

**COFNODION HEB EU CYMERADWYO O GYFARFOD Y PWYLLGOR CYLLID/
UNAPPROVED MINUTES OF THE FINANCE COMMITTEE MEETING**

Date and Time of Meeting:	Friday 24 th July 2020, 9.30 am – 11.30 am
Venue:	Board Room, Ystwyth Building, St. David's Park, Carmarthen

Present:	Mr Michael Hearty, Associate Member, Committee Chair (VC) Mr Mike Lewis, Independent Member, Committee Vice Chair (VC) Mrs Judith Hardisty, Vice Chair, Hywel Dda University Health Board Mr Paul Newman, Independent Member (VC) Mr Maynard Davies, Independent Member (VC)
In Attendance:	Miss Maria Battle, Chair, Hywel Dda University Health Board (VC) Mr Steve Moore, Chief Executive Mr Huw Thomas, Director of Finance Mrs Joanne Wilson, Board Secretary Mrs Rebecca Hayes, Senior Finance Business Partner Mr Shaun Ayres, Assistant Director of Value Based Contracting (VC) Mr Simon Shelton, Senior Contracting Business Partner Mr James Johns, Head of Internal Audit (NWSSP) (VC) Ms Sonja Wright, Committee Services Officer (Secretariat)

AGENDA ITEM	ITEM	
FC(20)94	INTRODUCTIONS AND APOLOGIES FOR ABSENCE	Action
	The Chair, Mr Michael Hearty, welcomed all to the meeting. Apologies for absence were received from: <ul style="list-style-type: none"> Mr Andrew Carruthers, Director of Operations Mr Ceri Martin, Finance Business Partner 	

FC(20)95	DECLARATIONS OF INTERESTS	
	In relation to agenda item FC(20)101 Delivering and Funding for the Digital Programme Plan, Mr Huw Thomas declared an interest, in that he is currently covering for the Director of Planning, Performance, Informatics and Commissioning, within whose Directorate the Digital Programme Plan sits.	

FC(20)96	MINUTES OF PREVIOUS MEETING HELD ON 25th JUNE 2020	
	The minutes of the Finance Committee meeting held on 25 th June 2020 were ACCEPTED as an accurate record.	

RESOLVED – that the minutes of the Finance Committee meeting held on 25th June 2020 be **APPROVED** as an accurate record.

FC(20)97 MATTERS ARISING AND TABLE OF ACTIONS FROM THE MEETING HELD ON 25th JUNE 2020

An update was provided on the Table of Actions from the meeting held on 25th June 2020 and confirmation received that all outstanding actions had been completed or were forward-planned for a future Finance Committee meeting.

FC(20)98 FINANCE REPORT AND FINANCIAL PRESENTATION MONTH 3, 2020/21

Members received the Month 3 2020/21 Finance Report and Financial Presentation.

Mrs Rebecca Hayes outlined the following key points:

- As compared with the Month 2 position (£6.4m variance to plan), the HB's financial position for Month 3 reflects a favourable operational variance to plan of £0.6m, following one-off Quarter (Q)1 WG funding for COVID-19-related pay and Field Hospital (FH) set-up costs of £10.8m (the exclusion of which leaves an underlying in-month variance of £11.4m). Likewise, the Month 3 variance to breakeven position of £1.5m reflects Q1 WG funding, exclusion of which leaves an underlying variance of £12.3m.
- Additional costs incurred in Month 3 due to the impact of the COVID-19 pandemic stand at £12.2m (compared with £9.8m at Month 2), with underspends re-purposed of £2m (compared with £3.5m at Month 2).
- Continuing uncertainty regarding future funding arrangements for the HB's response to the pandemic constitutes a risk that the HB's financial position may be adversely affected, with savings schemes included in the Financial Plan at risk of non-delivery. Discussions are ongoing with WG regarding additional funding to support savings non-delivery; however, assuming no additional central funding will be made available, the HB will not achieve its revenue funding limit of £25m and will be unable to deliver its savings target.
- While there has been a significant increase in substantive staff costs during 2020/21, largely driven by the fixed-term cohort recruited in response to the COVID-19 pandemic, overall pay budgets are now showing underspends, as a result of staff vacancies, lower Nurse Agency expenditure (as compared with pre-COVID levels), and an in-month reduction in the use of high-cost Medical Locums.

- There is a continuing reduction in non-contracted activity, which represents a seasonal income stream for the HB linked to tourism.

Members were advised that the Power BI platform is undergoing further functional refinements to accelerate reporting processes, providing a more assured position for Day 5 reports to WG, and enabling a more granular analysis and robust scrutiny of Directorate-level forecasts, augmented by the addition of a COVID/ non-COVID filter. Members were informed that this accelerated analysis will enable more intelligent discussion to be held in System Engagement Meetings (SEMs) regarding the key drivers of individual Directorates' financial positions, allowing any issues to be addressed at an earlier stage in-month.

