,452	2,452	0
Estates	4,525	3,388	(1,137)	10,447	8,861	(1,586)
<b>Sub Total</b>	<b>6,169</b>	<b>4,880</b>	<b>(1,289)</b>	<b>16,071</b>	<b>14,485</b>	<b>(1,586)</b>
<b>Donations:</b>						
Charitable Funds Equipment	318	318	0	1,694	1,694	0
<b>Sub Total</b>	<b>318</b>	<b>318</b>	<b>0</b>	<b>1,694</b>	<b>1,694</b>	<b>0</b>
<b>Asset Disposals:</b>						
Carbon Reduction Emissions Surrendered	170	170	0	170	170	0
Amy Evans	0	0	0	206	206	0
Colcott Clinic	0	0	0	116	116	0
Iorweth Jones	0	0	0	911	911	0
<b>Sub Total</b>	<b>170</b>	<b>170</b>	<b>0</b>	<b>1,403</b>	<b>1,403</b>	<b>0</b>
<b>CHARGE AGAINST CRL</b>	<b>15,325</b>	<b>13,906</b>	<b>(1,419)</b>	<b>33,355</b>	<b>33,355</b>	<b>0</b>
<b>PERFORMANCE AGAINST CRL (Under)/Over £'000s</b>		<b>(19,449)</b>			<b>0</b>	

<b>2018-19 Cost Reduction Programme</b>	
<b>Name of Meeting :</b> Finance Committee	31 <sup>st</sup> October 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 details performance against the UHB's savings target in its operational plan that helps to deliver service priorities, maximise patient outcomes whilst maintaining the sustainability of services.	
<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 £9.9m 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</b> 1	
<b>CRAF Reference Number</b> 6.7	
<b>Equality Impact Assessment Completed:</b> Not Applicable	

<p><b>ASSURANCE AND RECOMMENDATION</b></p> <p>The Finance Committee is asked to:-</p> <ul style="list-style-type: none"> <li>• <b>NOTE</b> the progress against the £33.780m devolved 2018/19 CRP target and the Cross Cutting contribution.</li> <li>• <b>NOTE</b> the £9.266m financial improvement target has been achieved without any adverse impact on service delivery.</li> </ul>
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## 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 £9.9m forecast deficit position.

## PROGRESS AGAINST DEVOLVED CRP REQUIREMENT 2018-19

As at month 6 £31.755m of schemes had been identified as Green or Amber against the devolved 4% savings target of £33.780m. There is a therefore a shortfall of £2.025m to be identified by delegated budget holders. Whilst sufficient non recurrent corporate

opportunities have been identified to bridge this gap, budget holders are still expected to deliver their target.

Of the £31.755m identified schemes:

- £21.097m has been identified against the £25.335m recurrent in year 3% element of the devolved target;
- £10.658m 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 month 6 £12.280m 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 £9.9m deficit position

The UHB now has a full financial improvement plan in place following the identification of non recurrent reserve slippage and the identification of other non recurrent financial opportunities. Details of this are shown below.

	<b>Financial Improvement Plan £'000</b>
<b>Target</b>	9,266
Investment slippage - population growth	(2,200)
Investment slippage - district nurses and cyber security	(500)
Release of Welsh Risk Pool budget	(550)
GRNI - change in practice	(2,000)
Reduce c/f annual leave	(130)
Cost avoidance in planned care	(1,500)
Forecast budget underspends (weqas)	(1,000)
Cost pressure reserve	(295)
Potential balance sheet opportunities	(1,091)
<b>Total Month 5</b>	0

The Finance Committee is asked to note that none of these measures has a detrimental impact upon service delivery.

## **SUMMARY**

To date the value of Green and Amber schemes identified totals £31.755m against the 2018/19 devolved CRP £33.780m target.

Schemes have now been fully identified against the additional £9.266m improvement target.

There remains a gap in the devolved CIP programme of £2.025m. Completion of the CIP programme will need to be prioritised as a matter of urgency.



