

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

Date and Time of Meeting:	Thursday 25 th June 2020, 9.30 am – 11.00 pm
Venue:	Boardroom, 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 (VC) Mr Paul Newman, Independent Member (VC) Mr Maynard Davies, Independent Member (VC)
In Attendance:	Mr Steve Moore, Chief Executive Mr Huw Thomas, Executive Director of Finance Mrs Joanne Wilson, Board Secretary Mrs Lisa Gostling, Executive Director, Workforce & Organisational Development Mrs Rebecca Hayes, Senior Finance Business Partner Mr Ceri Martin, Value Business Partner Mr Shaun Ayres, Assistant Director of Value Based Contracting (VC) Ms Sonja Wright, Committee Services Officer (Secretariat)

AGENDA ITEM	ITEM	
FC(20)78	INTRODUCTIONS AND APOLOGIES FOR ABSENCE	Action
	<p>The Chair, Mr Michael Hearty, welcomed all to the meeting.</p> <p>Apologies for absence were received from:</p> <ul style="list-style-type: none"> Miss Maria Battle, Chair, Hywel Dda University Health Board <p>As agreed in the Finance In Committee (IC) meeting held immediately prior to the main Committee meeting, IC agenda item 2.4: <i>Bluestone Field Hospital Contract Extension</i> was remitted for discussion and agreement to the main Committee, included as minute item FC(20)85.</p>	

FC(20)79	DECLARATIONS OF INTERESTS	
	There were no declarations of interest.	

FC(20)80	MINUTES OF PREVIOUS MEETING HELD ON 26th MAY 2020	
	The minutes of the Finance Committee meeting held on 26 th May 2020 were ACCEPTED as an accurate record.	
	RESOLVED – that the minutes of the Finance Committee meeting held on 26 th May 2020 be APPROVED as an accurate record.	

FC(20)81	<p>MATTERS ARISING AND TABLE OF ACTIONS FROM THE MEETING HELD ON 26th MAY 2020</p> <p>An update was provided on the Table of Actions from the meeting held on 26th May 2020 and confirmation received that all outstanding actions had been completed or were forward-planned for a future Finance Committee meeting.</p>	
FC(20)82	<p>FINANCE COMMITTEE OUTCOME OF SELF-ASSESSMENT OF EFFECTIVENESS 2019/20</p> <p>Members received a report detailing outcomes from the Committee’s annual self-assessment exercise for 2019/20, together with proposed actions and suggestions for improvement to address Members’ comments and responses. Being advised that actions identified would be progressed by Mrs Jo Wilson and Mr Huw Thomas, members proposed that a review of action progress be included as a bi-annual agenda item in order provide assurance that the effectiveness of the Committee is subject to a process of ongoing development.</p> <p>Mr Thomas highlighted a response contained within the report which queried the need for the current monthly scheduling of Committee meetings and suggested that, while the underlying deficit figure remained mainly static, the current volatility of COVID-19-related costs supported the need for monthly review and discussion, whilst recognising that it may be appropriate to review the frequency of meetings at a future date. Mr Michael Hearty added that Welsh Government (WG) had commented favourably upon the frequency of the HDdUHB Finance Committee meetings.</p> <p>Noting a further comment regarding timely issue of the Committee agenda and papers, Mr Thomas apologised to Members for the occasional slippage in the required timing for publication, as specified in the Committee’s terms of reference, due to the tight turnaround specified by monthly financial reporting cycles and the frequency of Finance Committee meetings.</p> <p>Mr Paul Newman enquired whether it is planned to adopt the methodology employed to elicit responses from Members of the Quality, Safety and Experience Assurance Committee in its self-assessment exercise for 2019/20, which is based upon inviting free-text responses to questions. Mrs Jo Wilson advised that the methodology used to undertake all Committee self-assessments for the next financial year will be reviewed.</p>	SW
	<p>The Committee NOTED outcomes and suggested areas for improvement arising from the Finance Committee’s annual self-assessment exercise 2019/20.</p>	

Members were presented with the Month 2 2020/21 Finance Report and presentation, including key findings from the application of the Power Business Intelligence (BI) Platform tool to provide in-depth and accelerated analysis of monthly financial data.

