

## Bundle Finance Committee 30 January 2019

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- 3 Items to bring to the attention of the Board/ other Committees
- 4 Date, time and venue of the next meeting of the Finance Committee: 2pm on Wednesday 27th February 2019, Large Meeting Rm, HQ, UHW

**AGENDA**  
**FINANCE COMMITTEE**  
**31<sup>st</sup> JANUARY 2019**  
**Corporate Meeting Room, HQ, University Hospital of Wales**

<b>1.</b>	<b>Preliminaries</b>	
<b>1.1</b>	Welcome & Introductions	John Antoniazzi
<b>1.2</b>	Apologies for Absence	John Antoniazzi
<b>1.3</b>	Declarations of Interest	John Antoniazzi
<b>1.4</b>	Minutes of the Committee Meeting held on 3 <sup>rd</sup> January	John Antoniazzi
<b>1.5</b>	Action Log	
<b>1.6</b>	Chairs Action taken since last meeting	John Antoniazzi
<b>2.</b>	<b>Items for Review and Assurance</b>	
<b>2.1</b>	Final Draft Financial Plan 2019/20	Chris Lewis
<b>2.2</b>	Finance Report for Month 9	Chris Lewis
<b>2.3</b>	No Purchase Order No Payment Update	Chris Lewis
<b>2.4</b>	Clinical Boards in Escalation	
<b>2.5</b>	Cost Reduction Programme and Cross Cutting Theme	Andrew Gough
<b>2.6</b>	Finance Risk register	Andrew Gough
<b>3.</b>	<b>Items to bring to the attention of the Board/Committee</b> None to report	
<b>4.</b>	<b>Date and time of next Meeting</b>	
	Wednesday 27 <sup>th</sup> February 2019 at 2pm, Corporate Meeting Room, HQ, UHW	

## **CONFIRMED MINUTES OF THE FINANCE COMMITTEE**

**HELD ON 3<sup>rd</sup> JANUARY 2019**

**LARGE MEETING ROOM, HQ, UHW**

### **Present:**

John Antoniazzi	Chair (Finance Committee)
John Union	Independent Board Member
Charles Janczewski	Vice Chair (Board)
Abigail Harris	Executive Director of Planning
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
Ruth Walker	Executive Nurse Director
Steve Curry	Chief Operating Officer

### **Secretariat:**

Paul Emmerson	Finance Manager
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### **In attendance:**

Sartha Rajoo	National Graduate Finance Trainee
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### **FC – 18/280 WELCOME AND PURPOSE OF THE COMMITTEE**

The Chair welcomed everyone to the meeting and thanked the previous Chair John Union for his work in chairing the Finance Committee.

### **FC – 18/281 APOLOGIES FOR ABSENCE**

Apologies were received from Maria Battle, Nicola Foreman, Robert Chadwick and Sharon Hopkins.

### **FC – 18/282 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 – 18/283 MINUTES OF THE FINANCE COMMITTEE HELD ON 28<sup>th</sup> NOVEMBER 2018**

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

### **FC - 18/284 ACTION LOG FOLLOWING THE LAST MEETING**

The Committee **RECEIVED** the Action Log from the meeting of 31<sup>st</sup> October 2018 and **NOTED** the following:

**FC - 18/225 & FC18/259 THE NURSING PRODUCTIVITY GROUP TO BE ASKED TO EXPLORE THE LIKELY IMPACT OF INTRODUCING A WEEKLY PAYROLL FOR PAYMENT OF BANK STAFF. Partially complete** – The Executive Nurse Director informed the Committee that a weekly payroll for the payment of bank staff had now been introduced. The availability of a weekly payment had been publicised through social media and over 160 staff had indicated an interest in joining the weekly bank and 22 staff had completed the required documentation to join the bank by Christmas Eve.

The UHB Vice Chair (CJ) indicated that he had heard anecdotally that potential staff had difficulty in enrolling on the bank and asked if there was any substance to the suggestion. The Executive Nurse Director confirmed that the UHB's recruitment to the bank was limited each month due to the governance requirement to ensure that staff had received all necessary mandatory training. The level of training required was dependent upon whether potential staff were external to the organization or changing roles and the number of training places available on a monthly basis was sometimes insufficient to meet the demand for training. The UHB Vice Chair (CJ) asked if the UHB had plans to increase the capacity of mandatory training available and the Executive Nurse Director agreed that the Nursing Productivity Group would need to make a case to increase capacity if the current capacity had a significant adverse impact on recruitment to the bank.

It was agreed that following implementation of the weekly payroll the initiative would be reviewed after 6 months by the Nurse Productivity Group and the results reported back to the Finance Committee.

### **ACTION**

**Executive Nurse Director**

**FC - 18/236 REPORT ON THE WIDER ISSUES AND ACTIONS AROUND THE NURSING POSITION TO BE PROVIDED TO THE FINANCE COMMITTEE. Complete** -The Executive Nurse Director confirmed that action to reduce the

financial pressures on nursing was a considerable concern for the Nursing Productivity Group. The Committee was informed that nursing rosters had been established to cover expected patterns of absence. However where there are relatively high levels of absence or vacancies this can lead to financial pressures when shifts are covered through the use of agency staff. Absence management is subject to ongoing management focus and the wider issue of recruitment to vacant posts was being addressed alongside the IMTP process.

The UHB Independent Member (JU) asked whether the level of vacant nursing posts was increasing or decreasing and the Executive Nurse Director stated that the level of vacancies varied with the output of graduates in nursing from Universities in September and March. Cardiff and Vale UHB's recruitment level was relatively high, however the level of vacancies also depended on the level of nurses leaving the service and the overall level of nursing vacancies in the UHB was currently relatively stable. There were differences in vacancy levels across the UHB and this was highlighted by the Women and Children's Clinical Board where the number of vacancies was in single figures compared to the Medicine Clinical Board where there were over 100 vacancies. The Executive Director of Nursing confirmed that the UHB was looking at taking advantage of both local and national initiatives to increase the recruitment of nurses of UK based and overseas nurses and the Executive Director of Workforce and Organisational Development added that the UHB was also seeking to identify, understand and address why nurses were leaving or potentially leaving the UHB.

The Deputy Director of Finance indicated that Welsh Government initiatives to increase the number of student nurses going through the system should have a positive impact on recruitment in future years and the Chief Executive added that UHB plans to improve the efficiency of bed usage provided the UHB with an opportunity to manage down the level of vacant nursing posts.

**FC - 18/265 NO PURCHASE ORDER NO PAYMENT POLICY-NUMBER OF INVOICES WITH NO PO NUMBER ON HOLD TO BE REPORTED BACK TO THE COMMITTEE IN 3 MONTHS TIME SO THAT THE POSITION COULD BE RE-ASSESSED. Incomplete** – Update scheduled for the January 2019 Finance Committee meeting.

**FC - 18/272 UPDATE ON THE 2019/20 FINANCIAL PLAN TO BE PROVIDED TO THE NOVEMBER 2018 FINANCE COMMITTEE MEETING. Complete** – Update on the agenda of the Finance Committee meeting held on January 3<sup>rd</sup> 2019.

**FC - 18/273 REQUEST FOR REVENUE CASH SUPPORT TO WELSH GOVERNMENT. Complete** – Letter outlining the reasons underpinning the UHB requests for cash assistance approved by Board members via e-mail and ratified at the December 2018 Board Development session.

**FC - 18/273 A BRIEFING TO FINANCE COMMITTEE MEMBERS OUTLINING UHB ACCOUNTING POLICY AND SYSTEMS IN PLACE TO MONITOR AGED DEBTORS. Complete** — Update on the agenda of the Finance Committee meeting held on January 3rd 2019.

#### **FC - 18/285 2019/20 FINANCIAL PLAN**

The Deputy Director of Finance informed the committee that the UHB had been asked by Welsh Government to submit a draft of its financial plan on January 4<sup>th</sup>. The UHB then expected to meet with and receive feedback from Welsh Government the following week to allow the final UHB IMTP submission to be informed by Welsh Government representations. In reply to a query from the Finance Committee Chair (JA) the UHBs Executive Director of Planning indicated that if the IMTP submission was not approved that this would push the UHB towards a 1 year operational plan.

It was confirmed by the Deputy Director of Finance that the financial plan reflected previous discussions at the Finance Committee and had been updated for the confirmed 2019/20 cash allocation which in turn had led to small number of adjustments to the figures in the plan. In reply to a query from the Finance Committee Chair (JA) it was confirmed that 2019/20 was a critical and challenging year in the plan that should put the UHB in a good position to mover forwards in 2020/21.

The confirmed net increase to the UHBs net allocation (including LTAS inflation) was £1m less than originally expected due to an additional top slice of c £0.850m for medical genetics and a further reduction to the general uplift of c £0.150m. In turn the plan had been adjusted for a £0.3m reduction to the underlying deficit in respect of WEQAS and a £0.5m reduction in the funding available for investments which had fallen from £4.5m to £4.0m. The net impact on the 2019/20 plan was a £0.2m reduction in the expected surplus from £0.3m to £0.1m. In response to a query from the Executive Director of Planning it was confirmed that the Annual Operating Framework Funding (AOF) of £10m was assumed to fall into baseline UHB funding on a recurrent basis in Years 2 & 3 of the plan.

The plan assumed that the UHB would maintain its internal investment in RTT and winter to maintain current performance and any further improvement is likely to be dependent upon resource discussions with Welsh Government. The Chief Operating Officer added that the UHB would maintain a dialogue with Welsh Government around the service implications of further performance improvement against National priorities.

In the context of investments the Chief Executive indicated that the majority of UHB investments needed to come from All Wales budgets which had been retained centrally by Welsh Government for transformation, regional partnership boards, digital services and other national priorities. It was noted that the allocation of this

investment funding by Welsh Government would be conditional upon performance criteria.

The Committee was advised that the plan now reflected a reduction to the annual planned surplus which had been set at £0.1m in each of the 3 years. The Deputy Director of Finance then emphasized the following Financial Risks to the plan:

- Achievement of the 2% delegated saving plan & the further £12m high value and corporate opportunities savings target
- Management of budgetary operational pressures and containment of continuing healthcare, medicines and commissioning growth pressures.
- Maintaining current performance on RTT and managing the impact of winter within agreed baseline funding.

The Chief Executive noted that the plan represented a tight budget, however on the basis that the 2% delegated savings target was a reduction on the previous year's savings target, Clinical Boards would be expected to manage pressures that arise in year within their overall budgets. The plan also maintained the direction of travel established by the UHB by moving to a break even position in 2019/20 and reducing the underlying deficit on an annual basis so that it was eliminated moving into 2021/22.

The Finance Committee Chair (JA) asked how the £12m high value and corporate opportunities target had been set and whether a breakdown of schemes was available. The Deputy Director of Finance confirmed that the £12m target was the additional reduction in expenditure required to balance the plan and that further broad detail of opportunities should unfold over the next 2 weeks following a planned in depth examination of the options by the UHB's Executive Team. It was noted that the target was achievable based on known opportunities that had been outlined at the previous meeting of the Committee. The Committee was also informed that to date limited progress had been made by Clinical Boards in identifying the 2% delegated savings target. In this context the Finance Committee Chair (JA) asked for future Finance Committee meetings to be updated on progress against both the 2% delegated saving plan & the high value and corporate opportunities savings target on a monthly basis. The Deputy Director of Finance added that the UHB expected Welsh Government to ask the UHB for further assurance on its plans to deliver its savings plans within the Final draft of the IMTP and that performance against Savings programmes would continue to be a standing item on the Finance Committee agenda.

In respect of the £36.3m underlying deficit carried forward to 2019/20 the Board's Independent Member – Finance (JU) asked whether Welsh Government now acknowledged this figure. The Deputy Director of Finance replied that the UHB's plan clearly set out the non recurrent savings, opportunities and income from 2018/19 that moved the UHB from the £9.9m 2018/19 planned deficit to the

underlying deficit of £36.3m coming onto 2019/20 and it was hoped that Welsh Government would acknowledge the UHB plans to deliver a £0.1m surplus in 2019/20.

The UHB Vice Chair (CJ) thanked the UHB Officers for putting forward a reasonable plan which provided the UHB with an outline for the delivery of a breakeven position and highlighted a smaller number of text amendments within the draft plan that needed to be considered before the final plan was submitted to Welsh Government. The UHB Vice Chair (CJ) also noted that the plan does not reflect any potential changes that may arise from changes in Welsh Government allocation methodology in 2019/20 and future years. It was agreed that the UHB would need to monitor any potential changes to Welsh Government allocation methodology with a view to making an early assessment of the potential financial consequences for the UHB.

