

FINANCE COMMITTEE MEETING
2.00pm on 27th June 2018
Large Meeting Room, Headquarters, UHW

AGENDA

PART 1: ITEMS FOR ACTION		
1	Welcome and Introductions	<i>Oral - Chair</i>
2	Apologies for Absence	<i>Oral - Chair</i>
3	Declarations of Interest	<i>Oral – Chair</i>
4	Minutes of the meeting held on 30th May 2018	<i>Chair</i>
5	Action Log	<i>Chair</i>
6	6A - Revised Terms of Reference 6B – Revised Terms of Reference Cover Sheet	<i>Chris Lewis</i>
7	Financial Plans 2018/19	<i>Oral - Bob Chadwick</i>
8	Finance Report as at Month 2	<i>Chris Lewis</i>
9	9A – CRP Tracker & Cross Cutting Progress Finance Committee June 2018 9B – 2018-19 Cost Reduction Programme Efficiency Framework	<i>Andrew Gough</i>
10	10A - Finance Risk Register (word) 10B – Finance Risk Register (excel)	<i>Andrew Gough</i>
PART 2: ITEMS TO BE RECORDED AS RECEIVED AND NOTED FOR INFORMATION BY THE BOARD		
11	Items to bring to the attention of the Board / other Committees	<i>Oral - Chair</i>
12	Date, time and venue of the next meeting of the Finance Committee: 2.00pm on Wednesday 25 th July 2018, Large Meeting Room, HQ, UHW	<i>Oral - Chair</i>

UNCONFIRMED MINUTES OF THE FINANCE COMMITTEE

HELD ON 30th MAY 2018

LARGE MEETING ROOM, HQ, UHW

Present:

John Union	Chair (Finance Committee)
Maria Battle	Chair (Board)
Steve Curry	Director of Operations
Len Richards	Chief Executive
Dr Sharon Hopkins	Deputy Chief Executive
Charles Janczewski	Vice Chair (Board)
Christopher Lewis	Deputy Director of Finance
Martin Driscoll	Director of Workforce

In Attendance:

Secretariat:

Paul Emmerson	Finance Manager
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FC – 18/195 WELCOME AND PURPOSE OF THE COMMITTEE

The Chair welcomed everyone to the meeting.

FC – 18/196 APOLOGIES FOR ABSENCE

Apologies were received from John Antoniazzi, Ruth Walker, Andrew Gough, Abigail Harris and Robert Chadwick.

FC – 18/197 DECLARATIONS OF INTEREST

The Chair invited members to declare any interests in proceedings on the Agenda.

The UHB Vice Chair (CJ) stated that he was Chair of a WHSCC sub-committee and declared an interest in discussions in respect of WHSCC.

FC – 18/198 MINUTES OF THE FINANCE COMMITTEE HELD ON 25th APRIL 2018

The Committee **RECEIVED** and **APPROVED** minutes of the meeting held on 25th April 2018.

In respect of minute 18/189 of the meeting held on 25th April 2018, it was confirmed that Terms of Reference were being reviewed and considered before determining the scope for the commissioning of an independent report outlining the implications of the increase in population in Cardiff and Vale on UHB services.

FC - 18/199 ACTION LOG FOLLOWING THE LAST MEETING

The Committee **RECEIVED** the Action Log from the meeting of 25th April 2018 and **NOTED** the following:

FC 18/167 - An updated Financial Governance Review Progress Report was included on the agenda of the May 30th 2018 meeting

FC - 18/189 - Director of Finance to separately identify RTT spend that is expected to be covered by an additional Welsh Government allocation through the monthly monitoring return process – Complete - The April 2018 MMR reported that in month 1 £0.3m expenditure had been incurred against the £6.1m assumed additional allocation for RTT

FC - 18/189 - Conditions for the UHB to meet the £19.9m improvement plan to be shared with the Finance Committee - Complete - Letter outlining Welsh Govt support required for UHB delivery of the stretch target to reach £19.9m deficit was relayed with Finance Committee papers for the May 30th 2018 meeting.

FC - 18/189 - Establish if data is readily available to understand if there was pressure on pay costs as a result of the snow which had disrupted travel in March - Complete - No definitive data is available, however UHB spend on variable pay did peak in early March at the time of the adverse weather.

FC - 18/189 - Report on impact of No Purchase Order No Payment Policy to be shared with Finance Committee following All Wales implementation in June 2018 – Incomplete - Report to be brought back to future Finance Committee post June 2018 All Wales implementation..

FC - 18/200 REVISED TERMS OF REFERENCE FINANCE COMMITTEE

The Deputy Director of Finance informed the Committee that one of the proposals of the Deloitte's financial governance review was the recommendation that the Finance Committee Terms Of Reference should be updated to ensure that the Board Chair is not a member or the Chair of the Finance Committee, and that the Terms of Reference for all Board sub committees should state that the Board Chair should attend each committee on a rolling basis. The current Finance Committee Terms of Reference did not reflect this recommendation and required amendment to reflect this recommendation. The UHB Vice Chair (CJ) indicated that the Committee may

wish to consider some further amendments and in this context the Committee agreed that the UHB Vice Chair would make a number of amendments to the Terms of Reference which would be relayed to Committee members for the consideration of any further amendments before the next Finance Committee meeting. A draft amended Terms of Reference would be brought back to the next Finance Committee meeting for consideration and approval.

ACTION: VICE CHAIR / DIRECTOR OF FINANCE

FC - 18/201 FINANCIAL PLANS 2018/19 to 2020/21

The Chief Executive confirmed that in line with the advice given to the previous Finance Committee that the UHB was working to an operational plan with a £19.9m planning deficit in 2018/19. The Committee was informed that the £9.3m improvement target that had enabled the UHB to move from a planned deficit of £29.2 to £19.9m was being managed corporately and would not be delegated to Clinical Boards. The UHB Executive Team were looking at a number of schemes to meet the £9.3m improvement target and it was anticipated that each Executive Officer would take the lead for at least 1 scheme. The improvement target was currently profiled equally across each month in the final quarter of the year and it was expected that progress in the development and implementation of improvement target schemes would be assessed at the end of August. In response to a query from the Committee Chair (JU) the Chief Executive indicated that the improvement target was expected to include both recurrent and non recurrent schemes and that the Full Year Effect (FYE) of recurrent schemes would contribute to reducing the Underlying Deficit. The Chief Executive confirmed that feedback from Clinical Boards at the Health System Management Board (HSMB) and Performance Reviews was generally encouraging and supportive of the approach to working towards the £19.9m planned deficit.

The UHB Vice Chair (CJ) noted that the profiling of the Improvement Target into the final 3 months moved the risks associated with the achievement of the target to the later part of the year and in this context asked for the Committee to be provided with an update following the assessment of the progression of the improvement target schemes at the end of August.

ACTION: DIRECTOR OF FINANCE

FC - 18/202 FINANCE REPORT AS AT MONTH 1

The Deputy Director of Finance presented the UHB's financial performance to month 1 and drew the Committees attention towards a number of key messages.

The UHB deficit at Month 1 was £0.151m over the £1.658m planned deficit that had been phased into month 1.

Table 2 of the written report showed UHB performance against the 3 year financial break even duty and confirmed that the UHB had breached its statutory financial duty in both 2016/17 and 2017/18 and that the plan current approved by the Board will also result in a breach of financial duty at the end of 2018/19.

In respect of the 2018/19 operational plan described in Table 1 the UHB Vice Chair (CJ) asked whether Welsh Government had confirmed the carry forward of the £4m Planned underspend from 2017/18 to 2018/19. The Chief Executive confirmed that Welsh Government had confirmed through the Targeted Intervention Meetings that the associated £4m would be re-provided non-recurrently to the UHB in 2018/19.

A revised Finance Dashboard was presented at Table 3 within the written report and the Committee was informed that the Dashboard would also be incorporated into the Integrated Performance Report that would be presented to Board meetings.

Attention was drawn to the inclusion of a summary LTA Provider Performance at Table 6. This would continue to be reported monthly to future Finance Committees. The Committee was informed that there was a time lag in the validation of patient activity data and was asked to note that the £0.105m adverse variance reported at month 1 was primarily due to a reduction in activity delivered through the Aneurin Bevan LTA. This was underlined by supporting information that indicated that the number of Finished Consultant Episodes (FCEs) provided through the Aneurin Bevan LTA had fallen from 23,703 in to 16,991 in 2017/18. This was partly linked to the opening of a new hospital in Ystrad Mynach. The Chief Executive indicated that any further reduction in FCEs admitted from other Health Boards would lead to an associated loss of income which the UHB would need to manage through the realignment of services particularly in respect to activity flows related to RTT.

The in month overspend against pay budgets was £0.078m and it was highlighted that the whilst the main concern continued to be the significant pressure against nursing budgets, pressures had also emerged against medical and dental and managerial and administrative staff groups and that some of the pressures may be linked to the delivery of workforce savings programmes.

The favourable variance against non pay budgets was broadly offsetting the overspends reported against pay and income budgets. The committee was advised that a favourable Month 1 variance on LTAs of £0.149m largely driven by the UHBs performance on contracts was shown at Table 14.

In respect of Clinical Board performance the Deputy Director of Finance confirmed that gaps in savings plan were not yet phased into budget profiles and that the overspends reported on the Medicine, Surgery and Women and Children's Clinical boards were due to operational pressures.

Moving onto the savings programme it was reported that a further £12.030m of delegated savings needed to be developed to reach the delegated savings target and an additional £7.216m of savings or mitigating actions needed to be identified to reach the Financial Improvement Target. The Committee was advised that if these gaps were profiled into the reported position in 1/12ths, that the financial position at Month 1 would be £1.6m worse than reported.

The UHB Vice Chair (CJ) asked what confidence the UHB had that the gap in savings and the improvement target would be closed in year. The Committee was informed that Welsh Government had suggested that it expected the gap in the UHBs delegated savings target to be nil by the end of June. The Director of Operations indicated that schemes had been developed at a good pace at the start of the year and that Clinical Boards were now once again starting to increase the pace with which schemes were being developed following a series of performance meetings with UHB Executive Officers. The Director of Operations noted that some schemes in the red pipeline would have a significant financial impact if they could be moved forward in the current financial year. It was noted that the UHB had identified a higher proportion of schemes than at the equivalent point in 2017/18, however it was also noted that the overall savings requirement was greater.

The committee was told that the PSPP performance at month 1 was poor and that the UHB would expect the compliance to improve as the year progressed.

The Deputy Director of Finance finished the report by informing the Committee that the key concerns were delivery of the savings and financial improvement targets target, managing within current budgets and managing down the underlying deficit.

LIMITED ASSURANCE was provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 1 position which is broadly on line with the profiled deficit within the draft operational plan.

The Finance Committee:

- **NOTED** that the UHB has an unapproved draft one year operational plan that has a planned deficit of £19.900m for the year;
- **NOTED** the £1.809m deficit at month 1 which includes a planning deficit of £1.658m and budget overspends of £0.151m;
- **NOTED** the key concerns and actions being taken to manage risks.

FC - 18/203 FINANCIAL GOVERNANCE REVIEW PROGRESS REPORT

The Deputy Director of Finance highlighted that 22 key findings and recommendations had fallen out of the independent financial governance review undertaken by Deloitte. Action plans had been drawn up in respect of each recommendations of which 20 have been completed and a further 2 were being progressed.

A recent Internal Audit Report had provided the Audit Committee of the 24th April 2018 which provided substantial assurance around the robustness and accuracy of progress reporting against the action plan to the Finance Committee.

In respect of the 2 recommendations being progressed the Finance Committee was informed that firstly, the UHB had enhanced its 3 year financial strategy but that this could not be progressed any further because the 3 year IMTP was not in a position to be approved and that the UHB was required to have a one year operational plan. After discussion it was agreed that this could not be progressed any further and that this should now be reported as complete. Secondly, the UHB Management Executive had received and approved a revised performance management process that subject to refinement and finalisation of the escalation process would identify trigger points for moving Clinical Boards into protective administration. In the meantime bespoke escalation processes remained in place for specific clinical boards.

The Finance Committee:

- **NOTED** the progress being made against the action plan;
- **AGREED** that assurance could be provided to the Board on the action that is being taken and the progress that is being made.
- **AGREED** That in light of the substantive assurance provided by Internal Audit on the action plan and progress made that no further report was required by the Finance Committee.

FC - 18/204 COST REDUCTION PROGRAMME

The Deputy Director of Finance highlighted the following key points from the Cost Reduction Report:

- Savings of £17.062m had been identified against the £25.335m recurrent 3% element of the devolved target.
- Savings of £4.992m had been identified against the £8.445m non-recurrent 1% element of the devolved target.
- As at week commencing 14th May 2018 £9.269m of cross cutting opportunities had been identified as Green or Amber contributing towards the delivery of the £33.780m devolved CRP target.

In total there was a gap of £11.726m against the overall delegated 2018/19 CRP target.

The Committee was informed that an additional £9.266m improvement target was currently profiled into the last quarter of the financial year and that as at 30th April £2.050m of recurrent opportunities had been identified leaving a gap of £7.216m.