Mrs Rebecca Hayes outlined the following key issues:

- As compared with the Month 1 position, the HB's financial position for Month 2 reflects an increased operational variance to plan of £6.4m, which is primarily due to higher workforce and prescribing expenditure and loss of non-contracted income arising from the COVID-19 pandemic. Additional costs of £9.8m incurred in Month 2 are also attributable to the pandemic, against which are set re-purposed underspends of £3.4m
- The funding arrangements for the Health Board's (HB) response to the COVID-19 pandemic remain uncertain, and there is therefore a risk that the HB's financial position may be adversely affected. Both identified and as-yet unidentified savings schemes included in the Financial Plan are also at risk of non-delivery due to diversion of operational focus in response to COVID-19, resulting in a significant risk to the delivery of the HB's Financial Plan for 2020/21 of a £25m deficit.
- Further work will be undertaken with WG to understand the level of additional revenue and capital funding available, and discussions are on-going with regard to allocation of additional central funding to support the non-delivery of the HB's savings target.
- HB governance arrangements in respect of expenditure incurred in response to the COVID-19 pandemic have been applied wherever possible, and reinforced through the issue of a letter to HB budget holders with instructions to continue to operate within the remit of HB Standing Financial Instructions (SFIs) and to use best endeavours to deliver value for money within delegated budgets. Decisions made during March and April 2020 which would not normally be allowable under HB Standing Orders, SFIs and the Scheme of Delegation have been retrospectively assessed with regard to type of expenditure and loss of income, supported by Finance Directorate business partnering arrangements.

Within the context of increased costs of Category M and 'No Cheaper Source Obtainable' (NCSO) drugs, which are expected to adversely impact expenditure levels for a minimum of several months in 2020/21, Members were advised that, while the impact of exit from the European Union (EU) is not yet included in HB financial forecasting and risk profiling, this impact is expected to manifest within increased Primary Care prescribing and drugs costs. Members agreed that it would be useful to include a preliminary consideration of the impact and associated risks to HB spend of EU exit on the agenda for the next Finance Committee meeting, to be held on 24th July 2020 (noting that EU exit-related risks on the HB's

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	<p>Corporate Risk Register are currently assigned to the People, Planning and Performance Assurance Committee).</p> <p>In reference to increased external cost pressures, Mr Thomas suggested that the Committee reflect upon the level of investment currently available to HDdUHB, adding that limitations upon HB investment, as compared with pre-COVID-19 periods, may present un-forecast financial gains for the organisation. Members agreed that this topic could be further explored through its scheduling for inclusion on the agenda for the Finance Committee meeting to be held on 24th July 2020.</p> <p>Mr Thomas outlined the functionality of the Power BI Platform in terms of providing an accelerated data analysis capability, enabling early Executive briefing and correlating financial impact with underlying drivers.</p> <p>A 'COVID-19 filter' function included on the Power BI dashboard demonstrates the HB's financial position both including and excluding the impact of the pandemic response, which will assist Finance Business Partners to highlight the financial implications of decisions made by HB Service Managers. Members were cautioned, however, that reporting at locality level is currently challenging, given the need to increase accuracy in Secondary Care treatment coding processes, upon which locality reporting depends.</p> <p>The Committee unanimously commended the Power BI Platform, noting the benefits it provides to the organisation in terms of the provision of current, accurate and detailed financial information, and agreed that the tool should be widely shared with other HB teams in order to fully realise its diagnostic and forecasting potential.</p>	RH
	<p>The Committee DISCUSSED the financial position for Month 2 2020/21, NOTING the risks to the delivery of the HB's Financial Plan for 2020/21 of a £25m deficit.</p>	