In reply to a query from the Board's Independent Member – Finance (JU) the Chief Executive indicated that the UHB would consider the option to convene an emergency Finance Committee meeting if Welsh Government identified any material challenge to the IMTP.

The Finance Committee:

- **NOTED** the draft plan and proposed process to enable submission of the IMTP to Welsh Government

## **FC - 18/286 FINANCE REPORT AS AT MONTH 8**

The Deputy Director of Finance presented the UHB's financial performance to month 8 and highlighted that the UHB remained on track to deliver the £9.9m planned deficit, that a full savings programme was in place and that the overspend against the plan had fallen by £0.143m in month to £0.491m. The overspend was primarily driven by pressures against income, nursing and clinical supplies and services.

Three of the measures Month 8 Finance Dashboard remained 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 £36.3m at month 8 and this is RAG rated red.
- The forecast year end cash deficit was now £11.743m and remained RAG rated red. The UHB's Chief Executive wrote to the NHS Wales Chief Executive in December to formally request the following level of cash support in 2018/19.

The UHB had reported a deficit of £7.092m for the year to date which was made up of a planning deficit of £6.600m (8/12 of the £9.9m planned deficit) and a £0.492m adverse variance against plan.

In response to a query from the UHB Vice Chair (CJ) the Deputy Director of Finance indicated that the UHB remained confident of recovering the £0.492m overspend against plan in the final 4 months on the basis that overall delegated budget performance would be managed within agreed forecasts. Actual year-end performance could still be influenced by unforeseen pressures or allocation adjustments.

The underperformance against income targets was now £1.540m following an in month deterioration of £0.232m in part due to continuing under-recovery against orthopaedics income targets.

Pressures against nursing and medical and dental budget continued in month leading to an in month pay overspend of £0.232m although cumulative performance against pay budgets was broadly balanced at month 8 due to significant underspends against other pay groups.

The reported underspend against non pay budgets increased in month and there was also an in month improvement on the reported position against clinical services and supplies where the overspend fell by £0.385m to £1.384m. It was noted that the prescribing position had deteriorated in month due to pressures against No Cheaper Stock Obtainable (NCSO) drugs and that the commissioning position had worsened due to increasing flows out of Wales.

The position against Continuing Healthcare (CHC) budgets deteriorated by £0.180m to an overspend of £0.518m. The Executive Nurse Director indicated that a large proportion of CHC costs were driven by individual packages of care as opposed to the provision of collective services and suggested that given the increasing number of people meeting CHC criteria that the UHB needed to consider whether some services could be provided more fairly and efficiently on a collective basis. In response to a query from the Board's Independent Member – Finance (JU) the Executive Nurse Director confirmed that the UHB was required to provide continuing health care that met the needs of patients meeting the criteria threshold for CHC.

Referring to Tables 15 & 16 the Deputy Director of Finance reported that there were significant in year overspends reported against the Children & Women, Medicine & Surgery Clinical Boards. The UHB Vice Chair (CJ) enquired whether the reported overspends would affect the UHB's strategy moving forwards and the Deputy Director of Finance indicated that there was an expectation that the Boards would effectively manage within agreed budgets moving forwards.

It was confirmed that the UHB's underlying deficit had been reduced by £2.8m in month.

The UHB was awaiting confirmation from Welsh Government of support on revenue working balances. If support was not confirmed the UHB would manage its year-end cash position through the timing of payments to suppliers.

The UHB's cumulative Public Sector Payment Compliance performance to the end of November exceeded the 95% target and fell from 95.6% to 95.3% due to an issue with one supplier that had affected performance across Wales.

An additional £4.4m of capital funding was received by the UHB in the month and the UHB had already agreed expenditure plans for the additional resource through its Capital Planning Group. The UHB Vice Chair (CJ) enquired why the additional capital funding had been released by Welsh Government and the Deputy Director of finance confirmed that the funding had been released following a re-assessment of the profiled spend of capital monies across Wales. The Chief Executive added that the UHB had previously shared its capital spending priorities with Welsh Government and the UHBs prioritization list provided the UHB with opportunity to manage its spend effectively.

The Deputy Director of Finance concluded by confirming that the key financial risks continued to be managing within current budgets and reducing the UHB's underlying deficit.

**LIMITED ASSURANCE** was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 8 position which is broadly on line with the profiled deficit within the 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 £7.092m deficit at month 8 which includes a planning deficit of £6.600m and an adverse variance against plan of £0.492m;
- **NOTED** the key concerns and actions being taken to manage risks.

## **FC - 18/287 TRADE AND OTHER RECEIVABLES – ACCOUNTING POLICY AND PROVISION**

The Finance Manager – Resource Management (PE) summarised a paper providing an outline of trade and other receivables on the LHBs balance sheet as at October 31st 2018 and confirmed that the UHB's accounting policy for Trade and Other

Receivables complied with International Financial Reporting Standards (IFRS) and the Government Financial Reporting Manual (FReM).

The UHB is expected to change its previous policy and adopt IFRS 9 for the assessment of trade debtors and receivables in its 2018/19 statutory accounts. IFRS 9 requires the UHB to update its assessment of impairment (bad debt provision) at each reporting date based upon an historical analysis of bad debt by type of debt. An all Wales Technical Accounting Sub Group was established to agree a methodology in relation to the adoption of IFRS9 across NHS Wales. The methodology agreed indicated that the UHBs overall bad debt provision brought forwards into 2018/19 was expected to increase by £1.259m from £1.807m to £3.066m. This increase is balanced by a balance sheet adjustment to reserves and does not affect the UHB's financial performance in year.

It was noted that 87.6% of the £224.043m trade and receivables identified on the balance sheet as at October 31st 2018 related to NHS receivables and that 79% of the debt was identified against the Welsh Risk Pool. This debt would be settled following UHB settlement of legal claims against the UHB and historical analysis indicated that the risk of non-recovery from the Welsh Risk Pool was low.

The Finance Committee Chair (JA) asked whether the methodology recommended by the all Wales Technical Accounting Sub Group had been agreed by Welsh Audit Office (WAO) and it was agreed that the level of agreement from WAO would be reported back to the next meeting of the Finance Committee

## **ACTION**

Deputy Director of finance.

## **FC - 18/288 CLINICAL BOARDS IN ESCALATION**

The Chief Operating Officer confirmed that moving forwards the Dental Clinical Board would be absorbed with the Surgery and PCIC Clinical Boards.

Discussions were continuing with both the Medicine and Surgery Clinical Boards who were both in escalation because of financial performance to gain further assurance that planned actions would be sufficient to improve this year's financial performance.

The Finance Committee:

- **NOTED** the actions being taken to manage financial performance;

## **FC - 18/289 COST REDUCTION PROGRAMME**

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

- At the end of the month £33.038m of schemes had been identified as Green or Amber against the devolved 4% savings target of £33.780m, leaving a gap of £0.742m
- £21.502m has been identified against the £25.335m recurrent 3% element of the devolved target.
- £11.536m has been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at month 8 £12.582m 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 a £0.793m surplus on the Full Year Effect of 2018/19 schemes and indicated that this would support the 2019/20 plan.

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 - 18/290 RISK REGISTER**

The Assistant Director of Finance presented the 2018/19 Risk Register and informed the Finance Committee that no risks had been either added or taken off the register in month. It was noted that the two highest scoring risks, the nursing overspend and underlying deficit had been discussed earlier in the meeting.

The Finance Committee:

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

#### **FC - 18/291 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES**

No other items to bring to the main Board.

#### **FC - 18/292 DATE AND TIME OF NEXT MEETING**

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

## FINANCE COMMITTEE

### ACTION LOG FROM 3<sup>rd</sup> JANUARY 2019

MINUTE	DATE	SUBJECT	AGREED ACTION	ACTIONED TO	STATUS
FC - 18/225 &	25.07.18	The impact of weekly vs monthly payroll on the availability of bank staff	<p>The Nursing Productivity Group to be asked to explore the likely impact of introducing a weekly payroll for payment of bank staff.</p> <p>Subsequent to the assessment made the Finance Committee requested a speedy implementation.</p>	Executive Nurse Director	<b>Complete</b> – The Executive Nurse Director informed the Finance Committee meeting of January 3 <sup>rd</sup> 2019 that a weekly payroll for the payment of bank staff had now been introduced. The availability of a weekly payment had been publicised through social media and over 160 staff had indicated an interest in joining the weekly bank and 22 staff had completed the required documentation to join the bank by Christmas Eve.
FC - 18/259	31.10.18		It was agreed that once the introduction of a weekly payroll for payment of bank staff was complete that the initiative should be reviewed after 6 months and the results reported back to the Finance committee.	Executive Nurse Director	<b>Incomplete</b> – The Nursing Productivity Group will review the results of the initiative and the results will be reported back to the Finance Committee after the end of June 2019.
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	<b>Complete</b> - The Executive Nurse Director informed the Finance Committee meeting of January 3 <sup>rd</sup> 2019 that the level of nursing vacancies within the UHB had led to an increased demand to use agency staff and that this was the main driver for the financial overspend against nursing. Action to

					reduce the financial pressures on nursing was a considerable concern for the Nursing Productivity Group and there was an expectation that opportunities arising from the IMTP and transformation programme would enable the UHB to manage down the level of nursing vacancies and reduce the pressures on nursing budgets.
FC - 18/265	31.10.18	No Purchase Order No Payment Policy	Number of invoices with no PO number on hold to be reported back to the committee in 3 months time so that the position could be re-assessed	Deputy Director of Finance	<b>Complete</b> – Report brought back to January 2019 meeting
FC - 18/287	03.01.19	Trade And Other Receivables – Accounting Policy And Provision	Confirmation that the methodology recommended by the all Wales Technical Accounting Sub Group for the implementation of IFRS 9 and treatment of Trade And Other Receivables had been agreed by Welsh Audit Office (WAO)	Deputy Director of Finance	<b>Complete</b> – WAO have confirmed that they are content with the approach recommended by the all Wales Technical Accounting Sub Group in the adoption of IFRS 9.

<b>Report Title:</b>	<b>Final Draft Financial Plan 2019/20 – 2021/22</b>						
<b>Meeting:</b>	<b>Finance Committee</b>					<b>Meeting Date:</b>	<b>30.01.19</b>
<b>Status:</b>	<b>For Discussion</b>		<b>For Assurance</b>	√	<b>For Approval</b>	√	<b>For Information</b>
<b>Lead Executive:</b>	Executive Director of Finance						
<b>Report Author (Title):</b>	<b>Deputy Director of Finance</b>						

## SITUATION

The UHB is required to submit a final IMTP for to Welsh Government for their consideration and approval by 31<sup>st</sup> January 2019. This plan covers the period 2019/20 to 2021/22 of which the first year of the plan is most detailed. This IMTP contains the Financial Plan for the UHB and the Finance Committee is asked to review it and support its approval to the Board.

## REPORT BACKGROUND

The Finance Committee has previously considered the Draft Financial Plan at its previous meetings. This has included:

- Receiving a presentation on the Draft Financial Framework at its November 2018 meeting;
- Reviewing the Draft Financial Plan at its December 2018 meeting.

It is now asked to review the Final Draft Financial Plan and recommend its approval to the Board.

## ASSESSMENT

The Final Draft Financial Plan builds upon the Draft Financial Plan considered by the Finance Committee at its December 2018 meeting. It has been refined to reflect:

- Comments received from the Finance Committee and others within the UHB;
- Feedback from Welsh Government and the Finance Delivery Unit;
- Clarification of a 2% uplift to be applied to LTA's.

This plan still delivers a break even position over each year of the IMTP. The key risks are:

- Achievement of 3.8% savings target;
- Management of operational pressures;
- Delivering RTT and winter plans within the resources available;
- Increased employer pension contributions.

**ASSURANCE** is provided by:

- Discussions the Finance Committee has had over the development of the plan;
- The consideration of the Draft Financial Plan by the Strategy and Development Committee, the Finance Committee and the Board;
- Review of the Final Draft Financial Plan by the Finance Committee.