## Savings Tracker Summary

### Month 6 In-Year Effect

Clinical Board	18-19 Target	Green	Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall at Performance Review Month 6
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	6,600	6,804	122	6,926	4.20	150	-326
Specialist Services	4,038	3,712	396	4,108	4.07	643	-70
Capital Estates and Facilities	2,580	1,822	758	2,580	4.00	133	0
Surgery	4,714	4,100	439	4,538	3.85	1,398	176
Medicine	3,754	2,144	1,366	3,509	3.74	531	245
CD&T	3,442	2,133	1,016	3,149	3.66	1,091	293
Mental Health	2,940	2,258	307	2,565	3.49	72	375
Children & Women	3,550	1,901	1,099	3,001	3.38	569	549
Corporate Execs	1,362	1,123	23	1,146	3.37	457	216
Dental	800	211	22	233	1.17	84	567
<b>Total</b>	<b>33,780</b>	<b>26,207</b>	<b>5,547</b>	<b>31,755</b>	<b>3.76</b>	<b>5,128</b>	<b>2,025</b>

### 2018-19 Full Year Effect

Clinical Board	3% Recurrent	Green	Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall at Performance Review Month 6
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	4,950	5,764	122	5,886	3.57	424	-936
Specialist Services	3,029	2,383	487	2,870	2.84	853	159
Capital Estates and Facilities	1,935	864	1,145	2,009	3.11	380	-74
Surgery	3,536	3,054	492	3,545	3.01	2,674	-10
Medicine	2,816	1,601	2,261	3,862	4.12	724	-1,047
CD&T	2,582	1,039	1,655	2,694	3.13	1,036	-112
Mental Health	2,205	1,535	307	1,842	2.51	20	363
Children & Women	2,663	1,152	1,394	2,546	2.87	774	116
Corporate Execs	1,022	532	13	545	1.60	491	477
Dental	600	94	0	94	0.47	110	506
<b>Total</b>	<b>25,335</b>	<b>18,018</b>	<b>7,875</b>	<b>25,893</b>	<b>3.07</b>	<b>7,486</b>	<b>-558</b>



## WTE Tracker Summary

### Month 6 In-Year Effect

Clinical Board	Green	Amber	Total Green & Amber	Pipeline Red
	WTE	WTE	WTE	WTE
PCIC	2.11	0.00	2.11	2.00
Capital Estates and Facilities	4.50	1.00	5.50	2.00
Specialist Services	2.90	0.00	2.90	0.00
Medicine	11.13	3.37	14.50	10.23
Surgery	46.97	3.20	50.17	0.00
Children & Women	4.80	4.00	8.80	4.00
CD&T	13.94	2.17	16.11	0.00
Mental Health	3.22	0.00	3.22	0.00
Corporate Execs	0.00	0.00	0.00	0.00
Dental	2.11	0.00	2.11	0.00
<b>Total</b>	<b>91.68</b>	<b>13.74</b>	<b>105.42</b>	<b>18.23</b>

### 2018-19 Full Year Effect

Clinical Board	Green	Amber	Total Green & Amber	Pipeline Red
	WTE	WTE	WTE	WTE
PCIC	2.11	0.00	2.11	2.50
Capital Estates and Facilities	4.50	1.00	5.50	2.00
Specialist Services	0.40	0.00	0.40	0.00
Medicine	11.13	3.37	14.50	10.23
Surgery	45.17	5.00	50.17	0.00
Children & Women	4.80	4.00	8.80	4.00
CD&T	7.34	2.17	9.51	0.00
Mental Health	3.22	0.00	3.22	0.00
Corporate Execs	0.00	0.00	0.00	0.00
Dental	2.11	0.00	2.11	0.00
<b>Total</b>	<b>80.78</b>	<b>15.54</b>	<b>96.32</b>	<b>18.73</b>



## Progress against 2018-19 Devolved Recurrent and Non Recurrent Targets Month 6

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	%
PCIC	4,950	5,248	106%	1,650	1,678	102%
Specialist Services	3,029	2,575	85%	1,010	1,533	152%
Capital Estates and Facilities	1,935	1,194	62%	645	1,386	215%
Surgery	3,536	3,011	85%	1,179	1,527	130%
Medicine	2,816	2,403	85%	939	1,107	118%
CD&T	2,582	1,878	73%	861	1,270	148%
Mental Health	2,205	1,822	83%	735	743	101%
Children & Women	2,663	2,333	88%	888	668	75%
Corporate Execs	1,022	539	53%	341	607	178%
Dental	600	94	16%	200	139	70%
<b>Total</b>	<b>25,335</b>	<b>21,097</b>	<b>83%</b>	<b>8,445</b>	<b>10,658</b>	<b>126%</b>