The Committee agreed that a separate report on progress against the CRP plan should continue to be a standing item on the Finance Committee agenda as long as material risks around saving plans gaps and achievement remained. This allowed further scrutiny where required.

The Finance Committee:

- **NOTED** the progress against the £33.780m devolved 2018/19 CRP target and the Cross Cutting contribution
- **NOTED** the progress against the £9.266m improvement target.

FC - 18/205 RISK REGISTER

The Deputy Director of Finance presented the 2018/19 Risk Register to the Finance Committee and highlighted that two additional moderate risks had been added to the register in respect of Velindre NICE and high Cost Drugs and the financial sustainability of WHSCC commissioned services. It was confirmed that further risks may emerge as the year proceeded.

The Finance Committee:

- **NOTED** the risks highlighted within the risk register.

FC - 18/206 ITEMS TO BRING TO THE ATTENTION OF THE BOARD/OTHER COMMITTEES

No other items to bring to the main Board.

FC - 18/207 DATE AND TIME OF NEXT MEETING

Wednesday 25th July; 2.00pm; Large Meeting Room, HQ, UHW

FINANCE COMMITTEE
ACTION LOG FROM 30th MAY 2018

MINUTE	DATE	SUBJECT	AGREED ACTION	ACTIONED TO	STATUS
FC - 18/189	25.04.18	Public Sector Payment Policy Compliance	Report on impact of No Purchase Order No payment Policy to be shared with Finance Committee following All Wales implementation in June 2018.	Deputy Director of Finance	Incomplete – Report to be brought back to future Finance Committee post June 2018 All Wales implementation. It is recommended that this as agenda item for October 2018 meeting.
FC - 18/200	30.05.18	Finance Committee Terms Of Reference	A draft amended Terms of Reference would be brought back to the next Finance Committee meeting for consideration and approval.	Deputy Director of Finance	Complete – Revised Terms Of Reference on Finance Committee Agenda 27.06.2018
FC - 18/201	30.05.18	Progress against the £9.3m 2018/19 Improvement Target	Finance Committee to be provided with an update following the assessment of further schemes to meet this target.	Deputy Director of Finance	Incomplete – This is monitored monthly in the Finance Report. This will continue with an update provided after August on the further schemes being progressed.



Finance Committee

Terms of Reference and Operating Arrangements

May-June 2018

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1. INTRODUCTION

The Board shall establish a Committee to be known as Finance Committee. The detailed terms of reference and operating arrangements in respect of this Committee are set out below. ~~This will be an interim arrangement whilst the Health Board is working with the Welsh Government during the period of "Targeted Intervention".~~

2. CONSTITUTION AND PURPOSE

The purpose of this Committee is to advise and assure the Board ~~in-t~~ that the organisation is discharging its responsibilities ~~during the period of Targeted Intervention~~ with regard to its current and forecast financial position, performance and delivery.

The Board has resolved to establish ~~a an Interim~~ Finance Committee which will allow appropriate scrutiny and review to a level of depth and detail not possible in Board Meetings in respect of performance relating to :-

- Financial plans and monitoring including delivery of savings programmes;
- Scrutiny and monitoring of Financial monthly performance

The Committee will ensure that evidence based and timely interventions are implemented to drive forward improved financial performance thereby allowing the Health Board to achieve the requirements and standards determined for the NHS in Wales.

3. DELEGATED POWERS

The Committee, in respect of its provision of advice and assurance will, and is authorised by the Board to: -

- Review monthly Financial Report prior to submission to the Board
- Monitor review and scrutinise Cost Reduction Programme and Financial Tracker System for Corporate and Clinical Boards
- Approve and monitor the ~~IMTP~~ financial plan and ensure that it is fully integrated into the Integrated Medium Term Plan.
- Scrutinise the delegated budgets within budget plan
- ~~Receive assurances with regard to the progress and impact /pace of~~

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implementation of Health Boards Cost Reduction Programmes/ Savings Plan

- Seek assurance on the Financial Planning process and consider Financial Plan proposals
- Scrutinise financial performance and cash management against revenue budgets and statutory duties
- Seek assurance that any underlying deficit is corrected as soon as possible and to monitor the progress being made to remove any such deficit.
- Scrutinise submissions to be made in respect of revenue or capital funding and the service implications of such changes.
- Monitor and review agreed dis-investments.
- Review the Board's Scheme of Financial Delegation as and when necessary
- Receive reports arising from financial reviews, including performance and accountability reviews of Corporate and Clinical Boards.

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4. AUTHORITY

The Committee may investigate or have investigated any activity (clinical and non-clinical) within its terms of reference. It may seek relevant information from any:

- employee (and all employees are directed to cooperate with any legitimate request made by the Committee); and
- other committee, subcommittee or group set up by the Board to assist it in the delivery of its functions.

May obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers it necessary, in accordance with the Board's procurement, budgetary and other requirements;

May consider and where appropriate, approve on behalf of the Board any policy within the remit of the Committee's business;

Will review risks from the Corporate Risk and Assurance Framework that are assigned to the Committee by the Board and advise the Board on the appropriateness of the scoring and mitigating actions in place.

5. SUB-COMMITTEES

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The Committee may, subject to the approval of the Health Board, establish sub-committees or task and finish groups carry out on its behalf specific aspects of Committee business.

6. MEMBERSHIP

Members

Chair – Independent Member - Finance
Two Independent Members of the Board

In attendance

Chief Executive
Executive Director of Finance
Chief Operating Officer
Executive Director of Workforce and Organisational Development
Executive Director of Strategy and Engagement
Executive Director of Nursing
Director of Corporate Governance
Deputy Director of Finance

Other Directors/Officers will attend as required by the Committee Chair, as well any others from within or outside the organisation who the Committee considers should attend, taking into account the matters under consideration at each meeting.

The UHB Board Chair should attend the committee as part of a rolling plan to attend all Board sub committees.

Member Appointments

The membership of the Committee shall be determined by the Chairman of the Board taking account of the balance of skills and expertise necessary to deliver the Committee's remit and subject to any specific requirements or directions made by the Welsh Government.

This Committee will be chaired by the [Independent Board Member for Finance](#) ~~Chair of the Health Board~~ and supported by a Vice Chair who shall also be an Independent Member.

~~Committee members' terms and conditions of appointment are determined by the Board, based upon the recommendation of the UHB Chair. Appointed Independent Members shall hold office on the Committee until such time it is stood down.~~

Secretariat

Secretary: as determined by the Director of Corporate Governance.

Support to Committee Members

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The Director of Corporate Governance, on behalf of the Committee Chair, shall:

- Arrange the provision of advice and support to Committee members on any aspect related to the conduct of their role;
- Ensure the provision of a programme of development for Committee members as part of the overall Board Development programme.

7. COMMITTEE MEETINGS

Quorum

At least two Independent Members must be present to ensure the quorum of the Committee. This should include either the Chair or the Vice-Chair of the Committee. In the interests of effective governance it is expected that a minimum of two Executive Directors will also be in attendance.

Frequency of Meetings

Meetings shall be routinely held on a monthly basis. This will be reviewed on a regular basis.

Withdrawal of individuals in attendance

The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

8. RELATIONSHIP & ACCOUNTABILITIES WITH THE BOARD AND ITS COMMITTEES/GROUPS

Although the Board has delegated authority to the Committee for the exercise of certain functions as set out within these terms of reference, it retains overall responsibility and accountability for ensuring the quality and safety of healthcare for its citizens through the effective governance of the organisation.

The Committee is directly accountable to the Board for its performance in exercising the functions set out in these Terms of Reference,

The Committee, through its Chair and members, shall work closely with the Board's other Committees including Sub Committee/Advisory Groups to provide advice and assurance to the Board through the:

- planning and co-ordination of Board and Committee business; and
- sharing of information

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- in doing so, contributing to the integration of good governance across the organisation, ensuring that all sources of assurance are incorporated into the Board's overall risk and assurance arrangements.

The Committee shall embed the Health Board's strategy, corporate goals and priorities through the conduct of its business.

9. REPORTING AND ASSURANCE ARRANGEMENTS

The Committee Chair shall:

- report to each Board meeting on the Committee's key activities via the Chair's report
- ensure the public minutes of each meeting of the Committee are presented to the Board meeting.
- ensure appropriate escalation arrangements are in place to alert the Board and Welsh Government of any urgent/critical matters that may affect the operation and/or reputation of the Health Board during the period of Targeted Intervention.

The Director of Corporate Governance, on behalf of the Board, shall oversee a process of regular and rigorous self-assessment and evaluation of the Committee's performance and operation.

10. APPLICABILITY OF STANDING ORDERS TO COMMITTEE BUSINESS

The requirements for the conduct of business as set out in the Standing Orders are equally applicable to the operation of the Committee, except in the following areas:

- Quorum

11. REVIEW

These terms of reference and operating arrangements shall be reviewed ~~annually~~^{monthly} by the Committee and any changes recommended to the Board for approval. ~~This will continue whilst the Health Board is working with Welsh Government during the period of Targeted Intervention.~~

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REVISED TERMS OF REFERENCE FOR THE FINANCE COMMITTEE	
Name of Meeting : Finance Committee	Date of Meeting: 27 th June 2018
Executive Lead: Executive Director of Finance	
Author : Deputy Director of Finance	
Caring for People, Keeping People Well: This report strengthens financial governance which supports the values of the UHB.	
Financial impact : None	
Quality, Safety, Patient Experience impact : N/A	
Health and Care Standard Number: Governance, leadership and accountability Standard 7.1 Workforce	
CRAF Reference Number: 8	
Equality and Health Impact Assessment Completed: Not Applicable	

ASSURANCE AND RECOMMENDATION

ASSURANCE is provided by:

- Implementing revisions approved by the Board;
- Compliance with the agreed action from the Deloitte financial governance review.

RECOMMENDATIONS

The Finance Committee is asked to:

- **APPROVE** subject to any further amendments, the revised terms of reference of the Finance Committee.

SITUATION

Deloitte LLP undertook an independent financial governance review of Cardiff and Vale University Health Board. The outcome was presented to Welsh Government and the Health Board in early July 2017. The UHB action plan was agreed by the Board at its September 2017 meeting. One of the agreed actions was to revise the Terms of Reference of the Finance Committee. This is attached for consideration and approval by the Finance Committee.

BACKGROUND

The Deloitte financial governance review contained 22 recommendations. One of the recommendations related to the Terms of Reference of the Finance Committee and this is set out below.

‘Update the terms of reference of the Finance Committee to ensure that the Board Chair is not a member or the Chair of this committee, and all committee Terms of Reference to state that the Board Chair should attend each committee on a rolling basis’.

ASSESSMENT AND ASSURANCE

This change was agreed at the November 2017 meeting of the Board and attached is an updated terms of reference of the Finance Committee which has been amended with input from Finance Committee members. The Finance Committee was set up as an interim committee and this has now been made permanent and is also reflected in the revised terms of reference.

FINANCE REPORT FOR THE PERIOD ENDED 31 st MAY 2018	
Name of Meeting : Finance Committee	Date: 27 th June 2018
Executive Lead : Executive Director of Finance	
Author : Deputy Director of Finance 02920 743555	
Caring for People, Keeping People Well: This report details performance against the annual financial plan supporting the UHB to deliver service priorities, maximise patient outcomes whilst maintaining the sustainability of services.	
Financial impact: The UHB financial position at the end of May 2018 is a deficit of £3.807m comprised of the following: <ul style="list-style-type: none"> • £0.490m adverse budget variance; • £3.317m planned deficit. 	
Quality, Safety, Patient Experience impact: This report details financial performance against the one year operational plan which supports improvements in quality, safety and patient / carer experience.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not applicable	

ASSURANCE AND RECOMMENDATION

LIMITED ASSURANCE is provided by:

- The scrutiny of financial performance undertaken by the Finance Committee;
- The month 2 position which is broadly on line with the profiled deficit within the draft operational plan.

The Committee is asked to:

- **NOTE** that the UHB has an unapproved draft one year operational plan that has a planned deficit of £19.900m for the year;
- **NOTE** the £3.807m deficit at month 2 which includes a planning deficit of £3.317m and budget overspends of £0.490m;
- **NOTE** the key concerns and actions being taken to manage risks.

SITUATION

The UHB's 2018/19 operational plan includes a £19.9m planned deficit. This is dependent upon managing the following key challenges:

- identifying and delivering £33.780m of savings;
- identifying and delivering a further £9.266m financial improvement target;
- the management of operational cost pressures and financial risks within delegated budgets.

At month 2 the UHB closed the gap in the savings plan from £12.030m to £7.315m and the gap against the financial improvement target narrowed from £7.216m to £1.786m. The adverse variance reported against the operational plan deteriorated by £0.339m to £0.490m and the UHB expects to recover this overspend as the year progresses. The underlying deficit has been reduced by £0.500m to £39.061m

BACKGROUND

The UHB considered a draft IMTP at its January 2018 Board Meeting. This was submitted to Welsh Government by the end of January 2018 and was not acceptable due to assumptions around additional funding. The UHB then revised its financial plan and was not in a position to submit an IMTP to Welsh Government for approval as the revised plan was some way from being financially balanced.