## RECOMMENDATIONS

The Finance Committee is asked to:

**APPROVE** the financial plan and recommend its approval to the Board.

### Shaping our Future Wellbeing Strategic Objectives

*This report should relate to at least one of the UHB's objectives, so please tick the box of the relevant objective(s) for this report*

1. Reduce health inequalities		6. Have a planned care system where demand and capacity are in balance	
2. Deliver outcomes that matter to people		7. Be a great place to work and learn	
3. All take responsibility for improving our health and wellbeing		8. Work better together with partners to deliver care and support across care sectors, making best use of our people and technology	
4. Offer services that deliver the population health our citizens are entitled to expect		9. Reduce harm, waste and variation sustainably making best use of the resources available to us	√
5. Have an unplanned (emergency) care system that provides the right care, in the right place, first time		10. Excel at teaching, research, innovation and improvement and provide an environment where innovation thrives	

### Five Ways of Working (Sustainable Development Principles) considered

*Please tick as relevant, click [here](#) for more information*

Prevention		Long term	√	Integration		Collaboration		Involvement	
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**Equality and Health Impact Assessment Completed:**

Not Applicable  
If "yes" please provide copy of the assessment. This will be linked to the report when published.



# **FINANCIAL PLAN**

## **Introduction and Background**

We did not have an approvable IMTP in 2018/19 and agreed a 1 year operational plan with Welsh Government. The operational plan for 2018/19 is to achieve a year end out-turn position of a £9.9m deficit, whilst maintaining the quality and safety of services and delivering upon agreed performance measures. We are confident in delivering our financial plan for 2018/19 which requires the identification and delivery of significant savings and further increases in clinical productivity to deliver agreed performance targets. This position has been supported by £10m Welsh Government operational plan funding which has helped in providing service enhancements and sustaining resources required to achieve current and forecast performance levels. Maintaining this level of additional support is dependent on delivering a balanced financial position in 2019/20 and over the 3 year IMTP cycle and having our plan approved.

## **Overview of the Financial Plan**

The Financial Plan sets out our financial strategy which supports delivery of the service improvements outlined for 2019/20 – 2021/22. In addition, we are aiming to meet our own key financial objectives of restoring in year and recurrent financial balance. Whilst this will provide the UHB with a significant financial challenge over the period of the plan, through the Health & Social Care budget, a 3% core allocation uplift in funding in 2019/20 will support our ambitious goals.

The overall ambition is to submit an IMTP that can be approved, and that demonstrates improvements against high level key performance indicators which builds upon good performance in 2018/19. In terms of financial sustainability, we are on track to achieve our forecast of a £9.9m deficit and improving our accumulated underlying financial position. This plan aims to deliver improved levels of efficiency alongside improved and sustained delivery against performance standards. In terms of efficiency and transformation, we will be setting a devolved 2% recurrent savings target in 2019/20 and a further 1.8% recurrent target that will be managed corporately and mainly delivering via high value opportunities. Health and Social Care has received a good financial settlement for 2019/20 and this will support the UHB in achieving financial sustainability, and help the shift of resources in line with “A Healthier Wales.” There will however be a need to limit any internal investments to those unavoidable items to address sustainability and safety issues in the first year of the plan with more growth available in the second and third years once financial balance has been restored.

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

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

## **Resource Planning Assumptions**

### **Underlying Deficit**

We had a growing accumulated underlying deficit up to 2016/17. This essentially represented both planned deficits which reflected planning to operate outside of the resources available and the non-delivery of financial plans. Some of the financial drivers for this had been:

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

These weaknesses were recognised and acknowledged and the 2017/18 and 2018/19 financial plans improved this position by:

- Focussing on the recurrent achievement of the CIP target;
- Ensuring cost pressures were managed;
- Limiting investments to those areas that were unavoidable and essential;
- Delivering an in year improved financial position.

The Board recognises its responsibility in tackling its accumulated deficit and aims to eradicate it during the period of this plan. This will be achieved via delivery of its savings plan in the first two years of this plan. The main focus of the transformational plans are in acute hospital services which as set out, were a key driver of the accumulated underlying deficit. The 2019/20 brought forward accumulated deficit is detailed in the following table.

### 2019/20 Accumulated Underlying Deficit

	<b>2018/19 £'000</b>
<b>Operational planned deficit 2018/19</b>	<b>9,900</b>
Plus non-recurrent CIP target 2018/19	8,400
Plus net other non-recurrent opportunities to deliver 2018/19 plan	4,000
Plus non recurrent income from WG	14,000
<b>2019/20 b/f accumulated underlying deficit</b>	<b>36,300</b>

The key points to note are:

- The brought forward underlying deficit does not include operational costs pressures experienced in 2018/19. These are expected to be managed by Clinical Boards in 2019/20.
- The net full year effect of 2018/19 savings across all Clinical Boards is assessed to be £0.520m and will be retained by Clinical Boards to help offset brought forward cost pressures and support delivery of the 2019/20 financial plan.

We started 2018/19 with an accumulated underlying deficit of £49.0m and have been successful in reducing this by £12.7m during the year to £36.3m. Delivery of the savings challenge within the 3 year IMTP will bring us back into recurrent financial balance.

## Income Assumptions

Following receipt of Welsh Government Health Board revenue allocations for 2019/20, the table below sets out the level of allocation growth available to meet new inflationary and cost growth pressures in 2019/20 with financial assessments made for 2020/21 and 2021/22:

### Net Income Growth 2019/20 – 2021/22

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Allocation uplift 2%	13,243	13,243	13,243
A Healthier Wales 1%	6,478		
Top slice	(2,082)		
WG Operational Plan funding made recurrent	10,000		
Mental Health uplift	1,871	1,871	1,871
Invest 2 Save	(59)	130	130
GMS / GDS	1,700	1,700	1,700
LTA income uplift	6,780	4,520	4,520
Pay Award	15,943	7,357	
Pay Award LTA funding	4,996	2,305	
<b>Sub total</b>	<b>56,610</b>	<b>31,126</b>	<b>21,464</b>

The key points to note are:

- The core allocation uplift represents 2% in each of the 3 year making up the IMTP cycle, plus an uplift for ring-fenced Mental Health services. This amount has been top sliced in 2019/20 to meet agreed national developments;
- There is also an additional 1% allocation uplift in 2019/20 to support financial sustainability and to support the implementation of “A Healthier Wales.”
- Operational plan funding received in 2018/19 has helped us in providing service enhancements, sustaining resources and in achieving required performance levels. This funding is assumed to be recurrent on the basis that this plan gets approved.

- It is assumed that further allocations will be made for GMS and GDS services to meet contract agreements and income growth in this area which is matched by cost growth;
- The 2% core allocation uplifts includes a 1% element of the agreed pay award.
- The UHB is assuming that commissioners will pass onto providers appropriate funding for pay increases and non-pay inflation. The UHB is assuming an LTA uplift for this, in line with its allocation uplift;
- The UHB is a net provider of services. LTA inflation agreed to be 2% pass through with an additional discretionary 1% for further agreed investments. Discussion will be ongoing to ensure greatest value is derived.
- The UHB is assuming that any changes to employers pensions contribution in 2019/20 will be met by an additional revenue allocation.

### Cost Pressures

The UHB has worked through its initial assessment of its inflationary and demand pressures for 2019/20 – 2021/22 and these are set out in the following table.

#### Assessed Cost Pressures 2019/20 – 2021/22

Inflationary and Cost Pressure	2019/20 £'000	2020/21 £'000	2020/21 £'000
<b>Cost Growth</b>			
Pay Inflation	24,501	14,666	6,239
Non pay Inflation	900	1,000	1,100
GMS and GDS	1,700	1,700	1,700
Continuing Health Care	1,200	1,200	1,200
Funded Nursing Care	107	107	107
<b>Total Cost Growth</b>	<b>28,408</b>	<b>18,673</b>	<b>10,346</b>
<b>Demand / Service Growth</b>			
NICE & New High Cost Drugs	3,500	3,500	3,500
Continuing Health Care	0	1,000	2,500

Funded Nursing Care	0	0	0
Prescribing	0	1,000	1,000
Velindre Cancer Centre	1,200	1,200	1,200
Specialist Services	5,000	5,000	5,000
Uplift on Ring fenced services	800	800	800
EASC	500	500	500
LTA Inflation plus wage award	5,197	3,769	2,520
<b>Total Demand / Service Growth</b>	<b>16,197</b>	<b>16,769</b>	<b>17,020</b>
<b>Other Cost Pressures</b>			
Welsh Risk Pool	0	0	0
Income reductions	500	500	500
Local cost pressures	2,500	3,000	3,000
<b>Total Other Cost Pressures</b>	<b>3,000</b>	<b>3,500</b>	<b>3,500</b>
<b>Total Inflationary and Cost Pressures</b>	<b>47,605</b>	<b>38,942</b>	<b>30,866</b>

Over the three year period 2019/20 – 2021/22 new national and local inflationary and growth pressures are assessed as £47.6m, £38.9m and £30.9m respectively. These assessed costs place a significant pressure on the organisation and local cost assessments for 2019/20 have been reviewed and curtailed to minimize requirements on funding and impact upon the financial plan.

The following assumptions should be noted:

- Pay award impacts are fully funded by WG over the 3 year IMTP cycle;
- There are anticipated increases in employers pensions contributions in 2019/20 that are assumed to be funded by Welsh Government;
- GMS / GDS growth costs are expected to be matched by additional resource allocation;

- NICE and high cost drugs growth has been capped at £3.5m for each year;
- Continuing Health Care and Funded Nursing Care growth costs has been reduced to nil in 2019/20, this will need to be closely monitored and managed;
- No resources have been made available for prescribing growth in 2019/20;
- Velindre, EASC and specialist services commissioning costs are best assessments at this stage, discussions are close to being finalised;
- The UHB is assuming LTA uplifts of 2% with a further 1% subject to negotiations as to what additionality it delivers;
- The UHB is anticipating further income reductions across LHB commissioners.
- Local cost pressure funding will be used to manage and contain any brought forward unavoidable operational pressures from 2018/19 plus any new cost pressures arising over and above the £47.6m assessment.

There is a clear aim to avoid cost increases wherever possible. It should be recognized however that curtailing the amounts being provided for growth does represent a financial risk that we will need to manage.

The commissioning costs for EASC, specialist and cancer services are still being finalised and if the amount required exceeds the assessment made it will need to be the first call upon the Health Board's investment reserve. This will ensure alignment of respective Financial Plans.

## **Investments**

We have agreed to limit revenue investments to a total of £4.0m (0.5%) in 2019/20 and the first call against this will be full year effects of 2018/19 investments. This includes the full year effect of 2018/19 investments in Primary care clusters for Musculoskeletal and mental health liaison services. Other investments may also be required to support other national priorities and IT developments. In addition, any commissioning investment costs in WHSSC, EASC and Velindre above those set out in plan will need to be met from this reserve. Further investment and growth is available to support the delivery of the UHB strategy after financial balance has been restored in 2020/21 and 2021/22.

Investments will not be made until assurances on the delivery of the financial plans have been secured. Any investment proposals will need to be fully considered by the Board.

It is important to note that Welsh Government have already set aside a considerable budget to support delivery of A Healthier Wales. It is envisaged that this will be the main source of investment to support service transformation and service sustainability.

We have already made significant recurrent investments into delivering RTT and this investment will be maintained to support performance in this area. RTT plans will need to incorporate improved productivity prior to considering any further resource requirements. Further work is being done on detailed delivery plans which articulate the requirements necessary to deliver the improvements we aspire to achieve in order to secure compliance with national standards.

Good progress has been made in emergency care services and we will maintain the level of funding set aside to support winter plans.

### **Transformation and Efficiency Plan**

We have an ambitious IMTP that addresses our underlying deficit and restores financial balance. The organisation will need to deliver improved levels of efficiency alongside improved and sustained delivery against standards increasing the value that is derived from the resources available for our population.

The Financial plan supports and enables the UHB to deliver its core priorities for 2019-22 being:

1. Primary Care: sustainability and the further development of community services.
2. Unscheduled Care: delivering a resilient and high performing system.
3. Planned Care: meeting standards.
4. Cancer Service: delivering the single cancer pathway and improved outcomes.
5. Mental Health: continue to transform and improve our services focusing on home first models.

We are aiming to deliver efficiency and transformation savings through the 2019/22 IMTP with a recurrent cash out CIP totalling 3.8% in year 1 followed by 2.5% in year 2 and 2.3% in year 3.

Our main focus is in the delivery of the 2019/20 financial savings plan. Delivering this plan will ease the financial challenge in years 2 and 3 of the IMTP.

All budget holders will need to deliver a minimum 2% recurrent CIP and manage any brought forward operational pressures and CIP shortfalls.