FC(20)84	CAPITAL FINANCIAL MANAGEMENT	
	<p>Members were presented with the Capital Financial Management report, providing the most recent update in regard to the All-Wales Capital Programme (AWCP) and the Capital Resource Limit (CRL) for 2020/21.</p> <p>Members were advised of a risk to the allocation of central funding streams to progress new capital projects during 2020/21, given the possibility that WG may require the draw-back of an element of funding in order to support central capital funding, and were warned that if all of the expected capital costs materialise in 2020/21 and no further WG funding is forthcoming, HDdUHB will breach its CRL by £15.075m in-year.</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 risk that HDdUHB will breach its CRL should no further WG funding be forthcoming.

FC(20)85	BLUESTONE FIELD HOSPITAL - CONTRACT EXTENSION	
	<p>Members received a report proposing an extension to the current contract (Licence to Occupy – LTO) held between HDdUHB and Bluestone Resorts Ltd with regard to the established Field Hospital (FH) site.</p> <p>Members were advised of indications that operational requirements for FH sites will continue into the Winter period, and were informed that, while financial costs associated with the Bluestone site are high, it represents a secure site from an operational perspective, given recognised challenges linked with other FH sites within the HB area.</p> <p>In order to fully apprise Members of potential risks in extending the Bluestone contract, Mr Shaun Ayres highlighted that while the site’s area of tourism is currently limited to self-contained accommodation, there is no increased financial risk to the HB; however, should the company take a decision to revert to a leisure facility, this could result in the HB incurring additional cost liabilities if its occupation of the Adventure Centre impacts on Bluestone’s business (noting that a recently-issued press statement on behalf of Bluestone Resorts Ltd had confirmed the ring-fencing of FH facilities until ‘at least’ Christmas 2020).</p> <p>In response to a query from Mr Mike Lewis in regard to whether risks associated with FH sites will prompt a review of the HB’s strategy regarding their retention and use, Mr Moore confirmed that an assessment of current FH capacity and function, as set against current and future demand modelling, is incorporated into the HB’s Quarter 2 Response to the NHS Wales Operating Framework 2020/21.</p> <p>Having reviewed costs and risks, as set out in the report and further described during the accompanying discussion, Finance Committee confirmed its support of a recommendation to seek Board and WG approval for an extension of the Bluestone contract (until 31st December 2020) in line with HDdUHB Standing Financial Instructions.</p>	
	<p>The Committee NOTED and SUPPORTED a proposal to seek approval from the Board and WG for an extension to the current Licence to Occupy contract held with Bluestone Resorts Ltd.</p>	

FC(20)86	Q2 OPERATIONAL PLAN UPDATE	
	<p>Being advised that the HB’s Q2 Response to the NHS Wales Operating Framework 2020/21 was due to be presented (in draft form) at a Board Seminar meeting which had been scheduled specifically to review the Q2 Operational Response subsequent to the setting of the June 2020 Finance Committee agenda, it was agreed by Members to defer discussion of the</p>	<p>HT/ SW</p>

	Q2 Operational Response to the next Finance Committee meeting, to be held on 24 th July 2020.	
	The Committee NOTED agreement to defer discussion of the Q2 Operational Response to its meeting on 24 th July 2020.	