Consequently the UHB was required to agree an acceptable one year Operational Plan with Welsh Government and the UHB wrote to Welsh Government setting out a revised 2018/19 planning deficit of £29.2m. This was discussed at Targeted Intervention meetings and was not acceptable to Welsh Government.

The Health Board reconsidered its position at its March 2018 Board Meeting and following dialogue with Welsh Government reduced its projected deficit to £19.9m. The Board accepted that it would need to work throughout the year to deliver this £9.3m financial improvement target. This decision has been shared with Welsh Government and in this context the UHB is operating on the planning assumption of a £19.9m deficit in 2018/19. A summary of this plan and how it has changed from the draft submitted in January 2018 is provided in Table 1.

Table 1: Operational Plan 2018/19

	Jan Plan £m	March Plan £m	Var £m	Notes
b/f underlying deficit	-49	-49	0	
Non Recurrent Cost Improvement Plans	8.4	8.4	0	
Net allocation uplift (inc LTA inflation)	20	20	0	
Cost pressures	-33.3	-31.1	2.2	Reduction in FNC costs
Cost Pressures due to population growth	-4.5	-3.5	1	Reduction for RTT
Investments	-4.3	-3.3	1	Reduction for RTT
Recurrent cost improvement plans	25.3	25.3	0	
Additional funding assumed	15.5	0	-15.5	No income assumed
In year Financial Plan	27.2	15.9	-11.3	
Planned Surplus/(Deficit)	-21.9	-33.2	-11.3	
Planned c/f from 2017/18 (non recurrent)	0	4	4	17/18 under plan c/f assumed
Financial Improvement Target	0	9.3	9.3	
Revised Planned Surplus/(Deficit)	-21.9	-19.9	2	

The actual and forecast performance against the 3 year break even duty on revenue is shown in Table 2 below.

Table 2: Performance against 3 year financial break even duty

	Actual / forecast year end position surplus/(deficit) £m	Rolling 3 year break even duty surplus/(deficit) £m	Pass of fail financial duty
2014/15	(21.364)	n/a	n/a
2015/16	0.068	n/a	n/a
2016/17	(29.243)	(50.539)	Fail
2017/18	(26.853)	(56.028)	Fail
2018/19	(19.900)	(75.996)	Fail

The three year break even duty came into effect in 2014/15 and the first measurement of it was in 2016/17. **The above table shows that the UHB breached its statutory financial duty in both 2016/17 and 2017/18 and the plan current approved by the Board will also result in a breach of Financial duty at the end of 2018/19.**

ASSESSMENT AND ASSURANCE

The Finance Dashboard outlined in Table 3 reports actual and forecast financial performance against key financial performance measures.

Table 3: Finance Dashboard @ May 2018

Measure	Status report				
	May-18	RAG rating	Latest Trend	Target	Time period
Financial balance: remain within revenue resource limits	£3.807m deficit at month 2. £0.490m adverse variance against plan	R	é	2018/19 planned deficit £19.9m	M12 2018-19
Remain within capital resource limits.	The UHB had an approved capital resource limit of £36.099m at the end of May. Expenditure at the end of May was £1.289m against a plan of £1.758m.	G	é	Approved planned expenditure £36.099m	M12 2018-19
Reduction in Underlying deficit	£42.5m assessed underlying deficit position at month 2	R	é	If 2018/19 plan achieved reduce underlying deficit to £39.1m	M12 2018-19
Delivery of recurrent 3% savings target	£18.063m identified at month 2	R	é	£25.335m	M12 2018-19
Delivery of non recurrent 1% savings target	£8.402m identified at month 2	R	é	£8.445m	M12 2018-19
Delivery of financial improvement target	£7.480m identified at month 2	R	é	£9.3m	M12 2018-19
Creditor payments compliance 30 day Non NHS	94.1% cumulative to the end of May. 95.5% in month performance.	R	é	95% of invoices paid within 30 days	M12 2018-19
Remain within Cash Limit	The UHB currently has a forecast cash deficit of £26.935m. Cash management plans will be developed if Welsh Government cash support is not provided.	R	↔	To remain within Cash Limit	M12 2018-19
Maintain Positive Cash Balance	The UHB Cash balance was £5.605m at the end of May	G	↔	To Maintain Positive Cash Balance	Monthly

Month 2 Cumulative Financial Position

The UHB reported a deficit of £3.807m at month 2 as follows:

- £3.317m planned deficit (2/12th of £19.900m);
- £0.490m adverse variance against plan.

The £0.490m adverse variance against plan primarily related to overspends against ward nursing budgets and under recovery against income targets.

The month 2 position excludes the financial impact of unidentified savings schemes and mitigating actions to deliver the financial improvement target, which will be profiled into the position later in the year if they remain unachieved.

Table 4 analyses the operating variance between income, pay, non pay and planned deficit.

Table 4: Summary Financial Position for the period ended 31st May 2018

Income/Pay/Non Pay	In Month			Year to Date			Full Year		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv	Budget	Forecast	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income	(109.060)	(108.769)	0.291	(215.529)	(214.820)	0.709	(1,315.469)	(1,315.469)	0.000
Pay	49.680	49.565	(0.115)	98.835	98.798	(0.037)	584.936	584.936	0.000
Non Pay	61.039	61.202	0.163	120.012	119.829	(0.182)	750.433	770.333	0.000
Variance to Draft Plan £m	1.659	1.998	0.340	3.317	3.807	0.490	19.900	39.800	19.900
Planned Deficit	(1.658)	0.000	1.658	(3.317)	0.000	3.317	(19.900)	(19.900)	0.000
Total £m	0.000	1.998	1.998	0.000	3.807	3.807	0.000	19.900	19.900

Income

The year to date and in month financial position for income is shown in Table 5.

Table 5: Income Variance @ May 2018

Income	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Non Revenue Resource Limit	(74.303)	(74.303)	0.000	(146.938)	(146.938)	0.000
Non Cash Limited Expenditure	(1.615)	(1.615)	0.000	(3.230)	(3.230)	0.000
Accommodation & Catering	(0.219)	(0.218)	0.001	(0.438)	(0.410)	0.028
Education & Training	(3.131)	(3.141)	(0.010)	(6.236)	(6.223)	0.013
Injury Cost Recovery Scheme (CRU) Income	(0.214)	(0.152)	0.061	(0.428)	(0.366)	0.061
NHS Patient Related Income	(24.565)	(24.366)	0.199	(48.067)	(47.733)	0.334
Other Operating Income	(4.217)	(4.232)	(0.014)	(8.595)	(8.404)	0.191
Overseas Patient Income	(0.010)	(0.012)	(0.002)	(0.020)	(0.034)	(0.014)
Private Patient Income	(0.106)	(0.060)	0.046	(0.198)	(0.108)	0.090
Research & Development	(0.679)	(0.669)	0.010	(1.380)	(1.374)	0.006
Total £m	(109.060)	(108.769)	0.291	(215.529)	(214.820)	0.709

An in month deficit of £0.291m and a cumulative deficit of £0.709m is reported against income budgets. The two main adverse variances to note are:

- £0.334m variance on NHS patient related income primarily due to underperformance against the AB LTA (this is offset by a favourable variance on commissioned services);
- £0.191m variance on other operating income which is mainly underperformance against activity targets in level 3 critical care and NICU. Whilst this is not considered to be recurrent it will be reviewed in future months to confirm this.

The in month deficit reported against the Injury Cost Recovery Scheme follows a fall in the value of notified new cases.

The majority of the cumulative underperformance against private patient income targets relates to Surgery and Specialist Services. The reduction in income will in part be offset by a corresponding reduction in costs.

LTA Provider Performance

The UHB receives circa £265m income from its contracts with WHSSC and LHBs. In-month reporting reflects an estimate based on the prior month's activity, given the timeline for receipt of coded contract information. The Month 2 ledger position is summarised in Table 6 and reflects the deterioration in the Aneurin Bevan position, driven by the FYE of a disinvestment action and continued under performance from last financial year. The WHSSC position does not show a variance as this is managed predominantly at a Clinical Board level.

Table 6: Month 1 LTA Provider Performance

	Annual Budget £m	YTD Profile £m	YTD Actual £m	YTD Variance £m
WHSSC	(198.883)	(33.653)	(33.653)	(0.000)
Aneurin Bevan	(28.737)	(4.757)	(4.468)	0.289
Other LHBs	(36.193)	(5.894)	(5.788)	0.106
	(263.813)	(44.303)	(43.909)	0.395

This variance is partially offset by a £0.043m favourable variance on English Income.

Pay

In total pay budgets are showing a favourable variance of £0.037m as reported in Table 7.

Table 7: Analysis of fixed and variable pay costs

	2017/18 Total Spend £m	2017/18 Month 1 to Month 1 £m	2018/19 Month 1 to Month 1 £m	2017/18 Month 2 £m	2018/19 Month 2 £m	2017/18 Cum. to Month 2 £m	2018/19 Cum. to Month 2 £m
Basic	515.377	41.732	42.605	42.699	42.717	84.430	85.322
Enhancements	24.533	1.772	2.116	2.451	2.226	4.223	4.342
Maternity	4.088	0.316	0.309	0.349	0.355	0.665	0.663
Protection	0.676	0.059	0.053	0.058	0.059	0.117	0.113
Total Fixed Pay	544.674	43.879	45.083	45.557	45.357	89.436	90.440
Agency (mainly registered Nursing)	8.767	0.805	0.944	0.725	0.904	1.530	1.847
Nursing Bank (mainly Nursing)	14.439	1.030	0.614	1.159	1.120	2.189	1.734
Internal locum (Medical & Dental)	4.306	0.368	0.411	0.337	0.395	0.706	0.806
External locum (Medical & Dental)	7.118	0.555	0.620	0.509	0.582	1.065	1.202
On Call	2.224	0.154	0.194	0.198	0.213	0.352	0.407
Overtime	5.758	0.488	0.897	0.575	0.483	1.063	1.380
WLI's & extra sessions (Medical)	5.111	0.214	0.470	0.441	0.510	0.655	0.980
Total Variable Pay	47.722	3.614	4.150	3.944	4.208	7.559	8.357
Total Pay	592.396	47.493	49.233	49.502	49.565	96.995	98.798
Pay Budget	594.938	47.733	49.155	49.849	49.680	97.581	98.835
Budget Variance (Fav)/Adv £m	(2.541)	(0.240)	0.078	(0.347)	(0.115)	(0.587)	(0.037)

The 2018/19 pay levels do not yet reflect the additional cost of the 2018/19 annual pay award. The UHB has set aside a reserve to cover the initial 1% planning assumption and expects the cost of any additional uplift agreed to be met by additional Welsh Government funding.

An analysis of pay expenditure by staff group is shown in Table 8.

Table 8: Analysis of pay expenditure by staff group @ May 2018

Pay	In Month			Year to Date		
	Budget £m	Actual £m	Variance (Fav)/Adv £m	Budget £m	Actual £m	Variance (Fav)/Adv £m
Additional clinical services	1.940	1.867	(0.073)	3.851	3.680	(0.171)
Management, admin & clerical	5.681	5.700	0.019	11.334	11.384	0.050
Medical and Dental	12.781	12.731	(0.050)	25.448	25.480	0.032
Nursing (registered)	15.022	14.959	(0.062)	29.873	29.745	(0.128)
Nursing (unregistered)	3.974	4.235	0.261	7.951	8.523	0.572
Other staff groups	7.435	7.392	(0.043)	14.714	14.631	(0.083)
Scientific, prof & technical	2.848	2.680	(0.167)	5.663	5.354	(0.309)
Total £m	49.680	49.565	(0.115)	98.835	98.798	(0.037)

Overall pay budgets improved in by £0.115m in month to a £0.037m favourable variance for the year to date. The key concern is within nursing budgets which in total are £0.444m overspend, mainly in medicine, mental health and surgery. The pressure in surgery is in part due to demand pressures whereas the pressures in medicine and mental health are due to the provision of specialising, vacancy and sickness cover. Increased management attention will be required to curtail nursing expenditure and this should be monitored by the Finance Committee and is included on its risk register.

