HYWEL DDA UNIVERSITY HEALTH BOARD

3 YEAR PLAN 2020/21 - 2022/23

Annex xx

Interim Finance

Enabling Plan

Draft

"Safe, Sustainable, Accessible and Kind"

1 Introduction and Context

This plan sets out the funding received by us and how it will be used to deliver the priorities identified as part of our Three Year Plan. We have outlined our direction of travel in the health and care strategy 'A Healthier Mid & West Wales'. This is a 20-year population health strategy with key deliverables and milestones over the intervening period to deliver the vision of 'growing well, living well and ageing well'.

The plan focuses on the next 3 years, while recognising the need to plan over the longer time frame. We have been in Targeted Intervention status with Welsh Government since September 2016, and since July 2019 our financial performance is the critical element of this enhanced level of monitoring.

For 2019/20, we developed an Annual Plan with a forecast deficit of £29.8m, which would have represented an improvement from the outturn position for 2018/19 of £35.4m.

During the year, Welsh Government's Control Total of £15m (after a contingent allocation of £10m) was not met, with an overspend of £10m against this position. Consequently the £10m contingent funding was withdrawn and the Health Board's outturn is anticipated to be £35m.

This deterioration in our position represents four particular challenges for us:

1. Expenditure within Unscheduled Care has been significantly higher than budgeted. However, some of this expenditure was reasonably foreseeable and consequently represented optimism bias in our financial planning.

2. Expenditure on Primary Care drugs has been significantly higher than budgeted. This was partly because of the increase in use of New Anticoagulants, which has been on an increasing trajectory over recent years with insufficient budget set aside for this continuing. The main increase relates to costs of Primary Care drugs which are set across the UK. The scale of this increase has been significant this year. This again highlights an optimism bias in our planning assumptions.

3. Expenditure on the Welsh Risk Pool, which was highlighted as a risk at the start of the year, but for which no budget was set aside, again representing optimism bias.

4. Finally, the Health Board did not deliver the savings required to meet the Control Total set by Welsh Government. This, again, represented an optimism bias in our ability to deliver the changes needed to implement our savings plans.

During the year, Welsh Government commissioned an independent review of our financial planning, control environment and delivery. They identified a number of issues surrounding our controls, especially in managing our workforce. They also provided an approach to understanding our deficit in relation to the rest of Wales in

terms of cost variation and volume variation; both of which are critical to address in order to move to financial balance over the medium term.

2 Lessons Learned

There are a number of lessons which have been learned in reflecting on our historic performance and our performance over the 2019/20 financial year:

1. Our deficit as a Health Board has been retained centrally. This is a function of the longstanding nature of our deficit position. However, this has meant that there has been insufficient broad engagement with the drivers of, or the response required for our deficit position. We will allocate the deficit out to Directorates in 2020/21; using a methodology which will be agreed by the Finance Committee, and monitor this position on an ongoing basis.

2. Controls around pay, particularly the use of agency and locum staffing, have been insufficient, inhibited by poor legacy systems. The introduction of a new rostering system will allow a far improved control environment in this area; and dashboards have been developed to support greater control. Electronic job planning will also be rolled out for all medical staff to improve our understanding of the activities undertaken by this staff group.

3. Optimism bias has been a significant issue in our financial outturn for 2019/20, and this bias needs to be carefully considered in our planning assumptions for 2020/21. This includes:
    a. Better linkages between known cost pressures and the financial planning assumptions;
    b. Enhanced rigour applied to benefits realisations of investments made through cluster funding, ICF, Transformation Fund and other investment decisions;
    c. Enhanced focus on delivery through the ‘Hywel Dda Way’ methodology and approach; with projects managed through the CAMMS project management system.

4. Clarity and governance is required regarding the process, from identifying opportunities through to the development of savings projects ensuring that savings are delivered from a robust evidence base, that our risk appetite is tested with each opportunity, and that lost opportunities are clearly monitored.

5. There is greater focus on financial sustainability across Directorates; with management and oversight arrangements in place to ensure that system-wide change management issues are managed appropriately. This will be implemented through enhanced escalation processes.

3 Underlying Deficit

Our underlying deficit as a Health Board has not improved during 2019/20, with the deficit remaining consistent at £35.4m in 2018/19, and anticipated to be £35m in 2019/20. Through work undertaken over 2019/20, we have a better understanding of the drivers of our deficit, and we are incorporating the lessons learned from this approach to allocate the deficit across the Health Board and use the opportunities arising within our newly devised Opportunities Framework.

