

**CONFIRMED MINUTES OF FINANCE COMMITTEE
HELD ON 26th FEBRUARY 2020
CWM GEORGE MEETING ROOM, WOODLAND HOUSE**

Present:

John Union	JU	Chair, Independent Member – Finance
Charles Janczewski	CJ	Interim Chair (Board)
Dr Rhian Thomas	RT	Independent Member - Capital & Estates
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
Nicola Foreman	NF	Director of Corporate Governance
Robert Chadwick	RC	Executive Director of Finance
Steve Curry	SC	Chief Operating Officer

In Attendance:

Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
Ruth Walker	RW	Executive Nurse Director

FC 19/166	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 19/167	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 19/168	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 19/169	MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 29th JANUARY 2020	
	The minutes of the meeting held on 29 th January 2020 were reviewed for accuracy and were agreed as a true and accurate record.	
	Resolved – that:	

	<p>The minutes of the meeting held on 29th January 2020 were approved by the Committee as an accurate record.</p>	
FC 19/170	<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 19/171	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 19/172	<p>FINANCE REPORT AS AT MONTH 11</p> <p>The Deputy Director of Finance presented the UHB’s financial performance to month 10 and highlighted that the UHB had reported a year to date deficit of £0.989m which was an in month improvement of £0.231m and in line with expectations and the profile to reach break even at year end.</p> <p>In addition the committee was informed that the cost pressure associated with the Welsh Risk Pool was now incorporated within the year end forecast break-even position. In response to a query from the Interim Board Chair (CJ) the Deputy Director of Finance confirmed that the UHB had received no additional funding to cover the cost and added that the UHB had been advised of a significant reduction to the additional cost. Further detail within the presentation on plans to deliver a break even position.</p> <p>The number of measures on the Finance Dashboard which were RAG rated Red had not changed in month and 4 measures remained 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</p> <p>Performance against income was broadly balanced in month and there was a cumulative over-recovery for the year to date. Previous pressures against non pay budgets had continued in month and the underspend against pay budgets also continued in month 10.</p> <p>Turning to table 14 of the written report, the Deputy Director of Finance confirmed an in month overspend of £0.182m against delegated budgets which was an improvement on the trend established in the first nine months. The overspend against delegated budgets was offset by a surplus against central budgets which was in line with the plan to break even. It was noted that the</p>	

management of operational pressures within delegated budgets remained the key risk to achievement of the UHBs financial plan.

The Committee was reminded that as a consequence of the shortfall of c £7.5m against recurrent savings targets the UHB's underlying deficit going into next year was £11.5m and this was reflected in the 2020/21 IMTP.

It was noted that the UHB's PSPP performance fell marginally in month, however cumulative performance 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 January was 52% of the UHB's approved Capital Resource Limit which reflected the confirmation of funding in the second half of the year 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 £2.0m to £0.5m in month.

The Finance Committee Chair (JU) asked if there were any areas where performance was not going to plan and the Deputy Director of Finance confirmed that any issues would be drawn out in the presentation on Plans to Deliver a Break Even Position.

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 £0.989m deficit at month 10;

The Finance Committee **noted** the key risks in delegated budgets and the Welsh Risk Pool.

The Finance Committee **noted** the plan to deliver a break even position by year end.

PLANS TO DELIVER A BREAK EVEN POSITION (presentation)

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 January as follows:

- The UHB position had improved by £0.289m in January primarily as a result of performance against Central Budgets. Clinical Board performance had generally continued to improve upon the trend established in the preceding months.
- A full savings programme was in place and although some schemes remained in amber status the position had improved by £0.9m in month.
- At month 10 Clinical Boards were reporting a cumulative overspend of £8.900m which was £0.636m higher than the original forecast. The surplus against Central Budgets was £0.618m better than expected leaving the UHB's deficit £0.018m above the forecast profile to reach breakeven at the end of January.
- Clinical Board Recovery actions are back loaded which remained a risk if Clinical Board performance continued at the rate established in the first 10 months of the year.
- In recognition of the deterioration in the forecast position for Women and Children at month 10 the Risk Adjusted Delegated Budget Forecast had been increased by £0.638m. This increase was offset by the confirmation of additional funding in respect of the South Wales Plan and digital costs and slippage against corporate budgets and the Hospital at Night scheme. As a consequence the UHBs risk adjusted profile had fallen by £0.670m in January from a deficit of £0.633m to a surplus of £0.037m.
- The Committee was also informed of that the UHB had recently received an update from the Welsh Risk Pool which indicated that following a further review of liabilities which would be settled in 2019/20 that the additional cost that the UHBs were required to cover had reduced significantly and that the UHBs share had fallen from c£1.5m to c £0.6m. The Deputy Director of Finance added that the reduction in UHB liability to the Welsh Risk Pool would potentially be offset by the cost of recent flood damage suffered by ALAS where the loss of stock was being assessed. The UHB Interim Board Chair (CJ) emphasized the UHB's responsibility to replace stock to maintain the established service without compromising patient safety.
- There were still some risks to the delivery of a break even position as follows; 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 where delegated budgets need to break even .