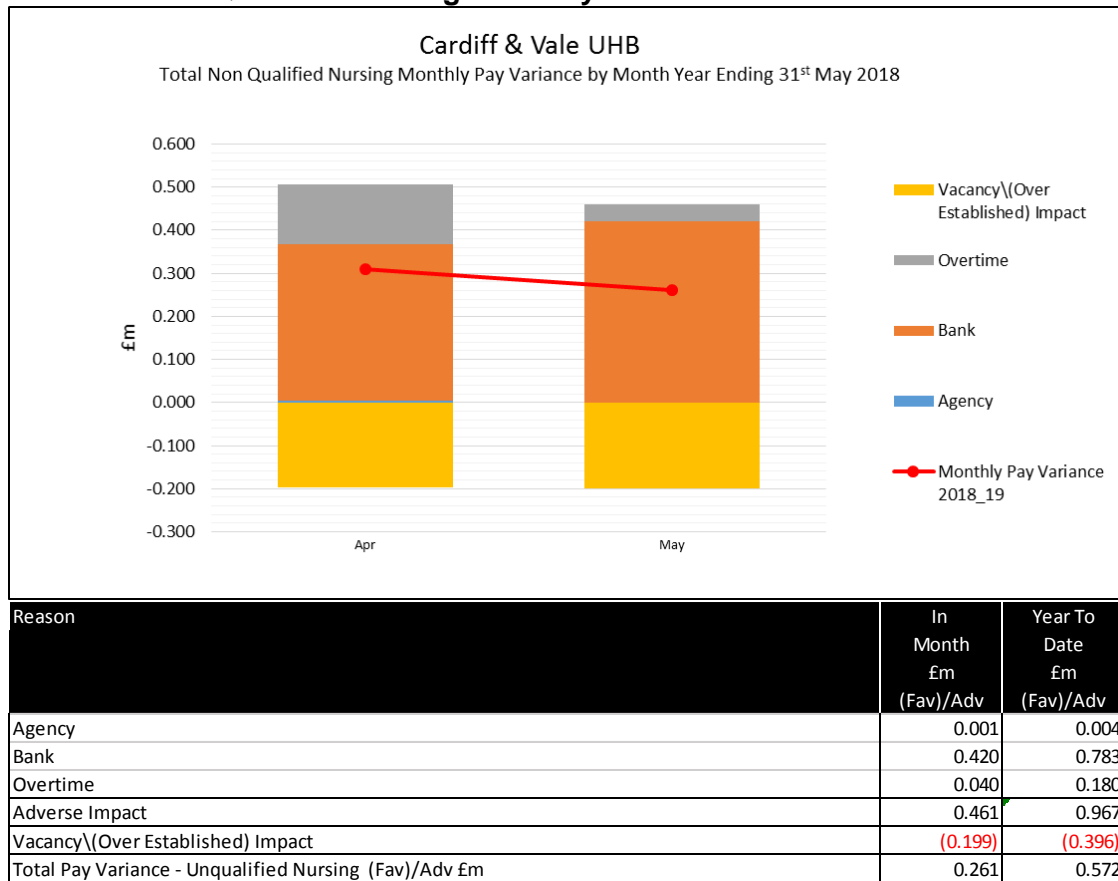
Table 9 – Non Qualified Nursing Staff Pay Variance

Table 9 indicates that the adverse variance against non-qualified nursing assistants is due to overspends of £0.783m on bank staff and £0.180m on overtime which is partly offset by an underspend against established posts.

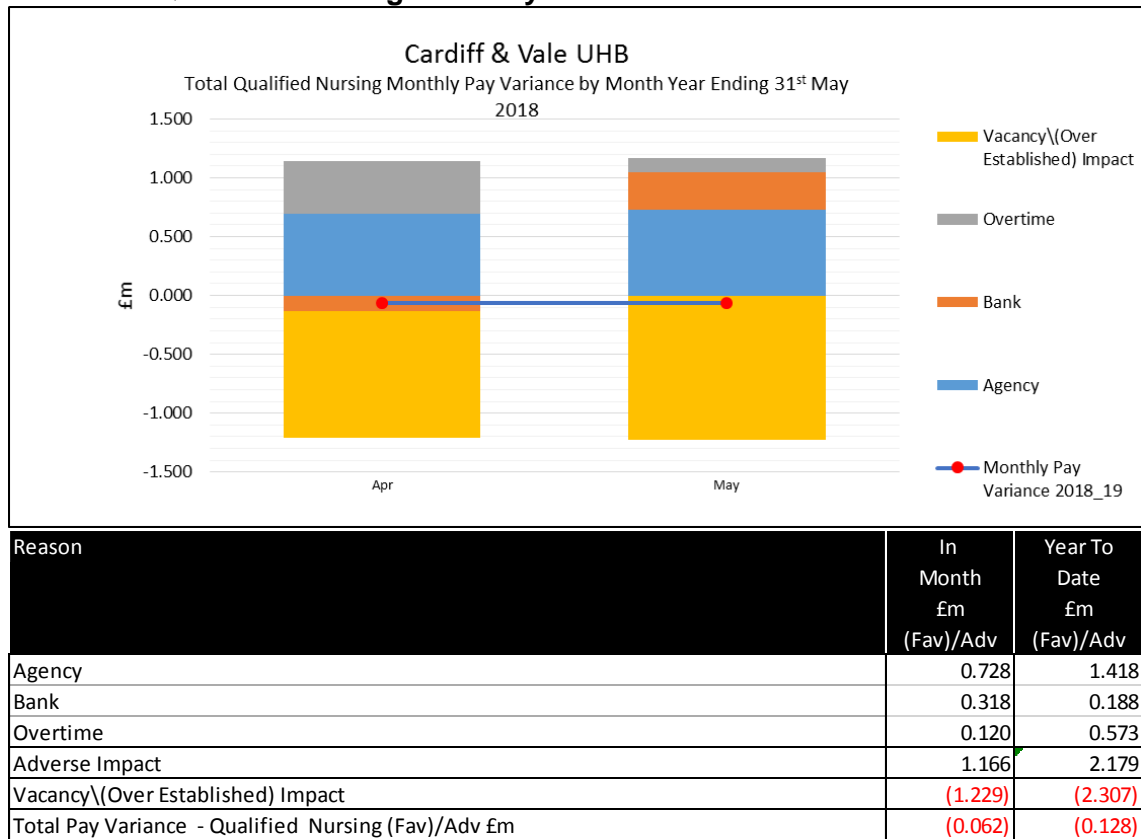
Table 10 - Qualified Nursing Staff Pay Variance

Table 10 confirms that expenditure on established qualified nursing posts is significantly less than budget and that the UHB is covering vacancies through additional spend on temporary staffing.

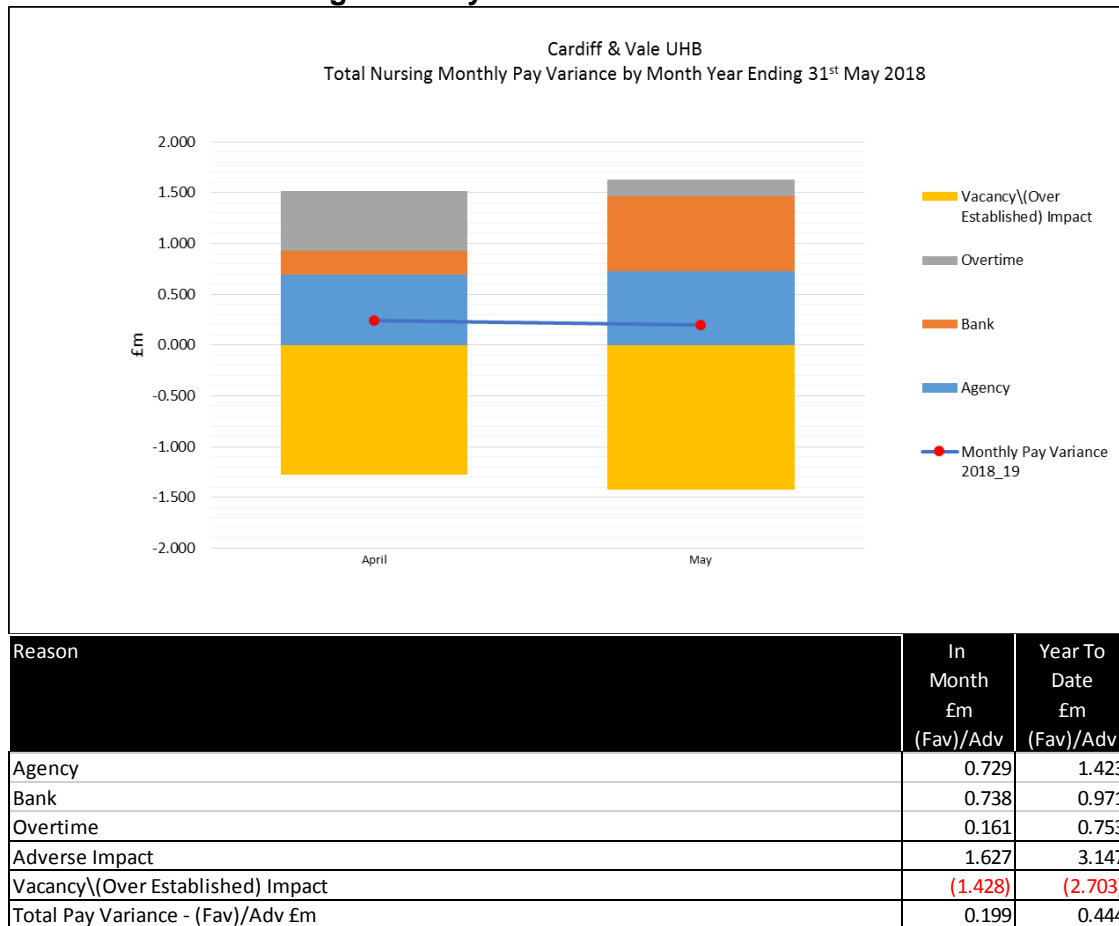
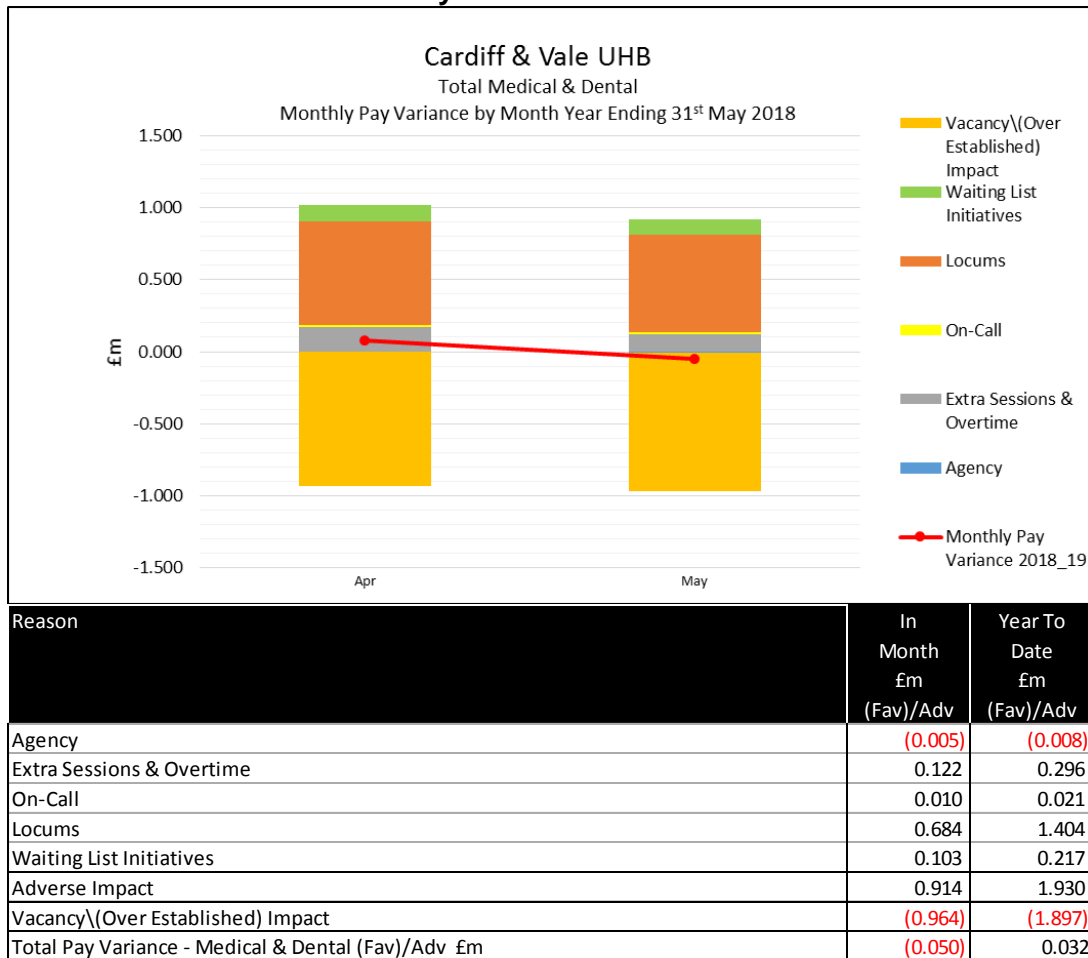
Table 11 - Total Nursing Staff Pay Variance

Table 11 identifies expenditure against substantive nursing posts for the year to date which is £0.444m more than budget. The £2.703m surplus against established posts is offset by a £3.147m overspend on agency, bank and overtime leading to an overall overspend against nursing budgets. Performance on nursing budgets remains a concern and features on the risk register for 2018/19.

Table 12 shows financial performance against medical and dental pay budgets. This identifies that the favourable variance against established posts is partially offset by expenditure on locums, waiting list initiatives and extra sessions leaving an overspend of £0.032m at month 2.