4 Value

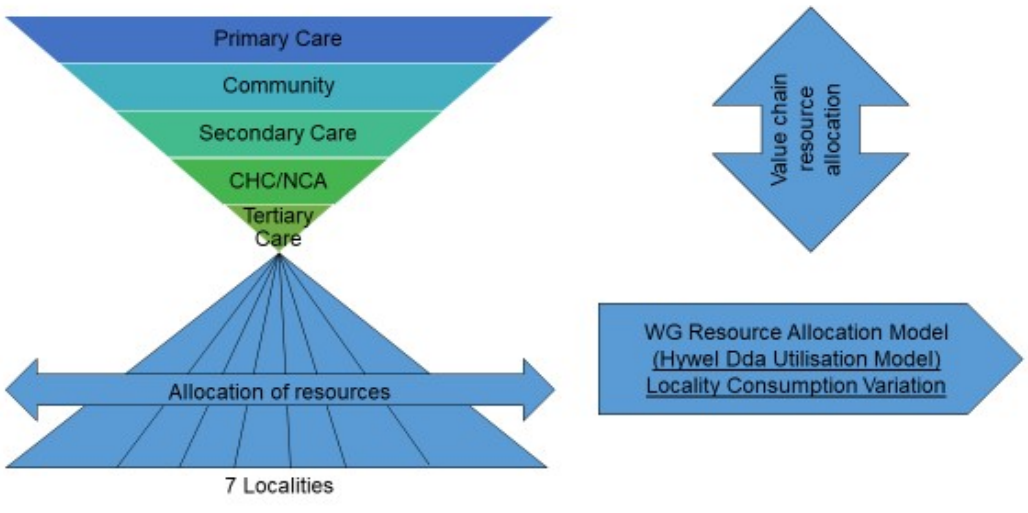
While definitions of Value in a health care context vary, at their core is the drive to improve clinical and patient outcomes whilst making the most effective and sustainable use of the resources required in achieving this. The finance function has an integral role in exploration, leadership and delivery for the Health Board and the population that we serve.

We are working on leading on this work within the Health Board, learning lessons from across Wales and further afield to develop this rich area of opportunity. Opportunities identified through this work are being incorporated into our Opportunities Framework, and through to delivery through the 'Hywel Dda Way'.

Alongside specific condition and service projects, representing a mixture of local and national priorities, are initiatives that provide fresh perspectives in a wider systemic view of activities and costs.

Our approach, below, represents a focus on assessing resource consumption and allocation across the value chain, from Primary Care through to Tertiary Care; with an assessment of the resources consumed across our localities. This interplay of pathways and place-based resources will provide a rich seam of intelligence for us to better assess the appropriate use of resources.

Figure 1: Implementation approach for Value Based healthcare



5. Opportunities Framework

We have developed an Opportunities Framework for the Health Board to enhance our focus on translating opportunities into deliverable programmes of change.

The Health Board total expenditure in 2019/20 was £919m, however, certain elements of this expenditure are ring-fenced and other areas are unavoidable. Other items of expenditure incurred by the Health Board are mandated and unavoidable (Figure 2, below). While there are opportunities to become more efficient in these areas and deliver greater value, they cannot be areas which will deliver a reduction in expenditure to reduce our underlying deficit.

Figure 2: Ringfenced Allocations		
	£m	**£m**
Total Expenditure		**919.0**
Primary Care	185.3	
Mental Health	73.3	
Depreciation and impairment	20.6	
WHSSC	85.5	
Long Term Agreements & Service Level Agreements	46.1	
Executive Team	2.4	
Auditor Remuneration	0.3	
Total ring-fence, directed and unavoidable expenditure		**413.5**
Opportunity to reduce expenditure levels		**505.5**

. At the core of the Framework, is an Opportunities Register. This consists of a summary of our opportunities gleaned from all sources available to us, including analysis run by Welsh Government, NHS Wales Delivery Unit, HDdUHB Finance Delivery Unit (FDU), KPMG, CHKS, BADS, NHS Benchmarking Network and our own sources.

This is underpinned by two key processes:

1. Collation, validation and cross-referencing of opportunities and subsequent monitoring of their exploration. Executive Team responsibilities are assigned to each phase and any rejection of an identified reasonable opportunity will have to be agreed at Executive level and reported to the Finance Committee
2. Development of project documentation to provide greater assurance regarding delivery of schemes arising from the opportunities, in line with FDU guidance through the ‘Hywel Dda Way’.

Opportunities have been distilled into two main areas, reflecting the approach taken by KPMG during their recent work with us:

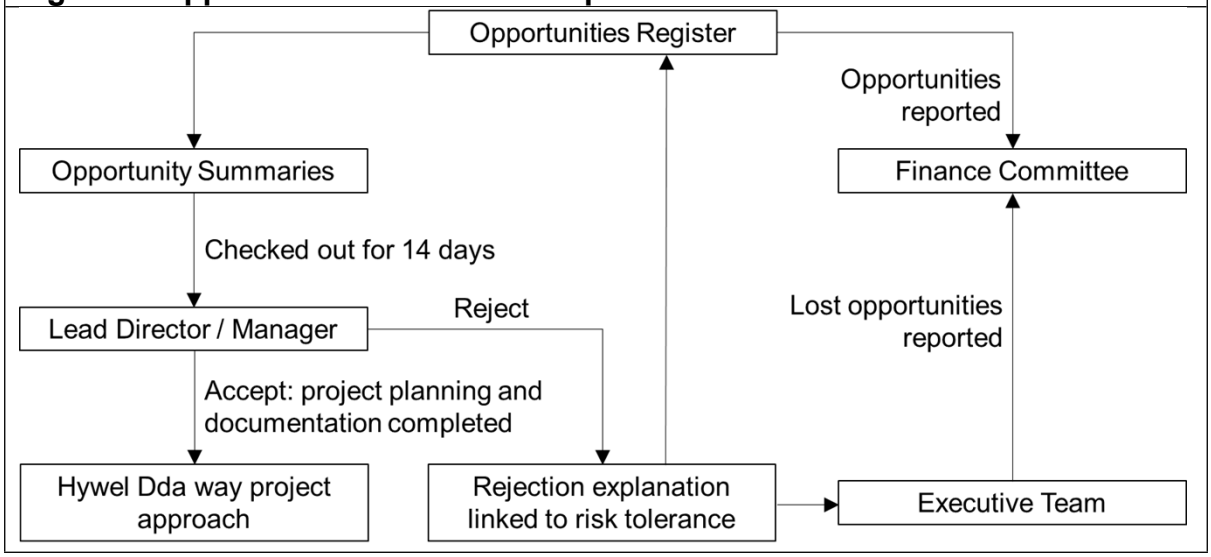
1. Cost efficiency, where there are opportunities arising to reduce unit costs across our Directorates;