FC(20)87	WORKFORCE PLAN	
	<p>Members received a report detailing the HB's response to increased organisational demand for additional staff during the COVID-19 pandemic, summarising increases in Full Time Equivalent (FTE) supply within different staff groups.</p> <p>Mrs Lisa Gostling drew Members' attention to the loss of Student Nurses and medical students from the establishment following the commencement of the academic year, and the potential loss of staff members employed on short-term contracts, which are due to expire, adding that discussions between HDdUHB Human Resources Department and HB managers are currently underway regarding potential extension of these contracts to meet anticipated demands.</p> <p>Members were informed that 91 new nurses are due to commence their posts in September 2021, and that the HB will be making offers to Student Nurses of retention on the Bank.</p> <p>Members were also advised of a deficit in the number of Healthcare Support Workers (HCSW) within the HB given the imminent loss of medical and nursing students who are currently supplementing any shortfall in HCSW capacity, and the added requirements for staffing resulting from implementation of the current social distancing policy and the associated transfer of beds from Acute to Field Hospital sites. Mrs Gostling added that this deficit will be mitigated to a degree by the commencement in post of a further 81 staff, and the change to duties of a cohort of HCSWs who had been temporarily re-assigned to roles within the HB. In response to a query from Mr Michael Hearty regarding offers of permanent employment to additional staff employed to support the HB's response to the COVID-19 pandemic, Mrs Gostling explained that all appointments had been made on 3-month, 6-month and bank contracts, and that no permanent offers had been made.</p> <p>Mrs Gostling assured Members that the Workforce Database continues to be maintained, and confirmed that recruitment controls have been re-introduced for non-COVID substantive posts.</p>	
	The Committee NOTED and DISCUSSED measures in place to ensure staffing supply in response to COVID-19 demand, and the restitution of recruitment controls.	

FC(20)88	DELIVERING AND FINANCING PROGRAMME BUSINESS CASE	
	<p>Members received a report outlining proposals for the allocation of funding in support of the Programme Business Case for 'A Healthier Mid & West Wales' healthcare strategy.</p> <p>Mr Thomas advised the Committee that, despite a number of discussions with WG regarding the allocation of funding to support the development and costs of the Programme Business Case (PBC), a reduction in central funding flexibility has resulted in the need to seek Board approval for in-house, non-recurrent funding to support identified resource requirements totalling £1.5m. Members were advised that, while Mr Thomas has identified internal funding which can be ring-fenced to support the PBC, a decision at Board level is required, given that this will be a discretionary allocation which must be balanced against all organisational costs in the current financial climate.</p> <p>In response to a query from Mrs Judith Hardisty regarding recruitment processes for internal and external appointees to the teams required within the PBC to support planning and implementation of the healthcare strategy, Mr Thomas advised that internal HB staff will be appointed to lead the teams, based upon their extensive knowledge of the organisation, while an external recruitment process will be utilised to appoint staff to backfill posts thus vacated. The only exception to this appointment principle applies to the post of Senior Estates Manager, which will be subject to external recruitment.</p> <p>While acknowledging that, in principle, internal investment in the PBC presents a practical advantage in demonstrating to WG the HB's willingness to cover its costs as far as possible, Mr Hearty queried whether the sum of £1.5m identified would be sufficient to provide a quality outcome. Mr Thomas assured Members that all external costs would be tendered in order to test the market, and that sufficient funding would be invested to ensure a quality product. Mr Steve Moore added further assurances that joint work with the Transformation Steering Group and the Strategic Enabling Group in the development of the PBC would provide opportunities to refine PBC specifications and financial requirements.</p> <p>Recognising that the PBC will support the HB in effectively capturing and analysing all aspects of the HB's response to the COVID-19 pandemic in order to determine which elements to retain to provide the best possible healthcare service to HDdUHB's population, Finance Committee Members confirmed their support for the proposed allocation of £1.5m internal funds to resource the PBC.</p>	
	<p>The Committee DISCUSSED and SUPPORTED a proposal to allocate internal funds to the PBC, prior to Board approval being sought.</p>	