Table 12 - Medical & Dental Pay Variance

The key areas of concern are overspends within the Women and Children (£0.109m) and the CD&T (£0.080m) Clinical Boards which are offset by underspends elsewhere.

Non Pay

Table 13 highlights an in month overspend of £0.163m and a £0.182m cumulative underspend against non pay budgets. The overspend against clinical services and supplies relates to theatre activity, the sarcoma service and a number of specialist services. The majority of the overspend against general supplies and services relates to capital and estates services. These are being reviewed to identify recovery actions.

Table 13: Non Pay Variance @ May 2018

Non Pay	In Month			Year to Date		
	Budget	Actual	Variance (Fav)/Adv	Budget	Actual	Variance (Fav)/Adv
	£m	£m	£m	£m	£m	£m
Clinical services & supplies	8.165	8.430	0.265	15.961	16.074	0.113
Commissioned Services	14.004	13.842	(0.162)	27.818	27.522	(0.297)
Continuing healthcare	5.344	5.360	0.016	10.424	10.485	0.061
Drugs / Prescribing	12.993	13.062	0.069	25.104	25.188	0.084
Establishment expenses	0.948	0.922	(0.026)	1.847	1.722	(0.125)
General supplies & services	0.652	0.750	0.098	1.309	1.408	0.099
Other non pay	4.573	4.549	(0.024)	8.647	8.685	0.038
Premises & fixed plant	3.061	2.991	(0.070)	6.358	6.204	(0.154)
Primary Care Contractors	11.299	11.296	(0.003)	22.544	22.542	(0.001)
Total £m	61.039	61.202	0.163	120.012	119.829	(0.182)

LTA Commissioner Performance

The UHB spends circa £160m commissioning healthcare services for its population through contracts with WHSSC, LHBs and Velindre. A favourable Month 2 variance of £0.319m is shown in Table 14 and is largely driven by the UHBs performance on contracts, including:

- Underspend and slippage on investments within the WHSSC ICP provision, although there are a number of recognised risks alongside the specialised commissioning plan that may present in-year;
- Lower than anticipated NICE cancer drugs expenditure with Velindre, although this is projected to growth through 2018/19;
- Continued under performance in ABMU recovered at an enhanced marginal rate.

Table 14: Month 2 LTA Commissioner Performance

	Annual Budget £m	YTD Profile £m	YTD Actual £m	YTD Variance £m
WHSSC	121.156	20.053	19.936	(0.118)
Velindre	16.374	2.729	2.579	(0.150)
ABMU	12.504	2.018	2.004	(0.014)
Other LHBs / NCAs	9.925	1.588	1.550	(0.038)
	159.958	26.388	26.069	(0.319)

The YTD position has also benefited non-recurrently from the settlement of a material BCU NCA charge from 2017/18 in the UHB's favour, following challenge under responsible commissioner guidance.

Financial Performance of Clinical Boards

Budgets are set to ensure that there is sufficient resource available to deliver the UHB's plan. Financial performance for the two months to 31st May 2018 by Clinical Board is shown in Table 15.

Table 15: Financial Performance for the period ended 31st May 2018

Clinical Board	M1 Budget Variance £m	M2 Budget Variance £m	In Month Variance £m	Cumulative % Variance
Clinical Diagnostics & Therapies	0.007	0.061	0.054	0.34%
Children & Women	0.070	0.076	0.006	0.46%
Capital Estates & Facilities	0.035	0.034	(0.001)	0.31%
Dental	(0.029)	(0.039)	(0.010)	(1.15%)
Executives	(0.051)	(0.088)	(0.037)	(1.42%)
Medicine	0.079	0.256	0.176	1.32%
Mental Health	0.036	0.077	0.040	0.63%
PCIC	(0.081)	(0.089)	(0.009)	(0.18%)
Specialist	(0.018)	(0.012)	0.006	(0.05%)
Surgery	0.148	0.278	0.130	1.30%
Central Budgets	(0.047)	(0.063)	(0.016)	(0.20%)
SubTotal	0.151	0.491	0.340	0.23%
Planned Deficit	1.658	3.317	1.658	1.54%
Total	1.810	3.807	1.998	1.77%

A number of Clinical Boards continued to overspend against budgets at month 2. The largest overspend was in Surgery but of this £0.125m relates to month 2 operating theatre over performance that will get recharged to other clinical boards in month 3. Other budget pressures in Surgery were the cost of opening unfunded SSSU and SAU capacity, premium costs to cover nursing vacancies and the sarcoma service costs. The main pressures in Medicine were in nursing with a £0.313m cumulative overspend. The position reflects the ongoing vacancy position and a high level of sickness and specialising.

Savings Programme

The UHB has agreed a 3% recurrent savings target of £25.3m and a further 1% non recurrent savings targets of £8.4m for delegated budget holders. At month 2 the UHB has identified £26.465m savings to deliver against the £33.780m savings target and this is summarised in Table 16 and as detailed in **Appendix 1**.

Table 16: Progress against the 2018/19 Savings Programme at Month 2

	Total Savings Target £m	Total Savings Identified £m	Total Savings (Unidentified) £m
Total £m	33.780	26.465	(7.315)

(Total identified savings includes income generation schemes & technical schemes)

This is an improvement of £4.715m in the month and this includes £1.019m for corporately identified opportunities. **This still leaves an £7.315m savings plans that are yet to be identified.**

In addition to the savings plans, the UHB has agreed to deliver a £9.266m financial improvement target. At month 2, the UHB had identified £7.480m of opportunities against this target which was an improvement of £5.430m in the month. This improvement related to £0.5m further curtailment on investments, and £4.930m non recurrent opportunities being £3.930m technical opportunities and £1m forecast budget underspends. **Therefore, of the £9.266m Financial Improvement Target £1.786m is yet to be identified.**

If the £7.315m unidentified savings and £1.786m unidentified Financial Improvement Target were profiled into the reported position in 1/12ths, the Financial position at Month 2 would be £1.517m worse than reported.

Underlying Financial Position

A key risk to the UHB is its c/f deficit from 2018/19 into 2019/20. The recurrent underlying deficit in 2017/18 b/f into 2018/19 was £49.0m. If the 2018/19 plan is successfully delivered this would reduce to £39.1m by the year end. This is shown in Table 17.

Table 17: Summary of Underlying Financial Position

	2018/19 Plan £m	Forecast Position @ Month 2	
		Non Recurrent £m	Recurrent Position £m
Opening Underlying Deficit £m	49.000	0.000	49.000
Income	(23.958)	4.000	(19.958)
Cost pressures less mitigating actions	37.904		37.904
Less CIPs (includes £4.481m income generation & NR technical opportunities)	(33.780)	8.445	(25.335)
Unallocated Reserves (Positive Value)	(2.550)		(2.550)
Other mitigating actions required to deliver the financial improvement target	(6.716)	6.716	0.000
Deficit £m	19.900	19.161	39.061

Key points to note in the forecast underlying position are:

- The UHB has received £4m non recurrent income from Welsh Government in recognition of 2017/18 financial performance;
- The 1% non-recurrent savings target included in the plan of £8.445m;
- Of the £9.266m Financial Improvement Target, £2.550m has been identified recurrently through cost avoidance of Welsh Risk Pool costs (£0.550m) and curtailing spend on investments (£2.0m) leaving a further £6.716m to find. Of this the UHB has identified £4.930m non recurrent opportunities and this leaves £1.786m which remains unidentified.

If no further progress was made against the recurrent CIP target, the UHB would have a carried forward underlying deficit of £42.5m being £39.1m identified in Table 17 and the shortfall on the FYE of recurrent savings schemes of £3.4m identified in Appendix 1.

Balance Sheet

The opening balances reflect the amounts brought forward from the 2017/18 Annual Accounts approved by the UHB Board on May 31st 2018.

The in year decrease in the carrying value of property, plant & equipment is due to in year depreciation charges being higher than in year spend on capital projects.

The increase in the carrying value of Inventory held is due to a bulk stock order to take advantage of a significant supplier discount. The stock will be utilised over the remainder of the financial year.

Overall trade debtors have increased by £4.7m since the start of the year in part due to a £3m increase in NHS & Non NHS prepayments which historically are higher at the start of the year due to a significant number prepayments against of maintenance agreements that run from April to March.

The end of month closing cash balance was higher than anticipated partly due to uncertainty around the completion of a property purchase which finally completed in June 2018.

The value of Trade and other payables has fallen by around £24.6m since the start of the year due to a £13m reduction in capital creditors and the cash settlement of clinical negligence claims and year end commissioner risk sharing liabilities with WHSCC and other LHB's.

Cash Flow Forecast

The closing cash balance for the month was higher than anticipated partly due to uncertainty around the completion for a property purchase which was finally completed in June.

The UHB estimates that it will require the following level of cash support in 2018/19:

- (i) Strategic Cash Assistance £19.900m
- (ii) Capital Working Balance Cash £5.192m
- (iii) Revenue Working Balance Cash £3.699m

The working balances cash requirements reflect resource that was allocated to the UHB in 2017/18 that was not drawn down as cash. The UHB is currently examining how the level of cash support required may be mitigated via management actions.

A reconciliation of the opening and closing cash position reported is shown below in Table 18.

Table 18: Forecast movement in cash position 2018/19

Description	£m
Opening Cash balance	1.856
Working balances arising	(8.891)
Management Actions (managing suppliers)	tbc
Forecast Deficit	(19.900)
Approved Cash Assistance & Working Balances Cash	tbc
Forecast Cash Deficit £m	(26.935)

5

Public Sector Payment Compliance

The UHB's cumulative performance against the 95% 30 day target to the end of May is 94.1% which is an improvement of 1.8% in month and is also significantly better than the 92.2% cumulative rate achieved in 2017/18. Improvements are expected due to the introduction of a no P.O. no Pay policy.

Capital Resource Limit (CRL)

Progress against the CRL for the period to the end of May 2018 is summarised in Table 19.

Table 19: Progress against Capital Resource Limit @ May 2018

	£m
Planned Capital Expenditure at month 2	1.758
Actual net expenditure against CRL at month 2	1.289
Variance against planned Capital Expenditure at month 2	0.469

Capital progress to date has been slow. The reported net spend to the end of May is £0.469m below the planned spend profile largely due to a delay in the completion of a land purchase which was subsequently completed in June 2018. Planned spends for the year reflect the latest CRL received from Welsh Government dated 9th May 2018.

Financial Risks

The UHB's forecast year end position of a £19.900m deficit and the key risks to be managed in delivery of the plan are:

- Management of budget pressures;
- Deliver £25.3m recurrent CIP (3%);
- Deliver £8.4m non-recurrent CIP (1%);
- Delivery of £9.3m mitigating actions to deliver the financial improvement target.

Key Concerns And Recovery Actions

At month 2, the key concerns and challenges are set out below:

1. Concern - Delivery of a 3% recurrent and a 1% non-recurrent savings target of £25.3m and £8.4m respectively.

Action - The impact of any savings shortfall will be reflected in the month 3 position. All budget holders are required to prioritise the identification and implementation of schemes as a matter of urgency to ensure a full savings plan is in place. The level of unidentified savings at month 2 is £7.3m. Until this is achieved, measures to curtail expenditure to ensure a balanced budget position each month needs to be actioned.

2. Concern - Delivery of the £9.3m financial improvement target;

Action – the UHB has identified opportunities to deliver £7.5m of this target leaving £1.8m to find. Additional work is being undertaken to consider further options to fully deliver this target.

3. Concern - Managing within current budgets.

Action – At month 2 there are net operational overspends of £0.5m. Overspending Clinical Boards will need to provide robust recovery action plans as part of the Clinical Board Performance Review escalation process.

4. Concern - Managing down the underlying deficit.

Action - a greater focus on recurrent savings supporting the continued reduction in the underlying deficit.

CONCLUSION

The UHB is committed to achieving in year and recurrent financial balance as soon as possible. The UHB currently has a one year financial plan for 2018/19 with a forecast deficit of £19.9m. To deliver this the UHB will need to deliver £33.8m savings and identify £9.3m of mitigating actions to deliver a financial improvement target. The UHB has made further progress against these requirements to reduce the unidentified savings to £7.315m and unidentified actions to deliver the financial improvement target to £1.786m. The remaining gaps are a key risk in the delivery of the financial plan and will remain an area of focus until this risk is managed.

The reported financial position for the first two months is a deficit of £3.807m. This is made up of a budget plan deficit of £3.317m and an adverse variance against plan of £0.490m.