## Cross Cutting Tracker Weekly Summary 2018-19

Identified Savings	17-18 CRP Target	Granular Identified Green	Amber	Red Pipeline	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	£'000	£'000
Devolved CRP	17,333	15,234	3,207	3,234	18,441	-1,108
Transformation and Stretch Target	17,668	400	5,850	2,425	6,250	11,418
<b>Total Savings</b>	<b>35,001</b>	<b>15,634</b>	<b>9,057</b>	<b>5,659</b>	<b>24,691</b>	<b>10,310</b>

Monthly Progress						
M/E 31st May	17,668	400	0	0	400	17,268
M/E 30th June	17,668	400	5,258	2,425	5,658	12,010
M/E 31st July	17,668	400	6,958	2,425	7,358	10,310

## Month 6 In-Year Effect

Clinical Group	2018-19	Identified Green	Cross Cutting Amber	Cross Cutting Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	(£'000)	(£)	(£)	(£)	(£)	£
Medical Productivity	2,000	979	308	202	1,287	713
Medicines Management	5,000	5,501	1,464	1,621	6,966	-1,966
Nursing Productivity	1,000	985	529	242	1,513	-513
Procurement	2,000	1,744	237	218	1,980	20
Workforce Productivity	2,000	534	0	0	534	1,466
<b>Total</b>	<b>12,000</b>	<b>9,742</b>	<b>2,537</b>	<b>2,283</b>	<b>12,280</b>	<b>-280</b>

## 2018-19 Full Year Effect

Clinical Group	2019-20	Identified Green	Cross Cutting Amber	Cross Cutting Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber
	(£)	(£)	(£)	(£)	(£)	£
Medical Productivity	2,000	853	373	226	1,225	775
Medicines Management	5,000	6,040	2,421	3,150	8,461	-3,461
Nursing Productivity	1,000	815	1,192	372	2,007	-1,007
Procurement	2,000	1,629	349	292	1,978	22
Workforce Productivity	2,000	442	0	0	442	1,558
<b>Total</b>	<b>12,000</b>	<b>9,778</b>	<b>4,334</b>	<b>4,040</b>	<b>14,113</b>	<b>-2,113</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>



**Financial & activity calculation**

- ▶ Calculation of savings ongoing
- ▶ Significant factors to be worked through
- ▶ Savings to be fully quantified

- ▶ Evidence that the majority of the key financial implications have been factored into calculations, some specific factors have been omitted / are yet to be clarified
- ▶ Number represents actual savings identified, not a target

- ▶ Simple project, limited financial planning deemed sufficient
- ▶ All elements of the saving adequately identified and incorporated into the calculation
- ▶ Number represents actual savings identified, not a target

**Financial phasing**

- ▶ Rationale for financial phasing outstanding

- ▶ Rationale deemed appropriate
- ▶ Financial savings phased according to timing of plans and milestones

- ▶ Financial savings phased according to timing of plans and milestones

<b>Finance Risk Register</b>	
<b>Name of Meeting :</b> Finance Committee	31 <sup>st</sup> October 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 £9.9m.	
<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

### **INTRODUCTION**

This report highlights the Finance Risk Register risk categorisation by severity of risk as at 31<sup>st</sup> October 2018. The detailed risk register is shown in Appendix 1.

### **ASSESSMENT**

Following the most recent review the number of risks identified in each category is shown below:

## UHB Financial Risks at 31<sup>st</sup> October 2018

Risk Category	Risk Score	Number of Risks as at 31 October 2018
Extreme Risk	20 - 25	1
High Risk	12 - 16	2
Moderate Risk	4 - 10	16
Low Risk	1 - 3	2

## RECOMMENDATION

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

Reference No.	Risk	Risk Score
FIN04/18	Deliver 1% non recurrent CIP	3
FIN05/18	Develop and deliver financial opportunities of £9.3m to achieve £9.9m year end deficit	3