The balance of recurrent savings, being 1.8% in 2019/20, will be delivered through high value and corporate opportunities. This will be supported through the strategic utilisation of the Welsh Government Transformation Fund where investments in primary care will help support transformation and reduced spend in secondary care. External benchmarking and the Efficiency Framework coupled with internal assessment and validation has highlighted opportunities and priorities with a focus on

- Inpatient length of stay;
- Outpatient productivity;
- Theatre efficiency;
- Variation;
- Workforce efficiencies;
- Estate opportunities;
- Certain high cost drugs.

Delivery of a number of these high value opportunities will involve implementing new models of care and the redesign of existing care pathways to reduce the cost base whilst improving quality of service and patient value. As described in our strategy deployment and our approach to change, our internal Transformation and Continuous Service Improvement Team and their Programme of work are focussed on enabling these changes to happen.

The identification of savings and the delivery of the 2% devolved target will be the responsibility of budget holders. To support this, the UHB will continue to progress a number of cross cutting savings schemes through the Cross Cutting Steering Group led by the Director of Finance with each work stream having an Executive Director lead.

The Cross Cutting Steering Group has been successful in delivering cash out savings throughout 2017/18 and 2018/19. The following themes are being pursued in 2019/20:

- Medical productivity
- Medicines management (primary and secondary care)
- Nursing productivity

- Procurement
- Workforce productivity

## Financial Summary

A summary of the Financial Plan for 2019/20 – 2021/22 is shown in the following table.

	2019/20 Plan £m	2020/21 Plan £m	2021/22 Plan £m
Prior Year Plan	(9.9)	0.0	0.0
Adjustment for non recurrent items in previous year	(26.4)	(4.0)	0.0
b/f underlying deficit	(36.3)	(4.0)	0.0
Net allocation uplift (including LTA inflation and operational plan funding)	56.6	31.1	21.5
Cost pressures	(47.6)	(38.9)	(30.9)
Investments	(4.0)	(8.5)	(9.0)
Recurrent cost improvement plans	16.4	16.4	16.4
Corporate and high value opportunities	14.9	4.0	2.0
<b>Planned Surplus/(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

This shows that our draft plan aims to deliver financial balance in each year over the three year period to offset the brought forward underlying deficit.

Our ambition is to have an approved IMTP. This financial plan sets out how we intend to return to financial balance to support this aim. To do this we will need to generate and deliver sufficient efficiencies and curtail investments and cost

pressure funding, especially in 2019/20. We will need to work closely with Welsh Government in securing support for this plan and in ongoing assurances on delivery.

## **Financial Risks**

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

- **Achievement of the efficiency plan target** – We will need to give this concerted attention in order to ensure delivery. Clinical Board savings plans delivering 2% need to be in place as soon as possible. There will be clear lines of accountability in delivering identified high value and corporate opportunities in addition to the Clinical Board target over the 3 year IMTP cycle.
- **Management of Operational Pressures** – We will be expecting our budget holders to manage and recover any operational pressures within the totality of resources delegated to them. Similarly the containment of growth pressures in continuing healthcare, medicines and commissioning is also a financial risk that will need ongoing attention in order to contain costs within allocated resources.
- **RTT and Winter Plan** – Delivering planned levels of performance within the current resources available. RTT plans will be subject to a detailed review and additional investment may be required to secure further improvements.
- **Increased employers pension contributions** - estimated costs have been provided and we await the outcome of further discussions.

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

<b>Report Title:</b>	<b>Finance Report for the Period Ended 31<sup>st</sup> December 2018</b>						
<b>Meeting:</b>	<b>Finance Committee</b>					<b>Meeting Date:</b>	<b>30<sup>th</sup> January 2019</b>
<b>Status:</b>	<b>For Discussion</b>	<b>x</b>	<b>For Assurance</b>	<b>x</b>	<b>For Approval</b>	<b>For Information</b>	<b>x</b>
<b>Lead Executive:</b>	<b>Executive Director of Finance</b>						
<b>Report Author (Title):</b>	<b>Deputy Director of Finance</b>						

## 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 and management of delegated budgets is now key to the success of the plan. The overspend against the plan fell by £0.489m in month 9 to £0.003m and this overspend is still driven by income under-recovery, nursing costs, overspends in clinical supplies and slippage against savings schemes.

## REPORT

### 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 but was not acceptable due to assumptions around additional funding. The UHB then revised its financial plan but was not in a position to submit an IMTP to Welsh Government for approval as the revised plan was some way from being financially balanced.

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

The Health Board reconsidered its position at its March 2018 Board Meeting and following dialogue with Welsh Government reduced its projected deficit to £19.9m. The Board accepted that it would need to work throughout the year to deliver this £9.3m financial improvement target. This decision was shared with Welsh Government and on the 10<sup>th</sup> July 2018 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

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

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

Measure	n	STATUS REPORT				
		December 2018	RAG Rating	Latest Trend	Target	Time Period
Financial balance: remain within revenue resource limits	36	£7.428m deficit at month 9. £0.003m adverse variance against plan	R		2018/19 planned deficit £9.9m	M9 2018-19
Remain within capital resource limits.	37	Expenditure at the end of December was £22.788m against a plan of £24.967m.	G		Approved planned expenditure £42.620m	M9 2018-19
Reduction in Underlying deficit	36a	£36.3m assessed underlying deficit position at month 9	R		If 2018/19 plan achieved reduce underlying deficit to £39.1m	M9 2018-19
Delivery of recurrent 3% savings target	36b	Fully Identified Savings Plan	G		£25.335m	M9 2018-19
Delivery of non recurrent 1% savings target	36c		G		£8.445m	M9 2018-19
Delivery of financial improvement target	36d		£9.3m identified at month 9	G		£9.3m
Creditor payments compliance 30 day Non NHS	37a	Cumulative 95.4% in December	G		95% of invoices paid within 30 days	M9 2018-19
Remain within Cash Limit	37b	Forecast cash deficit of £2.418m	R		To remain within Cash Limit	M9 2018-19
Maintain Positive Cash Balance	37c	Cash balance = £3.809m	G		To Maintain Positive Cash Balance	End of Dec. 2018

### Month 9 Cumulative Financial Position

The UHB reported a deficit of £7.428m at month 9 as follows:

- £7.425m planned deficit (9/12th of £9.900m);
- £0.003m adverse variance against plan.

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

**Table 4: Summary Financial Position for the period ended 31<sup>st</sup> December 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	(118.660)	(118.376)	0.283	(1,017.111)	(1,015.288)	1.823	(1,378.272)	(1,378.272)	0.000
Pay	53.831	53.146	(0.685)	458.071	457.274	(0.797)	608.341	608.341	0.000
Non Pay	65.654	65.567	(0.087)	566.466	565.442	(1.024)	779.831	779.831	0.000
Variance to Draft Plan £m	0.825	0.336	(0.489)	7.425	7.428	0.003	9.900	9.900	0.000
Planned Deficit	(0.825)	0.000	0.825	(7.425)	0.000	7.425	(9.900)	0.000	9.900
Total £m	(0.000)	0.336	0.336	(0.000)	7.428	7.428	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 @ December 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	(80.451)	(80.451)	0.000	(679.637)	(679.637)	0.000
Non Cash Limited Expenditure	(1.615)	(1.615)	0.000	(14.534)	(14.534)	0.000
Accommodation & Catering	(0.370)	(0.302)	0.068	(2.684)	(2.546)	0.139
Education & Training	(3.159)	(3.163)	(0.004)	(28.443)	(28.390)	0.053
Injury Cost Recovery Scheme (CRU)	(0.214)	(0.098)	0.116	(1.524)	(1.178)	0.346
NHS Patient Related Income	(25.151)	(25.146)	0.005	(220.989)	(220.110)	0.879
Other Operating Income	(6.724)	(6.728)	(0.004)	(61.323)	(60.798)	0.525
Overseas Patient Income	(0.005)	(0.019)	(0.014)	(0.046)	(0.239)	(0.193)
Private Patient Income	(0.145)	(0.117)	0.027	(1.006)	(0.875)	0.131
Research & Development	(0.827)	(0.738)	0.089	(6.925)	(6.982)	(0.057)
Total £m	(118.660)	(118.376)	0.283	(1,017.111)	(1,015.288)	1.823

An in month deficit of £0.283m and a cumulative deficit of £1.823m is reported against income budgets. The main adverse variances to note are:

- £0.879m adverse variance on NHS patient related income where the position has remained steady in month and the cumulative under-recovery is due to underperformance against orthopaedics and a reduction of flows to the haematology and urology services following an increase in capacity in neighbouring health boards. In addition English income moved adversely by £0.050m in month due to a light case mix of emergency work.
- £0.525m adverse variance on other operating income due to underperformance against critical care, PICU and NICU activity targets. This however was stable in the month.
- £0.346m adverse variance against the Injury Cost Recovery Scheme where the position deteriorated by £0.116m in month due to the relatively low value of new claims lodged.

The slow-down in accommodation and catering and R & D income was due to seasonal factors.

## LTA Provider Performance

The UHB receives circa £270m 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 £0.049m, bringing the cumulative adverse variance to £0.861m. The Month 9 reported position is summarised in Table 6. This is driven significantly by under delivery against contracts with LHBs of £1.100m, offset by a favourable income position on WHSSC and NHS England.

The Month 9 reported position continues to reflect the under-performance trend for Aneurin Bevan and an in-year adverse movement on Cwm Taf. A key issue is the performance on orthopaedic services. The latter is also driven by recruitment into vacancies in Cwm Taf, reducing flows into Cardiff; most notably in Haematology and Urology.

The favourable WHSSC position continues to reflect a benefit that has started to accrue from the contingency for LTA risks, which is 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 deteriorated in month, driven by low volumes and a light case mix of emergency admissions, bringing the cumulative variance to £0.024m favourable.

**Table 6: Month 9 LTA Provider Position**

Income - C&V Provider				(fav) / adv
	Annual Budget	YTD Profile	YTD Actual	YTD Variance
	£m	£m	£m	£m
WHSSC	(216.965)	(164.151)	(164.408)	(0.257)
Aneurin Bevan	(29.172)	(21.955)	(21.243)	0.711
Other LHBs	(38.377)	(28.662)	(28.231)	0.431
Non-Welsh	(3.390)	(2.975)	(2.999)	(0.024)
	<b>(287.904)</b>	<b>(217.743)</b>	<b>(216.881)</b>	<b>0.861</b>

## **Pay**

In total pay budgets are showing a cumulative underspend of £0.797m 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 8 £m	2018/19 Month 1 to Month 8 £m	2017/18 Month 9 £m	2018/19 Month 9 £m	2017/18 Cum. to Month 9 £m	2018/19 Cum. to Month 8 £m
Basic	515.377	339.498	350.161	43.324	46.286	382.821	396.447
Enhancements	24.533	16.159	16.663	1.843	2.471	18.002	19.133
Maternity	4.088	2.756	2.704	0.358	0.340	3.114	3.044
Protection	0.676	0.453	0.433	0.055	0.043	0.509	0.477
<b>Total Fixed Pay</b>	<b>544.674</b>	<b>358.866</b>	<b>369.960</b>	<b>45.580</b>	<b>49.140</b>	<b>404.447</b>	<b>419.100</b>
Agency (mainly registered Nursing)	8.767	5.267	7.299	0.643	0.864	5.910	8.163
Nursing Bank (mainly Nursing)	14.439	9.435	8.642	1.031	1.034	10.466	9.677
Internal locum (Medical & Dental)	4.306	2.811	3.313	0.348	0.478	3.160	3.791
External locum (Medical & Dental)	7.118	4.632	4.620	0.593	0.585	5.225	5.204
On Call	2.224	1.431	1.645	0.165	0.178	1.596	1.822
Overtime	5.758	3.601	4.206	0.439	0.427	4.041	4.633
WLI's & extra sessions (Medical)	5.111	2.814	4.443	0.348	0.441	3.161	4.884
<b>Total Variable Pay</b>	<b>47.722</b>	<b>29.991</b>	<b>34.168</b>	<b>3.568</b>	<b>4.006</b>	<b>33.559</b>	<b>38.174</b>
<b>Total Pay</b>	<b>592.396</b>	<b>388.858</b>	<b>404.128</b>	<b>49.148</b>	<b>53.146</b>	<b>438.006</b>	<b>457.274</b>
<b>Pay Budget</b>	<b>594.938</b>	<b>390.345</b>	<b>404.240</b>	<b>49.214</b>	<b>53.831</b>	<b>439.559</b>	<b>458.071</b>
<b>Budget Variance (Fav)/Adv £m</b>	<b>(2.541)</b>	<b>(1.487)</b>	<b>(0.112)</b>	<b>(0.066)</b>	<b>(0.685)</b>	<b>(1.553)</b>	<b>(0.797)</b>

The 2018/19 pay levels reflect the additional cost of the 2018/19 annual pay award. Arrears payments were made to agenda for change staff in November and arrears payments were made to medical staff in December. The UHB set aside a reserve to cover the initial 1% planning assumption and the cost of the additional wage award is being covered by Welsh Government funding which was allocated to the UHB in November 2018.