In relation to staffing costs, Mrs Judith Hardisty enquired how the gap between an underspend in pay budgets and increased spend on temporary staff might be bridged, whether there is financial capacity within the HB to make temporary staff posts permanent, and whether a reduction in costs associated with the usage of Medical Locums has been offset by the need to cover Consultant vacancies within the HB.

Mr Thomas explained that the reported underspend in pay budgets follows the allocation of WG funding for additional staff, and that work is being undertaken by the Workforce Directorate to convert temporary staff posts to permanent status. With regard to the use of Medical Locums, Mr Thomas cautioned that demand is likely to remain, given the re-start of Planned Care services across all HB sites, and advised Members that the use of Agency Nurses continues to be challenging in terms of forecasting financial impact, particularly given the possibility that the re-start of Thornbury Nursing Agency services might result in a reduction in the HB's ability to recruit Registered Nurses (which may also prove challenging in terms of assuring safety and quality of treatment). Mr Moore added that the greatest challenge in terms of workforce lies in the HB's capacity to staff FH sites, and that this might constitute a significant risk going into the winter period.

In response to a query regarding the costs to the HB of the national influenza immunisation programme 2020/21, Members were informed that any associated financial risk sits with GP practices, the HB having taken a decision to underwrite these risks, which in any case are not anticipated to be of great financial significance. The delivery mechanism for vaccines is being developed under the lead of the HB's Director of Public Health, and will be incorporated within the organisation's financial planning.

While recognising the tolerance of a degree of latitude in fiscal control within the HB as a necessary response to the COVID-19 pandemic, Mr Hearty requested assurance (given the scale of costs and deficit projections) that financial grip will be re-instated over Months 4 and 5, highlighting a need for the Finance Directorate to balance creative operational responses with regulatory requirements relating to the expenditure of public funds, notwithstanding challenges in re-imposing fiscal constraints and tracking Directorate and Service spend. Mr Thomas responded that internal feedback, following the re-introduction of SEMs, suggested that HB managers welcome the support and direction provided

	<p>through the reinstatement of financial controls, adding that Service Leads have displayed prudence and exercised value-for-money considerations in their decision-making. Members were assured that outcomes from SEMs will provide evidence of effective financial governance for Committee scrutiny and advised that, while the emphasis upon savings delivery will be maintained, future financial decision-making will be based to a greater degree upon strategic considerations and identification of opportunities, and that mainstream value will be embedded through the inclusion of HB Clinicians in the decision-making process.</p>	
	<p>The Committee DISCUSSED the financial position for Month 3 2020/21, NOTING the risk of non-delivery of the HB's savings schemes for 2020/21 and the risk that the HB will not achieve its revenue funding limit of £25m.</p>	

<p>FC(20)99</p>	<p>CAPITAL FINANCIAL MANAGEMENT</p> <p>Members were presented with the Capital Financial Management report, providing the most recent update in regard to the All-Wales Capital Programme (AWCP), the Capital Resource Limit (CRL) for 2020/21 and the value of capital expenditure currently committed to deal with the COVID-19 pandemic for 2020/21.</p> <p>Members were advised of financial challenges to the HB's capital resources for 2020/21 resulting from a combination of factors:</p> <ul style="list-style-type: none"> • Capital constraint due to a reduction in central funding flexibility; • Requirements for the HB to respond to an increase in COVID-19-related demand; • Capital to revenue transfer at Government level. <p>Members were informed of a current gap in capital funding of £5.7m, and cautioned that alternative sources of funding will need to be identified, should no financial support be forthcoming from WG. The Committee was updated with regard to a planned delay to Phase II of the Women and Children scheme in order to allow capacity to increase beds stock in Glangwili General Hospital (GGH), and was advised of financial issues relating to the Cylch Caron integrated care scheme which require resolution before the Full Business Case for the scheme can be signed off.</p> <p>In response to a query from Mr Paul Newman enquiring why the HB, rather than the contractor, is incurring the cost of social distancing measures employed by contractors on HB sites, Mr Thomas advised of his understanding that as the HB took the decision to implement these measures in order to support its response to the COVID-19 pandemic, thereby creating a delay in construction work, it is contractually liable for costs associated with this delay. Mr Thomas agreed to clarify the position with regard to respective liability for these costs on the part of the HB and contractors in the Capital Financial Management report for review at the Finance Committee meeting on 26th August 2020.</p> <p>Members were assured that there will be no risk of financial impact upon the HB associated with the Cylch Caron scheme, with any impact likely to</p>	<p>HT</p>
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	<p>be borne by Mid and West Wales Housing Association. Mrs Hardisty highlighted the potential cost impact upon the HB as a result of maintaining services at Tregaron Community Hospital should the Cylch Caron integrated care scheme <i>not</i> proceed.</p> <p>Mr Hearty queried whether the risk to funding for Capital schemes is included in the Corporate Risk Register. Mr Thomas responded that in the first instance, consideration will be given to how capital management risk can be mitigated, and whether further risks are likely to arise from the mitigation itself.</p>	
	<p>The Committee:</p> <ul style="list-style-type: none"> • NOTED the Capital Resource Limit for 2020/21 together with expenditure allocations and profile; • NOTED the value of capital expenditure currently committed to deal with the COVID-19 pandemic for 2020/21 and funding released to date; • NOTED the financial risk associated with progressing capital schemes at feasibility stage without confirmed funding; • NOTED the updates on the Women and Children Phase II (GGH) and Cylch Caron schemes, Interserve and Project Bank Accounts. 	

