

**CONFIRMED MINUTES OF FINANCE COMMITTEE  
HELD ON 29<sup>th</sup> JANUARY 2020  
CEFN MABLY MEETING ROOM, WOODLAND HOUSE**

**Present:**

John Union	JU	Chair, Independent Member – Finance
Charles Janczewski	CJ	Interim Chair (Board)
Aaron Fowler	AF	Head of Corporate Governance
Andrew Gough	AG	Assistant Director of Finance
Chris Lewis	CL	Deputy Director of Finance
Robert Chadwick	RC	Executive Director of Finance
Steve Curry	SC	Chief Operating Officer

**In Attendance:**

Geoff Walsh	DT	Director of Capital Estates & Facilities
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**Secretariat:**

Paul Emmerson	PE	Finance Manager
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**Apologies:**

Abigail Harris	AH	Executive Director of Strategic Planning
Len Richards	LR	Chief Executive
Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
Nicola Foreman	NF	Director of Corporate Governance
Ruth Walker	RW	Executive Nurse Director

<b>FC 19/151</b>	<b>WELCOME AND INTRODUCTIONS</b>	<b>ACTION</b>
	The Chair welcomed everyone to the meeting.	
<b>FC 19/152</b>	<b>APOLOGIES FOR ABSENCE</b>	
	Apologies for absence were noted.	
<b>FC 19/153</b>	<b>DECLARATIONS OF INTEREST</b>	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
<b>FC 19/154</b>	<b>MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 18<sup>th</sup> DECEMBER 2019</b>	
	The minutes of the meeting held on 18 <sup>th</sup> December 2019 were reviewed for accuracy and were agreed as a true and accurate	

	<p>record.</p> <p><b>Resolved – that:</b></p> <p>The minutes of the meeting held on 18<sup>th</sup> December 2019 were approved by the Committee as an accurate record.</p>	
<b>FC 19/155</b>	<p><b>ACTION LOG FOLLOWING THE LAST MEETING</b></p> <p><b>The Finance Committee was advised that there were no outstanding Actions.</b></p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> that there were no outstanding Actions.</p>	
<b>FC 19/156</b>	<p><b>CHAIRS ACTION SINCE THE LAST MEETING</b></p> <p>There had been no Chairs action taken since the last meeting.</p>	
<b>FC 19/157</b>	<p><b>CRI MENTAL HEALTH ACCOMODATION</b></p> <p>The Director of Capital Estates and Facilities presented a paper in support of a fast track Business Justification Case (BJC) for Community Mental Health Services currently located at the Links building at CRI and Global Link.</p> <p>The Committee was informed that the BJC considered future accommodation options for the following 2 services:</p> <ol style="list-style-type: none"> <li>1. The Dispensing and Treatment Team based at the Links Building CRI where there were serious pressing concerns about the poor state of repair of the building which currently required fortnightly monitoring by the Capital, Estates and Facilities team.</li> <li>2. UHB wide Mental Health Services which had transferred to Global Link upon the closure of the Whitchurch site.</li> </ol> <p>The BJC detailed four options for future accommodation and also outlined the process followed by the Health Board to determine a preferred option. The preferred way forward was to construct a small modular building on the CRI site to accommodate the Needle Exchange and the Dispensing and Treatment Team with the remaining mental health services relocating from Global Link to refurbished 2nd floor blocks 11 &amp; 4 of the main CRI building. In addition to addressing the immediate concerns surrounding the condition of the Links building this option would maintain the provision of the DATT service within the immediate neighbourhood and minimise the risk of service disruption for the patient group.</p> <p>It was noted that there was a small increase in revenue costs of £28k</p>	

