

CONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 25th APRIL 2018

LARGE MEETING ROOM, HQ, UHW

Present:

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

In Attendance:

Secretariat:

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

The Chair welcomed everyone to the meeting.

FC – 18/185 APOLOGIES FOR ABSENCE

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

FC – 18/186 DECLARATIONS OF INTEREST

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

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

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

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

FC - 18/188 ACTION LOG FOLLOWING THE LAST MEETING

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

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

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

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

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

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

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

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

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

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

ACTION: CHIEF EXECUTIVE

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

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

ACTION: DIRECTOR OF FINANCE

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

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

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

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

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

FC - 18/190 FINANCE REPORT AS AT MONTH 12

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

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

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

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

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

ACTION: DIRECTOR OF FINANCE

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

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

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

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

ACTION: DEPUTY DIRECTOR OF FINANCE

LIMITED ASSURANCE was provided by:

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

The Finance Committee:

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

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

FC - 18/191 COST REDUCTION PROGRAMME

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

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

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

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

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

The Finance Committee:

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

FC - 18/192 RISK REGISTER

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

The Finance Committee:

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

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

No other items to bring to the main Board.

FC - 18/194 DATE AND TIME OF NEXT MEETING

Wednesday 30th May; 2.00pm; Large Meeting Room, HQ, UHW