Comments were received as follows:

- In reply to a query from the Independent Member – Estates (RT) the Deputy Director of Finance indicated that the deterioration of the overspend in Women and Children at month 10 was unlikely to be recovered in February and March and that this had been built into the forecast position.
- The UHB Interim Board Chair (CJ) asked how the UHB's cost containment plans were progressing. In response to the Director of Finance indicated that the plans remained in place. In the context of patient safety the committee was informed that there was no restriction on either the recruitment to posts that directly impacted on patient care or the use of agency nursing where required to maintain safe levels of cover.
- The Director of Finance noted the amendments to Clinical Board Financial Forecasts and confirmed that the strength of financial forecasting would be picked up at performance reviews so that a balanced approach to the management of financial risk could be carried forward.
- The Finance Committee Chair (JU) asked for confirmation of the process for writing off flood damaged stock and the Committee was informed that the extent of damage would be assessed by service areas.

Resolved – that:

The Finance Committee **noted** the plans and actions required to deliver a break even position in 2019/20.

<p>FC19/174</p>	<p>CLINICAL BOARDS IN ESCALATION</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. It was noted that the Clinical Board had provided a reasonable level of assurance that it would meet its forecast year-end financial position</p> <p>The Chief Operating Officer confirmed that the focus had now shifted towards 2020/21 as the year end approached.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the actions being taken to manage financial performance</p>	
<p>FC19/175</p>	<p>COST REDUCTION PROGRAMME (CRP) 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 January 2020 £16.614m of schemes had been identified as Green or Amber against the devolved 2% savings target of £16.345m, leaving a surplus of £0.269m. £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 31st January 2020 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. <p>The Committee was reminded that there was a £7.5m shortfall against the 2019/20 recurrent CRP target and this was reflected in the £11.5m underlying deficit carried forward by UHB in the 2020/21 IMTP.</p> <p>The Finance Committee was asked to note that none of the CRP measures had a detrimental impact upon patient safety or service delivery.</p> <p>Turning to the 2020/21 Cost Reduction Plans the Assistant Director of Finance provided a verbal update and highlighted that:</p> <ul style="list-style-type: none"> • As at 27th February 2020 £11.860m had been identified as Green or Amber against the devolved 3.5% 2020/21 savings target of £29.000m. In addition £9.2m of red pipeline schemes had been identified. 	

	<ul style="list-style-type: none"> Welsh Government had confirmed that the shortfall against the 2020/21 was a concern in respect of the 2020/21 IMTP and that the UHB was expected to provide Welsh Government with an update on the level of schemes identified on the 13th March 2020. <p>The UHB Interim Board Chair (CJ) noted that the CRP target for the PCIC Clinical Board was consistent with the overall UHB target and asked for assurance that this approach would enable the Clinical Board to respond to the challenges set out in Shaping Our Future Wellbeing. In response the Chief Executive indicated that the recirculation of resources from CRPs allowed the UHB to reshape services in line with UHB priorities and the Deputy Director of Finance added that estimates of prescribing and continuing health growth had fed into the 2020/21 IMTP.</p> <p>The Independent Member – Estates (RT) asked whether CRPs were aligned with the UHBs strategic objectives and the Executive Director of Strategic Planning indicated that a number of the programmes e.g. reducing length of stay and outpatient follow ups supported the UHBs objective of making the best use of resources by minimizing harm, risk and variation.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the progress against the £29.145m UHB savings requirement for 2019/20.</p> <p>The Finance Committee noted the progress against the £29.000m UHB savings requirement for 2020/21.</p>	
<p>FC19/176</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 including month 10 overspends of £3.660m, £1.653m and £1.622m reported respectively in the Medicine, PCIC and Surgery Clinical Boards. Management of nursing position which was £2.857m over budget at month 10. <p>The Finance Committee was also 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 had recently been revised down from £1.5m to £0.6m and was included in the UHB's year end forecast position</p>	