FC(20)89	UTILISING THE LOCAL SUPPLY CHAIN	
	<p>Members received a report outlining local procurement opportunities and HDdUHB's approach to progressing the re-direction of Health Board spend to new local providers in light of the COVID-19 pandemic, which has necessitated a review of the goods, equipment and services supply chain and, where possible, a re-design to enable agile utilisation of local providers to meet shortfalls in provision through conventional routes,</p> <p>Members recognised benefits to this approach in terms of enabling the leverage of HDdUHB's considerable financial power to stimulate local economies, support 'green' policies, and promote local procurement opportunities to replace those lost following exit from the EU, noting also that while conventional procurement systems operating within the HB (for example, the 'Once For Wales' framework) have been predicated upon obtaining the cheapest product, the experience of the COVID-19 pandemic has taught that reliability of supply is frequently more important than price.</p> <p>Mrs Hardisty welcomed the initiative, suggesting that consideration be given to the feasibility of applying Corporate Care Standards to goods produced by local companies. Mr Newman adopted a slightly more cautious approach, suggesting that barriers imposed by HB procurement processes may well be replicated in dealing with smaller businesses, presenting insurmountable difficulties for these companies in supplying products to the organisation.</p> <p>In conclusion, Mr Thomas advised Members that a cautious and strategic approach is intentionally adopted within the report in order to manage the Committee's expectations in terms of local procurement opportunities, given that certain items may, currently at least, only be manufactured beyond HDdUHB's borders. Mr Moore further advised that, as a planning requirement, West Wales ambitions regarding the development of a local procurement strategy will initially be articulated in a public statement from the Board.</p>	
	<p>The Committee NOTED opportunities to procure goods and equipment from local suppliers, and the HB's proposed approach to the re-direction of organisational spend to support a local procurement strategy.</p>	

FC(20)90	FINANCE COMMITTEE ASSURANCE REPORT TO ARAC	
	<p>Members received the Finance Committee Assurance Report to the Audit and Risk Assurance Committee (ARAC) noting the evidence included to support confirmation of the effective discharge by the Finance Committee of its duties during 2019/20, as specified in its Terms of Reference.</p>	
	<p>The Committee NOTED the Finance Committee Assurance Report to the Audit and Risk Assurance Committee.</p>	

FC(20)91	<p data-bbox="304 143 683 174">REFLECTIVE SUMMARY</p> <p data-bbox="304 203 1377 309">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 data-bbox="352 349 1377 1503" style="list-style-type: none"> <li data-bbox="352 349 1345 454">• Constructive discussion held around outcomes of the Finance Committee Self-Assessment of Effectiveness during 2019/20, with learning points identified; <li data-bbox="352 495 1377 636">• The Month 2 2020/21 financial position for the Health Board continues to reflect the impact of the COVID-19 pandemic response, with increased cost pressures manifesting particularly in higher workforce and prescribing expenditure; <li data-bbox="352 676 1310 817">• Enhanced finance reporting capability resulting from the development and application of the Power BI Platform, enabling expedited provision of current, accurate and detailed financial information; <li data-bbox="352 857 1342 999">• Risk to the allocation of central funding streams to progress new capital projects during 2020/21, given the possibility that WG may require the draw-back of an element of funding in order to support central capital funding; <li data-bbox="352 1039 1326 1144">• Valuable discussion held regarding workforce planning to ensure staffing capacity to support HB operational and contingency planning; <li data-bbox="352 1184 1337 1290">• Confirmation of Finance Committee support for internal funding of the Programme Business Case prior to Board approval being sought; <li data-bbox="352 1330 1337 1395">• Consideration of opportunities for local procurement of goods and supplies, recognising the risks and benefits involved; <li data-bbox="352 1435 1326 1503">• Finance Committee support for a recommendation to seek Board and WG approval for an extension to the Bluestone FH contract. <p data-bbox="304 1536 1377 1641">The Committee NOTED the key topics discussed during the meeting for inclusion in the Finance Committee Update Report to the next Public Board meeting.</p>
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FC(20)92	<p data-bbox="304 1744 671 1776">ANY OTHER BUSINESS</p> <p data-bbox="304 1805 1350 1910">Mrs Hardisty formally thanked the Finance and Workforce teams for their work in developing and refining reporting systems, thereby enhancing the quality of information provided to the Committee.</p>
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FC(20)93	<p data-bbox="304 2016 699 2047">DATE OF NEXT MEETING</p>
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Friday 24th July 2020, 9.00 am - 11.30 pm, Boardroom, Ystwyth Building,
St. David's Park, Carmarthen