|  |
| --- |
| **CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE**  **HELD ON 24th FEBRUARY 2021**  **VIRTUAL MEETING via TEAMS** |
| |  |  |  | | --- | --- | --- | | **Present:** |  |  | |  |  |  | | Dr Rhian Thomas | RT | Chair, Independent Member – Capital and Estates | | John Union | JU | Independent Member – Finance | | Charles Janczewski | CJ | Board Chair | | Abigail Harris | AH | Executive Director of Strategic Planning | | Caroline Bird | CB | Acting Chief Operating Officer | | Catherine Phillips | CP | Executive Director of Finance | | Chris Lewis | CL | Deputy Director of Finance | | Hywel Pullen | HP | Interim Deputy Director of Finance (Strategy) | | Nicola Foreman | NF | Director of Corporate Governance | | Marie Davies | MD | Deputy Director of Planning | | Robert Mahoney | RM | Interim Deputy Director of Finance (Operational) | | Suzanne Rankin | SR | Chief Executive | | Stuart Walker | SW | Medical Director | |  |  |  | | **Secretariat:** |  |  | | Paul Emmerson | PE | Senior Finance Manager | | **Apologies:** |  |  | |  |  |  | | David Edwards | DE | Independent Member – Information Communication & Technology | | Rachel Gidman | RG | Executive Director of People and Culture | | Ruth Walker | RW | Executive Nurse Director | |  |  |  | |  |  |  | |  |  |  | |

|  |  |  |
| --- | --- | --- |
| **FC 22/02/001** | **WELCOME AND INTRODUCTIONS**  The Chair welcomed everyone to the meeting. | **ACTION** |
| **FC 22/02/002** | **APOLOGIES FOR ABSENCE**  Apologies for absence were noted. |  |
| **FC 22/02/003** | **DECLARATIONS OF INTEREST**  The Chair invited members to declare any interests in proceedings on the Agenda. None were declared. |  |
| **FC 22/02/004** | **MINUTES OF THE COMMITTEE MEETING HELD ON 26th JANUARY 2022**  The minutes of the meeting held on 26th January 2022 were reviewed and confirmed to be an accurate record.  **Resolved – that:**  The minutes of the meeting held on 26th January 2022 were approved by the Committee as an accurate record. |  |
| **FC 22/02/005** | **ACTION LOG FOLLOWING THE LAST MEETING**  There were no outstanding actions. |  |
| **FC 22/02/006** | **CHAIRS ACTION SINCE THE LAST MEETING**  There had been no Chairs action taken since the last meeting. |  |
| **FC 22/02/007** | **FINANCIAL PERFORMANCE MONTH 10**  The Deputy Director of Finance summarised the key points within the Month 10 Finance Report.  At month 10, the UHB reported an underspend of £0.406m against its plan. During the 10 months to the end of January the UHB incurred gross expenditure of £83.823m relating to the management of COVID 19, which was assumed to be offset by Welsh Government COVID 19 funding leaving an operating surplus of £0.406m.  The full year gross COVID forecast moved marginally by £0.023m in the month as the result of additional funding being made available for Covid 19 – Support at HMP Cardiff.  The Executive Director opinion was outlined as follows:  The reported financial position for the 10 months to the end of January was an increase of £0.204m on the surplus reported at month 9.  Further progress was required on recurrent saving schemes with a further £4.492m savings to be identified in order to maintain the underlying financial position. This had not improved significantly over the last 2-3 months and was a key financial risk that needs to be managed.  Plans to utilise reduced reductions in planned Expenditure were well developed.  The key risk faced was the full utilisation of resources made available to support services during the pandemic where workforce is the key constraint.  Moving onto the Finance Dashboard it was highlighted that there were two areas flagged as red, being the delivery of the recurrent £12.000m 1.5% target, where there was a £4.5m shortfall which in turn adversely impacted on the carried forward underlying deficit.  The UHB Chair (CJ), queried the prospects of making progress on the shortfall in recurrent savings in 2022/23 given that the UHB has not yet met its recurrent savings in 2021/22. In reply, the Deputy Director of Finance indicated that the UHB needed to collapse Covid response costs before it could increase its focus on progressing some of the high value opportunities which would then be open to the UHB to pursue. In this context releasing recurrent savings remained a considerable challenge.  Table 5 illustrated that the UHB had a operational surplus of £0.406m at Month 10. This was comprised of an in month and a cumulative underspend on income and pay which was broadly offset by overspend on non pay.  The Finance Committee Chair (RT) asked if work to manage the £0.660m shortfall on catering income was in progress and in reply the Deputy Director of Finance indicated that income was expected to recover as footfall across sites increased, however the pace of recovery was uncertain. In respect of a further query, it was noted that that some of the costs of both accommodation and catering were fixed when the service was maintained regardless of the level of that service.  