Appendix 1

2018-19 Weekly Summary 2018-19 PYE

Clinical Board	18-19 4% Target	Granular Identified Green	Identified Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	6,600	4,956	1,962	6,918	4.19	221	-318
Surgery	4,714	3,434	516	3,950	3.35	1,634	765
Medicine	3,754	1,818	733	2,550	2.72	1,089	1,204
Specialist Services	4,038	2,421	457	2,878	2.85	1,041	1,160
CD&T	3,442	790	1,625	2,416	2.81	713	1,026
Mental Health	2,940	1,617	335	1,952	2.66	520	989
Capital Estates and Facilities	2,580	1,267	443	1,710	2.65	268	870
Children & Women	3,550	766	1,314	2,079	2.34	910	1,471
Corporate Execs	1,362	738	27	765	2.25	314	597
Dental	800	129	100	229	1.15	84	571
Corporate		1,019	0	1,019		0	-1,019
Total	33,780	18,954	7,512	26,465	3.13	6,794	7,315

2018-19 Weekly Summary 2018-19 FYE

Clinical Board	18-19 3% Target	Granular Identified Green	Identified Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	4,950	4,619	1,192	5,811	3.52	208	-861
Surgery	3,536	2,618	513	3,131	2.66	2,939	405
Medicine	2,816	1,555	1,206	2,761	2.94	1,826	55
Specialist Services	3,029	1,475	367	1,842	1.82	1,413	1,187
CD&T	2,582	416	2,130	2,545	2.96	972	36
Mental Health	2,205	1,087	255	1,342	1.83	520	863
Capital Estates and Facilities	1,935	709	1,120	1,829	2.84	465	106
Children & Women	2,663	547	1,536	2,083	2.35	1,368	579
Corporate Execs	1,022	410	29	439	1.29	308	583
Dental	600	94	0	94	0.47	110	506
Corporate		0	0	0		0	0
Total	25,335	13,529	8,347	21,876	2.59	10,129	3,459

Appendix 2

BALANCE SHEET AS AT 31st MAY 2018

	Opening Balance 1 st April 2018	Closing Balance 31st May 2018
	£'000	£'000
Non-Current Assets		
Property, plant and equipment	657,424	654,244
Intangible assets	2,245	2,126
Trade and other receivables	57,469	54,021
Other financial assets		
Non-Current Assets sub total	717,138	710,391
Current Assets		
Inventories	15,697	16,457
Trade and other receivables	166,189	174,392
Other financial assets	0	0
Cash and cash equivalents	1,856	5,605
Non-current assets classified as held for sale	0	0
Current Assets sub total	183,742	196,454
TOTAL ASSETS	900,880	906,845
Current Liabilities		
Trade and other payables	180,290	155,774
Other financial liabilities	0	0
Provisions	120,512	129,860
Current Liabilities sub total	300,802	285,634
NET ASSETS LESS CURRENT LIABILITIES	600,078	621,211
Non-Current Liabilities		
Trade and other payables	9,635	9,539
Other financial liabilities	0	0
Provisions	60,471	50,814
Non-Current Liabilities sub total	70,106	60,353
TOTAL ASSETS EMPLOYED	529,972	560,858
FINANCED BY:		
Taxpayers' Equity		
General Fund	417,207	448,092
Revaluation Reserve	112,765	112,766
Total Taxpayers' Equity	529,972	560,858

Appendix 3

CASH FLOW FORECAST AS AT 28st MAY 2018

	April £'000	May £'000	June £'000	July £'000	Aug £'000	Sept £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £,000	Total £,000
RECEIPTS													
WG Revenue Funding - Cash Limit (excluding NCL)	86,045	80,620	81,150	61,720	82,143	66,813	73,928	80,943	77,528	64,913	75,028	40,419	871,250
WG Revenue Funding - Non Cash Limited (NCL)	1,600	1,590	1,380	1,540	1,540	1,540	1,540	1,540	1,540	1,540	1,540	2,488	19,378
WG Revenue Funding - Other (e.g. invoices)	3,850	3,165	2,366	2,366	2,366	2,366	2,366	2,366	2,366	4,538	2,366	4,538	35,019
WG Capital Funding - Cash Limit	8,000	6,000	1,500	1,600	2,600	3,200	3,150	2,900	2,500	2,300	2,100	249	36,099
Sale of Assets	0	0	0	208	0	0	0	0	0	0	0	0	208
Income from other Welsh NHS Organisations	32,230	31,149	47,874	32,583	36,729	27,801	30,895	37,729	32,696	25,895	31,124	36,107	402,812
Other - (Specify in narrative)	8,139	6,359	6,680	6,475	6,307	7,392	6,644	6,470	6,103	6,494	6,794	8,158	82,015
TOTAL RECEIPTS	139,864	128,883	140,950	106,492	131,685	109,112	118,523	131,948	122,733	105,680	118,952	91,959	1,446,781
PAYMENTS													
Primary Care Services : General Medical Services	5,267	4,164	8,559	4,192	4,192	6,922	4,192	4,192	6,922	4,192	4,192	6,922	63,908
Primary Care Services : Pharmacy Services	134	135	123	130	130	130	130	130	260	520	260	260	2,342
Primary Care Services : Prescribed Drugs & Appliances	7,008	7,632	15,116	0	15,030	0	7,515	15,030	7,515	0	7,515	7,515	89,876
Primary Care Services : General Dental Services	1,755	1,800	1,766	1,790	1,790	1,790	1,790	1,790	1,790	1,790	1,790	1,790	21,431
Non Cash Limited Payments	1,958	2,086	2,054	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	1,861	24,359
Salaries and Wages	47,471	47,804	48,206	48,123	48,094	47,812	48,035	48,206	47,903	48,237	48,465	48,303	576,659
Non Pay Expenditure	54,604	51,324	47,720	45,718	43,054	42,727	42,804	42,963	43,421	43,727	43,751	40,389	542,202
Capital Payment	12,496	1,679	1,500	1,562	2,615	3,162	3,190	2,926	2,464	2,267	2,138	5,500	41,499
Other items (Specify in narrative)	8,721	8,960	17,501	2,900	14,690	4,518	8,795	14,690	10,413	2,900	8,795	10,413	113,296
TOTAL PAYMENTS	139,414	125,584	142,545	106,465	131,645	109,111	118,501	131,977	122,738	105,683	118,956	122,953	1,475,572
Net cash inflow/outflow	450	3,299	(1,595)	27	40	1	22	(29)	(5)	(3)	(4)	(30,994)	
Balance b/f	1,856	2,306	5,605	4,010	4,037	4,077	4,078	4,100	4,071	4,067	4,064	4,060	
Balance c/f	2,306	5,605	4,010	4,037	4,077	4,078	4,100	4,071	4,067	4,064	4,060	(26,935)	

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Approved CRL issued May 9th 2018 £'000s		36,099				
Performance against CRL	Year To Date			Forecast		
	Plan £'000	Actual £'000	Var. £'000	Plan £'000	F'cast £'000	Var. £'000
All Wales Capital Programme:						
Relocation of the Central Processing Unit	0	0	0	307	307	0
Neonatal BJC 2	173	267	94	19,724	19,468	(256)
CRI Safeguarding	441	478	37	548	1,098	550
Rookwood Emergency Works	0	0	0	499	499	0
Anti Ligature Works	29	79	50	100	79	(21)
UHW Interventional Radiology Suite	0	(2)	(2)	500	1,069	569
Acceleration and implementation of National Clinical Systems	0	0	0	250	250	0
Reurbishment of the Renal Facilities at UHW	0	3	3	1,197	1,197	0
Sub Total	643	825	182	23,125	23,967	842
Discretionary:						
I.T.	0	28	28	916	916	0
Equipment	29	50	21	2,058	2,335	277
Statutory Compliance	335	166	(169)	2,800	2,800	0
Estates	760	229	(531)	7,806	6,687	(1,119)
Sub Total	1,124	473	(651)	13,580	12,738	(842)
Donations:						
Charitable Funds Equipment	9	9	0	398	398	0
Sub Total	9	9	0	398	398	0
Asset Disposals:						
Carbon Reduction Emissions Surrendered	0	0	0	208	208	0
Sub Total	0	0	0	208	208	0
CHARGE AGAINST CRL	1,758	1,289	(469)	36,099	36,099	0
PERFORMANCE AGAINST CRL (Under)/Over £'000s		(34,810)			0	



2018-19 Cost Reduction Programme	
Name of Meeting : Finance Committee	27 th June 2018
Executive Lead : Executive Director of Finance	
Author : Assistant Director of Finance	
Caring for People, Keeping People Well: This report underpins the Health Board's "Grip and Control" element of the strategy to make the best use of the resources we have.	
Financial impact: Delivery of £33.780m delegated CRP Target (3% recurrent and 1% non-recurrent), and £9.266m improvement target to achieve 2018/19 £19.9m forecast deficit position.	
Quality, Safety, Patient Experience impact: The financial plan aims to support the delivery of high quality and safe services.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not Applicable	

ASSURANCE AND RECOMMENDATION

The Finance Committee is asked to:-

- **NOTE** the progress against the £33.780m devolved 2018/19 CRP target and the Cross Cutting contribution.
- **NOTE** the progress against the £9.266m improvement target.

INTRODUCTION

This report summarises progress against the UHB devolved savings programme of £33.780m and the Cross Cutting contribution. The report also summarises progress against the £9.266m improvement target in supporting delivery of the 2018/19 £19.9m forecast deficit position.

PROGRESS AGAINST DEVOLVED CRP REQUIREMENT 2018-19

As at week commencing 4th June 2018, £26.769m of opportunities have been identified as Green or Amber against the devolved 4% savings target of £33.780m.



The value of Green schemes is £18.954m and Amber schemes £7.816m. There is a shortfall of £7.011m to be identified.

£18.367m has been identified against the £25.335m recurrent 3% element of the devolved target.

£8.402m has been identified against the £8.445m non-recurrent 1% element of the devolved target.

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PROGRESS AGAINST CROSS CUTTING THEMES 2018-19

The Cross Cutting Programme was established to support the delivery of the devolved CRP target.

As at week commencing 4th June 2018 £10.564m of opportunities have been identified as Green or Amber contributing towards the delivery of the £33.780m devolved CRP target.

PROGRESS AGAINST CRP IMPROVEMENT TARGET 2018-19

An additional £9.266m improvement target is required in order to achieve a year end forecast £19.9m deficit position. This improvement target will be profiled into the last quarter of the financial year.

At month 2, the UHB had identified £7.480m of opportunities against this target which was an improvement of £5.430m in the month. This improvement related to £0.5m further curtailment on investments, and £4.930m non recurrent opportunities being £3.930m technical opportunities and £1m forecast budget underspends. **Therefore, of the £9.266m Financial Improvement Target £1.786m is yet to be identified.**



EFFICIENCY FRAMEWORK

As at 11 May 2018 the latest Efficiency Framework summary was submitted to Welsh Government detailing the UHB's CIP schemes that totalled £29.352m at the time including those schemes in the red pipeline.

Summary of Savings (£000's)	CV						
	Cash-Releasing Saving (Pay)	Cash-Releasing Saving (Non-Pay)	Cost Avoidance	Income Generation	Accountancy Gain	Non-Cash Releasing Productivity Gain	Sub-Total
Planned Care	£ 5,766	£ 2,939	£ 283	£ 381	£ 200	£ -	£ 9,569
Unscheduled Care	£ 746	£ 68	-	-	-	-	£ 814
Primary and Community Care (Excl Prescribing)	£ 269	£ 719	£ 308	£ 110	-	-	£ 1,406
Mental Health	£ 272	£ 334	£ 317	-	-	-	£ 923
Clinical Support	£ 901	£ 1,197	-	-	£ 426	-	£ 2,523
Non Clinical Support (Facilities/Estates/Corporate)	£ 199	£ 1,718	-	£ 605	-	-	£ 2,522
Commissioning	£ 63	£ 150	-	£ 1,510	-	-	£ 1,723
Across Service Areas	£ -	-	-	-	-	-	£ -
CHC	£ -	£ 3,000	-	-	-	-	£ 3,000
Prescribing	£ -	£ 3,653	-	-	-	-	£ 3,653
Medicines Management (Secondary Care)	£ -	£ 3,219	-	-	-	-	£ 3,219
Sub-Total	£ 8,215	£ 16,997	£ 908	£ 2,606	£ 626	-	£ 29,352

Further work is now underway sharing and assessing opportunities across Wales and this will be managed internally through the Cross Cutting Steering Group.

Appendix 1 shows our relative position against other Health Boards through the Efficiency Framework. There will be further quarterly submissions.

SUMMARY

To date the value of Green and Amber schemes identified totals £26.769m against the 2018/19 devolved CRP £33.780m target.

The additional £9.266m improvement target will be profiled into the last quarter of the financial year. £7.480m of opportunities have been identified at the end of month 2.

Progress against the 2018/19 CRP requirement will need to pick up pace with a focus on cash out recurrent savings.



