

**CONFIRMED MINUTES OF FINANCE COMMITTEE
HELD ON 27th NOVEMBER 2019
CEFN MABLY MEETING ROOM, WOODLAND HOUSE**

Present:

John Union	JU	Chair, Independent Member – Finance
Charles Janczewski	CJ	Interim 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
Nicola Foreman	NF	Director of Corporate Governance
Robert Chadwick	RC	Executive Director of Finance
Ruth Walker	RW	Executive Nurse Director
Steve Curry	SC	Chief Operating Officer

In Attendance:

Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

John Antoniazzi	JA	Independent Member – Estates
Abigail Harris	AH	Executive Director of Strategic Planning

FC 19/121	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 19/122	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 19/123	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 19/124	MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 30 th OCTOBER 2019	
	The minutes of the meeting held on 30 th October 2019 were reviewed for accuracy and were agreed as a true and accurate record.	
	Resolved – that:	

	The minutes of the meeting held on 30 th October 2019 were approved by the Committee as an accurate record.	
FC 19/125	<p>ACTION LOG FOLLOWING THE LAST MEETING</p> <p>The Finance Committee was advised that there were no outstanding Actions.</p> <p>Resolved – that:</p> <p>The Finance Committee noted that there were no outstanding Actions.</p>	
FC 19/126	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 19/127	<p>FINANCE REPORT AS AT MONTH 7</p> <p>The Deputy Director of Finance presented the UHB’s financial performance to month 7 and highlighted that the UHB had reported an in month underspend of £0.140m and a year to date deficit of £2.385m. It was noted that part of the improvement in month 7 was due to the release of £0.5m accruals and that whilst the UHB’s financial position had improved in month, it was circa £0.2m short of the expected profiled recovery.</p> <p>The UHB Vice Chair (CJ) noted the slippage and asked for assurance that the UHB still expected to reach a balanced position at year-end. The Deputy Director of Finance confirmed that this was the case and that the detailed plan to reach a break even position would be outlined in more detail in the presentation to follow. It was noted that there were some risks in the delivery of the plan which had been quantified at £4m excluding any financial risks associated with overspends against the Welsh Risk Pool.</p> <p>Turning to the Finance Dashboard it was highlighted that 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 recurrent corporate target. Referring to the plan to reduce the UHB’s underlying deficit to £4m the Deputy Director of Finance added that the UHB was £6.6m short of reaching its recurrent savings target at the end of month 7. In respect of this the UHB Vice chair (CJ) asked whether the UHB would start 2020/21 with an underlying deficit of £10.6m as a consequence of this and the Director of Finance acknowledged that unless further progress was made in the remainder of the year that this would be the case. The Chief Executive indicated that a reduction in the underlying deficit to £10.6m represented a significant step forward from the underlying deficit brought forward into 2019/20, however he added that if there</p>	

was no improvement moving into 2020/21 that the UHB would need to consider flexing its plan and curtailing investments next year to cover the underlying deficit.

Performance against income was broadly balanced although some areas such as the orthopaedics LTA were reporting significant underperformance. In response to a query from the Finance Committee Chair (JU) the Chief Operating Officer signalled that performance in orthopaedics should improve following the appointment of additional medical staff to vacant posts.

Pay pressures against nursing budgets which had continued in month were offset by underspends against other clinical and non clinical staff groups.

The pressures against non pay budgets were broadly in line with the trends observed in previous months and it was acknowledged that the pressures around continuing healthcare and drugs would need to be considered in the 2020/21 budget setting process.

Moving on to performance against delegated budgets the Deputy Director of Finance reported that the significant rates of overspend which had continued in a number of Clinical Boards had been offset by the release of corporate opportunities leading to the £0.140m in month surplus.

The UHB Vice Chair (CJ) noted that the Medicine Clinical Board had been in escalation for some time and asked when the UHB expected to see improvements in the financial position. The Director of Finance confirmed that the Clinical Board was working towards a target financial outturn. The Committee was informed that significant external pressures in relation to the Assessment Unit and oncology had emerged in year and that the cost of addressing these pressures has been reported within the Medicine Board's position for the year to date. It was acknowledged that the Clinical Board had little influence over these additional costs, therefore UHB funding would be allocated to cover the retrospective and ongoing costs in November. In addition it was noted that the slippage in plans to close the Sam Davies ward at Barry Hospital had delayed the Clinical Boards plans to re-deploy substantive nursing staff and reduce reliance on agency nursing. The Executive Nurse Director indicated that the Boards progress in filling vacant posts and the implementation of Switch off Sunday were still expected to lead to a reduction in the use of agency staff and a reduction in cost over time.

The UHB's savings target had been reduced by an additional £0.250m in month to reflect a further increase to the WEQAS operational underspend.

It was noted that the UHB's PSPP performance had improved by 0.2% in month and 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

	<p>against capital expenditure profiles at month 7 which was expected to be recovered by year-end.</p> <p>Picking up on the capital expenditure profile the UHB Vice Chair (CJ) asked whether the UHB had plans in place to exploit any further capital allocations which were confirmed by Welsh Government towards the end of the financial year. In response the Director of Finance indicated that the UHB had a prioritized list of medical and IT equipment that would be replaced from any further discretionary capital that was allocated before year end.</p> <p>In conclusion the Deputy Director of Finance highlighted that the key risk 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. In addition it was noted that the risk of £2.4m that had emerged relating to the Welsh Risk Pool was excluded from the UHB's forecast break even position on the basis that this risk was not confirmed and that there was potential for Welsh Government funding to cover this.</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 £2.385m deficit at month 7;</p> <p>The Finance Committee noted the key concerns and actions being taken to manage risks</p>	
<p>FC 19/128</p>	<p>PLANS TO DELIVER A BREAK EVEN POSITION (presentation)</p> <p>The Deputy Director of Finance presented an update on the Plans To Deliver A Break Even Position stating that plans had been adjusted for issues which had emerged in October as follows:</p> <ul style="list-style-type: none"> • The UHB position had improved by £0.140m in October, however a number of significant overspends had been reported by Clinical Boards in month. • The largest in month overspends were reported by the Medicine, PCIC and Surgery Clinical Boards. Both the PCIC and Surgery Clinical Boards still expected to meet the control targets which had been set. • A full savings programme was in place to meet the £29.145m target and the number of schemes which had reached green 	