	<p>Turning to 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.</p> <p>Three risks were categorized as extreme risks (Red) on the 2020/21 Risk Register as follows:</p> <ul style="list-style-type: none"> • 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) <p>Two further risks relating to the management of internal investments within the £3m investment reserve and commissioning risks were also included on the Register.</p> <p>The Finance Committee Chair (JU) queried the reduction in risks identified on the 2020/21 Risk Register in comparison to the 2019/20 Risk Register and the Chief Executive also asked whether the risk around the management of the nursing budget and cardiac surgery outsourcing should be added to the 2020/21 Register. The Assistant Director of Finance indicated that the number of risks included was in part due to the timing of risks which emerged during the year and added that the risks around the nursing budget and cardiac surgery outsourcing would be considered before the Register was submitted to the next Finance Committee.</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 the value of risk associated with the 2019/20 Welsh Risk Pool overspend where the UHB share had been revised to £0.6m.</p> <p>The Finance Committee noted the risks highlighted within the 2020/21 risk register.</p>	
<p>FC19/177</p>	<p>FINANCE COMMITTEE – TERMS OF REFERENCE</p> <p>The Director of Corporate Governance indicated that the Finance Committee Terms of Reference (TOR) were last reviewed in February 2019 and approved by the Board in March 2019. The Committee was asked to consider a small number of changes to the TOR which included expanding the membership to 4 Independent members.</p> <p><u>Comments were received as follows:</u></p> <p>The UHB Interim Board Chair (CJ) suggested that advising the UHB Board on meeting it’s statutory obligations should be included within the section outlining the purpose of the Committee and added that</p>	

	<p>monitoring the UHB’s underlying deficit should also be included within the Committee’s delegated powers.</p> <p>In the context of the Committee’s delegated powers the Deputy Director of Finance advised that the primary responsibility to scrutinise submissions to be made in respect of revenue or capital funding and the service implications of such changes rested with the Capital Management Group and the Business Case Approval Group (BCAG).</p> <p>Resolved – that:</p> <p>The Finance Committee approved the changes to the Terms of Reference for the Finance Committee.</p> <p>The Finance Committee noted that the Terms of Reference would also be amended for the comments received.</p> <p>The Finance Committee recommended the changes to the Board for approval.</p>	
<p>FC19/178</p>	<p>FINANCE COMMITTEE – ANNUAL WORKPLAN</p> <p>The 2020/21 Workplan for the Finance Committee was introduced by the Director of Corporate Governance to provide members of the Finance Committee with the opportunity to review the Work Plan for 2020/21 prior to presentation to the Board for approval.</p> <p>The Finance Committee considered the draft workplan and agreed that the workplan would need to be flexed to reflect changes to the IMTP timetable.</p> <p>Resolved – that:</p> <p>The Finance Committee reviewed and approved the 2020/21 Work Plan subject to revision to reflect changes to the IMTP timetable;</p> <p>The Finance Committee recommended approval of the workplan to the Board of Directors.</p>	
<p>FC19/179</p>	<p>FINANCE COMMITTEE ANNUAL REPORT</p> <p>A paper summarising how the Finance Committee has met its Terms of Reference during the financial year was introduced by the Director of Corporate Governance.</p>	

	<p>The Finance Committee considered the report and agreed that it should be amended to reflect attendance at the February meeting.</p> <p>Resolved – that:</p> <p>The Finance Committee recommended the report for Board approval subject to an amendment to reflect attendance at the February meeting.</p>	
FC19/180	<p>2020/21 IMTP FINANCIAL PLAN</p> <p>The Director of Finance provided the Committee with a verbal update on the UHB’s Draft Financial Framework to support the 2020/21 – 2022/23 IMTP.</p> <p>It was noted that Welsh Government feedback was generally positive and had acknowledged that the plan was approvable subject to the UHB making progress in the identification of specific schemes to meet the 2020/21 savings target and clarification of the plans for Winter and RTT.</p> <p>Resolved – that:</p> <p>The Finance Committee:</p> <ul style="list-style-type: none"> • NOTED the feedback on the progress of the 2020/21 IMTP. 	
FC 19/181	<p>MONTH 10 FINANCIAL MONITORING RETURNS</p> <p>These were noted for information.</p>	
FC 19/182	<p>ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES</p> <p>No other items to bring to the main Board.</p>	
FC 19/183	<p>DATE OF THE NEXT MEETING OF THE COMMITTEE</p> <p>Wednesday 25th March; 2.00pm; Cefn Mably Meeting Room, Ground Floor, HQ, Woodland House</p>	