2. Volume efficiency, where there are opportunities arising to reduce volume through better demand management, referral management or Value-Based Healthcare interventions;

Further opportunities have been identified through investment requirements identified by the Executive Team and County Teams. It is expected that any investments made will be self-financing as a minimum, with an expected return on investment of 3:1.

Our unified framework will follow an initial idea or benchmarking prompt, through to ensuring delivery and realisation of the opportunity. It will align all the efficiency, productivity and volume benchmarking information we hold under one approach.

Figure 3: Opportunities Framework in practice



The process followed is that each Opportunity is summarised on a simple one page template. These are sent out to Managers, Directors and Lead Executives as they are developed.

From the date these are sent out, there is a 14 day period during which the relevant Managers/ Directors either accept the opportunity (this may be at the full value identified, or a variance of this depending on better information available operationally) or reject the opportunity.

If the opportunity is accepted, this will become part of our Savings Plan, and project documentation in line with the 'Hywel Dda Way' is required to provide assurance on delivery.

If the opportunity is rejected, a full assessment is required of the rationale for rejection. This is accompanied by an explanation of why the opportunity falls outside our risk appetite. This information is provided to the Executive Team to consider whether the risk appetite falls within or outside the Health Board's overall appetite; and the Finance Committee will receive a summary of those decisions to provide a clear and comprehensive audit trail for the Board on our decision-making processes.

This will enable the organisation to address savings plans with a focused, evidence-based approach, which aligns with providing better care for our patients and population in line with our long term strategy.

High level opportunities have been identified through the Efficiency Framework developed by the Finance Delivery Unit. This provides data in four domains:

- Population Health;
- Technical Efficiency;
- Whole Systems Intelligence; and
- Shared Opportunities.

Particular areas which are pertinent to us are:

Figure 4: Finance Delivery Unit High Level Opportunities			
		Cost efficiency	**Volume efficiency**
Programme budgeting	The cost of cancers and tumours is significantly higher than the average spend per head of population.	✓	✓
	Musculoskeletal problems also show a higher than average spend.	✓	✓
	"Other" expenditure shows significantly higher than average expenditure; mainly due to higher than average costs of provision of primary care services, such as general medical services and community pharmacy provision	✓	
Technical efficiency – non-elective	Major hip procedures significantly greater than the average	✓	
	Trauma orthopaedics generally have a greater length of stay than average.	✓	
	Respiratory disorders have a greater length of stay than our peer group.	✓	
Technical efficiency – elective	Longer than average length of stay in cardiology and ophthalmology.	✓	
	Lower than average admissions on day of procedure in gynaecology and urology.	✓	
	Lower than average rates of day case procedures for breast surgery.	✓	
Delayed discharges	Higher than average number and duration of delayed discharges for stroke and myocardial infarction.	✓	
Ward based nursing	Significantly higher than average nurse and HCSW vacancies.	✓	
Estates and facilities management	Higher than average energy consumption and other FM costs.	✓	
Medicines management	Reductions in prescribed quantities of long acting insulin v intermediate / long acting insulin.	✓	
Mental health	Significantly higher than average number of psychiatrists per acute bed.	✓	
	Significantly higher than average bed day cost per acute bed, mainly due to high psychiatrist costs.	✓	

6. Delivery

6.1 The Hywel Dda Way

The development of an overall integrated approach to how we implement change is a key step in assuring the success of the twenty-year Health and Wellbeing Vision and ten-year portfolio of transformation programmes, while continuing to deliver on priorities over the Three-Year Plan timeframe.

Substantial progress has been made in developing approaches which build best practice into our ways of working. However, to date these have been developed and implemented in pockets, and there remains variation in method across the Health Board.

The “Hywel Dda Way” changes this; taking areas of best practice and learning, and developing them further to ensure the consistent delivery of change of any complexity or type. It will be underpinned with the skills, capacity, tools and approaches which means that staff are supported to make change happen, and will know where to go for practical advice and support.

This approach will work alongside the governance processes of the Health Board and provide greater assurance that programmes and projects will succeed.

The approach:

- Creates a framework that works for staff, is people friendly, and builds on how we tell a story around a patient journey (Teulu Jones);
- Expands ownership of change projects across the Health Board;
- Develops consistency of approaches and language;
- Supports clinicians and other staff, ultimately focusing on health and well-being of patients and delivering value;
- Develops an approach that is accessible, using proportionate tools and methods, and supports staff in using the right approaches for the complexity and scale of a project;
- Links together existing initiatives, e.g. Quality Improvement framework and building this into standard practice;
- Builds on the agreed Programme and Transformation approach, including the incorporation of the “Check and Challenge” process, and the “Discover, Design and Deliver” process which have already been successfully used in the Health Board;
- Builds in support and training for all staff; and
- Celebrates success more openly and often.