The pay position at month 10 was an operational underspend of £8.6m and the additional gross COVID 19 pay expenditure was nearly £40m. There was an operational overspend of £9.700m on non-pay budgets which was offset by the reported underspends against pay and income budgets.  The forecast gross COVID 19 expenditure for the year was £119m and spending of £84m had been incurred at month 10. This was supported by additional Welsh Government funding.  Picking up on Welsh Government funding for Covid 19, the Executive Director of Finance detailed that the total forecast funding for COVID 19 was £140.333m, which matched the forecast gross costs together with the £21.313m of support for the planning deficit.  Referring to the profile of Covid Recovery expenditure the Finance Committee Chair (RT) noted that a relatively large proportion of the annual expenditure was forecast to be incurred in the final 2 months of the year. The Interim Chief Operating Officer confirmed that a number of the schemes were back loaded to the end of the year and whilst this represented a challenge the UHB was taking all reasonable steps to use the resource which was available.  At month 10, the full year forecast reductions in planned expenditure were £7.4m which was an increase of £0.3m on the month 9 forecast. Plans to utilse this reource were well progressed with an oversight from the UHB’s Management Executive.  Delegated performance was relatively stable in month, although it was noted that performance varied between Clinical Boards.  The UHB was confident that the £16m savings target would be broadly achieved this year, however, as previously noted further progress needed to be made on recurrent schemes as the forecast year end underlying deficit of £25.3m would increase to £29.7m if the current gap against the recurrent savings target did not improve.  Moving on the Committee was informed that the UHB was expecting cash support from Welsh Government in respect of resource limit only allocations from previous years where the associated cash outlay was now materialising.  The UHB’s public sector payment complianceperformance was 93.5% at the end of January which was slightly below the target of 95%.  At month 10, the UHB had an approved Capital Resource Limit (CRL) of circa £59.2m and cumulative expenditure of £15.8m was reported against this. Since the report was written, the capital resource limit had increased by a further £4.4m due to a bid to Welsh Government for additional expenditure that the UHB expected to deliver this financial year, mainly around medical and IT equipment. The Committee was advised that of the updated CRL which was £63.4m at the time of the meeting, orders raised to date were 74% of the revised Limit.  In conclusin, the Committee was informed that the key risks were; the further progress required to find another £4.4m recurrent schemes in order to maintain the underlying position; the management of risks to achieve a break even position, including the full utilization of resources that were allocated to the UHB; and the management of capital so that a broadly balanced position against the capital resource limit was reached at year end.  The UHB Chair (CJ) referred to the non recurrent funding provided to the UHB to support the underlying deficit in 2021/22 and queried whether support had been provided on a recurrent basis to other Health Boards across Wales. In reply, the Deputy Director of Finance indicated that one Health Board had been provided with non recurrent structural funding for a three year period, however, it was thought that a number of other Health Boards were in a similar position to the UHB, with no confirmation of the continuation of Welsh Government support to cover underlying deficits. The UHB Chair (CJ) indicated that further clarification on the likelihood of continuing support for the underlying deficit would be pursued through the Chairs Group with Welsh Government.  The independent Member (Finance) asked for clarification on the planning and lead times required for exiting from the Covid expenditure programmes such as testing, tracing and vaccination. In response the Deputy Director of Finance indicated that the UHB was expecting coverage for national programmes such as testing, tracing and vaccination in line with Welsh Government planning guidance. However, withdrawal from local response costs would need to be managed by the UHB and this was a risk and would be a challenge in 2022/23. The Interim Chief Operating Officer added that the UHB had worked through the detail of actions required to collapse the Covid response costs with Clinical Boards and Corporate teams and confirmed that the bed base was the largest component in determining the additional response cost incurred by the UHB.  