

**CONFIRMED MINUTES OF FINANCE COMMITTEE
HELD ON 18th DECEMBER 2019
CEFN MABLY MEETING ROOM, WOODLAND HOUSE**

Present:

John Union	JU	Chair, Independent Member – Finance
Charles Janczewski	CJ	Interim Chair (Board)
Abigail Harris	AH	Executive Director of Strategic Planning
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:

David Thomas	DT	Director of Digital & Health Intelligence
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Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

FC 19/135	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 19/136	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 19/137	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 19/138	MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 27 th NOVEMBER 2019	
	The minutes of the meeting held on 27 th November 2019 were	

	<p>reviewed for accuracy and were agreed as a true and accurate record.</p> <p>Resolved – that:</p> <p>The minutes of the meeting held on 27th November 2019 were approved by the Committee as an accurate record.</p>	
FC 19/139	<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 19/140	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 19/141	<p>INDEMNITY CLAUSE WITHIN DATA PROCESSING CONTRACTS</p> <p>The Director of Digital & Health Intelligence introduced a paper on the Indemnity Clause Within Data Processing Contracts and indicated that a number of external organisations were refusing to sign the UHB’s Data Processing Contract because of:</p> <ul style="list-style-type: none"> i) the current level of indemnity (full indemnity reducing to £5m for lower risk PID) to protect the UHB in the event of a data breach where the processor is responsible. ii) the level of protection the UHB is asking processors and joint data controllers to provide to the UHB in the event of civil legal action against the UHB where the processor is responsible. <p>This paper sought to re-establish a formal position for the UHB regarding data sharing and mitigating the UHB’s exposure to associated financial risks.</p> <p>Following some discussion the Committee agreed that the paper should be presented to the UHB’s Audit Committee for consideration</p> <p>Resolved – that:</p> <p>The Finance Committee noted that the paper would be presented to the UHB’s Audit Committee for consideration.</p>	
FC 19/142	<p>FINANCE REPORT AS AT MONTH 8</p> <p>The Deputy Director of Finance presented the UHB’s financial performance to month 8 and highlighted that the UHB had reported</p>	

an in month underspend of £0.434m and a year to date deficit of £1.951m. It was noted that part of the improvement in month 8 was due to the release of £0.8m provisions and accruals in line with planned actions and that whilst the UHB's financial position had improved in month, it was £0.196m short of the expected profiled recovery. The Committee was also informed that the UHB had now been asked to include its share of the projected overspend against the Welsh Risk within the UHB's forecast outturn. This liability had fallen from £2.4m to £1.5m in month.

The UHB Interim Board Chair (CJ) acknowledged the reduction in the deficit in month and also highlighted concern that the UHB's overspend remained c £0.200m outside of the planned profile at month 8.

In addition the UHB Interim Board Chair (CJ) indicated that the emergence of the additional Welsh Risk Pool liability late in the year was a concern.

The Finance Committee Chair (JU) noted that the UHB had first noted the risk of overspend against the Welsh Risk Pool on the Finance Risk Register in August, although it was unclear whether the UHB would be required to meet any additional costs. The Chief Operating Officer indicated that precedent suggested that overspend against the Welsh Risk Pool would be funded centrally. The Deputy Director of Finance informed the Finance Committee that the option to cover the additional liability in respect of the Welsh Risk Pool would be covered on the following presentation on Plans to Break even.

Turning to the Finance Dashboard it was highlighted that the number of measures which were RAG rated Red had not changed in month and that the following 4 measures were rag rated Red 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.

Performance against income was favourable in November largely due to the release of a provision and in response to a query from the UHB Interim Board Chair (CJ) the Deputy Director of Finance signalled that whilst there are further opportunities to release accruals and provisions into the position these had already been factored into the plans to reach break-even. It was noted that there was also a small improvement in LTA performance. In the context of LTA performance, the UHB Interim Board Chair (CJ) asked whether any pressures had been reported in respect of the enhancement of midwifery services required by the South Wales Plan. The Chief Executive indicated that the UHB had recruited additional staff, however, whilst there had been an increase in referrals from outside of Cardiff and Vale the actual numbers were less than expected. This had left the UHB with a pressure of cost pressure c £0.250m which was being discussed with neighbouring Health Boards with the intention of recovering part of the costs.