	<p>per annum arising from the proposals.</p> <p>Longer term proposals which would be subject to a separate Business Case would consider demolition and replacement of the existing Link building to enable the DATT service, Community Addictions Unit and the locality CMHT to be co-located in an appropriate facility.</p> <p>The BJC asked for approval to invest £5.133m from the All Wales Capital Programme with part of the investment being made available to support capital spend incurred to the end of 2019/20.</p> <p>The UHB Interim Chair (CJ) asked for clarification of the capital costs which would be incurred in 2019/20 and the Director of Capital Estates and Facilities confirmed that funding received in 2019/20 would cover initial fees and design work.</p> <p>The Finance Committee Chair (JU) asked for assurance that the relatively small level of additional costs £0.028m p.a. would be managed through the UHB’s planning process and the Director of Finance acknowledged that the costs would need to be considered in future planning cycles.</p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> the process followed in the development of the BJC and <b>supported</b> the preferred option for the provision of a Modular Building to accommodate the DATT service and the refurbishment of Blocks 4 &amp; 11 on the 2<sup>nd</sup> floor of the main CRI Building.</p>	
<p><b>FC 19/158</b></p>	<p><b>FINANCE REPORT AS AT MONTH 9</b></p> <p>The Deputy Director of Finance presented the UHB’s financial performance to month 9 and highlighted that the UHB had reported an in month underspend of £0.731m and a year to date deficit of £1.220m. In addition the committee was informed that the £1.5m cost pressure associated with the Welsh Risk Pool was now incorporated within the year end forecast break-even position.</p> <p>It was noted that in addition to the impact of recovery actions that part of the improvement in month 10 could be a result of a seasonal reduction in spend in December.</p> <p>The Finance Committee Chair (JU) asked whether the UHB decision to slow down non-essential expenditure would have had an impact on December’s expenditure and in reply the Director of Finance indicated that the decision to defer non-essential/non-core posts and discretionary non-pay spend would not of had a significant influence on December expenditure. The Director of Finance added that the financial improvement in December was linked to the slowdown in bank, agency and overtime expenditure and that the UHB needed to consider if it could continue to maintain the reduced level of spend on</p>	

these pay areas going forwards.

The UHB Interim Board Chair (CJ) acknowledged the progress made by the organisation in reducing the deficit in month and noted that the UHB's financial position at month 9 was now broadly in line with the planned profile.

The number of measures on the Finance Dashboard which were RAG rated Red had not changed in month and 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 both income and non pay was broadly balanced in month. The Deputy Director of Finance advised the Committee that the in month income position included an adverse provision of c.£0.2m which was based on the assumption that the in month slowdown in expenditure would also result in a reduction in activity chargeable to other organisations. The significant underspend against Primary Care Contractors within the month was a consequence of updated information on new GMS enhanced services.

Referring to the written finance report provided with the committee papers the Interim Board Chair (CJ) asked for clarification of any issues particularly in respect of patient safety arising from Cardiff & Vale provider performance in cardiology and transcatheter aortic valve replacement. In response the Chief Operating Officer indicated that the UHB was over-performing against Cardiology targets, however waiting times for cardiac surgery had been in escalation with WHSCC for some time. In this context the UHB was in the final stages of agreeing outsourcing capacity where required. It was also noted that the UHB was also pursuing an increase in internal capacity and had recently added anaesthetic and nursing capacity to the cardiac surgery service.

Pay budgets had reported an in month underspend of £0.804m in December and it was suggested that this was partly due to a slow down over Christmas.

The Deputy Director of Finance indicated that aggregate performance against delegated budgets was broadly flat in month and that the cumulative overspend against delegated budgets had moved from £8.696m to £8.718m in December. Picking up on the cumulative overspend against delegated budgets the Interim Board Chair (CJ) asked whether this would influence the 2020/21 budget setting process. The Deputy Director of Finance confirmed that the underlying deficit carried forward to 2020/21 does not include operational costs pressures experienced in 2019/20 and that these are expected to be managed by Clinical Boards in 2020/21. The Chief Operating Officer indicated that Clinical Boards had identified the main drivers of 2019/20 operational overspends and that

the management of these pressures would need to be factored into 2020/21 plans. It was noted that the management of nursing pressures would remain a focal point for the UHB and that the management of budget pressures would be included on the 2020/21 Risk Register.

