

**CONFIRMED MINUTES OF FINANCE COMMITTEE
HELD ON 25th SEPTEMBER 2019
EXECUTIVES MEETING ROOM, WOODLAND HOUSE**

Present:

John Antoniazzi	JA	Chair, Independent Member – Estates
Charles Janczewski	CJ	Vice Chair (Board)
Andrew Gough	AG	Assistant Director of Finance
Chris Lewis	CL	Deputy Director of Finance
Len Richards	LR	Chief Executive
Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
Ruth Walker	RW	Executive Nurse Director
Steve Curry	SC	Chief Operating Officer

In Attendance:

Mark Jones	MJ	Welsh Audit Office
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Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

Abigail Harris	AH	Executive Director of Planning
John Union	JU	Independent Member – Finance
Nicola Foreman	NF	Director of Corporate Governance
Robert Chadwick	RC	Executive Director of Finance

FC 19/093	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 19/094	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 19/095	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 19/096	MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 31st JULY 2019	
	The minutes of the meeting held on 31 st July 2019 were reviewed for accuracy. Subject to an amendment to the meeting date reference the minutes of the meeting were agreed as a true and accurate record.	
	Resolved – that:	

	The minutes of the meeting held on 31 st July 2019 were approved by the Committee as an accurate record.	
FC 19/097	<p>ACTION LOG FOLLOWING THE LAST MEETING</p> <p>FC19/085 – A summary of the key remedial actions planned to move towards Financial Balance alongside a comparison of actual Clinical Board performance against forecast performance would be reported to the next Finance Committee.</p> <p>A presentation on Plans to Deliver a Break Even Position is to be considered as part of the agenda of the Finance Committee held on the 25th September 2019.</p> <p>Action Complete.</p> <p>Resolved – that:</p> <p>The Finance Committee received the Action Log and noted the completed action.</p>	
FC 19/098	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 19/099	<p>FINANCE REPORT AS AT MONTH 5</p> <p>The Deputy Director of Finance presented the UHB’s financial performance to month 5 and highlighted that the UHB had reported a deficit of £2.817m which included an in month overspend of circa £0.410m. The cumulative overspend was within the expected profile of spend at this point of the year and the Deputy Director of Finance confirmed that the UHB plans to reach a balanced year end position would be outlined in further detail in the presentation to follow.</p> <p>The UHB Vice Chair (CJ) indicated that in view of the continuing overspend that the Committee required assurance that the UHB’s plans to reach a balanced year end position were robust and deliverable. In addition the UHB vice chair (CJ) asked for the Finance Committee to be informed of performance against the projected recovery profile on a monthly basis moving forwards. Picking up on the requests the Deputy Director of Finance indicated that the plan to break even would be outlined in the presentation to follow on the agenda and added that it was intended that a comparison of actual performance against the forecast recovery profile would be incorporated within the Monthly Finance Report which was a standing item on the agenda of future Finance Committee meetings.</p> <p>Four measures remained RAG rated Red on the Finance Dashboard namely: remaining within revenue resource limits; the reduction in the underlying deficit to £4m; the delivery of the recurrent £16.345m 2% devolved target; the delivery of the £12.8m recurrent/non</p>	Executive Director of Finance

recurrent corporate target. It was indicated that greater assurance of delivery against the 4 red rated measures was expected to be gained as the UHB moved into the second half of the year.

Performance against Income targets including LTA performance was again broadly break even.

The pay position was underspent in month and cumulatively underspent by £1.2m. In response to a query from the Finance Committee Chair (AC) the Deputy Director of Finance indicated that the underspend was relatively small and was a result of both fortuitous and managed vacancies. The Executive Director of Workforce and Organisational Development confirmed that the vacancy panel considered whether a vacancy needed to be filled immediately when considering requests.

It was noted that the trend in nursing overspends had improved in month and that this was in part a result of further funding which had been secured by the Women and Children's Clinical Board to support nursing posts in the Children's Hospital which had a retrospective impact on the reported position.