status had increased by £4.2m in month

- At month 7 Clinical Boards were reporting a cumulative overspend of £8.059m which was £1.074m higher than the original forecast and £0.347m higher than the planned profile to reach break-even. The Clinical Board position was partly abated by a £0.143m favourable in month performance against central budgets leaving the UHB £0.204m over the forecast profile to reach breakeven at the end of October.
- Clinical Board Recovery actions are back loaded and there was a straight line risk of £5.5m if Clinical Board performance continued at the rate established in the first 7 months of the year.
- In recognition of the deterioration in Clinical Board overspends at month 7 the Risk Adjusted Forecast had been increased by £0.5m. The increase was offset by mitigation on corporate CIP risk, corporate reserves and corporate budgets leaving the UHB with the requirement to identify a further £0.8m of opportunities to reach break-even which in the context of an organisation of the UHB's size was considered a balanced position.
- Moving forwards, the overall UHB overspend was expected to show a gradual improvement each month before finally reaching a breakeven position in March. The forecast was sensitive to the following factors: the management of the risk adjusted position across a number of areas; turning the final amber savings schemes to green as soon as possible; maintaining expenditure restraints; unexpected events as the UHB is not holding a contingency; closing down the residual £1m risk; Clinical Board improvement plans; the management of the Welsh Risk pool cost pressure that is assessed at £2.4m.

Comments were received as follows:

- The Finance Committee Chair (JU) asked whether the additional costs to meet winter pressures were included in the forecast and the Deputy Director of Finance of Finance confirmed that the UHB had allocated additional Welsh Government and internal funding to meet the additional demands arising in winter.
- The UHB Vice Chair (CJ) asked whether the UHB was confident that it would bridge the remaining £0.8m required to reach breakeven without compromising patient safety. In response the Chief Executive confirmed that the UHB had enough scope to delay expenditure in non-patient facing areas to reach a break even position, however it was acknowledged that this might weaken the UHB's position moving into 2020//21 if there were limited options to reduce spend.
- The Chief Executive confirmed that the UHB would allocate additional funding to cover the additional costs incurred by the Medicine Clinical Board in meeting the recommendations of the external reviews of the Assessment Unit and oncology. This would allow the Medicine Clinical Board to concentrate on

	<p>the pressures which it could directly influence.</p> <ul style="list-style-type: none"> • The Deputy Director of Finance indicated that copies of the presentation would be made available for Committee member following the meeting. <p>Resolved – that:</p> <p>The Finance Committee noted the plans and actions required to deliver a break even position in 2019/20.</p>	
<p>FC19/129</p>	<p>CLINICAL BOARDS IN ESCALATION</p> <p>The Chief Operating Officer confirmed that the number of Clinical Boards in escalation remained at 3. The Medicine Clinical Board was in escalation as a consequence of financial performance particularly around nursing. The other two Boards were in escalation as a result of activity performance.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the actions being taken to manage financial performance</p>	
<p>FC19/130</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 October 2019 £16.975m of schemes had been identified as Green or Amber against the devolved 2% savings target of £16.345m, leaving a surplus of £0.630m. £15.627m of the identified schemes were recurrent. • Schemes totalling £13.505m had been identified as Green or Amber against the corporate savings target of £12.800m target as at 31st October 2019 leaving a surplus of £0.705m which covered the gap in delegated schemes. The recurrent effect of the identified schemes in 2020/21 was £4.332m. The recurrent position of corporate schemes was being reviewed on a scheme by scheme basis. <p>The Committee was informed the main concern was 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>FC19/131</p>	<p>RISK REGISTER</p> <p>The Assistant Director of Finance asked the Finance Committee to note the risks highlighted within the 2019/20 Risk Register.</p> <p>Three 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 - £2.215m month 7 <p>The Finance Committee was also asked to note an increase in the assessed risk attached to the forecast 2019/20 Welsh Risk Pool overspend (Fin 13/19) where the UHB's share of the overspend had increased from £1.4m to £2.4m following a revision to the forecast at month 7.</p> <p>The UHB vice chair (CJ) queried whether the impact and likelihood of risk to the reduction of the Underlying Deficit required re-assessment following the emerging shortfall against the recurrent CRP Target. The Committee agreed that this risk and the population of the 2020/21 Risk Register would need to be considered once there was further clarity on the 2020/21 Financial Plan.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the risks highlighted within the 2019/20 risk register.</p> <p>The Finance Committee noted an increase in the assessed risk attached to the forecast 2019/20 Welsh Risk Pool overspend.</p>	
<p>FC 19/132</p>	<p>MONTH 7 FINANCIAL MONITORING RETURNS</p> <p>These were noted for information.</p>	
<p>FC 19/133</p>	<p>ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES</p> <p>No other items to bring to the main Board.</p>	
<p>FC 19/134</p>	<p>DATE OF THE NEXT MEETING OF THE COMMITTEE</p> <p>Wednesday 18th December; 2.00pm; Executives Meeting Room, 2nd Floor, HQ, Woodland House</p>	