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**Confirmed Minutes of the Public Finance Minutes**

**Held On 29 June 2022 at 2 pm**

**Via MS Teams**

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| **Chair:** |  |  |
| Rhian Thomas | RT | Independent Member - Capital and Estates |
| **Present:** |  |  |
| John Union | JU | Independent Member – Finance |
| David Edwards | DE | Independent Member – ICT |
| **In Attendance:** |  |  |
| Caroline Bird | CB | Interim Chief Operating Officer |
| Nicola Foreman | NF | Director of Corporate Governance |
| Abigail Harris | AH | Executive Director of Strategic Planning |
| Robert Mahoney | RM | Interim Deputy Director of Finance (Operational) |
| Catherine Phillips | CP | Executive Director of Finance |
| Hywel Pullen | HP | Interim Deputy Director of Finance (Strategy) |
| **Observers:** |  |  |
| Emily Howell | EH | Audit Wales |
| **Secretariat** |  |  |
| Nathan Saunders | NS | Senior Corporate Governance Officer |
| **Apologies:** |  |  |
| Charles Janczewski | CJ | UHB Chair |
| Suzanne Rankin | SR | Chief Executive Officer |

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| **Item No** | **Agenda Item** | **Action** |
| **FC**  **29/6/001** | **Welcome & Introduction**  The Committee Chair (CC) welcomed everyone to the meeting. |  |
| **FC**  **29/6/002** | **Apologies for Absence**  **The Finance Committee resolved that:**   1. Apologies were noted. |  |
| **FC**  **29/6/003** | **Declarations of Interest**  **The Finance Committee resolved that:**   1. No Declarations of Interest were noted. |  |
| **FC**  **29/6/004** | **Minutes of the Meeting Held on 25 May 2022**  The minutes of the meeting held on 25 May 2022 were received.  **The Finance Committee resolved that:**   1. The minutes of the meeting held on 25 May 2022 were held as a true and accurate record of the meeting. |  |
| **FC**  **29/6/005** | **Action Log following the meeting held on 25 May 2022**  The Action Log was received.  All actions were discussed and it was noted that it would be updated for the meeting in July.  **The Finance Committee resolved that:**   1. The Action Log was noted. |  |
| **FC**  **29/6/006** | **Chairs Action since previous meeting**  There had been no Chair’s actions taken since the last meeting. |  |
|  | **Items for Review and Assurance** |  |
| **FC**  **29/6/007** | **Financial Report – Month 2**  The Financial Report – Month 2 was received.  The Interim Deputy Director of Finance – Operational (IDDFO) presented the Financial Report for Month 2.  It was noted that the financial report was being evolved to try and make it into a more holistic report.  The IDDFO reminded the Committee that the first page of the report established how the Finance team had arrived at the surplus deficit for the current plan that was submitted to Welsh Government (WG).  It was noted that in line with guidance from WG, the Health Board’s plan also anticipated WG funding for the three National Inflationary Pressure exceptional costs which included:   * Energy costs where the planning assumption was based on a mid-range estimate from Shared Services at £20.9m annually. * Employers NI costs of £6.9m annually. * The impact of paying Real Living Wage (RLW) for staff working within Social Care and Third Sector currently estimated at £2.9m annually.   The IDDFO noted that alongside those three National Inflationary Pressure exceptional costs there were still ongoing Covid-19, local response costs that the Health Board had incurred to create additional capacity and separate duties for infection control and also central Covid-19 programmes being run on behalf of the Cardiff and Vale communities such as:   * Track, Trace and Protect (TTP), * Mass Vaccination Centres (MVC), * Personal Protective Equipment (PPE), * Flu costs   It was noted that within the Finance Dashboard, the position being reported at Month 2 was a £3.996m deficit, of which £3.467m of that was the planned deficit. That left the Health Board with a movement, not planned for, of £529k at end of Month 2 and work was being undertaken to try and eradicate that.  It was noted that the underlying deficit was forecast to deteriorate because of the Health Board’s lack of ability to deliver recurrent savings in year.  The IDDFO advised the Committee that Creditor compliance was still under target at Month 2, with a slight improvement from Month 1 and noted that issues around Nurse Agency billing was one of the main causes of not being on target.  He added that the Health Board were custodians of public money and noted that as long as robust systems were in place, creditors should be paid by the Health Board within an acceptable timeframe.  The CC asked if the deterioration in performance was exclusive to Nurse Agency issues.  The IDDFO responded that there were other areas but Nurse Agency was a “big bill”.  The CC asked if the Health Board was in a position to make manual payments and asked if the Health Board did not pay creditors on time would that jeopardise their operations.  