The Finance Committee Chair (JU) noted that the majority of the overspend against delegated budgets was covered by an underspend against Central budgets and asked whether this underspend was likely to recur in 2020/21. In response the Deputy Director of Finance confirmed that the surplus against Central budgets was in part a consequence of non recurrent movements in liabilities and provisions as well as slippage against new services and therefore any central surplus was not expected to be as material in 2020/21.

The Committee was reminded 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 the underlying deficit going into 2020/21 was likely to be circa £11.5m. The Interim Board Chair (CJ) noted that the underlying deficit of £11.5 carried forward to 2020/21 represented a significant reduction compared to the UHB's underlying deficit coming into the year. The Director of Finance added that the in year reduction had been achieved despite a number of material savings schemes not progressing.

It was noted that the UHB's PSPP performance was unchanged and continued to exceed the 95% target; cash plans remained on target with the UHB not expecting to request additional cash support in 2019/20; net capital expenditure to the end of December was 50% of the UHB's approved Capital Resource Limit which in turn reflected the timing of confirmed funding and the associated increase in capital expenditure expected towards the tail end of the year.

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 £2.5m to £2.0m in month.

In response to a query from the Finance Committee Chair (JU) it was noted that the UHB's share of the overspend at the Welsh Risk Pool was unchanged in month and remained at £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;

	<p>The Finance Committee <b>noted</b> the £1.220m deficit at month 9;</p> <p>The Finance Committee <b>noted</b> the key risks in delegated budgets and the Welsh Risk Pool</p> <p>The Finance Committee <b>noted</b> the plan to deliver a break even position by year end.</p>	
<p><b>FC 19/159</b></p>	<p><b>PLANS TO DELIVER A BREAK EVEN POSITION (presentation)</b></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 December as follows:</p> <ul style="list-style-type: none"> <li>• The UHB position had improved by £0.731m in December, primarily as a result of performance against Central Budgets. Aggregate Clinical Board performance was broadly flat in month.</li> <li>• A full savings programme was in place although some schemes remained in amber status.</li> <li>• At month 9 Clinical Boards were reporting a cumulative overspend of £8.718m which was £0.496m higher than the original forecast. The surplus against Central Budgets was £0.484m better than expected leaving the UHB's deficit £0.012m above the forecast profile to reach breakeven at the end of December.</li> <li>• Clinical Board Recovery actions are back loaded which remained a risk if Clinical Board performance continued at the rate established in the first 9 months of the year.</li> <li>• In recognition of the improved forecast position for PCIC and Specialist Services at month 9 the Risk Adjusted Delegated Budget Forecast had been reduced by £0.638m. These reductions were supplemented by a further forecast improvement of £0.920m against central budgets which had arisen as a result of funding for digital investments and a reduction in forecast in year expenditure on new initiatives. As a consequence the UHBs risk adjusted profile had fallen by £1.588m in December from £2.221m to a deficit of £0.633m.</li> <li>• Proposals to address the residual £0.6m risk adjusted forecast deficit were listed as follows: Plans to secure additional funding for Lightfoot, the South Wales Plan and Invest to Save schemes; Clinical Board mitigating actions; Deferral of recruitment to non-essential posts until 31<sup>st</sup> March 2020 (via vacancy scrutiny panel); and the continuation of controls to</li> </ul>	