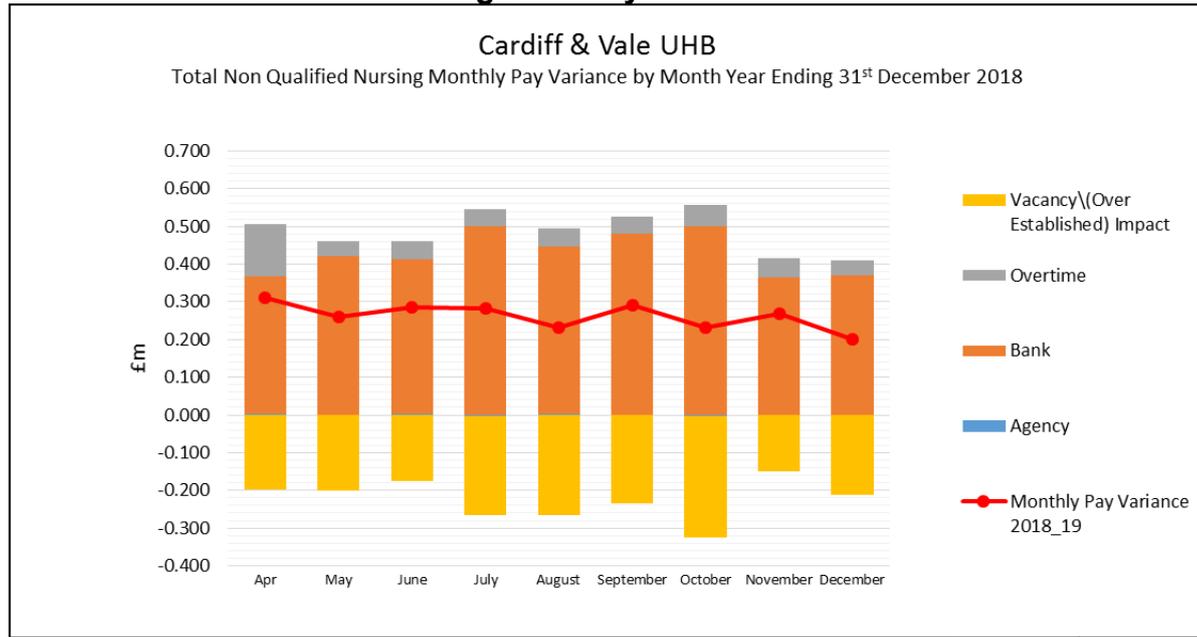
An analysis of pay expenditure by staff group is shown in Table 8.

**Table 8: Analysis of pay expenditure by staff group @ December 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	2.035	1.979	(0.057)	18.103	17.473	(0.630)
Management, admin & clerical	5.993	5.870	(0.123)	53.227	52.592	(0.635)
Medical and Dental	15.234	14.919	(0.314)	117.395	117.901	0.506
Nursing (registered)	15.721	15.439	(0.282)	137.609	137.027	(0.582)
Nursing (unregistered)	4.201	4.401	0.200	36.867	39.228	2.360
Other staff groups	7.710	7.685	(0.026)	68.646	67.904	(0.742)
Scientific, prof & technical	2.936	2.853	(0.083)	26.224	25.149	(1.075)
<b>Total £m</b>	<b>53.831</b>	<b>53.146</b>	<b>(0.685)</b>	<b>458.071</b>	<b>457.274</b>	<b>(0.797)</b>

In total pay budgets improved by £0.685m in month mainly due to seasonal reductions in expenditure leaving a cumulative underspend for the year to date of £0.797m.

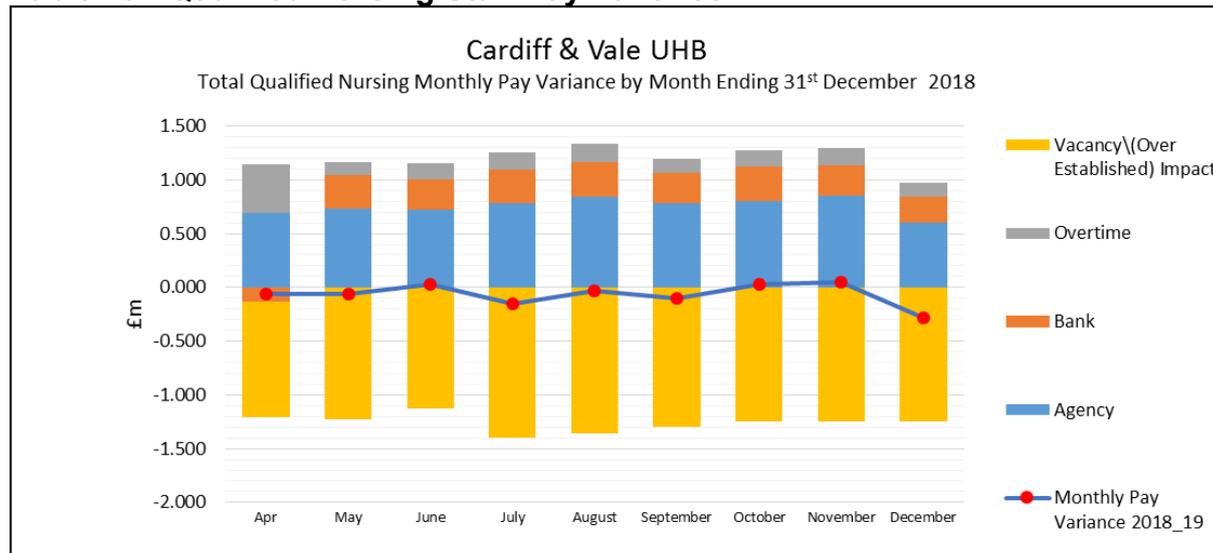
**Table 9 – Non Qualified Nursing Staff Pay Variance**



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	(0.000)	0.004
Bank	0.370	3.858
Overtime	0.040	0.514
Adverse Impact	0.410	4.375
Vacancy\((Over Established) Impact	(0.210)	(2.015)
<b>Total Pay Variance - Unqualified Nursing (Fav)/Adv £m</b>	0.200	2.360

Table 9 indicates that the £2.360m adverse variance against non-qualified nursing assistants is due to overspends of £3.858m on bank staff and £0.514m on overtime which is partly offset by an underspend against established posts. The in month fall in the trend of reported overspend is due to seasonal reductions in expenditure.

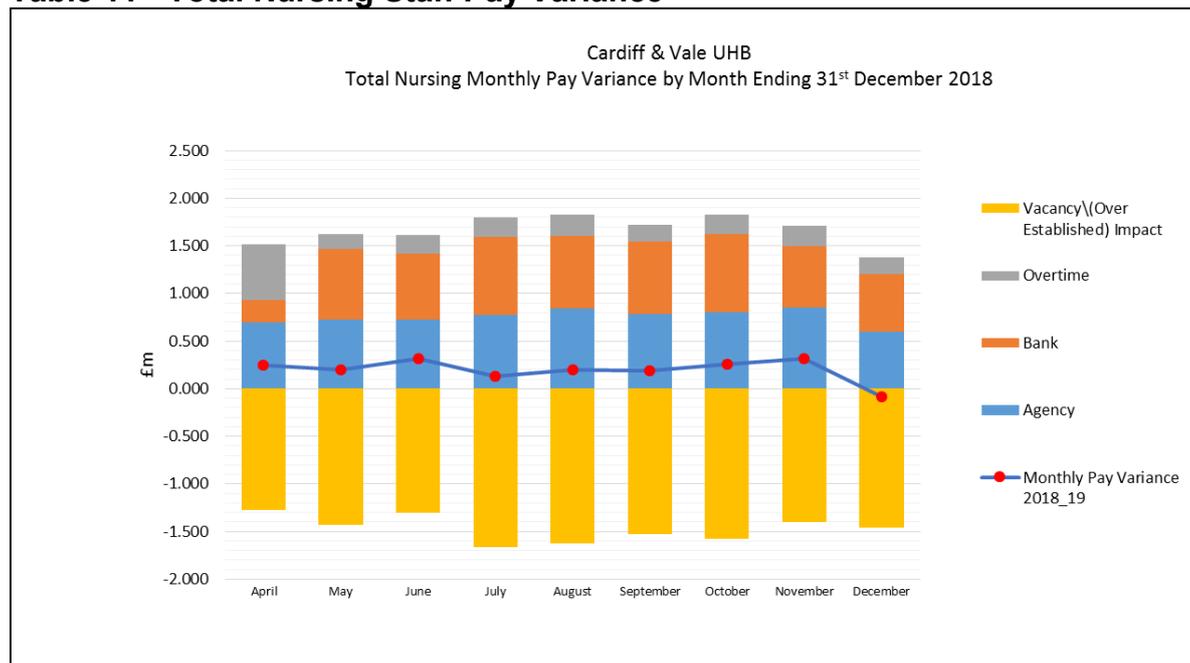
**Table 10 - Qualified Nursing Staff Pay Variance**



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.600	6.804
Bank	0.239	2.231
Overtime	0.129	1.628
Adverse Impact	0.969	10.662
Vacancy\Over Established) Impact	(1.251)	(11.244)
<b>Total Pay Variance - Qualified Nursing (Fav)/Adv £m</b>	<b>(0.282)</b>	<b>(0.582)</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. The significant in month underspend is due to seasonal reductions in expenditure.

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

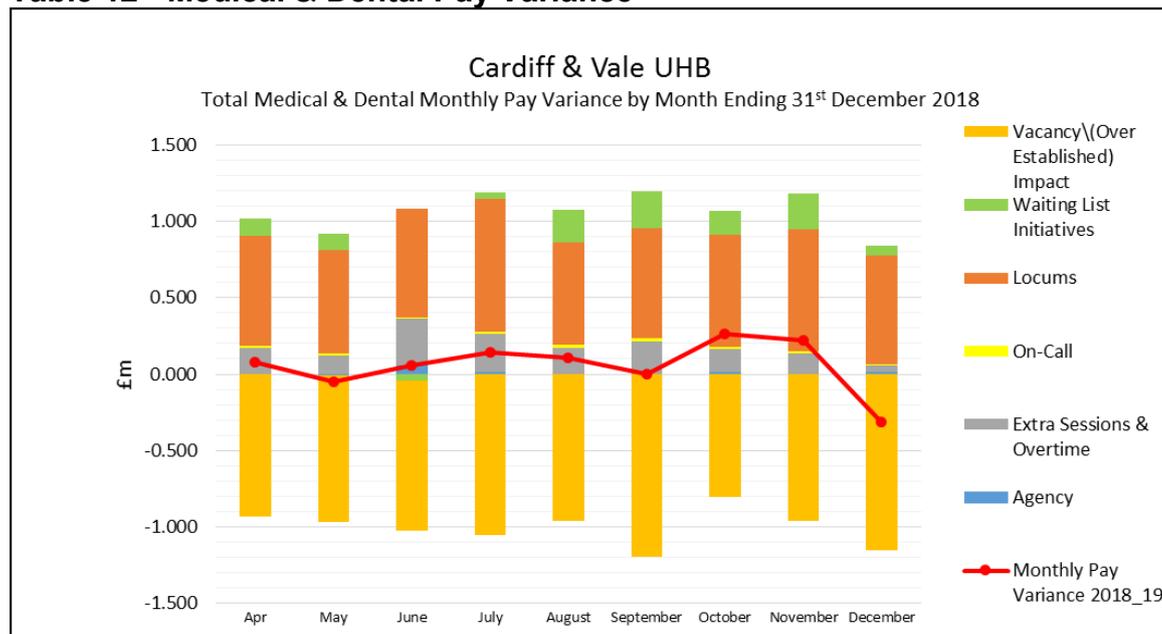


Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.599	6.808
Bank	0.609	6.088
Overtime	0.170	2.142
Adverse Impact	1.378	15.038
Vacancy\ (Over Established) Impact	(1.461)	(13.259)
<b>Total Pay Variance - (Fav)/Adv £m</b>	<b>(0.083)</b>	<b>1.779</b>

Table 11 identifies expenditure against substantive nursing posts for the year to date which is £1.779m more than budget. The £13.259m surplus against established posts is offset by a £15.038m 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 £0.506m at month 9.