The Executive Director of Finance (EDF) responded that there was a connection between the finance element and the work being undertaken by procurement via the Audit & Assurance Committee whereby there was a “no PO number, no pay” policy in place, PO standing for Purchase Order but not everything went through a PO procedure.  She added that at present, there were 8000 bills on hold and a quarter of those related to Nurse Agency bills.  The CC noted that the position would hopefully improve by Month 3 reporting and if it did not, the issue would need to be escalated.  The IDDFO noted that when the bills that were “on hold” came through, it could impact the numbers again and affect the rates reported.  He added that the key would be to address the backlog because that was the right thing to do and then to address issues that had led to that backlog.  The IDDFO advised the Committee that “Remain within Cash Limit” measure was rated at “amber” and noted that the Health Board wanted to remain with it’s cash limit and that it was tied to the Health Board’s allocations which were not fully confirmed yet so it was a difficult target to achieve.  He added that should the plan be approved and funding flows confirmed, the Health Board should remain within its cash limit but until that point absolute assurance could not be provided.  The Independent Member – Finance (IMF) noted that the remaining cash limit at Month 2, the Covid-19 and exceptional inflation expenditure assumed to be funded by WG was £12.5m and asked at what point would the Health Board need to ask for funding to make sure it could maintain enough cash to make payments or if the payments were automatically made.  The IDDFO responded that the Health Board was using the standard allocation to counterbalance those. If WG came back could not support the funding the Health Board could run into difficulty around Month 12 of the financial year.  He added that the plans were being developed with WG.  The IDDFO advised the Committee of the Month 2 cumulative financial position and noted that the WG monthly financial monitoring returns continued to capture and monitor costs due to Covid-19 that were over and above the Health Boards core plans.  He added that the draft financial position reported to WG for Month 2 was a deficit of £3.996m.  It was noted that the forecast for local Covid-19 response costs and cleaning standards was £36.062m which was a decrease of £4.506m against the comparable £40.568m forecast costs reported at Month 1.  The Committee was advised that the Health Board had started to reduce some of the Covid-19 response costs which meant a reduction in the forecast of what was required from WG.  The CC noted that throughout the report, multiple references had been made to anticipated funding and asked how confident the IDDFO was that the Health Board would receive the funding.  The IDDFO responded that it had been noted on the Risk Register and that discussions were ongoing with WG about how to treat the Covid-19 response costs. Discussions regarding sourcing and finalisations of the Department of Health budget within WG were being held.  He added that all 7 Health Boards within Wales were in the same position.  The Committee was advised that the savings target was £16m, £12m of which the Health Board wanted to be recurrent and noted that at the time of preparation of the report there were still unidentified savings of £1.195m which had since improved to £0.820k.  The IDDFO identified the three key Corporate Risks which were:   * To have an approved 3-year financial plan (IMTP) * Revenue Funding – 3-year rolling breakeven duty * Capital Funding – 3-year rolling breakeven duty   It was noted that the Finance team was confident that Health Board would stay within the capital funding. It was also noted that at the present time an approved financial plan was not available and that it would be discussed at the Board meeting the following day.  **The Finance Committee resolved that:**   1. The reported overspend of £3.996m at Month 2 due to £0.529m of operational pressures and a planning deficit of £3.467m was noted. 2. The Month 2 financial impact of COVID 19 which was assessed at £11.197m was noted 3. The additional Welsh Government COVID 19 funding of £11.197m assumed within the Month 2 position was noted. 4. The Month 2 financial impact of Exceptional inflationary pressures which was assessed at £3.081m was noted. 5. The additional Welsh Government COVID 19 funding of £3.081m assumed within the month position was noted. 6. The forecast deficit of £20.8m which was consistent with the draft financial plan was noted. 7. The 2021/22 brought forward Underlying Deficit of £29.7m and the forecast carry forward of £23.7m to 2022/23 was noted. |  |
