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Addysg a Gwella Iechyd
Cymru (AaGIC)
Health Education and
Improvement Wales (HEIW)

Meeting Date	2 nd October, 2018	Agenda Item	6.1
Report Title	Finance Update		
Report Authors	John Baker/ Danielle Neale		
Report Sponsor	Danielle Neale		
Presented by	Danielle Neale		
Freedom of Information	Open		
Purpose of the Report	To update the Board on key Financial Matters for Commencement of Trading on 1 October 2018 and for the Board to approve the new Finance Policies as reviewed by the Shadow Audit Committee.		
Key Issues	<ul style="list-style-type: none"> a) Introduction b) Finance team resources c) Key financial issues d) Indicative Budget Allocation e) Charitable Funds f) Key Risks 		
Specific Action Required	Information	Discussion	Assurance
<i>(please ✓ one only)</i>			✓
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> a) Review and note the attached report b) Receive an updated report in the November Board meeting c) Approve the new Finance Policies as reviewed by the Shadow Audit Committee. 		

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a) Introduction:

At the September Shadow Board meeting, the Board members asked to receive a high-level report to outline the key financial issues, including the indicative HEIW budget baseline from the Welsh Government. The attached report provides this high level information, including key issues and risks.

b) Finance team resources:

As the Board are aware, the two key areas within the Finance Directorate are the Financial Management, Costing & Contracting Team and the Financial Accounting Team. The former team is largely complete with the transfer of staff from the legacy organisations from the 1st October and recruitment to the Deputy Finance Director role, albeit it may be a few months before the individual is in post. The Financial Accounting Department is a new requirement for the organisation and there are five posts which need to be filled. HEIW has received helpful support from the NHS Wales Shared Service Partnership (NWSSP) and NHS Wales Informatics Service (NWIS) in constructing a new Financial System and from WG in providing assistance on Standing Financial Orders and Financial Instructions and transfer orders.

To mitigate the risk associated with this temporary capacity gap, the Welsh Government has supported HEIW with the appointment of an interim Accountant, from the 18 July 2018 and I commenced the Director of Finance & Corporate Services role from the 28th August. We have been working closely with the Welsh Government, Shared Services and the legacy organisations and during September we have interviewed for further interim Financial Accounting staff, to help support the required transitional finance work. I am pleased to confirm an interim Assistant Financial Accountant started work with HEIW on the 17th September and we have made arrangements for the interim Systems Accountant to start work on the 24th September and the interim Financial Accountant to start work on the 3rd October. It will be important to ensure over the autumn, HEIW recruits to the permanent Financial Accounting Team and we start this process with the interviews for the permanent Head of Financial Accounting on the 4th October.

c) Key financial issues:

The key financial issues progressed to date, are outlined in Appendix A.

The key financial issues to progress include:-

1. HEIW needs to review the Service Level Agreements (SLA) for the Financial Services, Procurement and Payroll services from the NHS Wales Shared Service Partnership and the Information SLA from NWIS. The HEIW CEO is currently liaising with the Welsh Government to receive this information.
2. Develop a financial reporting framework and finalise the financial coding work. HEIW will work with the Welsh Government and the HEIW Board to develop this work over October, to enable some top level financial reporting to take place in November.
3. Develop and finalise the 14 Financial Control Policies, as shown in Appendix B. These Policies have been shared with the External and Internal Auditors and are being presented to the Shadow Audit Committee on the 2nd October, where they will be recommended for approval by the HEIW Board.
4. HEIW will need to make the necessary arrangements to obtain capital funding, to include coverage for the new HQ office refit and for IT equipment.
5. HEIW Budget Holders and Managers financial delegations need to be established and populated within the Finance System.
6. The Finance Team will need to provide financial training to HEIW staff.

d) Indicative Budget Allocation:

The Welsh Government has confirmed the baseline budget for the 6 months from the 1st October to the 31st March 2019, will be £103.872m and the indicative full year budget is £195.433m. HEIW and Welsh Government will work closely over the next 6 months to ensure that all areas of expenditure are included in the final budget.

The Commissioning budgets are reviewed on an annual basis in line with commissioning intentions that are developed in discussion with professional bodies, the NHS and Welsh Government.

e) Charitable funds:

Welsh Government has confirmed that there are no funds to transfer from Cardiff University.

g) Key Risks:

The main risks transferring to the new organisation continue to be the availability of capacity to support the required activities and a plan is in place to address this using interim staff and recruitment. In addition, further work is required to review the baseline budget and any budgetary risks will be closely monitored by both HEIW and Welsh

Government colleagues during the first 6 months, to ensure that there is a full understanding of the functions and associated costs of the new organisation.

Key financial issues progressed to date

The main areas that NWSSP and NWIS provided support on were:

- Testing the Oracle entity, covering the financials, payroll and accounts payable and receivable functions.
- Consideration of the Financial Authorisation hierarchy
- Initial consideration of the staffing structure
- Provision of advice and guidance on procurement
- The Finance System, Oracle, has been constructed and tested by Shared Services and this was signed off on the 17th September 2018. As such, the Finance System is now being populated with the underlying data from the legacy organisations (Deanery, WEDS & Pharmacy). Similarly, the testing of Payroll and Account Payables modules/systems has recently been undertaken by the legacy teams.

The key areas of support from WG are as follows:

- Provision of advice and templates for Standing Financial Orders and Standing Financial Instructions
- Provision of procurement for transfer orders between Cardiff University and HEIW and facilitating the transfer order from NWSSP to HEIW in relation to WEDS.
- Provision of funds for interim finance staff.
- Provision of advice on finance matters especially in relation to capital.

The key areas undertaken by HEIW are as follows:

1. The chart of accounts has largely been completed and this will be populated into the system, subject to iterations as part of normal business as usual. Further work is currently being undertaken by the interim Head of Financial Accounting and the legacy staff to populate cost centres and analysis codes, including developing the financial delegation controls and processes.
2. The interim Head of Financial Accounts, with the new interim finance staff, will continue to work on the new Finance System before the 1st October 2018, to ensure the underlying financial data is completed.
3. The interim Head of Financial Accounting has set up the HEIW Bank account, the HEIW VAT Registration and the required Government Procurement cards (credit cards) & Petty Cash controls to enable HEIW to have the required controls in place for the 1st October.
4. HEIW has made a funding request to the Welsh Government which the Interim accountant has confirmed will enable HEIW to operate from the 1st October.
5. The Transfer order with Cardiff University has been reviewed and clarified and should be signed off in the next few days. A similar process is in place for the transfer from Velindre NHS Trust (NWSSP WEDS function) to HEIW. This covers the transfer of assets and liabilities as appropriate.
6. The NHS Wales Shared Service Payroll provider has confirmed the system will be ready to enable salaries to be paid on 21 October 2018.

7. The agreement of balances process has been agreed with NHS bodies to help both HEIW and NHS bodies at the 1st October and at the 31st March 2019.
8. The Director of Finance has met with External Audit and the interim Head of Financial Accounting has met with the Internal Auditors.

Summary of Financial Policies

Financial Control Policies (FCP) are:

FCP 1 Budgetary Control

FCP 2 Non-current assets

FCP 3 Month end process (8 appendices)

FCP 4 Over payment recovery

FCP 5 Construction industry Scheme

FCP 6 Purchasing Card

FCP 7 VAT

FCP 8 General Ledger

FCP 9 Petty Cash

FCP 10 Accounts Receivable

FCP 11 Accounts Payable

FCP 12 Banking

FCP 13 Counter Fraud

FCP 14 Procurement