The “Hywel Dda Way” is organic and dynamic while remaining true to a set of principles that allows staff to deliver change in keeping with our organisational values.

6.2 Governance and Oversight Arrangements

Reflecting on lessons learnt from the KPMG reports, our governance arrangement processes will be revised into the new financial year. This includes:

1. Directorates will initially be required to attend monthly ‘Financial Sustainability Meetings’, chaired by the Executive Director of Finance; these will provide assurance that:

    - Opportunities are being translated into plans;
    - Plans are being delivered in a timely manner;
    - Unbudgeted cost pressures are addressed with mitigating actions;
    - Forecasts are checked and challenged to provide assurance over delivery over the year;
    - Investments are tracked with clear benefits.

    Directorates who demonstrate delivery against plans, and who control budgets within available resources will be de-escalated from this process.
2. System-wide changes will be overseen by monthly ‘CEO Change Assurance Meetings’, these will be limited to:
    - Pembrokeshire County, including Withybush General Hospital (WGH);
    - Carmarthenshire County, including Prince Philip Hospital and Glangwili General Hospital (GGH);
    - Ceredigion County, including Bronglais General Hospital (BGH);
    - Acute Services as a system.

    This will provide assurance over delivery and ensure that the Chief Executive Officer (CEO) receives direct assurance over significant programmes of change.

The results of these interventions will be provided to the Finance Committee in the form of a monthly exception report.

7. Financial Control Environment

The Health Board’s financial control environment has improved significantly over the last 12 months, and further efforts will be made to enhance this over the coming financial year.

Achievements over the past 12 months include:

1. Bringing the Finance Team into one place, ensuring that the team as a whole operates within a coherent management structure which delivers for the Health Board.
2. Completing the Organisational Change Process with appointments to the whole team now complete.
3. Implementing a Finance Business Partner approach to better support operational teams.
4. Implementing an operational forecasting methodology which has significantly improved the robustness of the operational forecasting approach.
5. Ensuring accountability and ownership in budgets by senior managers across the Health Board.
6. Clearer narrative explanation of operational variances and projections.

Over the coming year, our plans include:

1. Completing the move to Day 1 financial reporting, enabling Finance Business Partners to report and influence change from Day 2 of each month;
2. Eliminating non-value adding activities within the Finance Team and streamlining processes to focus on value-adding intelligence activities;
3. Implementing monthly automated dashboards to reduce reporting times and focus on value-added activities;
4. Implementing weekly financial dashboards based on operational activities to enable near-real time remedial action to be taken in-month;
5. Embedding the Opportunities Framework into our monthly cycle;
6. Developing a comprehensive Financial Assurance Framework to ensure the control environment is assessed to assure that financial delivery risks are systematically managed across the organisation;
7. Tracking our underlying deficit at a system level on a quarterly basis, based on operational performance metrics;
8. Devolving income to Directorates to ensure local ownership (especially pertinent for Mental Health and Learning Disabilities (MHLD); BGH and Planned Care);
9. Devolving healthcare contracts where possible to Directorates to ensure local ownership (especially pertinent for MHLD; Planned Care; Oncology; Women's and Children's services);
10. Ensuring a rigorous process is in place for tracking investments made (especially ICF, cluster funding, Transformation Fund, Invest to Save and the Health Board's own funding) and the benefits realised, with reporting to the Finance Committee.

8. Summary Financial Position

8.1 HDdUHB's financial position for 2020/21 is based upon:

- The brought-forward underlying financial position from 2019/20;
- An assessment of Directorates pressures;
- The additional allocations as detailed in the Allocation Letter received on the 19th December from Welsh Government (WG)
- that the Health Board will not have to repay its historic deficit;
- planned decisions on an all Wales basis will not have an adverse impact on the Health Board financial position;
- Cost pressure associated with the increase in the employers pensions cost contribution will be managed centrally by Welsh Government;
- No costs or income assumptions are currently included for the impact of IFRS 16;
- Identified risks of £8.8m are not currently factored into the financial position.

.1 Summary Financial Position

Figure 5		
		2020/21 £'m
Control Total for 2019/20		**25.0**
Operational Overspend		
Medicine Management	4.4	
Welsh Risk Pool	1.0	
Variable Pay	3.0	
Pay budget adjustment	3.0	
Surge	2.0	
Planned Care	1.0	
Diabetic pumps	1.0	
Core Team	0.6	
Total operational overspend		**16.0**
Savings Gap		**7.0**
Underlying position brought forward		**48.0**
Allocation uplift	(12.9)	
£10m recurring allocation	(10.0)	
A4C Funding	(5.3)	
Other increases in allocation	(4.9)	
Total allocation increase		**(33.1)**
National Policy & national decisions	33.9	
Impact prior year decisions	3.8	
Health Board identified pressures	7.5	
Total new year cost pressures		**45.2**
Position before savings		**60.1**
Anticipated non-recurring gains	(9.1)	
Savings	(26.0)	
Total savings & non-recurring gains		**(35.1)**
Planned outturn		**25.0**

8.2 Income Assumptions

The funding allocation from WG was notified on 19 December 2019. The current financial plan has the following key assumptions:

- 2% uplift to core allocations of £12.9m;
- Additional Agenda For Change (A4C) funding of £5.3m;
- Additional £10m recurrent funding;
- Inclusion of separately notified Strategic Support for Core Team and Programme Business Case Development for 'A Healthier Mid & West Wales' - £1.6m.