Savings Tracker Summary

Week Commencing 4th June 2018 In-Year Effect

Clinical Board	18-19 4% Target	Granular Identified Green	Identified Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	6,600	4,956	1,962	6,918	4.19	221	-318
Surgery	4,714	3,434	516	3,950	3.35	1,634	765
Medicine	3,754	1,818	963	2,780	2.96	1,089	974
Specialist Services	4,038	2,421	457	2,878	2.85	1,041	1,160
CD&T	3,442	790	1,625	2,416	2.81	713	1,026
Mental Health	2,940	1,617	335	1,952	2.66	520	989
Capital Estates and Facilities	2,580	1,267	443	1,710	2.65	268	870
Children & Women	3,550	766	1,388	2,153	2.43	910	1,397
Corporate Execs	1,362	738	27	765	2.25	314	597
Dental	800	129	100	229	1.15	84	571
Corporate		1,019	0	1,019		0	-1,019
Total	33,780	18,954	7,816	26,769	3.17	6,794	7,011

2018-19 Full Year Effect

Clinical Board	18-19 3% Target	Granular Identified Green	Identified Amber	Total Green & Amber	Total Green & Amber	Pipeline Red	Shortfall on Total Target vs Green & Amber
	£'000	£'000	£'000	£'000	%	£'000	£'000
PCIC	4,950	4,619	1,192	5,811	3.52	208	-861
Surgery	3,536	2,618	513	3,131	2.66	2,939	405
Medicine	2,816	1,555	1,206	2,761	2.94	1,826	55
Specialist Services	3,029	1,475	367	1,842	1.82	1,413	1,187
CD&T	2,582	416	2,130	2,545	2.96	972	36
Mental Health	2,205	1,087	255	1,342	1.83	520	863
Capital Estates and Facilities	1,935	709	1,120	1,829	2.84	465	106
Children & Women	2,663	547	1,536	2,083	2.35	1,368	579
Corporate Execs	1,022	410	29	439	1.29	308	583
Dental	600	94	0	94	0.47	110	506
Corporate		0	0	0		0	0
Total	25,335	13,529	8,347	21,876	2.59	10,129	3,459



Progress against 2018-19 Devolved Recurrent and Non Recurrent Targets Week Commencing 4th June

Clinical Board	Recurrent			Non-Recurrent		
	18-19 3% recurrent	Identified Green & Amber	Identified Green & Amber	18-19 1% non-recurrent	Identified Green & Amber	Identified Green & Amber
	£'000	£'000	%	£'000	£'000	%
PCIC	4,950	5,490	111%	1,650	1,428	87%
Surgery	3,536	2,847	81%	1,179	1,103	94%
Medicine	2,816	1,909	68%	939	871	93%
Specialist Services	3,029	1,679	55%	1,010	1,199	119%
CD&T	2,582	1,691	66%	861	725	84%
Mental Health	2,205	1,322	60%	735	630	86%
Capital Estates and Facilities	1,935	1,065	55%	645	645	100%
Children & Women	2,663	1,846	69%	888	307	35%
Corporate Execs	1,022	424	42%	341	341	100%
Dental	600	94	16%	200	135	68%
Corporate	0	0	0%	0	1,019	0%
Total	25,335	18,367	72%	8,445	8,402	99%



Cross Cutting Tracker Weekly Summary 2018-19

PYE

Clinical Group	2018-19	Identified Green	Shortfall vs Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber	Shortfall on Total Target vs Green & Amber
	(£'000)	(£)	(£)	(£)	(£)	(£)	£	%
Medical Productivity	2,000	644	1,356	109	423	753	1,247	62%
Medicines Management	2,000	4,626	-2,626	2,002	1,726	6,629	-4,629	-231%
Nursing Productivity	1,000	495	505	353	784	847	153	15%
Procurement	2,000	1,320	680	516	304	1,835	165	8%
Workforce Productivity	2,000	500	1,500	0	0	500	1,500	75%
Total	9,000	7,585	1,415	2,979	3,237	10,564	-1,564	-17%

FYE

Clinical Group	2019-20	Identified Green	Shortfall vs Green	Cross Cutting Contribution Amber	Cross Cutting Contribution Red	Total Green & Amber	Shortfall on Total Target vs Green & Amber	Shortfall on Total Target vs Green & Amber
	(£)	(£)	(£)	(£)	(£)	(£)	£	%
Medical Productivity	2,000	498	1,502	119	440	617	1,383	69%
Medicines Management	2,000	4,901	-2,901	3,483	3,305	8,384	-6,384	-319%
Nursing Productivity	1,000	510	490	414	1,455	923	77	8%
Procurement	2,000	1,211	789	592	434	1,803	197	10%
Workforce Productivity	2,000	442	1,558	0	0	442	1,558	78%
Total	9,000	7,561	1,439	4,608	5,634	12,169	-3,169	-35%



Appendix B – CRP RAG Rating

	Red Pipeline	Amber	Green
Project plan/brief	<ul style="list-style-type: none"> ▶ Evidence of project planning (project brief, milestones with timescales etc.) appears incomplete considering level of complexity / risk 	<ul style="list-style-type: none"> ▶ Non complex project ▶ Evidence of some important elements of a project plan (project brief, milestones with timescales etc.), however some key areas are not sufficiently addressed ▶ Project planning not deemed sufficiently specific / comprehensive 	<ul style="list-style-type: none"> ▶ Appropriate degree of project planning (project brief, milestones with timescales etc.) evidenced considering the level of complexity / risk
Lead responsible & support	<ul style="list-style-type: none"> ▶ Lead to be identified 	<ul style="list-style-type: none"> ▶ Project lead identified, however indication that roles & responsibilities are not entirely clear ▶ Inappropriate lead assigned to project ▶ Indication that not all the necessary individuals are involved in supporting the delivery of the project 	<ul style="list-style-type: none"> ▶ Appropriate individual identified and actively leading the project ▶ The appropriate individuals appear to be included within the delivery team
Financial & activity calculation	<ul style="list-style-type: none"> ▶ Calculation of savings ongoing ▶ Significant factors to be worked through ▶ Savings to be fully quantified 	<ul style="list-style-type: none"> ▶ Evidence that the majority of the key financial implications have been factored into calculations, some specific factors have been omitted / are yet to be clarified ▶ Number represents actual savings identified, not a target 	<ul style="list-style-type: none"> ▶ Simple project, limited financial planning deemed sufficient ▶ All elements of the saving adequately identified and incorporated into the calculation ▶ Number represents actual savings identified, not a target
Financial phasing	<ul style="list-style-type: none"> ▶ Rationale for financial phasing outstanding 	<ul style="list-style-type: none"> ▶ Rationale deemed appropriate ▶ Financial savings phased according to timing of plans and milestones 	<ul style="list-style-type: none"> ▶ Financial savings phased according to timing of plans and milestones

ALL WALES EFFICIENCY FRAMEWORK 11th May 2018 Submission

APPENDIX 1

Costs in £000's

Total Projected Savings by Service Area 2018/19										
Total Plans 2018/19 Service Area	LHB AB	ABM	BCU	CT	CV	HD	POW	WAST	Grand Total	
Planned Care	£ 1,873	£ 2,404	£ 5,490	£ 1,708	£ 9,569	£ 7,321	£ 23	£ 200	£ 28,588	
Unscheduled Care	£ 1,656	£ 2,335	£ 1,489	£ 4,246	£ 814	£ 5,819	£ 200	£ 1,200	£ 17,760	
Primary and Community Care (Excl Prescribing)	£ 291	£ 833	£ 4,315	£ -	£ 1,406	£ 1,755	£ 236		£ 8,836	
Mental Health	£ 337	£ 1,931	£ 2,810	£ 1,367	£ 923	£ 788	£ 81		£ 8,237	
Clinical Support		£ 34	£ 20	£ 1,277	£ 2,523	£ 844	£ 9		£ 4,707	
Non Clinical Support (Facilities/Estates/Corporate)	£ 616	£ 1,000	£ 3,514	£ 1,947	£ 2,522	£ 2,891	£ 291	£ 1,200	£ 13,981	
Across Service Areas	£ 2,575	£ 10,736	£ 13,109			£ 4,311	£ 438	£ 1,600	£ 32,769	
Commissioning	£ 735	£ 1,000		£ 500	£ 1,723	£ 38	£ 1,250		£ 5,246	
CHC	£ 3,718		£ 8,298	£ 667	£ 3,000	£ 3,329	£ 202		£ 19,214	
Medicines Management (Secondary Care)	£ 2,501	£ 1,000	£ 2,225	£ 48	£ 3,220	£ 2,330	£ 208		£ 11,531	
Prescribing	£ 5,464		£ 3,730	£ 1,906	£ 3,653	£ 1,844	£ 433		£ 17,030	
Grand Total	£ 19,766	£ 21,273	£ 45,000	£ 13,666	£ 29,353	£ 31,270	£ 3,371	£ 4,200	£ 167,899	

Risk Adjusted Savings & Proportion of Total Service Area Savings - 2018/19										
Service Area	AB	ABM	BCU	CT	CV	HD	POW	WAST	Grand Total	
Planned Care	£1,854 (99%)	£2,009 (84%)	£850 (15%)	£1,187 (69%)	£6,279 (66%)	£3,104 (42%)	£23 (100%)	£200 (100%)	£15,505 (54%)	
Unscheduled Care	£225 (14%)	£884 (38%)	£289 (19%)	£1,651 (39%)	£770 (95%)	£3,339 (57%)	£200 (100%)	£1,200 (100%)	£8,559 (48%)	
Primary and Community Care (Excl Prescribing)	£291 (100%)	£458 (55%)	£640 (15%)		£1,305 (93%)	£1,622 (92%)	£236 (100%)		£4,552 (52%)	
Mental Health	£337 (100%)	£1,521 (79%)	£2,810 (100%)	£1,275 (93%)	£878 (95%)	£408 (52%)	£81 (100%)		£7,310 (89%)	
Clinical Support		£34 (100%)	£20 (100%)	£378 (30%)	£2,003 (79%)	£449 (53%)	£9 (100%)		£2,894 (61%)	
Non Clinical Support (Facilities/Estates/Corporate)	£516 (84%)	£0 (0%)	£2,319 (66%)	£768 (39%)	£1,788 (71%)	£2,533 (88%)	£291 (100%)	£1,200 (100%)	£9,415 (67%)	
Across Service Areas	£2,575 (100%)	£2,653 (25%)	£11,516 (88%)			£4,211 (98%)	£438 (100%)	£1,600 (100%)	£22,993 (70%)	
Commissioning	£735 (100%)	£1,000 (100%)		£475 (95%)	£976 (57%)	£38 (100%)	£190 (15%)		£3,414 (65%)	
CHC	£3,718 (100%)		£5,230 (63%)	£667 (100%)	£1,400 (47%)	£1,552 (47%)	£202 (100%)		£12,769 (66%)	
Medicines Management (Secondary Care)	£2,237 (89%)	£1,000 (100%)	£1,805 (81%)	£48 (100%)	£1,369 (43%)	£1,780 (76%)	£208 (100%)		£8,446 (73%)	
Prescribing	£5,464 (100%)		£3,730 (100%)	£1,906 (100%)	£3,653 (100%)	£1,844 (100%)	£433 (100%)		£17,030 (100%)	
Grand Total	£17,952 (91%)	£9,559 (45%)	£29,209 (65%)	£8,355 (61%)	£20,421 (70%)	£20,881 (67%)	£2,311 (69%)	£4,200 (100%)	£112,888 (67%)	



Finance Risk Register	
Name of Meeting : Finance Committee	27 th June 2018
Executive Lead : Executive Director of Finance	
Author : Assistant Director of Finance	
Caring for People, Keeping People Well: This report sets out the financial risks to be managed to support delivery of the financial plan which supports the one year operational plan.	
Financial impact: The UHB will need to manage the risks set out in the Finance Risk Register in order to achieve its forecast financial deficit of £19.9m.	
Quality, Safety, Patient Experience impact: The financial plan aims to support the delivery of high quality and safe services.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not Applicable	

ASSURANCE AND RECOMMENDATION

The Finance Committee is asked to:-

- **NOTE** the risks highlighted within the risk register

INTRODUCTION

This report highlights the Finance Risk Register risk categorisation as at 27th June 2018. The detailed risk register is shown in Appendix 1.

ASSESSMENT

Following the most recent review the number of risks in each risk category is:



Risk Category	Risk Score	Number of Risks as at 27 June 2018
Extreme Risk	20 - 25	2
High Risk	12 - 16	4
Moderate Risk	4 - 10	10
Low Risk	1 - 3	0

RECOMMENDATION

The Finance Committee are asked to note the risks highlighted.

SUMMARY

The Finance Committee will be kept up to date regarding any additions to the Risk Register or any change in risk assessment.