	<p>reduced discretionary expenditure.</p> <ul style="list-style-type: none"> <li>• There were still a number of risks to the delivery of a break even position as follows: closing down the residual £0.6m risk; Securing the additional funding for the South Wales Plan and Lightfoot; 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; and the management of the £1.5m Welsh Risk pool cost pressure that is subject to change.</li> </ul> <p><b><u>Comments were received as follows:</u></b></p> <ul style="list-style-type: none"> <li>• The UHB Interim Board Chair (CJ) noted that it was encouraging that the UHB was still developing savings schemes and that there was circa £2m of red pipeline schemes within the 2019/20 savings plan which could unfold into 2020/21 if they were not realised in the current year.</li> <li>• The UHB Interim Board Chair (CJ) enquired whether the UHB was in receipt of written documentation from Welsh Government in support of the assumed additional funding for Lightfoot and the Director of Finance confirmed that the allocation had not yet been confirmed at that this represented a risk.</li> </ul> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> the plans and actions required to deliver a break even position in 2019/20.</p>	
<p><b>FC19/159</b></p>	<p><b>CLINICAL BOARDS IN ESCALATION</b></p> <p>The Chief Operating Officer confirmed that the number of Clinical Boards in escalation remained at 3 of which one Board namely Medicine was in escalation for Finance performance.</p> <p>In answer to a query from the Finance Committee Chair (JU) the Chief Operating Officer confirmed that the threshold level of the current escalation process was effective and added that the focus would now shift towards 2020/21 as the year end approached.</p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> the actions being taken to manage financial performance</p>	
<p><b>FC19/160</b></p>	<p><b>COST REDUCTION PROGRAMME AND CROSS CUTTING THEME</b></p> <p>The Assistant Director of Finance asked the Finance Committee to</p>	

note the 2019/20 Cost Reduction Report which included the following key points:

- At 31<sup>st</sup> December 2019 £16.597m of schemes had been identified as Green or Amber against the devolved 2% savings target of £16.345m, leaving a surplus of £0.252m. £14.313m 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 31<sup>st</sup> December 2019 leaving a surplus of £0.705m. 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 number of areas highlighted through both the Efficiency Framework and the UHB's own internal benchmarking and analysis.

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.

Turning to 2020/21 Cost Reduction Plans the Assistant Director of Finance highlighted that:

- As at 22<sup>nd</sup> January 2020 £4.860m had been identified as Green or Amber against the devolved 3.5% 2020/21 savings target of £29.000m. The Assistant Director of Finance indicated that Welsh Government had confirmed that the shortfall against the 2020/21 was a concern in respect of the 2020/21 IMTP and further progress was required to provide assurance of delivery in 2020/21.

The UHB Interim Board Chair (CJ) asked for confirmation that the UHB's savings programmes would not have a detrimental impact on Patient Safety and the Assistant Director of Finance confirmed that there was no detrimental impact and that this would be confirmed in future reports.

**Resolved – that:**

The Finance Committee **noted** the progress against the £29.145m UHB savings requirement for 2019/20.

The Finance Committee **noted** the progress against the £29.000m UHB savings requirement for 2020/21.

**RISK REGISTER**

The Assistant Director of Finance asked the Finance Committee to note the risks highlighted within the 2019/20 Risk Register.

Three risks remained categorized as extreme risks (Red) on the 2019/20 Risk Register as follows:

- 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 - £2.436m at month 9

The Finance Committee was asked to note the risk attached to the forecast 2019/20 Welsh Risk Pool overspend (Fin 13/19) where the UHB's share of the overspend was assessed to be £1.5m at month 9 was now included in the UHB's year end forecast position. It was noted that the risk associated with cardiac outsourcing was rated a moderate risk and in this context the Finance Committee agreed that this should remain on the risk register.

Moving onto the 2020/21 Risk Register the Assistant Director of Finance Indicated that the register reflected the financial issues and risks included in the 2020/21 IMTP.

Three risks were categorized as extreme risks (Red) on the 2020/21 Risk Register as follows:

- Reduction in the £11.5m underlying deficit c/f to 2020/21 to the IMTP planned £4m c/f underlying deficit in 2021/22;
- Management of Budget pressures;
- Delivery of the 3.5% CIP (£29.0m)

Two further risks relating to the management of internal investments within the £3m investment reserve and commissioning risks particularly in respect of WHSCC and EASC were also included on the Register.

The Finance Committee Chair asked whether the Welsh Risk Pool should be included on the Risk Register and the Assistant Director of Finance informed the Committee that the UHB had been instructed by Welsh Government to include an additional commitment of £1.5m for the Welsh Risk Pool within the 2020/21 IMTP to cover any additional costs arising from the Welsh Risk Pool and that at this stage this was considered to provide sufficient cover.