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



Reason	In Month £m (Fav)/Adv	Year To Date £m (Fav)/Adv
Agency	0.016	0.096
Extra Sessions & Overtime	0.039	1.562
On-Call	0.009	0.114
Locums	0.715	6.630
Waiting List Initiatives	0.061	1.130
Adverse Impact	0.839	9.532
Vacancy/(Over Established) Impact	(1.154)	(9.026)
<b>Total Pay Variance - Medical &amp; Dental (Fav)/Adv £m</b>	<b>(0.314)</b>	<b>0.506</b>

The key areas of concern are a £0.135m in month overspend and a £0.823m cumulative overspend within the Women and Children Clinical Board and a cumulative £0.451m overspend in the CD&T Clinical Board following a £0.041m in month underspend. The in month reduction to the reported overspend is partly due to a reduction in the level of overspend on extra sessions and waiting list initiatives.

### Non Pay

Table 13 highlights an in month underspend of £0.087m and a £1.024m cumulative underspend against non pay budgets.

The key pressure area is in clinical services and supplies where there was an in month deterioration of £0.055m and the cumulative overspend for the first 9 months of the year is now £1.439m. The in month improvement in commissioned services is primarily due to a reduction in forecast expenditure provided by Velindre NHST. The deterioration in continuing healthcare is due to the continuing growth in packages beyond growth funding assumptions primarily in Palliative Care and General Nursing packages. The in month pressure on establishment costs was partly due to an increase in the demand for transport services in month.

**Table 13: Non Pay Variance @ December 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	8.993	9.049	0.055	72.902	74.341	1.439
Commissioned Services	13.930	13.811	(0.119)	125.976	125.853	(0.123)
Continuing healthcare	5.533	5.673	0.140	46.444	47.098	0.654
Drugs / Prescribing	12.014	11.952	(0.061)	111.497	112.747	(0.620)
Establishment expenses	0.942	1.057	0.115	8.088	8.300	0.212
General supplies & services	0.703	0.666	(0.037)	6.199	6.446	0.247
Other non pay	4.864	4.848	(0.016)	44.233	41.841	(2.392)
Premises & fixed plant	3.318	3.267	(0.052)	25.642	23.519	(0.253)
Primary Care Contractors	15.356	15.243	(0.113)	125.485	125.297	(0.189)
Total £m	65.654	65.567	(0.087)	566.466	565.442	(1.024)

### LTA Commissioner Performance

The UHB spends circa £160m commissioning healthcare services for its population through contracts with WHSSC, LHBs and Velindre. A favourable Month 9 variance of £0.442m is shown in Table 14 and is largely driven by the UHBs performance on contracts, including:

- A lower than anticipated NICE cancer drugs expenditure with Velindre NHS Trust. The position moved favourably in-month due to a reduction in spend in month and a drugs rebate;
- Continued under performance in ABMU recovered at an enhanced marginal rate, and continuation of underperformance on the Cwm Taf contract.

The WHSSC position has moved adversely in-month due to further over performance by the Cardiff and Vale provider contract and the UHB's relative risk share. This performance continues to be monitored closely, and is supported by slippage on a number of ICP schemes and non-recurrent WHSSC 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.

There is an improvement in month 9 on the UHB's expenditure for non-contracted activity. This includes cross-border emergency treatment/care for Cardiff and Vale residents, as well as panel-approved referrals to specialist centres in England for services not available locally. The latter has seen a demand-driven growth in expenditure particularly due to a few high cost treatments e.g. radiofrequency ablation (RFA). Discussion is ongoing within WHSSC to consider the critical mass for local service provision, which would require a collective commissioning agreement.

### **Table 14: Month 9 LTA Commissioner Position**

Expenditure - C&V Commissioner				(fav) / adv
	Annual Budget	YTD Profile	YTD Actual	YTD Variance
	£m	£m	£m	£m
WHSSC	120.093	89.987	90.233	0.246
Velindre	16.406	12.323	11.892	(0.430)
LHBs	22.878	17.021	16.288	(0.733)
Other / NCAs	1.290	0.968	1.443	0.475
	<b>160.667</b>	<b>120.298</b>	<b>119.856</b>	<b>(0.442)</b>

The overall position on commissioned services is worse than the LTA position mainly due to out of area placements in Mental Health and Primary Care which whilst they were flat in the month have a year to date adverse variance of £0.3m.

### 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 nine months to 31<sup>st</sup> December 2018 by Clinical Board is shown in Table 15.

**Table 15: Financial Performance for the period ended 31<sup>st</sup> December 2018**

Clinical Board	M8 Budget Variance £m	M9 Budget Variance £m	In Month Variance £m	Cumulative % Variance
Clinical Diagnostics & Therapies	0.502	0.760	0.257	0.93%
Children & Women	1.124	1.297	0.173	1.70%
Capital Estates & Facilities	0.059	0.076	0.017	0.16%
Dental	0.383	0.395	0.011	2.63%
Executives	(0.631)	(0.666)	(0.035)	(2.28%)
Medicine	1.394	1.472	0.078	1.68%
Mental Health	0.596	0.295	(0.302)	0.52%
PCIC	(0.764)	(1.043)	(0.279)	(0.41%)
Specialist	(0.149)	(0.456)	(0.307)	(0.37%)
Surgery	1.038	1.076	0.037	1.10%
Central Budgets	(3.063)	(3.203)	(0.140)	(2.16%)
<b>SubTotal</b>	<b>0.492</b>	<b>0.003</b>	<b>(0.489)</b>	<b>0.00%</b>
Planned Deficit	6.600	7.425	0.825	0.73%
<b>Total</b>	<b>7.092</b>	<b>7.428</b>	<b>0.336</b>	<b>0.73%</b>

In month and cumulative overspends were reported by 6 Clinical Boards in December. The largest in month overspend was in CD & T where the majority of the overspend was due to slippage on the pharmacy outpatients savings scheme and a drop in performance against the internal radiology trading framework. Medical staff again accounted for the majority of overspend in the Women and Children's and the overspend in the Medicine Clinical Board was due to nursing pressures. Pressures against Clinical Services and Supplies were again reported in the Surgery Clinical Board and these were partially offset by pay underspends.

### Performance against Clinical Board Budget Forecasts.

All budget holders undertook a detailed financial forecast position profiled for the remainder of the year after month 5. Overall Clinical Board financial performance at the end of month 9 was within the forecast profile as shown in Table 16.

**Table 16: Budget Holder Financial Forecasts & Performance**

<b>Clinical Board</b>	<b>Year End Forecast (Surplus)/ Deficit Variance £m</b>	<b>M9 Forecast Profile (Surplus)/ Deficit Variance £m</b>	<b>M9 Actual Position (Surplus)/ Deficit Variance £m</b>	<b>Variance to Forecast Profile £m</b>
Clinical Diagnostics & Therapies	1.124	0.693	0.760	0.067
Children & Women	1.654	1.303	1.297	(0.006)
Capital Estates & Facilities	(0.011)	0.105	0.076	(0.029)
Dental	0.600	0.363	0.395	0.032
Executives	(0.003)	(0.164)	(0.666)	(0.502)
Medicine	0.759	0.914	1.472	0.558
Mental Health	0.798	0.740	0.295	(0.445)
PCIC	(1.353)	(0.988)	(1.043)	(0.055)
Specialist	(0.010)	0.095	(0.456)	(0.551)
Surgery	0.967	0.983	1.076	0.093
Central Budgets	(4.525)	(3.203)	(3.203)	0.000
<b>SubTotal</b>	<b>(0.000)</b>	<b>0.841</b>	<b>0.003</b>	<b>(0.838)</b>
Planned Deficit	9.900	7.425	7.425	0.000
<b>Total</b>	<b>9.900</b>	<b>8.266</b>	<b>7.428</b>	<b>(0.838)</b>

The UHB has sufficient non recurrent opportunities to bridge the projected overspend in delegated budgets 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 9 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 £2.812m and accounting gains of £3.388m. Clinical Boards identified a further £0.1m 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**.

For the 9 months to the end of December the UHB had fully achieved its profiled savings target (including income generation schemes & non recurrent accounting gains) of £24.404m in part due to identification of non recurrent corporate opportunities to cover the shortfall against delegated savings targets.

**Table 17: Progress against the 2018/19 Savings Programme at Month 9**

	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. Successful delivery of the 2018/19 plan would reduce this to £36.3m by the year end. This is shown in Table 18.

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

	2018/19 Plan £m	Forecast Position @ Month 9	
		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
Reduction in recurrent baseline costs confirmed in November 2018 ( WEQAS & biosimilar drugs)			(2.800)
<b>Deficit £m</b>	<b>9.900</b>	<b>29.161</b>	<b>36.261</b>

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 £2.550m has been identified recurrently through reserves for 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.
- The reduction in recurrent baseline costs includes an additional £1m of cost savings that are expected to arise from the reduction the cost of biosimilar drugs in 2019/20 and a £1.8m reduction in UHB liabilities arising from a planned capital purchased for WEQAS.

**The UHB is undertaking further work with the aim of identifying further measures to materially reduce the underlying. This work is ongoing and will be finalized in time to support the submission of a balanced IMTP for 2019/20 - 2021/22.**

## **Balance Sheet**

The balance sheet at month 9 is detailed in **Appendix 2**.

The cumulative year to date increase in the carrying value of Property, Plant & Equipment (PPE) is due to spend on capital projects and the increased valuation of Land and Buildings following indexation exceeding year to date depreciation charges.

Overall trade debtors have fallen by £19.3m (8.7%) since the start of the year primarily due to a reduction in amounts due from the Welsh Risk Pool in respect of clinical negligence cases.

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.

## **Cash Flow Forecast**

The cash flow projection is shown in **Appendix 3** with a closing cash balance for December of £3.8m.

Amounts shown on the sale of assets line reflect the full value of anticipated in year sale proceeds. The UHB expects to reinvest £1.4m of these receipts in the purchase of property, plant & equipment.

The UHB received approval in December of the requested Strategic Cash Assistance of £9.325m.

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

- (i) Revenue Working Balance Cash £4.274m

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

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	(17.324)
Management Actions (managing suppliers)	0.575
Forecast Deficit	(9.900)
Approved Cash Assistance & Working Balances Cash	22.375
<b>Forecast Cash Deficit £m</b>	<b>(2.418)</b>

### Public Sector Payment Compliance

The UHB's cumulative performance improved from 95.3% at the end of November to 95.4% to the end of December with an in-month compliance rate of 95.8%.

### Capital Resource Limit (CRL)

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

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

	£m
Planned Capital Expenditure at month 9	24.967
Actual net expenditure against CRL at month 9	22.788
Variance against planned Capital Expenditure at month 9	(2.179)

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 14<sup>th</sup> December 2018.

It should be noted that in December the UHB received an additional £4.824m capital funding to support planned spend of £1m for the Black & Grey Theatre at Llandough, £1.786m for IM&T priorities, £0.124m towards Digital Cellular Pathology and £1.914m Discretionary Capital schemes.

### 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 the 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 9, the key concerns and challenges are set out as follows:

1. Concern - Managing within current budgets.

Action – Net overspend against the plan fell by £0.489m in month to £0.003m. All Clinical Boards have a year-end target to achieve and where Clinical Boards are off

this target they are required to provide robust recovery action plans as part of the Clinical Board Performance Review escalation process.

2. Concern - Managing down the underlying deficit.

Action – The underlying deficit has fallen by £12.8m since the start of the year. The UHB continues to exert a greater focus on recurrent savings and identification of further opportunities to support the continued reduction in the underlying deficit.

**ASSURANCE** is provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 9 position which is in line with the profiled deficit within the Annual Operational Plan.

**RECOMMENDATION**

The Finance 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 £7.428m deficit at month 8 which includes a planning deficit of £7.425m and budget overspends of £0.003m;
- **NOTE** the key concerns and actions being taken to manage risks.