FC(20)100	<p>VAT PROCEDURE</p> <p>The Committee received the VAT Procedure, noting this had been reviewed by key personnel within the Finance Directorate, tested with VAT consultants (KPMG), and presented to the Committee for approval.</p> <p>Members were advised of significant improvements in the relationship between the HB and HMRC, particularly with the appointment of a tax specialist within the HB's Finance Team.</p>	
	<p>The Committee APPROVED the VAT Procedure.</p>	

FC(20)101	<p>DELIVERING AND FUNDING FOR THE DIGITAL PROGRAMME PLAN</p> <p>Members received a report outlining proposals to allocate existing financial resources to support the development of digital capacity and acceleration of the Digital Programme Plan within the HB.</p> <p>Members were advised that the necessarily rapid adoption and implementation by the organisation of a variety of digital platforms to enable virtual patient consultations and internal collegiate communication, and to facilitate the ability of HB staff to work from home where necessary, had yielded organisational benefits which would be in the best interests of the HB to retain and develop.</p> <p>Mr Thomas explained that financial reserves which had not been fully utilised, and fortuitous gains from the previous year had been identified</p>	
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and combined as a potential source of funding to support investment in the HB's digital capacity, building upon work already undertaken by WCCIS (integrated health and social care management system) in Ceredigion and the Capital Estates and Information Management and Technology Group to implement the HB's Digital Strategy. Mr Thomas also highlighted opportunities for the delivery of increased savings through the establishment of a digitised workforce capability.

Members were informed of dedicated digital wards which would be identified in Prince Philip Hospital (PPH) and Bronglais General Hospital (BGH) in order to test devices and appliances, effectively creating digital wards to serve as exemplars in the gradual roll-out of digital capability across all HB sites. Members' attention was drawn to the opportunity to digitally enable the provision of integrated healthcare in Ceredigion, noting developments previously referenced in the Capital Financial Management report under the Cylch Caron scheme.

Members were advised of the intention that plans for digital business change within the organisation will be supported by an 18-month period of investment, following which an internal review will be undertaken to assess benefits and to indicate whether further investment is justified, or should be withdrawn.

While supporting in principle the concept of the designation of Ceredigion as a 'digital county' in terms of healthcare provision, Mrs Hardisty queried whether the plans will incorporate the Digital Transformation Fund workstream and, in referencing this, highlighted the risk of duplication of work.

Mrs Hardisty also queried whether the financial resource proposed to support the recruitment and maintenance of a dedicated Digital Team within the HB were sufficiently ambitious to assure the Board of the delivery of an effective service. Mr Thomas responded that the team structure and remuneration rates proposed had been carefully considered by the Assistant Director of Informatics, and expressed his confidence that the staffing model presented is realistic and fit for purpose, adding that further work is underway to develop Information Governance structures around the planned digital programmes.

Mr Maynard Davies acknowledged that proposals for recurrent Digital Team posts address specific risks included in the Corporate Risk Register relating to the achievement of clinical coding targets and cyber security breaches, and suggested that the additional resource will enable the HB to take a proactive, rather than a reactive, approach to digital business change.

Mr Lewis commended the work undertaken by the HB Informatics Department to fulfil pandemic-related requirements and, while agreeing the need to address identified risk through the establishment of specific roles within the Digital Team, queried the financial benefits to be derived from this investment, and how these will be captured. Mr Thomas assured the Committee that the work of the Team will be closely monitored and that it has been made clear to project managers that regular reviews of funding will be predicated upon benefits evidenced by the work of the Digital Team.