The UHB Interim Board Chair (CJ) noted that the 2020/21 planned reduction in the underlying deficit represented a smaller movement than that achieved in 2019/20 and in response the Director of Finance indicated that this reflected a balanced view of the proportion of the 2020/21 3.5% CRP that could be delivered on a recurrent basis.

	<p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> the risks highlighted within the 2019/20 risk register.</p> <p>The Finance Committee <b>noted</b> the value of risk associated with the 2019/20 Welsh Risk Pool overspend where the UHB share now estimated at £1.5m.</p> <p>The Finance Committee <b>noted</b> the risks highlighted within the 2020/21 risk register.</p>	
<p><b>FC19/162</b></p>	<p><b>2020/21 IMTP FINANCIAL PLAN</b></p> <p>The Assistant Director of Finance referred the Finance Committee to the draft Financial Plan narrative which would be presented with the IMTP papers at the January 2020 Board meeting.</p> <p>The Committee was informed that the submission was broadly consistent with the IMTP presentation which was provided to the previous meeting of the Finance Committee. The IMTP included a balanced financial plan for each of the 3 years from 2020/21 to 2022/23. The underlying deficit carry forward to 2020/21 was £11.5m which was £7.5m more than originally planned primarily because the target level of recurrent savings had not been delivered in 2019/20.</p> <p>The Finance Committee was advised that the plans which would be submitted to Welsh Government had changed from the draft plans provided with the papers to both the Finance Committee and Board in respect of the following 2 issues:</p> <ul style="list-style-type: none"> <li>• Following advice from Welsh Government the further additional increases of £1.5m to Welsh Risk Pool costs included in year 2 &amp; 3 of the plan had been removed. The additional Welsh Risk Pool cost in year 1 of the plan remained and this additional cost effectively rolled over into the baseline for following years. As a consequence of excluding the additional incremental cost in years 2 &amp; 3 the overall savings requirement over the 3 years fell by £3m.</li> <li>• The plan now excluded the additional resource requirements arising from plans to meet RTT and winter pressures. The IMTP to be submitted to Welsh Government indicated that detailed delivery plans which articulate resource requirements for RTT and Winter Plan are being finalised.</li> </ul> <p>The Director of Finance indicated that Welsh Government feedback on the financial plan supporting the IMTP was generally positive and that the main concern highlighted by Welsh Government was the rate of progress in identifying the savings required by the plan.</p> <p>The UHB Interim Board Chair (CJ) asked if the 2 financial amendments in relation to the Welsh Risk Pool and the resourcing of RTT and the winter plan could be flagged to the January Board</p>	

	<p>meeting prior to a decision on whether to approve the IMTP. In response the Director of Finance confirmed that the 2 amendments would be brought to the attention of the Board.</p> <p><b>Resolved – that:</b></p> <p>The Finance Committee:</p> <ul style="list-style-type: none"> <li>• <b>NOTED</b> the financial plan to be included in the 2020/21 IMTP and the two amendments in relation to the cost of the Welsh Risk Pool and resourcing of RTT and the Winter Plan.</li> </ul>	
<b>FC 19/163</b>	<p><b>MONTH 9 FINANCIAL MONITORING RETURNS</b></p> <p>These were noted for information.</p> <p>It was noted that the written narrative in support of the Tables would be relayed to Committee members following the meeting.</p>	
<b>FC 19/164</b>	<p><b>ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES</b></p> <p>The Director of Finance confirmed that the amendments to Financial Plan supporting the IMTP in relation to the Welsh Risk pool and the resourcing of RTT and the winter plan would be brought to the attention of the Board meeting on January 30<sup>th</sup> 2020.</p>	
<b>FC 19/165</b>	<p><b>DATE OF THE NEXT MEETING OF THE COMMITTEE</b></p> <p><b>Wednesday</b> 26<sup>th</sup> February; <b>2.00pm</b>; Cwm George Meeting Room, Ground Floor, HQ, Woodland House</p>	