

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

**HELD ON 31<sup>st</sup> OCTOBER 2018**

**LARGE MEETING ROOM, HQ, UHW**

### **Present:**

John Union	Chair (Finance Committee)
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
Nicola Foreman	Director of Corporate Governance
Robert Chadwick	Executive Director of Finance
Dr Sharon Hopkins	Director of Transformation and Deputy Chief Executive
Steve Curry	Chief Operating Officer

### **Secretariat:**

Paul Emmerson	Finance Manager
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### **FC – 18/255 WELCOME AND PURPOSE OF THE COMMITTEE**

The Chair welcomed everyone to the meeting.

### **FC – 18/256 APOLOGIES FOR ABSENCE**

Apologies were received from John Antoniazzi, Maria Battle, Martin Driscoll and Ruth Walker.

### **FC – 18/257 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 – 18/258 MINUTES OF THE FINANCE COMMITTEE HELD ON 26<sup>th</sup> SEPTEMBER 2018**

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 26<sup>th</sup> September 2018.

## **FC - 18/259 ACTION LOG FOLLOWING THE LAST MEETING**

The Committee **RECEIVED** the Action Log from the meeting of 26<sup>th</sup> September 2018 and **NOTED** the following:

**FC - 18/189 – PUBLIC SECTOR PAYMENT POLICY COMPLIANCE** - Report on impact of No Purchase Order No Payment Policy to be shared with Finance Committee following All Wales implementation in June 2018. **Complete** – Report provided to the October 2018 Finance Committee.

**FC - 18/200 REVISED TERMS OF REFERENCE FINANCE COMMITTEE** - Revised TOR to be taken to the Board for approval. **Complete** – Revised TOR and a covering paper to request ratification of the revised TOR were on the agenda of the Board meeting scheduled for the 27th September 2018.

**FC - 18/225 DETAILED REVIEW OF THE FORECAST YEAR END POSITION AT CLINICAL BOARD LEVEL TO BE UNDERTAKEN AFTER THE CONFIRMATION OF THE MONTH 4 POSITION.** **Complete** – Clinical Boards have finalised a detailed forecast position profiled for the remainder of the year based on the month 6 position and this is included in the Finance report to the October Finance Committee.

**FC - 18/225 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 was asked to pick this up in October and has surveyed bank staff who have indicated their support for a move to weekly pay. The purpose is to increase the uptake of UHB staff working bank shifts; especially to cover winter pressures, vacancy/sickness gaps and to reduce expensive agency cost. The UHB wished to provide substantive nurses who work bank shifts a weekly pay option from December. NWSSP are reviewing the wider opportunity for weekly pay on the assumption that this will offer better options to the UHB and has promised to keep the UHB updated on progress. However preferred options are unlikely to be implemented for December in part due to the additional workload in implementing the Medical & Dental pay award.

Subsequent to the assessment of preferred options the Finance Committee requested a speedy implementation.

### **ACTION**

#### **Executive Nurse Director**

It was agreed that once implemented the initiative should be reviewed after 6 months 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.** The Executive Nurse Director is generally unable to attend the Finance Committee when it is held on the last Wednesday of the month due to national and external commitments. The Executive Nurse Director has offered to arrange a meeting with the Independent Members on the Finance Committee to provide assurance of Corporate Nursing actions if required. In addition the possibility of using the last Thursday in each calendar month where there was not a scheduled Board meeting would be investigated. The December meeting is currently scheduled for Thursday January 3rd 2018.

**FC - 18/249 REVIEW OF RAG RATING OF RISKS ON THE FINANCE RISK REGISTER Complete** – Risks were reviewed and re-categorised for the October 2018 Risk Register.

## **FC - 18/260 FINANCE REPORT AS AT MONTH 6**

The Deputy Director of Finance presented the UHB's financial performance to month 6 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 plan fell by £0.033m in month. The committee was reminded that even though the UHB was on track to deliver the planned £9.9m deficit that it would still fail to meet its statutory break even duty in 2018/19. Given the duty to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years the committee was advised that it was also unlikely that the UHB would meet its statutory break even duty in 2019/20.

Moving onto the Month 6 Finance Dashboard three of the measures remained rated 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 continued at £39.1m at month 6 and this is RAG rated red.
- The forecast year end cash deficit was now £24.793m and remained RAG rated red. The UHB expected to formally request cash assistance from Welsh Government later in the year.

In response to a query, the Deputy Director of Finance confirmed that the UHB had received a positive response to its request for Capital Working Balance Cash from Welsh Government. It was noted that capital and revenue cash are managed

separately by Welsh Government and that the UHB would submit a separate request to cover revenue cash.

The UHB had reported a deficit of £5.705m for the year to date which was made up of a planning deficit of £4.950m (6/12 of the £9.9m planned deficit) and a £0.755m adverse variance against plan.

The UHB Vice Chair (CJ) asked whether the UHB was confident of recovering the £0.755m overspend against plan in the final 6 months of the year and the Deputy Director of Finance indicated that as long as Clinical Boards delivered their year-end forecasts the UHB could be reasonably confident of delivering on plan due to investment slippage and other non recurrent opportunities.

