

**CONFIRMED MINUTES OF FINANCE COMMITTEE
HELD ON 3rd JANUARY 2019
LARGE MEETING ROOM, HQ, UHW**

Present:

Charles Janczewski	CJ	Vice Chair (Board)
John Union	JU	Independent Member – Finance

In Attendance:

John Antoniazzi	JA	Independent Member –Estates
Steve Curry	SC	Chief Operating Officer
Martin Driscoll	MD	Director of Workforce and OD
Andrew Gough	AG	Assistant Director of Finance (Transformation & Planning)
Abigail Harris	AH	Executive Director of Planning
Charles Janczewski	CJ	Vice Chair
Len Richards	LR	Chief Executive
Sartha Rajoo		National Graduate Finance Trainee
Ruth Walker	RW	Executive Nurse Director

Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

Maria Battle	MB	Chair
Nicola Foreman	NF	Director of Corporate Governance
Robert Chadwick	RC	Director of Finance
Sharon Hopkins	SH	Director of Public Health

WELCOME AND INTRODUCTIONS

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

APOLOGIES FOR ABSENCE

Apologies for absence were noted.

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

ACTION

FC 18/283

MINUTES OF THE BOARD MEETING HELD ON 28th NOVEMBER 2018

Resolved – that:

- (a) The Finance Committee received and approved the minutes of the meeting held on 28th November 2018

FC 18/284

ACTION LOG FOLLOWING THE LAST MEETING

Resolved – that:

The Board received the Action Log from the meeting held on 28th November 2018

FC 18/225
FC 18/259

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.

Charles Janczewski, UHB Vice Chair 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. Charles Janczewski, UHB Vice Chair, 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.

Resolved – that:

- (a) The Finance Committee noted the initiative would be reviewed after 6 months

RW

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.

John Union, UHB Independent Member 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.

Resolved – that:

- (a) The Finance Committee noted the update

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.

Resolved – that:

- (a) The Finance Committee noted the update

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 3rd 2019.

Hoping the HSMB will agree outlines today as this will change the shape

Resolved – that:

- (b) The Finance Committee noted the update

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

Resolved – that:

- (c) The Finance Committee noted the update

FC 18/275

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 4th. 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 Abigail Harris, 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. Steve Curry, 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 Officer 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 John Union, Board's Independent Member – Finance asked whether Welsh Government now acknowledged this figure. Chris Lewis, 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.

Charles Janczewski, UHB Vice Chair 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. Charles Janczewski, UHB Vice Chair 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 John Union, Board's Independent Member – Finance, Len Richards, 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.

Resolved – that:

- (a) Process to enable submission of the IMTP to Welsh Government

Chris Lewis, 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.

Resolved – that:

- (a) 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.

FC18/287

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 (FRM).

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.

John Antoniazzi, the Finance Committee Chair 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.

CL

Resolved – that:

- (a) The Finance Committee noted the update

FC18/288

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.

Resolved – that:

- (a) The Finance Committee noted the actions being taken to manage financial performance

FC18/289

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.

Resolved – that:

- (a) The Finance Committee noted the progress against the £33.780m devolved 2018/19 CRP target and the Cross Cutting contribution
- (b) The Finance Committee noted that the £9.266m improvement target had been achieved without any adverse impact on service delivery

FC18/290

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.

Resolved – that:

- (c) 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 OF THE NEXT MEETING OF THE BOARD

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