	<p>Mr Thomas added that it is currently difficult to quantify ‘cash-out’ in the programme business case, particularly given that financial benefits derived from investments in Information Technology (IT) typically do not manifest within the Informatics Department and are thus difficult to quantify.</p> <p>Mr Steve Moore agreed that measures to mitigate IT-related risks, particularly those relating to clinical coding, need to be supported, and commented that, from a Transformational and Strategic Enabling perspective, the investment in resources to support digital services will reduce timescales in delivering change within the organisation. Mr Hearty agreed that, given the HB’s view of digital capacity as an enabler for transformation, the organisation should signal its support accordingly through the investment of resources in this area.</p> <p>Miss Maria Battle endorsed the proposals to invest resources in the delivery of digital services within the HB, stating that this represents an enabling development, particularly given the increase in digital capability within BGH and Ceredigion.</p> <p>Members supported, in principle, the proposed commitment of expenditure for the acceleration of the Digital Programme Plan and its associated projects, noting that proposals will be submitted to the Board (as part of the Financial Forecast paper) for approval. Members also requested that regular reports be provided to Finance Committee to allow scrutiny of the financial benefits realised through this proposed investment of resources.</p>	HT
	<p>The Committee DISCUSSED the proposed allocation of resources to support implementation of the HB’s Digital Programme Plan on a recurrent and non-recurrent basis, noting that approval will be sought from the Board at its meeting to be held on 30th July 2020.</p>	

FC(20)102	<p>CONTRACTS VALUE FOR MONEY FRAMEWORK</p> <p>Members received a report outlining a Standard Operating Procedure (SOP) relating to Value for Money (VfM) reviews of the HB’s Service Level Agreements (SLAs).</p> <p>Mr Simon Shelton explained that following previous internal audit findings which highlighted gaps in the quality and information contained in the HB’s healthcare contracts, the procedure submitted to the Committee for approval has been developed by the Healthcare Contracts Team (HCT) in order to ensure a VfM approach is taken in all contractual decision-making processes, and to facilitate VfM reviews of the HB’s current SLAs.</p> <p>Members were further advised that the development of the VfM Framework represents the next stage in the Contract Management Strategy which had been approved by Finance Committee in its meeting held 25th June 2019.</p> <p>Following a request from Mr Newman that examples of the application of the procedure be presented at a future meeting of the Committee in order to demonstrate the effectiveness of the review framework in assuring quality and VfM in HB contracts, it was agreed by Members that examples</p>	
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	<p>will be included in future assessments of the HB's contractual commitments which will be presented to Finance Committee, and which will be included in the Committee's Work Plan for 2020/21.</p> <p>With regard to the quality of the HB's SLAs, Members queried whether a patient perspective will be included in future assessments of these agreements, and whether patients' views regarding the quality of care provided within the HB's contracts will be captured via feedback reporting mechanisms such as Patient Reported Outcome/ Experience Measures. Mr Ayres assured the Committee that the HCT is working closely with the Assistant Director of Quality and the HB Value Team to ensure that quality considerations are embedded within HB contracting processes.</p> <p>Mr Hearty remarked upon the value of the work undertaken to develop the VfM SLA review framework, noting opportunities within healthcare contracting to drive efficiencies and proactively identify opportunities for savings via the Opportunities Framework.</p>	SA
	<p>The Committee DISCUSSED and APPROVED the Contracts VfM Framework.</p>	

FC(20)103	<p>MINISTERIAL DIRECTIONS</p> <p>Members received a report providing the Committee with a status update and assurance that all NHS Non-Statutory Instruments (NSIs), otherwise known as Ministerial Directions (MDs), received from WG in 2020/21 have been implemented or adopted by the HB.</p> <p>The Committee NOTED that the HB is compliant with the NSIs (MDs) issued by WG between 1st April 2020 and 6th July 2020.</p>	
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FC(20)104	<p>REFLECTIVE SUMMARY</p> <p>Mr Thomas highlighted the key topics discussed during the meeting for inclusion in the Finance Committee Update Report to the next Public Board meeting:</p> <ul style="list-style-type: none"> • Robust discussion held regarding the HB's financial position for Month 3, noting the impact of COVID-19-related costs, risk of non-delivery of savings schemes within the Financial Plan, and challenges in differentiating fortuitous underspends from future savings opportunities. • Challenges to the HB's capital financial management for 2020/21, given restraints in central funding and additional spending requirements resulting from the COVID-19 pandemic. • VAT Procedure and the Contracts Value for Money Framework Procedure approved by the Committee. 	
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	<ul style="list-style-type: none"> • Positive discussion of proposals to invest resources in the Digital Programme Plan, considering how benefits may be linked with the HB's broader plans for financial recovery. • An update regarding the adoption and implementation of Ministerial Directions received for information. 	
	The Committee NOTED the key topics discussed during the meeting for inclusion in the Finance Committee Update Report to the next Public Board meeting.	

FC(20)105	ANY OTHER BUSINESS	
	No other business was raised.	

FC(20)106	DATE OF NEXT MEETING	
	Wednesday 26 th August 2020, 9.00 am - 11.30 pm, Boardroom, Ystwyth Building, St. David's Park, Carmarthen	