Additional income assumptions are summarised in the following table - the pending allocations are those not included in the Allocation Letter issued on the 19th December 2019. These pending allocations are those where centrally held

allocations are issued annually or where a separate letter or agreement has been received by the Health Board.

No funding is assumed in this initial assessment from Welsh Government for the following:

- Transformation Fund – further detail to be included
- Digital Funds
- Clinical plans, Quality and Value-Based Healthcare
- Performance Fund

Figure 6: Funding Assumptions from Welsh Government	
	2020/21 £'m
Allocations pending	
Substance Misuse	2.0
Treatment Fund	1.9
Dental	0.4
Delivery Plan Funding	0.4
Prevention Fund	0.6
DEL Depreciation	1.0
Strategic Support	1.6
Allocation assumptions	
Performance Fund	0.0
Total	**7.9**

8.3 Cost Pressures

Our assessment of cost pressures has been undertaken and robustly tested through triangulating Health-Board-wide assessments with intelligence from Directorates. This approach has itself been tested through the Finance Delivery Unit against historic growth rates and comparisons with other organisations.

The cost pressure assessment is summarised below in the same format as Table C5 of the Integrated Medium Term Plan (IMTP) tables:

Figure 7: Cost Growth Assessment						
Cost Growth	**£m**	**Funded via new allocations £m**	**Funded via £10m £m**	**Funded via Savings £m**	**WTE**	
Inflationary growth						
Pay Inflation	13.4	5.3	5.6		N/A	Impact of A4C and other pay settlement agreed in 2018/19
Non pay Inflation	1.7	1.7			N/A	Anticipated inflationary increased to non-pay costs
Compliance and National Policy	4.0	4.0	3.1		61.00*	For detail see **Section 8.4.1**
Continuing Health Care	1.9				N/A	Estimated increase in CHC cost for 2020/21
Funded Nursing Care	0.1				N/A	Estimated increase in FNC cost for 2020/21
Prescribing	0.3	0.3			N/A	Estimated increase in Cat M drugs costs for 2020/21
GMS	0.1	0.1			N/A	
Quality & Safety	0.1	0.1			N/A	
Other	0.4				4.00	
Total inflationary growth	**22.0**	**11.5**	**8.7**	**10.5**	**65.00***	
Demand Growth						
Primary Care Contractor	0.9				N/A	Dental additional costs 2020/21
NICE and High Cost Drugs	3.0	3.0			N/A	Estimated growth in demand for 2020/21
Continuing Health Care & Funded Nursing Care	0.6				N/A	Growth in CHC & FNC demand
Prescribing	0.8	0.8			N/A	Estimated growth in demand for 2020/21
Specialist Services - LTA	3.2				N/A	Increase in the cost of Long Term and Service Level Agreements with other providers
Specialist Services WHSSC	3.3	3.3			N/A	Based on current WHSSC Commissioning Plan
Welsh Risk Pool	1.5				N/A	Estimated growth in contribution per Shared Services
EASC	0.6	0.6			N/A	Estimated additional cost for 2020/21

Referral To Treatment					N/A	Costs for 2020/21 currently excluded
Demographic/Demand on Acute Services	1.0				10.00	For detail see **Section 8.4.2**
Other	3.9	3.9			1.00	
Total Demand Growth	**18.9**	**11.6**	**0.0**	**7.3**	**11.00**	
Local Issues						
Cost associated with a Healthier Mid and West Wales: Programme Team	1.6				N/A	
RCCS & Estates Minor Works	0.8				N/A	
Local Developments	0.8				N/A	
Other	1.1				N/A	
Total Local Issues	**4.3**			**4.3**	**0.00**	
Sub-Total	**45.2**	**23.1**	**0.0**	**22.1**	**76.00***	
Cost Pressures in Underlying Position						
Medicine Management	4.4				N/A	
Welsh Risk Pool	1.0				N/A	
Variable Pay	3.0		**1.3**		N/A	
Pay budget adjustment	3.0				N/A	
Surge	2.0				N/A	
Planned Care	1.0				N/A	
Diabetic pumps	1.0				N/A	
Core Team	0.6				N/A	
Sub Total	**16.0**	**0.0**	**1.3**	**14.7**	**0.00**	
TOTAL	**61.1**	**23.1**	**10.0**	**28.0**	**76.00***	

*The financial investment in Nurse Staffing Act reflects the full year impact of staffing changes implemented in 2019/20 WTE are already in the system

8.4 Further Details of Cost Pressures

8.4.1 Compliance and National Policy

Figure 8			
	£'m	WTE	Basis
Nurse Staffing Act	1.0	61.0*	National Business Cases or Legislation
Microsoft 365	0.6	N/A	
Major Trauma network - local costs	0.4	N/A	
LINC	0.2	N/A	
Lymphoedema	0.2	N/A	
ASD Development	0.2	N/A	
Eye Care Business Case	0.1	N/A	
WCCIS	0.1	N/A	
Welsh Pharmacy & Medicines Management System rollout	0.1	N/A	
E-docs national project	0.1	N/A	
Welsh Language Act	0.1	N/A	
Apprenticeship Levy & Class 1A	0.2	N/A	
Patient Flow	0.2	N/A	
Making Malnutrition Matter	0.3	N/A	Local decisions to comply with standards
Neuro Muscular Service	0.2	N/A	
TOTAL	**4.0**	**61.0***	