Performance against pay was favourable and better than the trend for the previous 7 months, in part as a result of provision of additional budget to the Medicine Clinical Board to cover the additional nursing costs in the Assessment Unit arising from HIW recommendations and the increase in the acute oncology nursing establishment.

The pressures against non pay budgets continued in month and attention was drawn to the in month pressure against commissioned services around the UHB's contribution to the WHSCC budget.

Moving on to performance against delegated budgets the Deputy Director of Finance reminded the Committee to note that the performance was skewed in month by the provision of c £0.4m funding to the Medicine Clinical Board for ongoing additional nursing costs in the Assessment Unit arising from the HIW recommendations and the increase in the acute oncology nursing establishment. 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 £0.434m in month surplus.

The Committee was informed that the UHB was unlikely to reduce its underlying deficit to the planned level of £4m by year end as a result of a shortfall of c £7.5m against recurrent savings targets and was therefore likely to be circa £11.5m

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 an additional £11m Capital funding had been approved in month and whilst there was some slippage against capital expenditure profiles at month 8 this was expected to be recovered by year-end.

In concluding 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 that the assessment of this risk had fallen from £4m to £2.5m in month. In addition it was noted that the UHB was now expected to meet the cost of its share of the overspend at the Welsh Risk Pool which was now expected to be £1.5m.

ASSURANCE was provided by:

- 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.

Resolved – that:

The Finance Committee **noted** that the UHB has an approved IMTP which includes a balanced Financial Plan for 2019/20;

The Finance Committee **noted** the £1.951m deficit at month 8;

	The Finance Committee noted the key concerns and actions being taken to manage risks	
FC 19/143	<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 November as follows:</p> <ul style="list-style-type: none"> • The UHB position had improved by £0.434m in November, primarily as a result of performance against Central Budgets. A number of significant overspends continued to be reported by Clinical Boards in month. • 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 £0.265m in month. • At month 8 Clinical Boards were reporting a cumulative overspend of £8.696m which was £0.917m higher than the original forecast and £0.075m higher than the planned profile to reach break-even. In addition to this, as a result of commissioning pressures the planned underspend against Central Budgets was £0.121m less than expected leaving the UHB's deficit £0.196m above the forecast profile to reach breakeven at the end of November. • Clinical Board Recovery actions are back loaded and there was a straight line risk of £3.6m if Clinical Board performance continued at the rate established in the first 8 months of the year. • In recognition of the continuing Clinical Board overspends at month 8 the Risk Adjusted Clinical Board Forecast had been increased by £0.8m. In addition the UHBs £1.5m share of the Welsh Risk Pool overspend was also included in the risk adjusted forecast for the first time. These increases were offset by £0.920m further underspend on corporate reserves and budgets. As a consequence the UHBs risk adjusted profile had increased by £1.380m November from £0.841m to a deficit of £2.221m. • Proposals to address the £2.2m risk adjusted forecast deficit were listed as follows: Secure additional funding for Lightfoot; Defer recruitment to non-essential posts until 31st March 2020 (via vacancy scrutiny panel); Freeze avoidable non pay expenditure e.g. office equipment & training (via procurement); Defer expenditure into 2020/21 where possible and explore brokerage opportunities (some of which may need to be re-provided); Maximise slippage on previously agreed investments (internal and external). The restrictions were to apply to all budgets including those that are underspent. 	

- There were still a number of risks to the delivery of a break even position as follows: closing down the residual £2.2m risk; the management of the risk adjusted position across a number of areas; turning the final amber savings schemes to green as soon as possible; unexpected events as the UHB is not holding a contingency; Clinical Board improvement plans; the management of the £1.5m Welsh Risk pool cost pressure that is subject to change.