| **FC**  **29/6/008** | **Escalation of Corporate Directorates and Clinical Boards (Verbal)**  The Escalation of Corporate Directorates and Clinical Boards verbal update was received.  The Interim Chief Operating Officer (ICOO) advised the Committee that a paper would be provided to the Committee at future meetings.  It was noted that performance reviews had started again and were currently being run across all of the Clinical Boards.  The ICOO reminded the Committee that there were 3 levels of assurance that they assessed against which were:   * Substantial * Adequate * Limited   It was noted that for finance specifically, the assessment for five Clinical Boards was assessed at adequate and that one of those Clinical Boards (PCIC) could move to Substantial Assurance over the next couple of months.  It was noted that two Clinical Boards (Medicine and Mental Health) had been assessed at Limited Assurance.  It was noted that Medicine had been assessed at Limited Assurance because of operational deficit and progress, or lack of, against their recurrent savings target.  It was noted that at the time of the review, the Medicine Clinical Board had achieved 70% of their in-year savings target, but the recurrent element had a big deficit.  The ICOO advised the Committee that the data had moved forward and that by the time of the meeting for Month 3, they should have closed the gap in terms of savings.  It was noted that the Mental Health Clinical Board had been assessed at Limited Assurance because of their underlying deficit and limited progress in terms of their savings target.  The ICOO reiterated that in future a summary table would be provided to the Committee.  The CC asked if the Clinical Boards had adapted well to the re-establishment of the performance reviews.  The ICOO responded that they had and noted that the reviews were still evolving and that supportive conversations would be had with Clinical Boards to get them to be where they needed to be in relation to assurance.  **The Finance Committee resolved that:**   1. The Escalation of Corporate Directorates and Clinical Boards update was noted. | ICOO  ICOO |
| **FC**  **29/6/009** | **IMTP**  The IMTP update was received.  The CC advised the Committee that there would be a dedicated agenda slot for the Financial element of the IMTP and asked the Executive Director of Strategy and Planning if any updates were required during the Public session.  The EDSP advised the Committee that in March 2022 the Health Board had submitted a draft IMTP plan to WG.  It was noted that the plan had a deficit forecast position for the end of this financial year and that WG had allowed an extra three months to undertake further work to explore, in detail, how the position could be improved.  It was noted that the work had been undertaken very robustly and had looked at benchmarking and that the Financial Delivery Unit had been brought in to look at the finance position and provide some feedback  The EDSP added that all of the information was then used to inform the recovery plan that was contained within the three-year plan.  It was noted that it did not bring the Health Board into a place where it could achieve financial balance this year and noted that it set out an improvement trajectory that stated the Health Board had improved from the March 2022 position by £3.7m, bringing the deficit to £17.1m.  The plan articulates that the main drivers for the Health Board being in a deficit position this year related to investments that had not been matched by the growth in allocation across the full spectrum of the Health Board’s services. It was noted that some of the actions from the Financial Delivery Unit reflected that.  The EDSP concluded that the position had improved, that it was noted that the Health Board had taken on board the advice and comments given by WG, and that WG had understood the Health Board’s position.  It was noted that it took the Health Board into the territory of not having an approvable IMTP and therefore work would be required with WG to understand the next steps.  **The Finance Committee resolved that:**   1. The IMPT verbal update was noted. |  |
| **FC**  **29/6/010** | **Items for Approval / Ratification**  There were no items for approval/ratification. |  |
| **FC**  **29/6/011** | **Items for Information and Noting**  The CC advised the Committee that the usual Financial Monitoring Returns were for noting.  The EDF advised the Committee that a copy of the Financial Monitoring Returns had to be provided to the Committee for noting and a detailed discussion was not required because all of the detail had been highlighted within the financial reports.  The Director of Corporate Governance (DCG) confirmed that a recent Welsh Healthcare Circular had been issued in April 2022 by WG which identified the financial risks being held across all Health Boards in Wales.  She added that WG wanted transparency for each Health Board Committee to note the report.  **The Finance Committee resolved that:**   1. The Financial Monitoring Return – Month 2 was noted. |  |
| **FC**  **29/6/012** | **Agenda for Private Finance Committee Meeting**  *i. Approval of Private Minutes*  *ii. Update on the Financial Plan* |  |
| **FC**  **29/6/013** | **Any Other Business**  No other business was discussed. |  |
| **FC**  **29/06/14** | **Items to be deferred to Board / Committee** |  |
|  | **Date & time of next Meeting**  Wednesday 27 July at 2pm Via MS Teams |  |