## SUMMARY

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

Categories	CB/Dir Ref No	Date Entered onto new CB/Dir/UHB Risk Register	Risk/Issue (Including Impact)	Existing Controls	Current Risk Rating			Adequacy Existing Controls	Summary of Additional Controls Required	Target Risk Rating if Controls in Place			Date of Last Review	Review Completed By	Date of Next Review	Risk Owner	Exec Lead	Assuring committee
					Impact / Consequence	Likelihood	Score			Impact / Consequence	Likelihood	Score						
Finance	Fin01/18	Mar-18	Underlying deficit c/f 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. At month 6 ULD is £39.1m if the plan is fully delivered. This needs further identification of recurrent CIPs.	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.	5	3	15	Oct-18	Assistant Director of Finance	Nov-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. At month 6 budgets have an operational overspend of £0.755m.	4	2	8	Adequate but more Action Required		4	1	4	Oct-18	Assistant Director of Finance	Nov-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. At month 6 the UHB is £2m short of delivering the in year devolved target.	5	2	10	Adequate but more Action Required	Escalation process under review by the Executive team. Budget manager training programme to be rolled out across the organisation.	5	1	5	Oct-18	Assistant Director of Finance	Nov-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. At month 6 the UHB has exceeded the delegated non recurrent target by £2.2m.	3	1	3	Adequate but more Action Required		3	1	3	Oct-18	Assistant Director of Finance	Nov-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	At month 6 opportunities have been identified to fully deliver the financial improvement target.	3	1	3	Adequate but more Action Required	None	3	1	3	Oct-18	Assistant Director of Finance	Nov-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	2	6	Adequate but more Action Required	None	3	2	6	Oct-18	Assistant Director of Finance	Nov-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	Adequate but more Action Required	None	2	2	4	Oct-18	Assistant Director of Finance	Nov-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 against the RTT plan with an additional £6.1m being made available on a non recurrent basis from WG.	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	Oct-18	Assistant Director of Finance	Nov-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin09/18	Mar-18	Winter pressures managed within resources available (£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	Oct-18	Assistant Director of Finance	Nov-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	Adequate but more Action Required	None	2	2	4	Oct-18	Assistant Director of Finance	Nov-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. At month 6 the nursing overspend was £1.286m.	4	3	12	Adequate but more Action Required	None	2	3	6	Oct-18	Assistant Director of Finance	Nov-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.	3	3	9	Adequate but more Action Required	None	2	2	4	Oct-18	Assistant Director of Finance	Nov-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	2	4	Oct-18	Assistant Director of Finance	Nov-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	Adequate but more Action Required	None	2	2	4	Oct-18	Assistant Director of Finance	Nov-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	3	3	9	Adequate but more Action Required	None	2	2	4	Oct-18	Assistant Director of Finance	Nov-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	3	3	9	Adequate but more Action Required	None	2	2	4	Oct-18	Assistant Director of Finance	Nov-18	The Board	Director of Finance	Finance Committee
Finance	Fin17/18	Jul-18	Deliver RTT within resources available (non recurrent £6.1m 18/19)	The RTT spend profile is being closely monitored against the activity plan.	3	3	9	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	Oct-18	Assistant Director of Finance	Nov-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin18/18	Jul-18	AB LTA forecast underperformance £1.9m in 2018/19. Underperformance in 2017/18 was £1.4m	Ongoing communication with AB regarding contract rebasing in 2019/20.	3	3	9	Adequate but more Action Required	None	3	2	6	Oct-18	Assistant Director of Finance	Nov-18	The Board	Director of Finance	Finance Committee
Finance	Fin19/18	Aug-18	Critical Care investment in advance of Critical Care Network decision to provide added resilience for winter (£1.5m)	Critical Care Network bid being progressed and discussed with WG.	3	3	9	Adequate but more Action Required	None	3	2	6	Oct-18	Assistant Director of Finance	Nov-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin20/18	Aug-18	Additional winter plan investment in advance WG funding (£1.8m)	Risk mitigated on staff recruitment due to current level of vacancies.	3	3	9	Adequate but more Action Required	None	3	2	6	Oct-18	Assistant Director of Finance	Nov-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin21/18	Sep-18	Payment of working time directive holiday pay for staff working overtime	Risk mitigated on staff recruitment due to current level of vacancies.	3	3	9	Adequate but more Action Required	None	3	2	6	Oct-18	Assistant Director of Finance	Nov-18	The Board	Director of Finance	Finance Committee

## Guidance Notes to assist completing the risk register

**Remember all risks must have undergone a risk assessment, prior to them being added to the Risk Register**

**UHB Reference No:-** This number will be allocated by the Risk Management Department. Once added this will be communicated back to the Divisions.