The Executive Nurse Director provided an update on the nursing position and reminded the Committee of the progress that the UHB had already made, namely: eradicating the use of off contract agency and Healthcare support worker agency; implementing a new model for assessing specialising requirements in the Medicine Board which is now to be rolled out to other Clinical Boards; and trialling a tool in the Medicine Clinical Board to enable ward sisters to visualize the financial impact of filling each shift with either agency, bank or overtime before roll out to other Clinical Boards.

The UHB was now focussing on areas of high spend and in this context the UHB was about to trial an initiative to tackle the significant level of agency cost which on average was incurred every Sunday. The Committee was informed that a switch to permanent staff would enhance patient safety and it was noted that a Sunday agency shift was 85% more expensive than a comparable bank shift. The initiative aimed to use the UHBs resources more effectively by switching off all Sunday agency shifts. Some wards would continue to be able to access agency shifts on a Sunday subject to an evaluation of the risks and benefits during the trial period. During the trial period requests to use agency staff would be scrutinized through the Nursing hierarchy.

On a related issue, it was also noted that other initiatives in respect of bank and rostering were being progressed nationally.

Referring to patient safety the Chief Executive indicated to the Committee that the UHB had fully established and funded rosters which were compliant with the Nurse Staffing Act.

In this context the Executive Nurse Director indicated that the UHB

was unable to fill all shifts due to vacancies and the unavailability of temporary staff. However the number of substantive nursing staff employed by the UHB was increasing with the number of nurses employed by the UHB being circa 255 more than the previous year with 154 new graduates currently moving through preceptorship. In addition the UHB was recruiting nurses from overseas to progress through the NMC adaptation programme.

The UHB Vice Chair (CJ) noted that the progress on recruitment was encouraging and enquired whether the attrition rate offered similar assurance. The Executive Director of Workforce and Organisational Development indicated that the attrition rate across the UHB was approximately 11% which was towards the middle of the 8-15% range reported by most cities. It was noted that some movement was expected due to grading and the age profile of nursing staff.

The Finance Committee Chair (JA) asked how the UHB could ensure that it was attractive to staff currently working in other areas and in response the Executive Nurse Director indicated that the UHB was able to promote itself as a centre of excellence in a number of services e.g. midwifery and the children's hospital. The availability of modern buildings and facilities in a number of areas alongside the UHB's rotation programme was also an appeal to potential recruits.

Moving on, the Deputy Director of Finance indicated that non pay was continuing to overspend with significant pressures in continuing healthcare, prescribing and premises and fixed plant. It was noted that an overspend had emerged in month against commissioned services.

Clinical Boards (including Capital Estates and Facilities) had reported a cumulative overspend of £5.5m for the year to date.

It was highlighted that the overspends of £1.5m in PCIC and £2.2m in Medicine were the largest Clinical Board Variances. The UHB Vice Chair (CJ) indicated that the report suggested that in percentage terms that the overspend in Medicine at 4% was more significant than in PCIC where the overspend was 1%. The Chief Operating Officer informed the Committee that pay pressures particularly in nursing were the main focus in the Medicine CB and that there were signs that performance in this area was improving. The pressures in PCIC were largely a consequence of category M drug costs, NICE approved drugs and an increase in continuing healthcare clients. Members of the UHBs executive team had recently met with PCIC to consider the overspend that had emerged in year. It was noted that the UHB's prescribing spend compared relatively well with the rest of Wales and that the in year pressure was a consequence of an increase in category M drug tariffs and the implementation of NICE approved drugs. The pressure in continuing healthcare had arisen as the number of new clients entering the system in year was 40% higher than the number of clients currently exiting services. In respect of continuing healthcare the Chief Operating Officer indicated that the UHB intended to reconsider the way that complex packages