*The financial investment in Nurse Staffing Act reflects the full year impact of staffing changes implemented in 2019/20 WTE are already in the system

8.4.2 Demographic/ Demand on Acute Services

Figure 9		
	£'m	WTE
Recurring funding for Macmillan posts	0.3	6.0
Medical Leadership	0.1	N/A
Chemotherapy Support Costs	0.1	1.0
Drugs WET AMD service	0.2	N/A
TB Nurse	0.1	1.0
Other	0.2	2.0
TOTAL	**1.0**	**10.00**

8.5 Healthcare Contracts Summary

Following a review of the current contracts and anticipated growth and inflation for 2020/21, it is anticipated that the value of our contracts with other Health Bodies will increase as follows.

Figure 10	
Healthcare contracts	**Total**
	£'m
WHSSC	3.3
EASC/WAST	0.6
LTA's	3.2
Total Increase	7.1

These figures are yet to be confirmed and provide an outline of the costs included in the plan which currently include 2% inflation which is on an all Wales basis. The Health Board is focusing on Demand and Referral Management to evaluate all areas of opportunity to both reduce current spend and scrutinise any proposed investments going into 2020/21. The anticipated costs above are based on rigorous validation exercise of costs which are unavoidable at present. These include investments in Intrathecal Pumps, Drug Infrastructure and Programme Business Case contribution costs towards Cancer as part of the South West Wales Cancer Pathway. Furthermore, we are exploring opportunities to align services and attribute costs based on regional utilisation across Health Boards.

Moving into 2020/21, there will be on-going work from 2019/20 to enhance all schemes which have a clear focus on demand management. These will include working closely with Primary and Secondary Care to drive referrals down. There will be an on-going focus on repatriating activity which can be undertaken within HDdUHB. Conversely, working closely with the Counties, we will continue to review all areas of non-elective demand and focus on opportunities to reduce the number of patients presenting on a non-elective basis at other Health Boards.

There will also be a number of contracts put in place with English providers to ensure there is more grip and control of our English provider spend. As well as increasing the rigour within our contracted activity. We will continue to robustly scrutinise all non-contracted activity (NCA), and will challenge any activity where prior approval has not been sought but treatment has been undertaken. In order to achieve this, the contracts team will work diligently with the Referral Management Centre, to ensure only essential referrals are made to external providers.

The Health Board is funding the Welsh Health Specialised Service Committee (WHSSC) Integrated Commissioning Plan (ICP). The plan comprises the baseline assessment of recurrent financial position for commissioning specialised services together with full year effect of 2019/20 developments, unavoidable cost pressures and growth plus mandated schemes such as NICE technology appraisals. Two main areas of growth for 2020/21 are the Major Trauma Centre and new Advanced

Therapeutic Medicinal Products (ATMPs) – high-cost drugs that are potentially curative in nature– both of which WG has confirmed will be funded centrally. Funding the WHSSC ICP entails an in-year increase of 3.56% compared with an allocation uplift of 2%. EASC baseline figures are also included. Any developments beyond this will incur additional cost pressures on the plan not currently included.

The additional spend is predicated on unavoidable spend which includes growth, inflation and essential investment. However, there will be on-going work to review areas of opportunity to reduce this spend.

Discussions are on-going with other Health Boards and Trusts to ensure that all Long Term Agreements are agreed and signed by the 31st March 2020.

8.6 Referral To Treatment (RTT)

We are currently developing our Plan to maintain RTT at the anticipated outturn for 2019/20. The costs for this have not been included within the Plan, and will be incorporated as they are agreed with the Delivery Unit and Welsh Government.

As part of this work, anticipated improvement in productivity arising from our Opportunities Framework (notably in Endoscopy, Theatre productivity, Outpatient productivity and demand and referral management schemes) will be included within our calculation.

The Health Board is looking at recurring solutions that will provide better value for money than outsourcing and initiative work which has previously been undertaken. There will still be a requirement to outsource certain levels of work in some specialties.

8.7 Revenue Consequences of Capital Schemes

The Health Board will have seen the completion, handover and commencement of the following schemes in the period to the 31st March 2020:

- Aberaeron Integrated Care Centre
- Cardigan Integrated Care Centre
- Tŷ Nant - Modular building and the delivery room extension which is part of the first phase of the Women and Children Phase II development
- MRI Bronglais General Hospital

Figure 11	
Schemes	**Total**
	£'m
Cardigan & Aberaeron	0.067
Women & Children Phase II	0.100
Bronglais MRI	0.133
Total	**0.300**

As part of the business case submission it was recognised that these schemes had associated revenue consequences which are reflected in the Financial Plan. The benefits associated with the business cases will be reviewed and evaluated 12 months after scheme completion.

8.8 Local Developments

We have agreed a number of local developments which are detailed in the Plan. These developments will need to be self-financing.

The costs and savings associated with these developments are not included in the Financial Tables currently.