**Divisional / Directorate Reference No:-** Each Division / Directorate should have a unique numbering system for the risks that they enter onto the register. It should contain the initials of the Division, a consecutive number and the year e.g. Mental Health = MH, Children's and Women's = CW, Primary, Community & Intermediate & Older Persons = PCIO, Dental = Den, Diagnostics & Therapeutics = DT, Medicine = M, Surgical Services = SS, Specialist Services = SpS. MH 01/10, SPS 01/10 etc. (Note - as this register is in the developmental stage please advise Melanie Westlake if there are alternative initials to be used).

**Previous Reference No:-** Whilst the UHB is in the process of consolidating and updating registers it will be necessary to include the previous reference number for audit purposes. This will be populated by the Risk Management Department.

**Date entered onto original Register:-** as above

**Risk / Issue (Including Impact):-** The Risk or Issue is the event that could cause an incident or hinder the achievement of objectives. A risk is something that may happen. An issue is already occurring. The impact is the effect that the Risk or Issue will have on the UHB.

**Link to UHB Core Objectives:-** List here, the main Strategic Goal that links to the risk being assessed.

**Existing Controls:-** Summarise in bullet form the existing controls to prevent the risk / issue occurring or reduce the impact.

**Current Risk Rating:-** Assess the current impact on the UHB using Tables 1,2 & 3.

**Ranking:-** This is the ranking of the risk e.g. The highest risk will score 25 and be ranked at 1, those that score 20 will be ranked at 2 etc.

**Adequacy of existing controls:-** Indicate how well controlled you feel the risk / issue is i.e. No control, Inadequate controls, Adequate but more action required and Optimum / NFA required.

**Summary of Additional Controls Required:-** Summarise in bullet form the controls that you know should be introduced to reduce the risk together with resources required.

**Target Risk Rating if Controls in Place:-** What will be the risk be if the actions proposed to further reduce / eliminate the risk are taken.

**Date of Last Review:-** When was the Risk Assessment / Control measures last reviewed.

**Review completed by:-** This should be a senior member of staff for high / medium risk on the register e.g. Divisional Manager / Nurse.

**Date of Next Review:-** This should be determined by the adequacy of controls and risk score e.g. risks scoring 25 with Inadequate control = monthly, risk scoring 12 with adequate controls but more action required = 6 monthly.

**Risk Owner:-** Who is the lead for taking the actions proposed relating to this risk . This should be Divisional Director, Board Secretary, Assistant Director etc.

**Director Lead:-** Who is the lead Director for this risk.

**Assuring Committee:-** This is the Committee that will monitor / manage the risk on behalf of the UHB Board or the UHB itself e.g. Quality & Safety Committee, Performance Committee.

	Consequence score (severity levels) and examples of descriptors				
	1	2	3	4	5
Domains	Negligible	Minor	Moderate	Major	Catastrophic
<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 <u>not</u> meeting objective	<0.1 per cent	0.1-1 per cent	1 -10 per cent	10-50 per cent	>50 per cent

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

## No Purchase Order No Payment Policy – Update Report

**Name of Meeting :** Finance Committee

**Date of Meeting:** 31<sup>st</sup> October 2018

**Executive Lead:** Executive Director of Finance

**Author :** Deputy Director of Finance

**Caring for People, Keeping People Well:** This report strengthens financial governance which supports the values of the UHB.

**Financial impact :** Cost Control is re-enforced though the authorisation hierarchy within the UHB's Oracle Purchase Order (PO) system.

**Quality, Safety, Patient Experience impact :** N/A

**Health and Care Standard Number:** Governance, leadership and accountability Standard 7.1 Workforce

**CRAF Reference Number:** 8 and 9

**Equality and Health Impact Assessment Completed:** No anticipated impact assessment to be completed at a national level.