## Shaping our Future Wellbeing Strategic Objectives

*This report should relate to at least one of the UHB's objectives, so please tick the box of the relevant objective(s) for this report*

1. Reduce health inequalities		6. Have a planned care system where demand and capacity are in balance	
2. Deliver outcomes that matter to people		7. Be a great place to work and learn	
3. All take responsibility for improving our health and wellbeing		8. Work better together with partners to deliver care and support across care sectors, making best use of our people and technology	
4. Offer services that deliver the population health our citizens are entitled to expect		9. Reduce harm, waste and variation sustainably making best use of the resources available to us	x
5. Have an unplanned (emergency) care system that provides the right care, in the right place, first time		10. Excel at teaching, research, innovation and improvement and provide an environment where innovation thrives	

### Five Ways of Working (Sustainable Development Principles) considered

*Please tick as relevant, click [here](#) for more information*

Prevention		Long term	x	Integration		Collaboration		Involvement	
<b>Equality and Health Impact Assessment Completed:</b>		Not Applicable If "yes" please provide copy of the assessment. This will be linked to the report when published.							



## Appendix 1

### Month 9 In-Year Effect

Clinical Board	18-19 Target	Green	Amber	Total Green & Amber	Pipeline Red	Shortfall at Performance Review Month 9
	£'000	£'000	£'000	£'000	£'000	£'000
PCIC	6,600	6,952	122	7,074	150	-474
Specialist Services	4,038	3,712	396	4,108	618	-70
CD&T	3,442	2,655	853	3,509	941	-67
Mental Health	2,940	2,870	70	2,940	20	0
Medicine	3,754	3,259	513	3,771	584	-17
Capital Estates and Facilities	2,580	1,822	758	2,580	133	0
Surgery	4,714	4,100	439	4,538	1,398	176
Children & Women	3,550	2,508	745	3,253	569	297
Corporate Execs	1,362	1,128	23	1,151	457	211
Dental	800	233	0	233	84	567
<b>Total</b>	<b>33,780</b>	<b>29,239</b>	<b>3,918</b>	<b>33,157</b>	<b>4,954</b>	<b>623</b>

### 2018-19 Full Year Effect

	18-19 Target	Identified Green	Clinical Board - Amber	Total Green & Amber	Pipeline Red	Surplus at Performance Review Month 9
	(£)	(£)	(£)	(£)	(£)	£
PCIC	4,950	5,666	122	5,788	424	-838
Specialist Services	3,029	2,418	612	3,030	828	-1
CD&T	2,582	1,072	1,621	2,694	1,036	-112
Mental Health	2,205	1,812	30	1,842	20	363
Medicine	2,816	3,660	93	3,753	830	-937
Capital Estates and Facilities	1,935	864	1,145	2,009	380	-74
Surgery	3,535	3,054	492	3,545	2,674	-10
Children & Women	2,663	1,632	920	2,552	774	110
Corporate Execs	1,022	532	13	545	491	477
Dental	600	94	0	94	110	506
<b>Total</b>	<b>25,335</b>	<b>20,804</b>	<b>5,048</b>	<b>25,852</b>	<b>7,567</b>	<b>-518</b>

## Appendix 2

BALANCE SHEET AS AT 31<sup>st</sup> DECEMBER 2018

	Opening Balance 1 <sup>st</sup> April 2018	Closing Balance 31 <sup>st</sup> December 2018
	£'000	£'000
<b>Non-Current Assets</b>		
Property, plant and equipment	657,424	666,560
Intangible assets	2,245	1,728
Trade and other receivables	57,469	43,960
Other financial assets		
<b>Non-Current Assets sub total</b>	<b>717,138</b>	<b>712,248</b>
<b>Current Assets</b>		
Inventories	15,697	16,802
Trade and other receivables	166,189	160,410
Other financial assets	0	0
Cash and cash equivalents	1,856	3,808
Non-current assets classified as held for sale	0	206
<b>Current Assets sub total</b>	<b>183,742</b>	<b>181,226</b>
<b>TOTAL ASSETS</b>	<b>900,880</b>	<b>893,474</b>
<b>Current Liabilities</b>		
Trade and other payables	180,290	149,680
Other financial liabilities	0	0
Provisions	120,512	110,605
<b>Current Liabilities sub total</b>	<b>300,802</b>	<b>260,285</b>
<b>NET ASSETS LESS CURRENT LIABILITIES</b>	<b>600,078</b>	<b>633,189</b>
<b>Non-Current Liabilities</b>		
Trade and other payables	9,635	9,205
Other financial liabilities	0	0
Provisions	60,471	41,234
<b>Non-Current Liabilities sub total</b>	<b>70,106</b>	<b>50,439</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>529,972</b>	<b>582,750</b>
<b>FINANCED BY:</b>		
<b>Taxpayers' Equity</b>		
General Fund	417,207	461,371
Revaluation Reserve	112,765	119,685
<b>Total Taxpayers' Equity</b>	<b>529,972</b>	<b>581,056</b>

## Appendix 3

CASH FLOW FORECAST AS AT 31<sup>st</sup> DECEMBER 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	83,707	79,653	63,975	79,230	68,464	910,579
WG Revenue Funding - Non Cash Limited (NCL)	1,600	1,590	1,380	1,540	1,650	1,450	1,760	1,480	1,695	1,815	1,600	1,818	19,378
WG Revenue Funding - Other (e.g. invoices)	3,850	3,165	2,366	2,378	2,618	2,391	1,255	1,503	1,255	1,255	1,496	5,839	29,371
WG Capital Funding - Cash Limit	8,000	6,000	1,500	1,600	7,200	4,300	1,930	2,378	2,747	3,000	3,000	14,015	55,670
Sale of Assets	0	0	0	170	0	0	0	0	0	0	0	1,690	1,860
Income from other Welsh NHS Organisations	32,230	31,149	46,893	34,472	39,938	29,879	37,489	45,120	34,533	37,554	33,731	35,741	438,729
Other - (Specify in narrative)	8,139	5,359	5,198	14,605	8,136	6,049	14,735	9,650	7,569	12,128	6,950	8,955	107,473
<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>127,924</b>	<b>143,838</b>	<b>127,452</b>	<b>119,727</b>	<b>126,007</b>	<b>136,522</b>	<b>1,563,060</b>
<b>PAYMENTS</b>													
Primary Care Services : General Medical Services	5,267	4,164	8,167	4,908	4,063	6,324	4,345	4,184	6,855	4,189	4,188	6,583	63,237
Primary Care Services : Pharmacy Services	134	135	123	106	128	131	134	123	267	497	250	250	2,278
Primary Care Services : Prescribed Drugs & Appliances	7,008	7,632	15,311	3	15,555	3	7,339	15,141	7,635	0	7,585	7,585	90,797
Primary Care Services : General Dental Services	1,755	1,800	1,766	1,974	1,684	1,828	1,894	1,651	1,681	2,324	1,835	1,835	22,027
Non Cash Limited Payments	1,958	2,086	2,111	2,093	2,040	2,215	2,079	2,043	2,262	2,193	2,100	2,100	25,280
Salaries and Wages	47,471	47,804	47,732	47,215	47,922	47,429	47,642	51,990	52,780	49,830	48,964	48,710	585,489
Non Pay Expenditure	54,604	51,324	57,727	54,191	44,288	43,936	53,164	50,695	42,795	54,486	48,861	49,968	606,039
Capital Payment	12,496	1,679	1,935	2,308	6,758	2,324	2,290	3,351	2,560	2,714	3,329	15,787	57,531
Other items (Specify in narrative)	8,721	8,960	17,124	3,343	15,476	3,933	8,996	15,181	10,602	3,222	8,980	10,118	114,656
<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>127,883</b>	<b>144,359</b>	<b>127,437</b>	<b>119,455</b>	<b>126,092</b>	<b>142,936</b>	<b>1,567,334</b>
<b>Net cash inflow/outflow</b>	450	3,299	(3,909)	344	4,108	(1,874)	41	(521)	15	272	(85)	(6,414)	
<b>Balance b/f</b>	1,856	2,306	5,605	1,696	2,040	6,148	4,274	4,315	3,794	3,809	4,081	3,996	
<b>Balance c/f</b>	2,306	5,605	1,696	2,040	6,148	4,274	4,315	3,794	3,809	4,081	3,996	(2,418)	



<b>Report Title:</b>	<b>No Purchase Order No Payment Update</b>					
<b>Meeting:</b>	<b>Finance Committee</b>				<b>Meeting Date:</b>	<b>30.01.19</b>
<b>Status:</b>	<b>For Discussion</b>		<b>For Assurance</b>	√	<b>For Approval</b>	<b>For Information</b>
<b>Lead Executive:</b>	Executive Director of Finance					
<b>Report Author (Title):</b>	<b>Deputy Director of Finance</b>					

## 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, and 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. Progress on implementation was reported to the October 2018 Finance Committee with a request for a further update at this meeting.

## REPORT

### 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. All invoices received without a valid purchase order are now placed on a "No PO No Pay" hold and this is shared with suppliers on a weekly basis for them to obtain a valid purchase order.

### ASSESSMENT

The table below shows the number of Invoices on hold without a valid purchase order as at 14<sup>th</sup> January 2019. 50% of the current Cardiff & Vale holds are with 2 suppliers relating to the supply of staff and a solution is being worked through.

<b>NHS Wales</b>	<b>No</b>
Abertawe Bro Morgannwg Health Board	1090
Aneurin Bevan Health Board	454
Betsi Cadwaladr Health Board	849
Cwm Taf Health Board	443
<b>Cardiff and Vale Health Board</b>	<b>665</b>
Hywel Dda Health Board	209
Powys Health Board	84
Public Health Wales Health Board	48
Velindre Health Board	331
Welsh Ambulance NHS Trust	9
<b>Total</b>	<b>4,182</b>

The committee will note that the figures for Cardiff and Vale Health Board represent a reduction of approximately 50% (660 invoices) from the previous October reported position of 1,325. In October the UHB invoices on hold accounted for 34% of the total in Wales it is now 16%.

The table below shows the No Po No Pay performance statistics average to date and current for January 2019. The figures exclude All Wales No Po No Pay exemptions, which are currently being reviewed across Wales. The in month compliance in October 2018 was 96.8% and this has now increased to 98.4%

Description	%
All Wales Average to date	90.9%
C&V Average to date	96.0%
All Wales January 2019	90.7%
C&V January 2019	98.4%

The table below highlights the Public Sector Payment Performance across Wales as at December 2018. The UHB's cumulative (Non-NHS) performance to the end of December is 95.4%. This represents an improved performance from the 2017/18 year-end position of 92.3%.

Organisation	2015/16 EOY	2016/17 EOY	2017/18 EOY	2018/19 YTD
ABM	95.3%	96.1%	94.0%	94.3%
Aneurin Bevan	95.6%	96.4%	96.8%	95.1%
Betsi Cadwaladr	93.4%	96.5%	94.0%	95.1%
<b>Cardiff &amp; Vale</b>	<b>93.0%</b>	<b>94.0%</b>	<b>92.3%</b>	<b>95.4%</b>
Cwm Taf	91.9%	89.6%	95.3%	96.0%
HEIW				99.5%
Hywel Dda	86.0%	89.1%	96.0%	96.4%
Powys	90.5%	93.6%	94.5%	95.8%
Public Health Wales	95.4%	96.0%	95.6%	96.0%
Velindre	91.7%	94.4%	96.0%	97.6%
WAST	99.1%	99.0%	98.1%	96.9%

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

**ASSURANCE** is provided by:

- The development of a standard policy for NHS Wales for which the UHB had an input;
- The progress being made in its implementation and in its compliance rates;
- Month reporting of the UHB's public sector payment compliance within the Finance Report.

## RECOMMENDATIONS

The Finance Committee is asked to:

**NOTE** the updated position.

### Shaping our Future Wellbeing Strategic Objectives

*This report should relate to at least one of the UHB's objectives, so please tick the box of the relevant objective(s) for this report*

1. Reduce health inequalities		6. Have a planned care system where demand and capacity are in balance	
2. Deliver outcomes that matter to people		7. Be a great place to work and learn	
3. All take responsibility for improving our health and wellbeing		8. Work better together with partners to deliver care and support across care sectors, making best use of our people and technology	√
4. Offer services that deliver the population health our citizens are entitled to expect		9. Reduce harm, waste and variation sustainably making best use of the resources available to us	
5. Have an unplanned (emergency) care system that provides the right care, in the right place, first time		10. Excel at teaching, research, innovation and improvement and provide an environment where innovation thrives	

### Five Ways of Working (Sustainable Development Principles) considered

*Please tick as relevant, click [here](#) for more information*

Prevention		Long term	√	Integration		Collaboration	√	Involvement	
<b>Equality and Health Impact Assessment Completed:</b>	Not Applicable If "yes" please provide copy of the assessment. This will be linked to the report when published.								