Comments were received as follows:

- The UHB Interim Board Chair (CJ) noted that the assurance provided earlier in the year that the savings programme would turnaround Clinical Board performance had not manifested in performance to month 8. The Chief Executive confirmed that the financial performance of Clinical Boards in year had also been compromised by a number of operational pressures. In this context, the Director of Nursing added that the presentation of financial information within the UHB and the identification of the operational pressures driving overspends within delegated budgets was helpful in focussing attention on pressure points that required management attention.
- The Finance Committee Chair (JU) noted that the in month increase of £1.4m to the residual risk in November was broadly in line with the UHB's liability in respect of the Welsh Risk Pool which had been included within the forecast outturn for the first time in November. This had taken the residual gap which needed to be covered to achieve breakeven out to £2.2m and the Finance Committee Chair (JU) questioned whether reaching breakeven was still achievable.
- The Executive Director of Finance advised that it was unlikely that the UHB would be able to identify and deliver additional savings of £2.2m in the final 4 months of the year, therefore the UHB would need to take action as soon as possible to reduce current expenditure levels to bridge the residual gap.
- The UHB Interim Board Chair (CJ) acknowledged that the UHB had a responsibility to strive to deliver break even, however it was emphasized that the maintenance of patient safety must be at the forefront of considerations to slow down expenditure and the Chief Executive agreed that this principle would underpin planned Executive discussions around the options to slow down expenditure. The Executive Director of Workforce and Organisational Development added that it would be important to understand the impact that holding vacancies would have upon core and non-core functions and that this should be made clear in the information supporting requests to fill vacancies.

	<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>FC 19/144</p>	<p>2020/21 IMTP (presentation)</p> <p>The Committee agreed to re-arrange the order of the agenda and bring forward the consideration of the 2020/21 Financial Plan.</p> <p>The Assistant Director of Finance made a presentation to the Committee on the 2020/21 – 2022/23 IMTP Draft Financial Framework.</p> <p>The Committee was reminded that the UHB’s 2019/20 3 Year IMTP had set out to reduce the UHB’s underlying deficit from £36.3m to £4m moving into 2020/21. However, as a result of the forecast £7.5m shortfall against the recurrent 2019/20 savings target, the Committee was informed that the UHB expected the underlying deficit moving into 2019/20 to be c £11.5m.</p> <p>In addition a further 9.5m of pressures had emerged since the approval of the original 2019/20 3 Year IMTP relating to:</p> <ul style="list-style-type: none"> • £2.8m of Clinical Board operational pressures in prescribing growth, CHC growth. Clinical Boards would need to manage further assessed underlying pressures of up to £12m including nursing. • £4.2m of commissioning pressures • £1.5m of additional Welsh Risk Pool costs • a £1m reduction to the UHB’s allocation as a result of the implementation of the revised population funding formula. <p>The shortfall of £7.5m against the 2019/20 recurrent savings target and the additional £9.5m of pressures that had emerged since the approval of the 2019/20 plan meant that the UHB’s financial position moving into 2020/21 was £17m worse than originally planned. As a consequence it was recommended that the 2020/21 Financial Plan should be flexed by increasing the level of savings by £8.5m to £29.0m (3.5%) and reducing the Investment Reserve by £8.5m to nil in order to produce an approvable draft financial plan which would deliver a break even position in each of the 3 years from 2020/21 to 2022/23 as follows:</p>	

	2020/21 Plan £m	2021/22 Plan £m	2022/23 Plan £m
Prior Year Plan	(4.0)	(4.0)	0
Adjustment for non recurrent items in previous year (note 1)	(7.5)	0.0	0
b/f underlying deficit	(11.5)	(4.0)	0
Net allocation uplift (including LTA inflation) (note 2)	30.1	20.5	20.5
Cost pressures (note 3)	(47.6)	(33.0)	(33.0)
Investments	0.0	(4.0)	(4.0)
Recurrent cost improvement plans 3% (note 4)	25.0	20.5	16.5
Non Recurrent cost improvement plans 0.5% (note 5)	4.0	0.0	0.0
Planned Surplus/(Deficit)	0.0	0.0	0.0

The plan included £47.6m of funding for cost pressures in 2020/21 as follows: Cost Growth £18.7m (including pay inflation, non pay inflation, GMS/GDS pass through costs & CHC/FNC inflation); Demand/Service growth £24.3m (including NICE & New High Cost Drugs, Continuing Health Care, Prescribing, Clusters, Cancer & Specialist Services, LTA inflation; Other Cost Pressures £4.6m (including Welsh Risk Pool, LTA income & local Cost Pressures).