	<p>are managed.</p> <p>The Deputy Director of Finance informed the Committee that all Clinical Boards had been tasked to reach the best financial position that they could by year end.</p> <p>The UHB vice chair (CJ) asked what was driving the additional security costs being reported against capital and estates. The Chief Executive explained that a number of sites had remained opened longer than expected and that this had led to the requirement for additional security. The security provided at Whitchurch was partly in response to concerns from the local community after a number of incidents on the site. It was also noted that the 24 hour security presence at Woodland House was a pressure against budgets.</p> <p>The UHB had a fully identified savings plan and there was a big push to move the amber schemes to a green rating as soon as possible.</p> <p>It was noted that the UHB's PSPP performance continued to exceed the 95% target; cash plans were currently on target with the UHB not expecting to request additional cash support in 2019/20 and that there was some slippage against capital expenditure profiles at month 5 which was expected to be recovered by year-end.</p> <p>In conclusion the Deputy Director of Finance highlighted that the key risks to the Plan was the management of budgets to deliver a balanced financial position by year end and this risk was assessed as being up to £4m.</p> <p>ASSURANCE was provided by:</p> <ul style="list-style-type: none"> • The scrutiny of financial performance undertaken by the Finance Committee and the UHBs intention to recover the year to date deficit and deliver a break even position by the year end as planned. <p>Resolved – that:</p> <p>The Finance Committee noted that the UHB has an approved IMTP which includes a balanced Financial Plan for 2019/20;</p> <p>The Finance Committee noted the £2.817m deficit at month 5;</p> <p>The Finance Committee noted the key concerns and actions being taken to manage risks</p>	
<p>FC 19/100</p>	<p>PLANS TO DELIVER A BREAK EVEN POSITION (presentation)</p> <p>The Deputy Director of Finance presented the Plans To Deliver A Break Even Position.</p> <p>The Committee was reminded that the UHB brought forward an underlying financial deficit of £36.3m into 2019/20. The Deputy</p>	

Director of Finance then described how the UHB had developed a balanced financial plan for 2019/20 founded on the application of additional funding provided by Welsh Government; the management of cost pressures and investments; and the delivery of a savings programme of c£30m.

The UHB had reported an in month deficit of £0.407m and a cumulative deficit of £2.817m against its balanced financial plan at month 5. The Committee was informed that the main element of the cumulative deficit was a £5.468m overspend by delegated budget holders which was in part mitigated by a £2.651m underspend on central budgets. At month 5 the UHB was still forecasting a balanced year end position on the assumption that the year to date deficit would be recovered.

The Deputy Director of Finance then described the process that the UHB had followed to develop and maintain its financial forecast.

The main elements of the process were: the production of Clinical Board financial forecasts at month 2 which were subsequently challenged at Executive Performance Reviews and escalation meetings; the identification of corporate opportunities and unavoidable corporate risks; the development of a risk adjusted forecast to identify the risks requiring management and the scale of risk in the forecast; and discussion and agreement of the Financial Forecast at management executive at month 4 with an update at month 5.

The initial forecast had indicated a forecast year end overspend of c £4m. This initial forecast was then refined to reflect visible risks and opportunities leading to a risk adjusted year end forecast overspend of c £0.950m. In the context of the UHB's overall budget this forecast was considered to represent a broadly balance financial position.

The Committee was informed that on the basis of its risk adjusted financial forecast the UHB had signalled to Welsh Government that it intended to recover the £2.817m year to date deficit at month 5 and deliver a year end break even position. The UHB had acknowledged that the delivery of break-even required concerted management attention and was not without risk of delivery which the UHB assessed to be up to £4m. In addition Welsh Government was informed that the forecast year end break even position assumed full delivery of the savings plan and excluded risks relating to the Welsh Risk Pool.

The Deputy Director of Finance then moved on to describe the monthly forecast profile that had previously been provided to Welsh Government which showed that the UHB's overspend was expected to increase in month 6 before a gradual recovery of the overspend in the last 6 months of the year. It was noted that at month 5 UHB performance was marginally better than the forecast profile. On the basis of the updated forecast and plan, the Deputy Director of Finance noted that this profile would need to be revised for month 6.