### ASSURANCE AND RECOMMENDATION

**ASSURANCE** is provided by:

- The development of a standard policy for NHS Wales for which the UHB had an input;
- Monthly reporting of the UHBs public sector payment compliance to the Finance Committee;
- Current No PO No Pay compliance rates and compliance with the Public Sector Payment Performance target.

### RECOMMENDATIONS

The Finance Committee is asked to:

- **NOTE** the updated position.

### SITUATION

The NHS Wales Shared Services Partnership have been working with Health Boards and Trusts to implement an all Wales no purchase order no pay policy. This was initially implemented from 1<sup>st</sup> June 2018, however from 1<sup>st</sup> September 2018 this was fully adopted with changes made to the process monitoring and reporting of invoices received without a valid purchase order.

## BACKGROUND

The UHB has a responsibility to control the ordering of goods and services and an associated financial target (not statutory) to pay 95% of non NHS bodies within 30 days of receipt of a valid invoice.

A No PO/No Pay policy is where invoices arriving in the system without an order number are to be returned to the supplier unpaid until an official purchase order is given.

## ASSESSMENT AND ASSURANCE

All invoices received without a valid purchase order are now placed on a “No PO No Pay” hold. NWSSP Accounts Payable Department produces an all Wales invoice on hold report which they share with the relevant suppliers on a weekly basis. The supplier’s role is then to communicate with the relevant UHB service contact in order to obtain a valid purchase order.

The table below shows the number of Invoices on hold without a valid purchase order as at October 2018. 50% of the current Cardiff & Vale holds are with 2 suppliers relating to the supply of staff and a solution is being worked through.

**Table 1: Number of invoices on hold without a valid PO number at October 2018**

<b>NHS Wales</b>	<b>No</b>
Abertawe Bro- Morgannwg Health Board	144
Aneurin Bevan Health Board	940
Betsi Cadwaladar Health Board	764
Cwm Taf Health Board	354
<b>Cardiff and Vale Health Board</b>	<b>1,325</b>
Hywel Dda Health Board	116
Powys Health Board	15
Public Health Wales Health Board	22
Velindre Health Board	215
Welsh Ambulance NHS Trust	10
<b>Total</b>	<b>3,905</b>

Table 2 shows the No Po No Pay performance statistics average to date and current for October 2018. The figures exclude All Wales No Po No Pay exemptions, which are currently being reviewed across Wales.

**Table 2: No PO No Pay Compliance Rates October 2018**

Description	%
All Wales Average to date	90.6%
C&V Average to date	95.5%
All Wales October 2018	92.2%
C&V October 2018	96.8%

The table below highlights the Public Sector Payment Performance across Wales as at September 2018. The UHB's cumulative (Non-NHS) performance to the end of September is 95.6% which is a significant improvement on the cumulative rate achieved for the same period in 2017/18 (90.5%). This also represents an improved performance from the year-end position of 92.3%.

**Table 3: PSPP Compliance Rates in NHS Wales**

Organisation	PSPP - 30 Day Non-NHS			
	2015/16 EOY	2016/17 EOY	2017/18 EOY	2018/19 YTD
ABM	95.3%	96.1%	94.0%	92.6%
Aneurin Bevan	95.6%	96.4%	96.8%	95.3%
Betsi Cadwaladr	93.4%	96.5%	94.0%	95.3%
<b>Cardiff &amp; Vale</b>	<b>93.0%</b>	<b>94.0%</b>	<b>92.3%</b>	<b>95.6%</b>
Cwm Taf	91.9%	89.6%	95.3%	95.9%
Hywel Dda	86.0%	89.1%	96.0%	96.9%
Powys	90.5%	93.6%	94.5%	95.0%
Public Health Wales	95.4%	96.0%	95.6%	95.6%
Velindre	91.7%	94.4%	96.0%	97.4%
WAST	99.1%	99.0%	98.1%	96.3%
Target	95.0%	95.0%	95.0%	95.0%

As a result of the implementation of the No PO No Pay policy the UHB has set up a Local Purchase to Pay (P2P) group. The objective of the group is to discuss and resolve any issues that occur within the whole P2P process. In addition to this meeting representatives from the UHB's finance department meet with NWSSP Accounts Payable on a monthly basis to discuss payment related issues.