The cumulative deficit of £1.094m reported against income budgets was noted and the Committee was asked to note the following:

- part of the £0.393m underrecovery in other operating income was due to seasonal fluctuation in critical care activity.
- CRU income recovery where there was a year to date shortfall of £0.159m is largely outside the control of the UHB.
- LTA provider performance was reporting a £0.495m shortfall against income targets primarily due to Aneurin Bevan and Cwm Taf activity where there was an in month deterioration of £0.285m against the cost per case orthopaedic contract and the UHB was working to establish whether the downturn was due to demand or supply issues so that remedial actions to improve the position could be explored.

The Deputy Director of Finance covered the pay pressures that had unfolded in year and advised that a balanced position was reported in month against medical and dental budgets, however nursing budgets reported a £0.193m in month overspend the majority of which was recurrent.

Moving onto non-pay the committee was advised that the key pressure area was in clinical services and supplies with the majority of the cumulative variance due to overspends in theatres and specialist services. A £0.462m cumulative underspend at Month 6 against commissioned services was primarily due to underspends on Long Term Agreements with Cwm Taf HB, Abertawe Bro Morgannwg HB and Velindre Trust. Part of the under-spend was offset by pressures in out of area mental health and continuing healthcare placements.

The Committee was informed that the forecasting exercise undertaken by Clinical Boards suggested that a £4.5m overspend would be reported against delegated budgets at year end. This would be managed through £4.5m of non recurrent corporate opportunities that had emerged in year. Delegated budgets had reported a £2.4m overspend for the year to date. The UHB Vice Chair (CJ) enquired whether the use of non recurrent funding had an impact on the UHB's underlying deficit. In response the Deputy Director of Finance indicated that whilst Clinical Boards had not

yet identified plans to achieve the 2018/19 savings target, the full year effect of the schemes met the recurrent target. It was stressed that further advances in reducing the £39.1m underlying deficit outlined in table 18 of the main report was key to the development of an approvable 2019/20 plan.

The UHB's Vice Chair (CJ) noted the continuing improvement in the UHB's Public Sector Payment Compliance rate.

The management of budget pressures and delivery of identified savings were still the key risks to the achievement of the plan and the committee was advised that these risks are diminishing as time passed and further progress was made on the plan.

In the context of the present year and future plans, the Director of Finance advised the committee that the UHB needed to make headway into the management of nursing risks and pressures before year end and that workforce plans that were consistent with the financial and human resources available to the UHB needed to be established. In respect of savings plans the Director of Finance advised that 2018/19 unachieved CRPs would be carried forward by Clinical Boards to 2019/20. In this context the Director of Transformation indicated that the UHB needed to ensure that the assessment of Clinical Board performance and plans triangulated finance, activity and patient safety measures.

The UHB Vice Chair (CJ) asked what mechanisms were in place to manage Clinical Boards which presented un-approvable IMTPs. The Director of Finance indicated the process was fluid and under review and also that the UHB was developing a framework to identify workforce plans on a timely basis so that they could be delivered at the earliest opportunity in 2019/20. The Chief Executive added that the Executive Director of Workforce was focussing on leadership training through the organising for success development and that this was intended to enable the production of approvable plans within the Health Board.

The Finance Committee Chair (JU) asked whether successful internal and external initiatives were communicated through the organization. The Chief Executive indicated that some of the successful MDT work in PCIC e.g. musculoskeletal was rolling out across clients and added that further work was required to roll out transformative programmes gleaned through other partners e.g. Canterbury Health System and Local Health Boards.

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

**LIMITED ASSURANCE** was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 6 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 £5.405m deficit at month 6 which includes a planning deficit of £4.950m and an adverse variance against plan of £0.755m;
- **NOTED** the key concerns and actions being taken to manage risks.

### **FC - 18/261 WELSH GOVERNMENT UPDATE: WG & HSS BUDGET 2019/20; NHS PLANNING FRAMEWORK 2019/22; RESOURCE ALLOCATION REVIEW**

The Deputy Director of Finance proceeded to advise the Committee of the key points arising from a planning update provided to All Wales Directors of Finance by Welsh Government as follows:

- Following the 2019-20 UK Government Budget of 29 October 2018, final Welsh Government budgets were expected to be published on December 18 2018.
- More than £500m extra health and social care revenue funding would be available in 2019/20 – This included £220m funding to meet the Nuffield gap and £287m extra as a consequence of the uplift in funding for the NHS in England. This will be used to fund performance, NHS pay and prevention. It was estimated that a significant share of the additional funding would be required to cover the agenda for change & DDRB pay deals.
- An additional £41m capital would be available to the NHS in 2019-20 and additional £20m would be available in 2020-21.
- The NHS Planning Framework 2019/22 required the submission of Final IMTPs by 31st January 2019. Before this date Welsh Government planned a number individual engagement meetings to ensure that the progression IMTPs was consistent with national priorities and objectives.
- There is an expectation that Health Boards will implement opportunities identified through the Efficiency Framework around four key domains of population health, technical efficiency and productivity, whole systems and shared opportunities
- Welsh Government were in the process of reviewing the allocation of funding to Health Boards in Wales and had undertaken a review of existing Resource Allocation Formulas across the world to establish common features.
- Welsh Government had indicated that most health funding formulas were dependent on measures of Population, Demography - Age/Sex and Need (including unmet needs) and could also include adjustments for variation in Rurality / Remoteness, Ethnicity, Market Forces Factor and Overseas Visitors.
- Further testing was required to establish the feasibility of potential formulas for application in Wales. At this stage the financial consequences for Cardiff & Vale UHB of moving towards a formula for resource allocation were uncertain

as the share of resources across Wales would be sensitive to the variables adopted within a formula.

The Finance Committee Chair (JU) asked whether the UHB had finalised a timetable for the production of the IMTP and it was agreed that an update in respect of the 2019/20 Financial Plan would be brought back to the next meeting.

## **ACTION**

### **Deputy Director of Finance**

The Finance Committee:

- NOTED the Welsh Government update on planning parameters and processes.

### **FC - 18/262 CLINICAL BOARDS IN ESCALATION**

The Chief Operating Officer confirmed that an additional Clinical Board had moved into escalation since the last Committee meeting meaning that there were currently 5 Boards in escalation where the required level of assurance was not attained in respect to finance, activity and quality and safety.

Progress had been made in month in reducing the forecast year end deficits for both the Women & Children and CD & T Clinical Boards. The Executive Director of Workforce was providing additional support to the Medicine Clinical Board so that sickness rates and the reliance on agency staff could be improved. Further progress with the Surgery Clinical Board was expected to be made at a forthcoming meeting and the framework for the management and delivery of services provided through the Dental Clinical Board was going through a consultation process.

In response to a query from the UHB Vice Chair (CJ) the Chief Operating Officer indicated that the decision to de-escalate a Clinical Board was taken jointly with the Director of Finance and Nurse Director based on objective measures of finance, performance and safety and the level of assurance offered by Clinical Board plans and remedial actions.

The Finance Committee:

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

### **FC - 18/263 COST REDUCTION PROGRAMME**

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

- At the end of the month, £31.755m of schemes had been identified as Green or Amber against the devolved 4% savings target of £33.780m, leaving a gap of £2.025m
- £21.097m has been identified against the £25.335m recurrent 3% element of the devolved target.
- £10.658m has been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at month 6 £12.280m 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 that the £2.025m gap against delegated savings targets at the end of September had fallen to £1.369m as at 22<sup>nd</sup> October, however it was noted that the reduction was due to non recurrent opportunities and therefore there was no reduction in the underlying position.

Work was now being focussed on those Clinical Boards and Directorates who had not met their recurrent CRP target. The Director of Transformation indicated that the UHB focus on workforce re-design was key to unlocking further recurrent savings and highlighted the emergency surgery plan as an example of a re-organized service which has led to better cost effective outcomes.

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 - 18/264 RISK REGISTER**

The Assistant Director of Finance presented the 2018/19 Risk Register and informed the Finance Committee that no new risks had been added to the register in month.

The Committee was asked to authorise the removal of 2 risks from the register where optimum controls were in place in respect of the delivery of 1% non recurrent CIP and the delivery of financial opportunities of £9.3m to achieve the £9.9m year-end deficit.

The Finance Committee:

- **NOTED** the risks highlighted within the risk register.
- **APPROVED** the removal of the following 2 risks:



- Deliver 1% non recurrent CIP
- Develop and deliver financial opportunities of £9.3m to achieve the £9.9m year-end deficit

## **FC - 18/265 NO PURCHASE ORDER NO PAYMENT POLICY – UPDATE REPORT**

The Deputy Director of Finance confirmed that the policy had been implemented across Wales in June 2018 and that the key feature of the No PO/No Pay policy is that invoices arriving in the system without an order number are returned to the supplier unpaid until an official purchase order is given.

The committee's attention was drawn to table 1 within the report which showed that 1,325 Cardiff and Vale invoices were on hold without a valid purchase order as at October 2018 which was the highest number in NHS Wales. It was noted that 50% of the current Cardiff & Vale holds were with 2 suppliers relating to the supply of staff and that a solution was in the process of being worked through.

The UHB Vice Chair (CJ) asked for the number of invoices on hold to be reported back to the committee in 3 months time so that the position could be re-assessed.

### **ACTION**

#### **Deputy Director of Finance.**

It was confirmed that invoices without a PO order number were excluded from compliance scores.

Table 2 of the report identified the improvement in Cardiff and Vale's PSPP Compliance Rate since the end of 2017/18.

## **FC - 18/266 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES**

No other items to bring to the main Board.

## **FC - 18/267 DATE AND TIME OF NEXT MEETING**

Wednesday 28<sup>th</sup> November; 2.00pm; Large Meeting Room, HQ, UHW