Executive
Director of
Finance

	<p>The Chief Executive confirmed that at this stage the UHB was in a position to recover the position without recourse to contentious decisions if it grasped and delivered opportunities which it had already identified.</p> <p>In a similar vein, the Deputy Director of Finance described the monthly forecast profile for Clinical Boards which showed that the Clinical Board overspend was expected to increase up until month 11 before a partial recovery in the final month of the year. It was noted that at month 5 Clinical Boards aggregate performance was £0.370m worse than the forecast profile.</p> <p>The Finance Committee Chair (JA) asked how Clinical Boards were incentivised to manage operational pressures and the Chief Executive indicated that the established performance review process was the primary means of ensuring that Clinical Board operations aligned with corporate objectives. In addition personal reputation and the establishment of a sustainable service which could be further developed were motivations for Clinical Boards.</p> <p>The main risks to the forecast position were described as: the requirement to manage the risk adjusted position across a number of areas; the progression of amber savings schemes to green; maintenance of expenditure restraints; Winter funding; the absence of a contingency reserve to cover unexpected pressures; Closing down the residual £1m risk; and Clinical Board improvement plans.</p> <p>The Deputy Director of Finance then concluded by advising that financial performance would be managed by: monitoring the monthly position against profile; managing Clinical Board Performance via the monthly Executive Performance Reviews; managing the overall position via Management Executive; ‘banking’ opportunities as they become available; determining if and when expenditure restraints need to be enhanced; and providing assurance to the Finance Committee.</p> <p>The Finance Committee Chair (JA) requested that an update forecast be brought back to all future Finance Committee meetings for the remainder of the Financial Year so that assurance could be provided on delivery of a break even position.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the plans and actions required to deliver a break even position in 2019/20.</p>	Executive Director of Finance
FC19/101	<p>CLINICAL BOARDS IN ESCALATION</p> <p>The Chief Operating Officer confirmed that the number of Clinical Boards in escalation remained at 3. There were concerns around the financial performance of the Medicine, PCIC and Surgery Clinical Boards.</p>	

	<p>It was noted that the financial performance of Surgery had improved in month 5.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the actions being taken to manage financial performance</p>	
<p>FC19/102</p>	<p>COST REDUCTION PROGRAMME AND CROSS CUTTING THEME</p> <p>The Assistant Director of Finance asked the Finance Committee to note the 2019/20 Cost Reduction Report which included the following key points:</p> <ul style="list-style-type: none"> • At 31st August 2019 £15.943m of schemes had been identified as Green or Amber against the devolved 2% savings target of £16.345m, leaving a gap of £0.402m. £13.650m of the identified schemes were recurrent. • Schemes totalling £13.202m had been identified as Green or Amber against the corporate savings target of £12.800m target as at 31st August 2019 leaving a surplus of £0.402m which covered the gap in delegated schemes. The recurrent effect of the identified schemes in 2020/21 was £11.500m. <p>The Committee was informed the main concerns were the shortfall against the 2% devolved CRP target of £0.402m which needed to be addressed as soon as possible and the level of recurrent schemes which needed to improve to ensure that the UHB started 2020/21 in the best possible position.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the progress against the £29.145m UHB savings requirement for 2019/20.</p>	
<p>FC19/103</p>	<p>RISK REGISTER</p> <p>The Assistant Director of Finance confirmed that one additional risk had been added to the 2019/20 Risk Register in month 5, namely a risk of up to £0.5m in respect of the UHB's share of the estimated year end overspend by the Welsh Risk Pool.</p> <p>Three (3) risks remained categorized as extreme risks (Red) on the 2019/20 Risk Register as follows:</p> <ul style="list-style-type: none"> • Reduction in the £36.3m underlying deficit b/f to 2019/20 to the IMTP planned £4m c/f underlying deficit in 2020/21; • Management of Budget pressures; • Management of Nursing overspend - £1.363m month 5. <p>Resolved – that:</p> <p>The Finance Committee noted the risks highlighted within the</p>	

	2019/20 risk register.	
FC 19/104	MONTH 5 FINANCIAL MONITORING RETURNS These were noted for information.	
FC 19/105	ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES That the Finance Committee had received and considered a plan to del a break even position with risks of £4m that needed to be managed.	
FC 19/106	DATE OF THE NEXT MEETING OF THE BOARD Wednesday 30 th October; 2.00pm ; Cefn Mably, Meeting Room, Ground Floor , HQ, Woodland House	