Finance Risk Register 2017-18

Appendix 1

Categories	CB/Dir Ref No	Date Entered onto new CB/Dir/UHB Risk Register	Risk/Issue (Including Impact)	Existing Controls	Impact / Consequence	Likelihood	Score	Adequacy Existing Controls	Summary of Additional Controls Required	Impact / Consequence	Likelihood	Score	Date of Last Review	Review Completed By	Date of Next Review	Risk Owner	Exec Lead	Assuring committee
Finance	Fin01/18	Mar-18	Underlying deficit c/ into 2019/20. The opening underlying deficit in 18/19 is £49.0m and this needs to be materially reduced in year.	Governance reporting and monitoring arrangements through the Finance Committee and Board. At month 2 ULD is £28.1m if the plan is fully delivered. This needs further identification of recurrent CIPs.	5	4	20	Adequate but more Action Required	Progress against the underlying deficit is to be managed by Management Executive supported by the Transformation Board.	4	4	16	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee
Finance	Fin02/18	Mar-18	Manage Budget pressures of £12.8m	The requirement to manage budget pressures clearly communicated to primary budget holders. Standing Financial Instructions set spending limits. Progress to be reviewed through Executive Performance Reviews with Clinical Boards. At month 2 budgets are overspent by £0.5m.	4	3	12	Adequate but more Action Required		4	2	8	Jun-18	Assistant Director of Finance	Jul-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin03/18	Mar-18	Deliver 3% Recurrent CIP (£25.3m)	3% recurrent CIP target clearly communicated to budget holders. CIP tracker in place to monitor weekly progress across the organisation. Project Management Office in place to support the identification of cross cutting CIPs. Executive lead identified for each cross cutting theme. Monthly Financial Clearance Meeting. Executive / Clinical Board Performance Reviews. At month 2 the UHB is £7.2m short of target	5	4	20	Adequate but more Action Required	Escalation process under review by the Executive team. Budget manager training programme to be rolled out across the organisation.	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee
Finance	Fin04/18	Mar-18	Deliver 1% non recurrent CIP (£8.4m)	1% non-recurrent CIP target clearly communicated to budget holders. CIP tracker in place to monitor weekly progress across the organisation. Project Management Office in place to support the identification of cross cutting CIPs. Executive lead identified for each cross cutting theme. Monthly Financial Clearance Meeting. Executive / Clinical Board Performance Reviews. At month 2 the UHB is £0.1m short of target, but this includes £1.0m corporate schemes, therefore delegated budgets are £1.1m short of target.	2	3	6	Adequate but more Action Required		2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee
Finance	Fin05/18	Mar-18	Develop and deliver financial opportunities of £9.3m to achieve £19.9m year end position	At month 2 financial improvements of £7.5m identified. The amount still to find is £1.8m.	3	3	9	Adequate but more Action Required	Development of Transformation Board to identify and deliver transformational recurrent cash releasing savings	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee
Finance	Fin06/18	Mar-18	Deliver recurrent 10% Exec Director budgets management cost savings (£2.3m)	Plans developed by Executive leads with progress monitored through the Management Executive.	3	4	12	Adequate but more Action Required	None	3	3	9	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Workforce & OD	Finance Committee
Finance	Fin07/18	Mar-18	Manage internal investments within £3.3m envelope	Internal investment plan agreed with business cases to be approved through the Business Case Approval Group (BCAG)	3	2	6	Adequate but more Action Required	None	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee
Finance	Fin08/18	Mar-18	Deliver RTT within resources available (£10.5m 18/19)	The UHB is proceeding at pace and will need to work closely with WG to ensure appropriate resources are made available to maintain progress. The UHB has requested funding of £5.1m and at month 2 has spent £0.9m at risk.	4	3	12	Adequate but more Action Required	Monthly meetings with the COO, progress report to be received through performance review meetings and regular dialogue with WG.	3	2	6	Jun-18	Assistant Director of Finance	Jul-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin09/18	Mar-18	Winter pressures managed within (£1.5m 18/19)	Winter plan for 2018/19 being developed for sign off by Management Executive.	3	3	9	Adequate but more Action Required	Progress report to be received through performance review meetings.	3	2	6	Jun-18	Assistant Director of Finance	Jul-18	The Board	Chief Operating Officer	Finance Committee
Finance	Fin10/18	Mar-18	Commissioning Risks	Regular performance/LTA meetings with other providers/WHSSC and internal commissioning group.	3	3	9	Adequate but more Action Required	None	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee
Finance	Fin11/18	Mar-18	Management of Nursing overspend (£2.7m 2017/18)	Progress to be monitored through Nursing Productivity Group and Executive / Clinical Board Performance Reviews. At month 2 the nursing overspend was £0.4m.	4	3	12	Adequate but more Action Required	None	2	3	6	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Nursing	Finance Committee
Finance	Fin12/18	Mar-18	Containment of IT developments	Internal investment plan agreed with business cases to be approved through the Business Case Approval Group (BCAG) / Capital Management Group.	3	3	9	Adequate but more Action Required	None	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Therapies	Finance Committee
Finance	Fin13/18	Mar-18	Management of retrospective CHC costs (£1.5m)	Costs to be managed over two financial years	3	3	9	Adequate but more Action Required	None	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee
Finance	Fin14/18	Mar-18	Management of R&D income reduction	R&D position being taken forward by Medical Director with WG.	2	3	6	Adequate but more Action Required	None	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Medical Director	Finance Committee
Finance	Fin15/18	May-18	Velindre drugs	NICE / HCD actuals differ to those assessed in the collective meeting	3	3	9	Adequate but more Action Required	None	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee
Finance	Fin16/18	May-18	WHSSC services	Current sustainability concerns that are not provided for in the WHSSC financial plan present in year	3	3	9	Adequate but more Action Required	None	2	2	4	Jun-18	Assistant Director of Finance	Jul-18	The Board	Director of Finance	Finance Committee



Guidance Notes to assist completing the risk register
Remember all risks must have undergone a risk assessment, prior to them being added to the Risk Register
UHB Reference No:- This number will be allocated by the Risk Management Department. Once added this will be communicated back to the Divisions.
Divisional / Directorate Reference No:- Each Division / Directorate should have a unique numbering system for the risks that they enter onto the register. It should contain the initials of the Division, a consecutive number and the year e.g. Mental Health = MH, Children's and Women's = CW, Primary, Community & Intermediate & Older Persons = PCIO, Dental = Den, Diagnostics & Therapeutics = DT, Medicine = M, Surgical Services = SS, Specialist Services = SpS. MH 01/10, SPS 01/10 etc. (Note - as this register is in the developmental stage please advise Melanie Westlake if there are alternative initials to be used).
Previous Reference No:- Whilst the UHB is in the process of consolidating and updating registers it will be necessary to include the previous reference number for audit purposes. This will be populated by the Risk Management Department.
Date entered onto original Register:- as above
Risk / Issue (Including Impact):- The Risk or Issue is the event that could cause an incident or hinder the achievement of objectives. A risk is something that may happen. An issue is already occurring. The impact is the effect that the Risk or Issue will have on the UHB.
Link to UHB Core Objectives:- List here, the main Strategic Goal that links to the risk being assessed.
Existing Controls:- Summarise in bullet form the existing controls to prevent the risk / issue occurring or reduce the impact.
Current Risk Rating:- Assess the current impact on the UHB using Tables 1,2 & 3.
Ranking:- This is the ranking of the risk e.g. The highest risk will score 25 and be ranked at 1, those that score 20 will be ranked at 2 etc.
Adequacy of existing controls:- Indicate how well controlled you feel the risk / issue is i.e. No control, Inadequate controls, Adequate but more action required and Optimum / NFA required.
Summary of Additional Controls Required:- Summarise in bullet form the controls that you know should be introduced to reduce the risk together with resources required.
Target Risk Rating if Controls in Place:- What will be the risk be if the actions proposed to further reduce / eliminate the risk are taken.
Date of Last Review:- When was the Risk Assessment / Control measures last reviewed.
Review completed by:- This should be a senior member of staff for high / medium risk on the register e.g. Divisional Manager / Nurse.
Date of Next Review:- This should be determined by the adequacy of controls and risk score e.g. risks scoring 25 with Inadequate control = monthly, risk scoring 12 with adequate controls but more action required = 6 monthly.
Risk Owner:- Who is the lead for taking the actions proposed relating to this risk. This should be Divisional Director, Board Secretary, Assistant Director etc.
Director Lead:- Who is the lead Director for this risk.
Assuring Committee:- This is the Committee that will monitor / manage the risk on behalf of the UHB Board or the UHB itself e.g. Quality & Safety Committee, Performance Committee.

	Consequence score (severity levels) and examples of descriptors				
	1	2	3	4	5
Domains	Negligible	Minor	Moderate	Major	Catastrophic
Impact on the safety of patients, staff or public (physical/psychological harm)	Minimal injury requiring no/minimal intervention or treatment. No time off work	Minor injury or illness, requiring minor intervention Requiring time off work for >3 days Increase in length of hospital stay by 1-3 days	Moderate injury requiring professional intervention Requiring time off work for 4-14 days Increase in length of hospital stay by 4-15 days RIDDOR/agency reportable incident An event which impacts on a small number of patients	Major injury leading to long term incapacity/disability Requiring time off work for >14 days Increase in length of hospital stay by >15 days Mismanagement of patient care with long-term effects	Incident leading to death Multiple permanent injuries or irreversible health effects An event which impacts on a large number of patients
Quality/complaints/audit	Peripheral element of treatment or service suboptimal Informal complaint/inquiry	Overall treatment or service suboptimal Formal complaint/ Local resolution Single failure to meet internal standards Minor implications for patient safety if unresolved Reduced performance rating if unresolved	Treatment or service has significantly reduced effectiveness Formal complaint / Local resolution (with potential to go to independent review) Repeated failure to meet internal standards Major patient safety implications if findings are not acted on	Non-compliance with national standards with significant risk to patients if unresolved Multiple complaints/ independent review Critical report	Totally unacceptable level or quality of treatment/service Inquest/ombudsman inquiry Gross failure of patient safety if findings not acted on Gross failure to meet national standards
Human resources/organisational development/staffing/competence	Short-term low staffing level that temporarily reduces service quality (< 1 day)	Low staffing level that reduces the service quality	Late delivery of key objective/ service due to lack of staff Unsafe staffing level or competence (>1 day) Low staff morale Poor staff attendance for mandatory/key professional training	Uncertain delivery of key objective/service due to lack of staff Unsafe staffing level or competence (>5 days) Loss of key staff Very low staff morale No staff attending mandatory/ key professional training	Non-delivery of key objective/service due to lack of staff Ongoing unsafe staffing levels or competence Loss of several key staff No staff attending mandatory training /key professional training on an ongoing basis

Statutory duty/ inspections	No or minimal impact or breach of guidance/ statutory duty	Breach of statutory legislation	Single breach in statutory duty Challenging external recommendations/ improvement notice	Enforcement action Multiple breaches in statutory duty Improvement prohibition notices Critical report	Multiple breaches in statutory duty Prosecution Complete systems change required Severely critical report
Adverse publicity/ reputation	Rumours Potential for public concern	Local media coverage – short-term reduction in public confidence Elements of public expectation not being met	Local media coverage – long-term reduction in public confidence	National media coverage with <3 days service well below reasonable public expectation	National media coverage with >3 days service well below reasonable public expectation. MP/AM concerned (questions in the House/Assembly) Total loss of public confidence
Business objectives/ projects	Insignificant cost increase/ schedule slippage	<5 per cent over project budget Schedule slippage	5–10 per cent over project budget Schedule slippage	Non-compliance with national 10–25 per cent over project budget Schedule slippage Key objectives not met	Incident leading >25 per cent over project budget Schedule slippage Key objectives not met
Finance including claims	Small loss Risk of claim remote	Loss of 0.1–0.25 per cent of budget Claim less than £10,000	Loss of 0.25–0.5 per cent of budget Claim(s) between £10,000 and £100,000	Uncertain delivery of key objective/Loss of 0.5–1.0 per cent of budget Claim(s) between £100,000 and £1 million Purchasers failing to pay on time	Non-delivery of key objective/ Loss of >1 per cent of budget Failure to meet specification/ slippage Loss of contract Claim(s) >£1 million
Service/business interruption	Loss/interruption of >1 hour	Loss/interruption of >8 hours	Loss/interruption of >1 day	Loss/interruption of >1 week	Permanent loss of service or facility
Environmental impact	Minimal or no impact on the environment	Minor impact on environment	Moderate impact on environment	Major impact on environment	Catastrophic impact on environment

Likelihood Score (L)

- What is the likelihood of the consequence occurring?
- The frequency based score is appropriate in most circumstances and is easier to identify. It should be used whenever it is possible to identify the frequency at which a risk is likely to occur.
- The probability score is more appropriate for risks relating to time limited or one-off projects or business objectives

Likelihood Score

Descriptor	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
<u>Frequency</u> How often does it might it happen	This will probably never happen/recur	Do not expect it to happen / recur but it is possible it may do so	Might happen or recur occasionally	Will probably happen/recur but it is not a persisting issue	Will undoubtedly happen/recur, possibly frequently
<u>Probability</u> Will it happen or not? % chance of <u>not</u> meeting objective	<0.1 per cent	0.1-1 per cent	1 -10 per cent	10-50 per cent	>50 per cent

Table 3 - Risk Scoring = Consequence x Likelihood (C x L)

Consequence Score	Likelihood Score				
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
5 - Catastrophic	5	10	15	20	25
4 - Major	4	8	12	16	20
3 - Moderate	3	6	9	12	15
2 - Minor	2	4	6	8	10
1 - Negligible	1	2	3	4	5

For grading risk, the scores obtained from the risk matrix are assigned grades as follows

1 - 3 = Low Risk	Quick, easy measures implemented immediately and further action planned for when resources permit
4 - 10 = Moderate Risk	Actions implemented as soon as possible but no later than a year
12 - 16 = High Risk	Actions implemented as soon as possible but no later than six months
20 - 25 = Extreme Risk	Requires urgent action. The UHB Board is made aware and it implements immediate corrective action