<b>Report Title:</b>	<b>2018-19 Cost Reduction Programme</b>					
<b>Meeting:</b>	<b>Finance Committee</b>				<b>Meeting Date:</b>	<b>30<sup>th</sup> January 2019</b>
<b>Status:</b>	<b>For Discussion</b>	<b>x</b>	<b>For Assurance</b>	<b>x</b>	<b>For Approval</b>	<b>For Information</b> <b>x</b>
<b>Lead Executive:</b>	<b>Executive Director of Finance</b>					
<b>Report Author (Title):</b>	<b>Assistant Director of Finance</b>					

## SITUATION

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.

## REPORT

### ASSESSMENT

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

As at month 9 £33.157m 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 £0.623m 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 £33.157m identified schemes:

- £21.604m has been identified against the £25.335m recurrent in year 3% element of the devolved target;
- £11.553m has been identified against the £8.445m non-recurrent 1% element of the devolved target.

On a full year basis the £25.335m target has been met across UHB. It is important that all Clinical and Service Boards meet the recurrent 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 9 £12.684m 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</b> <b>£'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 9</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 £33.157m 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 £0.623m. Completion of the CIP programme will need to be prioritised as a matter of urgency.

**ASSURANCE** is provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 9 reported position.

## RECOMMENDATION

The Finance Committee is asked to:

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

### Shaping our Future Wellbeing Strategic Objectives

*This report should relate to at least one of the UHB's objectives, so please tick the box of the relevant objective(s) for this report*

1. Reduce health inequalities		6. Have a planned care system where demand and capacity are in balance	
2. Deliver outcomes that matter to people		7. Be a great place to work and learn	
3. All take responsibility for improving our health and wellbeing		8. Work better together with partners to deliver care and support across care sectors, making best use of our people and technology	
4. Offer services that deliver the population health our citizens are entitled to expect		9. Reduce harm, waste and variation sustainably making best use of the resources available to us	x
5. Have an unplanned (emergency) care system that provides the right care, in the right place, first time		10. Excel at teaching, research, innovation and improvement and provide an environment where innovation thrives	

### Five Ways of Working (Sustainable Development Principles) considered

*Please tick as relevant, click [here](#) for more information*

Prevention		Long term	x	Integration		Collaboration		Involvement	
<b>Equality and Health Impact Assessment Completed:</b>	Not Applicable If "yes" please provide copy of the assessment. This will be linked to the report when published.								

## Savings Tracker Summary

### Month 9 In-Year Effect

Clinical Board	18-19 Target	Green	Amber	Total Green & Amber	Pipeline Red	Shortfall at Performance Review Month 9
	£'000	£'000	£'000	£'000	£'000	£'000
PCIC	6,600	6,952	122	7,074	150	-474
Specialist Services	4,038	3,712	396	4,108	618	-70
CD&T	3,442	2,655	853	3,509	941	-67
Mental Health	2,940	2,870	70	2,940	20	0
Medicine	3,754	3,259	513	3,771	584	-17
Capital Estates and Facilities	2,580	1,822	758	2,580	133	0
Surgery	4,714	4,100	439	4,538	1,398	176
Children & Women	3,550	2,508	745	3,253	569	297
Corporate Execs	1,362	1,128	23	1,151	457	211
Dental	800	233	0	233	84	567
<b>Total</b>	<b>33,780</b>	<b>29,239</b>	<b>3,918</b>	<b>33,157</b>	<b>4,954</b>	<b>623</b>

### 2018-19 Full Year Effect

	18-19 Target	Identified Green	Clinical Board - Amber	Total Green & Amber	Pipeline Red	Surplus at Performance Review Month 9
	(£)	(£)	(£)	(£)	(£)	£
PCIC	4,950	5,666	122	5,788	424	-838
Specialist Services	3,029	2,418	612	3,030	828	-1
CD&T	2,582	1,072	1,621	2,694	1,036	-112
Mental Health	2,205	1,812	30	1,842	20	363
Medicine	2,816	3,660	93	3,753	830	-937
Capital Estates and Facilities	1,935	864	1,145	2,009	380	-74
Surgery	3,535	3,054	492	3,545	2,674	-10
Children & Women	2,663	1,632	920	2,552	774	110
Corporate Execs	1,022	532	13	545	491	477
Dental	600	94	0	94	110	506
<b>Total</b>	<b>25,335</b>	<b>20,804</b>	<b>5,048</b>	<b>25,852</b>	<b>7,567</b>	<b>-518</b>

## WTE Tracker Summary

### Month 9 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	13.46	0.00	13.46	11.27
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>94.01</b>	<b>10.37</b>	<b>104.38</b>	<b>19.27</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	13.46	0.00	13.46	11.27
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>83.11</b>	<b>12.17</b>	<b>95.28</b>	<b>19.77</b>

## Progress against 2018-19 Devolved Recurrent and Non Recurrent Targets Month 9

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	5,396	109%	1,650	1,678	102%
Specialist Services	3,029	2,575	85%	1,010	1,533	152%
CD&T	2,582	1,878	73%	861	1,630	189%
Mental Health	2,205	1,822	83%	735	1,118	152%
Medicine	2,816	2,706	96%	939	1,066	114%
Capital Estates and Facilities	1,935	1,194	62%	645	1,386	215%
Surgery	3,536	3,011	85%	1,179	1,527	130%
Children & Women	2,663	2,389	90%	888	864	97%
Corporate Execs	1,022	539	53%	341	612	180%
Dental	600	94	16%	200	139	70%
<b>Total</b>	<b>25,335</b>	<b>21,604</b>	<b>85%</b>	<b>8,445</b>	<b>11,553</b>	<b>137%</b>

## Cross Cutting Tracker Weekly Summary 2018-19

### Month 9 In-Year Effect

Clinical Group	2018-19	Identified Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Surplus on Total Target vs Green & Amber
	(£'000)	(£)	(£)	(£)	(£)	£
Medical Productivity	2,000	979	308	202	1,287	713
Medicines Management	5,000	6,367	1,231	1,621	7,597	-2,597
Nursing Productivity	1,000	1,290	0	295	1,290	-290
Procurement	2,000	1,831	146	218	1,977	23
Workforce Productivity	2,000	534	0	0	534	1,466
<b>Total</b>	<b>12,000</b>	<b>11,000</b>	<b>1,684</b>	<b>2,336</b>	<b>12,684</b>	<b>-684</b>

### 2018-19 Full Year Effect

Clinical Group	2019-20	Identified Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Surplus on Total Target vs Green & Amber
	(£)	(£)	(£)	(£)	(£)	£
Medical Productivity	2,000	853	373	226	1,225	775
Medicines Management	5,000	7,126	1,539	3,150	8,665	-3,665
Nursing Productivity	1,000	1,893	8	478	1,901	-901
Procurement	2,000	1,728	247	292	1,975	25
Workforce Productivity	2,000	442	0	0	442	1,558
<b>Total</b>	<b>12,000</b>	<b>12,041</b>	<b>2,166</b>	<b>4,146</b>	<b>14,207</b>	<b>-2,207</b>

## Appendix B – CRP RAG Rating

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

<b>Report Title:</b>	<b>Finance Risk Register</b>							
<b>Meeting:</b>	<b>Finance Committee</b>					<b>Meeting Date:</b>	<b>30<sup>th</sup> January 2019</b>	
<b>Status:</b>	<b>For Discussion</b>	<b>x</b>	<b>For Assurance</b>	<b>x</b>	<b>For Approval</b>		<b>For Information</b>	<b>x</b>
<b>Lead Executive:</b>	<b>Executive Director of Finance</b>							
<b>Report Author (Title):</b>	<b>Assistant Director of Finance</b>							

## SITUATION

This report highlights the Finance Risk Register risk categorisation by severity of risk as at 30<sup>th</sup> January 2019. The detailed risk register is shown in Appendix 1.

## REPORT

### ASSESSMENT

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

#### UHB Financial Risks at 30<sup>th</sup> January 2019

<b>Risk Category</b>	<b>Risk Score</b>	<b>Number of Risks as at 30 January 2019</b>
Extreme Risk	20 - 25	1
High Risk	12 - 16	1
Moderate Risk	4 - 10	17
Low Risk	1 - 3	0

## SUMMARY

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

**ASSURANCE** is provided by:

- The scrutiny of the Risk Register undertaken by the Finance Committee;

**RECOMMENDATION**

The Finance Committee is asked to:

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

**Shaping our Future Wellbeing Strategic Objectives**

*This report should relate to at least one of the UHB’s objectives, so please tick the box of the relevant objective(s) for this report*

1. Reduce health inequalities		6. Have a planned care system where demand and capacity are in balance	
2. Deliver outcomes that matter to people		7. Be a great place to work and learn	
3. All take responsibility for improving our health and wellbeing		8. Work better together with partners to deliver care and support across care sectors, making best use of our people and technology	
4. Offer services that deliver the population health our citizens are entitled to expect		9. Reduce harm, waste and variation sustainably making best use of the resources available to us	x
5. Have an unplanned (emergency) care system that provides the right care, in the right place, first time		10. Excel at teaching, research, innovation and improvement and provide an environment where innovation thrives	

**Five Ways of Working (Sustainable Development Principles) considered**

*Please tick as relevant, click [here](#) for more information*

Prevention		Long term	x	Integration		Collaboration		Involvement	
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**Equality and Health Impact Assessment Completed:**

Yes / No / Not Applicable  
If “yes” please provide copy of the assessment. This will be linked to the report when published.

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 9 ULD is £36.3m 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	Jan-19	Assistant Director of Finance	Feb-19	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 9 budgets have an operational overspend of £0.003m.	4	1	4	Adequate but more Action Required		4	1	4	Jan-19	Assistant Director of Finance	Feb-19	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 9 the UHB is £0.623m short of delivering the in year devolved target.	4	2	8	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	Jan-19	Assistant Director of Finance	Feb-19	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	Jan-19	Assistant Director of Finance	Feb-19	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	Jan-19	Assistant Director of Finance	Feb-19	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.	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	Jan-19	Assistant Director of Finance	Feb-19	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 signed off by Management Executive.	3	3	9	Adequate but more Action Required	Progress report to be received through performance review meetings.	3	2	6	Jan-19	Assistant Director of Finance	Feb-19	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	Jan-19	Assistant Director of Finance	Feb-19	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 9 the nursing overspend was £1.779m.	4	3	12	Adequate but more Action Required	None	2	3	6	Jan-19	Assistant Director of Finance	Feb-19	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	2	6	Adequate but more Action Required	None	2	2	4	Jan-19	Assistant Director of Finance	Feb-19	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	2	6	Adequate but more Action Required	None	2	2	4	Jan-19	Assistant Director of Finance	Feb-19	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	2	4	Adequate but more Action Required	None	2	2	4	Jan-19	Assistant Director of Finance	Feb-19	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	Jan-19	Assistant Director of Finance	Feb-19	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	Jan-19	Assistant Director of Finance	Feb-19	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	Jan-19	Assistant Director of Finance	Feb-19	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	Jan-19	Assistant Director of Finance	Feb-19	The Board	Director of Finance	Finance Committee
Finance	Fin20/18	Aug-18	WG Additional winter plan investment (£1.8m) manage within available resources	Winter Plan spend profile is being closely monitored against plan	3	2	6	Adequate but more Action Required	None	3	2	6	Jan-19	Assistant Director of Finance	Feb-19	The Board	Chief Operating Officer	Finance Committee
Finance	Fin21/18	Sep-18	Payment of working time directive holiday pay for staff working overtime	Risk assessed and being discussed across Wales	3	3	9	Adequate but more Action Required	None	3	2	6	Jan-19	Assistant Director of Finance	Feb-19	The Board	Director of Finance	Finance Committee
Finance	Fin22/18	Sep-19	HSE Case in year potential liability	HSE case progress being closely monitored	2	2	4	Optimum Controls/NFA Required	None	2	2	4	Jan-19	Assistant Director of Finance	Feb-19	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
<u>Frequency</u> How often does it might it happen	This will probably never happen/ recur	Do not expect it to happen / recur but it is possible it may do so	Might happen or recur occasionally	Will probably happen/recur but it is not a persisting issue	Will undoubtedly happen/recur, possibly frequently
<u>Probability</u> Will it happen or not? % chance of <u>not</u> meeting objective	<0.1 per cent	0.1-1 per cent	1 -10 per cent	10-50 per cent	>50 per cent

**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**

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