Details around the benefits to be delivered via these investments are detailed in the Plan with a scheme summary shown in the table below:

Development	Costs	Other Sources of funding		Health Board System Wide Savings	WTE	Benefit Delivered	Plan Page Reference
	£m	£m		£m			
3 Counties	1.7	1.7	Transformation, Digital & other			Enhanced Community Services	21-29
Workforce & OD	2.3			7.5	80.00	Reduction in sickness & variable pay equating to the cost of circa 250 WTE	71
Smoking Cessation	0.3	0.1	Prevention	0.2		Increase admission avoidance	16
Vaccination & Immunisation	0.4			0.4		Reduction in patient contacts	16
Making Every Contact Count	0.1			0.1		Population health benefits reducing inequalities for every QALY we will not spend £3k	15
Health Care Acquired Infection	0.2			0.2		Reduction in antibiotic usage & reduction in infection rates	69
Improving Patient Experience – Envoy/PALS/Eqlip	0.5			0.1			65-68
Digital	1.1			0.9		Cash and productivity benefits to be quantified prior to development roll out	30
Sustainable TB Service	0.8					Ongoing discussion with WG regarding source of funding	17
Programme Business Case Development	1.8					Ongoing discussion with WG regarding source of funding	42
TOTAL	**9.2**	**1.8**		**9.4**	**80.00**		

9. Risks

The Health Board is aware of known financial risks that may materialise over the next 3 years which are not currently included within the Three Year Financial Plan. These are detailed in the table below:

Figure13	
Financial Risks and Pressures not included in the Plan	**£m**
Directorate Identified Risks	3.5
Equipment Store	1.0
Digital	1.0
Integrated Care Fund being used to fund different priorities	0.7
Holiday pay on overtime	0.5
Changes to Major Conditions Funding	0.5
Birthrate Plus	0.3
SAS Doctors Women & Children	0.2
Risk & Assurance Officers	0.1
Other	0.2
Stroke pathway changes	TBC
Genetic Testing - Pathology	TBC
111 IT System Replacement	TBC
Tax on high earners pensions	TBC
Local Service Developments	TBC
Sickness enhancement payment	TBC
WAST Performance Incentive	TBC
Coronavirus	Unknown
TOTAL	**8.0**

These risks are kept under review and mitigating actions are in place where possible. Funding of new local service developments will need to be self-financing if they are to proceed.

10. Ring-Fenced Allocations

10.1 Ring-Fenced Budgets

The Financial Plan has been developed to be cognisant of Welsh Government ring-fenced budgets. Expenditure within these budgets are still subject to the Health Board's savings target, although savings will be reinvested within the ring-fenced services. A summary of these allocations for 2020/21 is outlined below:

Figure 14		
2020/21 Ring-Fenced Allocation		
	£'m	**£'m**
Mental Health	88.344	
Substance Misuse	2.039	
Learning disabilities	8.663	

Total Mental Health and Learning Disabilities-Related Ring-Fence		**99.046**
GMS	70.708	
Community Pharmacy	21.092	
Dental	17.425	
Renal Services	6.655	
Integrated Care Fund	10.193	
Depreciation	20.097	
Palliative Care	0.708	
Critical Care	1.178	
Paramedic banding	0.880	
Clinical desk	0.086	
Genomics	0.678	
		248.746

10.2 Mental Health, Learning Disabilities and Substance Misuse

The total Mental Health and Substance Misuse ring fence for 2020/21 is calculated to be:

Figure 15		
2020/21 Ring-Fenced Allocation		
	£'m	**£'m**
Initial Allocation	76.240	
Additional WG funding	3.415	
Hospital related		**79.655**
Primary Care Prescribing	4.675	
GMS (QOF and Essential Services)	0.720	
Other primary care	2.445	
Primary Care related		**7.840**
Service improvement fund	0.849	
Total Mental Health ring-fence		**88.344**
Substance Misuse	2.039	
Learning disabilities	8.663	
Total mental health and Learning Disabilities related ring-fence		**99.046**

The tracking of expenditure against the Mental Health ring-fence can only happen on an annual basis when the programme budgeting returns are being completed. The allocation covers the treatment of all those who suffer from mental health conditions but who also present with physical conditions.

Figure 16					
Service	**Ring fenced elements**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
		£m	**£m**		
Mental Health including EMI and CAMHS	Hospital and Community Health Services – this includes our secondary care services, services provided by others including WHSSC and CHC	66.663	68.661	71.754	73.328
	Primary Care Prescribing	6.263	6.263	6.263	4.707
	GMS (QoF and Enhanced Services)	0.878	0.878	0.878	0.652
	Other Primary Care	0.970	0.970	0.970	2.408
	Transformation Fund				0.849
	Sub Total	**74.774**	**76.772**	**79.865**	**81.944**
Substance Misuse		**1.747**	**1.747**	**1.747**	**1.841**
Learning Disabilities	Based on our provider services only – not any provided by others or CHC	**8.663**	**8.663**	**8.663**	**8.663**
Total MH and LD Allocation		**85.184**	**87.182**	**90.275**	**92.448**
Expenditure		**85.813**	**89.566**	**93.339**	**95.133**

10.3 General Medical Services (GMS)

The GMS allocation issued to HDdUHB for 2020/21 is based on the 2019/20 allocation plus in-year uplifts. This makes the provisional GMS ring-fence allocation for 2020/21, £70.708m.