The UHB Chair (CJ) acknowledged the work of UHB Officers in steering the UHB through what was an exceptional year in respect of the continuing demand of managing the impact of Covid.  **Resolved – that:**  The Finance Committee **noted** the reported underspend of £0.406m at month 10;  The Finance Committee **noted** the gross month 10 financial impact of COVID 19 which was assessed at £83.823m and that this was matched with anticipated income;  The Finance Committee **noted** the forecast breakeven which is consistent with the financial plan submitted to Welsh Government on 30th June and assumes additional funding of £140.333m to manage the impact of COVID 19 in 2021/22, including confirmed funding of £21.313m in respect of the 2020/21 recurrent savings shortfall;  The Finance Committee **noted** that COVID 19 reductions in planned care expenditure can be used to to mitigate financial risks in the plan and support system resilience;  The Finance Committee **noted** that following a request from Welsh Government that the UHB has identified the additional working cash required in 2021/22 to satisfy the cash outlay that is expected to be incurred in respect of resource only funding adjustments confirmed by Welsh Government in previous years.  The Finance Committee **noted** the 2021/22 brought forward Underlying Deficit was £25.3m and that the forecast carry forward of £25.3m into 2022/23 is dependent upon delivery of the £12m recurrent savings target which required the identification of a further £4.4m savings schemes.  The Finance Committee **noted** the UHB is forecasting a breakeven position at the year end in line with the submitted annual financial plan. In order to achieve this the key risk that needs to be managed is to utilise the resources that have been allocated to the UHB;  The Finance Committee **noted** that the UHB is forecasting a broadly balanced position against its capital resource limit at year end and will need to continually monitor the position so that progress can be pro-actively managed to achieve this. |  |
| **FC 22/02/008** | **FINANCE RISK REGISTER**  The Interim Deputy Director of Finance presented the 2021/22 Finance Risk Register to the Committee.  The following risks identified on the 2021/22 Risk Register remained categorized as extreme risks (Red):  • Maintaining the underlying deficit of £25.3m on line with the draft annual plan;  • Delivery of the recurrent element of the CIP (£12.0m).  The Committee was advised that the red rated risks had already been discussed as part of the previous agenda item.  **Resolved – that:**  The Finance Committee **noted** the risks highlighted within the 2021/22 risk register. |  |
| **FC 22/02/009** | **FINANCE COMMITTEE – TERMS OF REFERENCE**  The Director of Corporate Governance indicated that the Finance Committee Terms of Reference (TOR) were reviewed earlier in the year to capture additional responsibilities in respect of monitoring the capital programme. The Committee advised that further changes were highlighted and referred to the changes in respect of the publication of papers. The Committee was asked to review and consider the changes to the TOR.  **Resolved – that:**  The Finance Committee **reviewed** the changes to the Terms of Reference as highlighted.  The Finance Committee **ratified** the changes tothe Terms of Reference.  The Finance Committee **recommended** approval of the amended Terms of Reference to the Board at the Board Meeting on 31st March 2022. |  |
| **FC 22/02/010** | **FINANCE COMMITTEE – ANNUAL WORKPLAN**  The 2022/23 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 2022/23 prior to presentation to the Board for approval.  **Resolved – that:**  The Finance Committee **reviewed** and **ratified** the 2022/23 Work Plan;  The Finance Committee **recommended** approval of the workplan to the Board. |  |
| **FC 22/02/011** | **FINANCE COMMITTEE – ANNUAL REPORT**  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.  The Finance Committee considered and agreed the reportsubject to an update to the attendance figures.  **Resolved – that:**  The Finance Committee **recommended** the report to the Board for **approval** subject to an amendment to reflect updated attendance figures. |  |
| **FC 22/02/012** | **MONTH 9 FINANCIAL MONITORING RETURNS**  These were noted for information. |  |
| **FC 22/02/013** | **ITEMS TO BRING TO THE ATTENTION OF THE BOARD**  There were no items to bring to the attention of the Board. |  |
| **FC 22/02/014** | **DATE OF THE NEXT MEETING OF THE COMMITTEE**  **Wednesday 23rd March 2022 2.00pm; Virtual Meeting via Teams** |  |