It was also noted that the cost improvement target of £29m (3.5%) in 2020/21 was c. £8.6m higher than initially planned, primarily as a consequence of the shortfall against 2019/20 recurrent targets. At this point the value of identified schemes was relatively low and it was expected that Welsh Government would seek further assurance around the delivery of the target before the plan was approved.

Finally, the Committee was advised of the timetable and process for the submission of the IMTP and it was noted that a Draft Financial Plan would be informally submitted to Welsh Government on the 3rd January 2020. Following feedback from Welsh Government it was expected that the plan would be presented to the Board on the 30th January 2020 before the formal submission to Welsh Government on the 31st January 2020.

Comments were received as follows:

- The UHB Interim Board Chair (CJ) noted that the Clinical Board assessment of underlying cost pressures was £14.8m which was £12m higher than the £2.8m recognised in the plan. In response the Committee was informed that a professional view of the pressures identified by Clinical Boards had been taken and that this assessment concluded that the pressures which were outside of the control of Clinical Boards were significantly less than the £14.8m identified.
- A further query was raised by the UHB Interim Board Chair (CJ) in respect of the reduction to the UHB's allocation for population measures which was not in line with the relative increase in population in Cardiff and the Vale compared to the

	<p>rest of Wales. In this context the Committee was told that that the actual adjustment would be confirmed upon receipt of the 2020/21 cash allocation, however, at this stage it appeared that the change in Welsh Government allocation policy would attach less weight to the health needs of the average individual in the Cardiff and Vale population relative to the rest of Wales.</p> <ul style="list-style-type: none"> • The Executive Director of Finance indicated that if any further allocations (e.g. for a Healthier Wales) were made to the UHB the options to consider further investments or provide additional cost pressure cover could be considered. However at this stage the options available to the UHB were either to approve a tough plan as outlined in the presentation or to submit an unbalanced plan. • The Finance Committee agreed with the approach outlined in the presentation subject to amendment for any flexibility to cover investment commitments and additional cost pressures if the cash allocation letter confirmed an uplift in excess of 2%. <p>Resolved – that:</p> <p>The Finance Committee:</p> <ul style="list-style-type: none"> • NOTED the draft plan and proposed process to enable submission of the IMTP to Welsh Government 	
<p>FC19/145</p>	<p>CLINICAL BOARDS IN ESCALATION</p> <p>The Chief Operating Officer confirmed that the number of Clinical Boards in escalation remained at 3.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the actions being taken to manage financial performance</p>	
<p>FC19/146</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 30th November 2019 £16.707m of schemes had been identified as Green or Amber against the devolved 2% savings target of £16.345m, leaving a surplus of £0.361m. £15.050m 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. Further work was focusing on a 	

	<p>number of areas highlighted through both the Efficiency Framework and the UHB's own internal benchmarking and analysis.</p> <p>The Committee was informed that 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>FC19/147</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 - £2.391m at month 8 <p>The Finance Committee was asked to note a fall 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 decreased from £2.4m to £1.5m following a revision to the forecast at month 8.</p> <p>The Finance Committee was also asked to note a new risk attached to the potential requirement for cardiac outsourcing (Fin14/19) and the UHB Interim Board Chair (CJ) asked for further detail. The Chief Operating Officer indicated that the waiting times for cardiac surgery had been in escalation with WHSCC for some time and that a plan was in place and making progress following an increase in urgent cases in the autumn which led to a consequent impact on elective capacity. The financial risk of outsourcing at this point was deemed to be relatively small.</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 a fall in the assessed risk attached to the forecast 2019/20 Welsh Risk Pool overspend which was now estimated at £1.5m.</p>	
<p>FC 19/148</p>	<p>MONTH 8 FINANCIAL MONITORING RETURNS</p>	

	These were noted for information.	
FC 19/149	ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES No other items to bring to the main Board.	
FC 19/150	DATE OF THE NEXT MEETING OF THE COMMITTEE Wednesday 29th January; 2.00pm; Coed Y Nant Meeting Room, First Floor, HQ, Woodland House	