Contract negotiations for 2020/21 have not yet been finalised and a supplementary allocation will be issued once the outcome of these negotiations are confirmed.

10.4 Other Ring-Fenced Allocations

Other budgets that are classed as ring-fenced by the Health Board are:

- Dental
- Renal Services
- Intermediate Care Fund
- Palliative Care
- Delivery Plan

It is assumed that the savings target is applied against the respective budget and reinvested in service cost pressures.

Funding for depreciation is adjusted to reflect changes occurring during the year and therefore the Health Board is required to report a balanced position against this funding stream.

10.5 Integrated Care Fund (ICF)

The ICF allocation for Hywel Dda and the 3 Local Authorities for 2020/21 is £10.193m

Figure 17	
2020/21	
	£'m
Integrated Care Fund - older people	5.550
Integrated Care Fund – LD /Children	2.426
Integrated Care Fund – Children	1.819
Integrated Care Fund – Autism	0.398
TOTAL	**10.193**

Expenditure plans for these allocations will be drawn up with partners and be presented to the Finance Committee.

11. Capital

The Health Board is anticipating an initial Capital Allocation from Welsh Government for 2020/21 of £19.924m

Figure 18		
2020/21 Capital Allocation		
All Wales Capital allocation	**£'m**	**£'m**
Women and Children Phase II	9.803	
MRI Withybush	2.700	
Total All Wales capital allocation		**12.503**
Discretionary Capital allocation		**7.421**
Total Capital Resource Limit anticipated		**19.924**

The All Wales Capital Allocation relates mainly to works in GGH to complete the Women and Children Phase II project.

The discretionary allocation of £7.421m has been confirmed in the Allocation Letter and is in line with previous year's allocations. This will be prioritised by the Capital, Estates and Information Management and Technology Sub-Committee and approved by the Executive Team.

12. Governance and Assurance Framework

12.1 Budget Setting

The main Governance framework of relevance relates to the provisions of Managing Welsh Public Money alongside the Accountable Officer Memorandum provided to the

Chief Executive. These describe the broad responsibilities of Welsh Government Officials and the Chief Executive's responsibilities.

Officials within the Welsh Government require the Cabinet Secretary's consent before undertaking expenditure or committing to other resource consumption. As a result of this, the Health Board is not empowered to approve a budget which exceeds its resources as allocated by the Cabinet Secretary.

The Chief Executive Officer (CEO) is responsible for ensuring that all items of expenditure, including payments to staff, fall within the legal powers of the Board. The CEO is responsible for demonstrating the efficient and effective use of all resources, ensuring that regularity and propriety are maintained.

In this context, regularity means that expenditure is compliant with the relevant legislation, delegated authority and follows guidance issued by Welsh Government. Propriety and probity means meeting the high standards of public conduct, including robust governance and relevant parliamentary expectations, especially transparency.

In providing advice to the Board, the Chief Executive Officer is required to inform the Chief Executive of NHS Wales "of any such issues that you consider as being of a novel and contentious nature, and of any action which you propose to take before tendering advice to the LHB Board".

The interim Financial Plan prepared will recognise a planned deficit in the 2020/21 financial year. The budget does not recover the cumulative deficit incurred to date. As a result of this, the Health Board will be asked to approve a budget which will breach its statutory financial duty for the three-year period. The Health Board is not empowered to approve expenditure in excess of the resources allocated to it by Welsh Government.

Consequently, by its nature, Board approval will be "novel or contentious" and as such the Chief Executive Officer has formally written to notify the Chief Executive of NHS Wales.

The Health Board may also have its accounts qualified by the Wales Audit Office on the basis of regularity, following the audit of the 2019/20 financial statements, in that its expenditure exceeded that approved by the Welsh Government for the three-year period ending 31 March 2020.

12.2 Statement of Assurance

The Executive Director of Finance is required to ensure that a budget is prepared in accordance with the aims and objectives set out in the Integrated Medium Term Plan and Medium Term Financial Plan, and focused on delivery of safe quality patient-centred quality services. The budget must:

- Accord with Commissioning, Activity, Service, Quality, Performance, Capital and Workforce plans;
- Be produced following discussion with appropriate budget managers;
- Be prepared within the limits of available funds;
- Take account of ring-fenced or specified funding allocations;

- Take account of the principles of sustainable development; and
- Identify potential risks.

Given the Health Board has, in agreement with Welsh Government, not produced an Integrated Medium Term Plan, the requirements for the Executive Director of Finance to assure the Board that the Draft Interim Financial Plan is in accordance with the Integrated Medium Term Plan and Medium Term Financial Plan is not applicable. The requirement to provide assurance that the Plan accords with Commissioning, Activity, Service, Quality, Performance, and Workforce Plans over a three-year period is also not applicable.

Further, by recommending an Interim Financial Plan which includes a deficit budget for the year and the cumulative three-year period ending 31 March 2023, the Executive Director of Finance cannot assure the Board that the plan has been prepared within the limits of available funds or takes account of the principles of sustainable development; as such a deficit will need to be repaid in the longer term.

However, the Executive Director of Finance can assure the Board that the Interim Financial Plan has been prepared following discussion with appropriate budget managers; takes account of ring-fenced or specified funding allocations; and identifies potential risks.

Further, assurance can be given that the Health Board will continue to look at every opportunity to reduce expenditure and close the financial gap wherever possible.