

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	22 December 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Report – Month 8 2020/21
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Rebecca Hayes, Senior Finance Business Partner

Pwrpas yr Adroddiad (dewiswch fel yn addas) Purpose of the Report (select as appropriate)
Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA SBAR REPORT
<u>Sefyllfa / Situation</u> The purpose of the report is to outline Hywel Dda University Health Board's (HDdUHB) financial position to date against the Annual Plan and assess the key financial projections, risks and opportunities for the financial year 2020/21, alongside the financial forecast position for the financial year 2020/21, as assessed at Month 8. The monthly reporting to Welsh Government (WG) is in line with the written report provided to the Finance Committee and Board; for information, the full submission, inclusive of detailed financial tables has been included under agenda item 5.2.
<u>Cefndir / Background</u> HDdUHB's agreed Financial Plan is to deliver a deficit of £25m, after savings of £34.2m. The impact of the COVID-19 pandemic presents an unprecedented significant risk to the financial position. Month 8 position <ul style="list-style-type: none"> Before recognising the COVID-19 WG funding in-month, the Month 8 variance to breakeven is £8.0m (Month 7, £8.4m). The expenditure level is similar to Month 7, with the exception of the Year To Date (YTD) costs of supporting Adult Social Care Providers in response to COVID-19 that was recognised in Month 7; the offsetting cost reductions, however, are lower in Month 8, particularly driven by increased elective activity, and demand in Critical Care and Unscheduled Care. The in-month reported position is breakeven against a deficit plan of £2.1m, after utilising the required balance of WG funding to mitigate the costs resulting from the COVID-19 pandemic, having offset the cost reductions recognised due to reduced operational activity levels. The YTD variance to breakeven is therefore £16.7m, in line with the planned deficit. The additional costs incurred in Month 8 due to the impact of the COVID-19 pandemic is £7.7m (Month 7, £10.0m). Financial Projection

- Following confirmation of additional funding from WG in Month 6, the Health Board (HB) is forecasting to deliver the planned deficit of £25m. The Month 8 financial position is in line with the forecast, reflecting that, despite significant operational pressures arising from increased prevalence of COVID-19, there is limited risk of any significant increase in Workforce expenditure, given the restricted supply. Furthermore, the HB has identified potential slippage in respect of planned operational expenditure, which has been repurposed.
- £30.8m savings requirement included in the Financial Plan are not expected to deliver due to the operational focus being diverted to respond to COVID-19, and where identified schemes are not supportive of the response needed. Discussions are on-going regarding the implications of this for funding, or for the HB's underlying deficit.
- HDdUHB has reviewed the schemes identified to deal with implementing social distancing measures and other COVID-19-related needs in the context of those that are deliverable by 31st March 2021 and the knowledge that no further COVID-19 specific capital funding is available from WG. The HB has prioritised its urgent COVID-19 and non-COVID-19 schemes and has used the balance of its discretionary allocation to progress these, significantly reducing the balance of the capital risk to £0.8m in Month 8. This risk for 2020/21 is now based only on the funding gap against committed COVID-19 schemes and funding released to date for these. It is anticipated that WG will release the funding for these schemes as the related expenditure is incurred.
- The projection includes the cost of maintaining the Long Term Agreement block arrangements; as a net commissioner, the impact of this is estimated to be £15.7m compared to actual activity levels.

Savings Summary

- In-month delivery, of identified savings schemes of £0.4m, which is slightly below plan, is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 8, against which the forecast delivery is uncertain given the impact of the COVID-19 pandemic. At this stage, with COVID-19 demand modelling indicating that the pandemic may impact the remainder of the financial year, it is assumed that delivery will be adversely affected for the full year.

Next Steps

- Continue to work with Planning, Workforce and Operational colleagues to ensure alignment of the financial forecast and any changes to operational plans in response to the pandemic, in addition to responding to the Ministerial Brief dated 10 December 2020 regarding the framework of actions to mitigate the potential risk of harm in the system.
- Carry out a deep dive review of savings and cost reduction opportunities, and a further review of reserves to understand potential in-year slippage.
- Continue to work with Welsh Government to understand the level of future funding arrangements, as these remain uncertain.

Asesiad / Assessment

Summary of key financial targets

HDdUHB's key targets are as follows:

- Revenue: to contain the overspend within HDdUHB's planned deficit;
- Savings: to deliver savings plans to enable the revenue budget to be achieved;
- Capital: to contain expenditure within the agreed limit;
- Public Sector Payment Policy (PSPP): to pay 95% of Non-NHS invoices within 30 days of receipt of a valid invoice;
- Cash: while there is no prescribed limit for cash held at the end of the month, WG encourages this to be minimised and, as a rule of thumb, 5% of monthly expenditure is applied. For HDdUHB, this is approximately £4.0m.

Key target		Annual limit	YTD limit	Actual delivery	Forecast Risk
Revenue	£'m	25.0	16.7	16.7	Medium
Savings	£'m	34.2	22.8	1.8	
Capital	£'m	28.1	17.5	17.5	Low
Non-NHS PSPP	%	95.0	95.0	94.3	Medium
Period end cash	£'m	4.0	4.0	2.3	Medium

Following confirmation of additional funding from WG in Month 6, the HB is forecasting to deliver the planned deficit of £25m. The Revenue risk is considered to be 'Medium', recognising that the HB has limited risk of any significant increase in Workforce expenditure, given the restricted supply, and has identified potential slippage on planned operational expenditure which has been repurposed.

As described in the section of the report relating to Financial Projection, the balance of the capital risk in 2020/21 is significantly reduced from the £14.3m reported in Month 7 to £0.8m in Month 8. This risk for 2020/21 is now based only on the funding gap against committed COVID-19 schemes and funding released to date for these. It is anticipated that WG will release the funding for these schemes as the actual expenditure is incurred.

The Non-NHS PSPP risk continues to be rated 'Medium' given the increase in volume of supplier payments due to the impact of COVID-19 and due to not achieving the PSPP target in September 2020. However, the action plan developed in relation to Pharmacy is working effectively and the HB achieved its target in October and November 2020. This risk will remain 'Medium' until the cumulative position achieves 95%.

Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the financial position and financial forecast as at Month 8.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.5 Provide assurance on financial performance and delivery against Health Board financial plans and objectives and, on financial control, giving early warning on potential performance issues and making recommendations for action to continuously improve the financial position of the organisation, focusing in detail on specific issues where financial performance is showing deterioration or there are areas of concern.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol:	Risk 856 (score 8) Ability to deliver the Financial Plan for 2020/21

Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	5. Timely Care 7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives:	Improve Population Health through prevention and early intervention

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termiau: Glossary of Terms:	Explanation of terms is included in the main body of the report.
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Executive Team

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial implications are inherent within the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	The impact on patient care is assessed within the savings schemes.
Gweithlu: Workforce:	The report considers the financial implications of our workforce.
Risg: Risk:	Financial risks are detailed in the report.
Cyfreithiol: Legal:	HDdUHB has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
Enw Da: Reputational:	Adverse variance against HDdUHB's financial plan will affect its reputation with Welsh Government, Audit Wales, and with external stakeholders
Gyfrinachedd: Privacy:	Not applicable
Cydraddoldeb: Equality:	Not applicable

Financial Performance and EOY Forecast Month 8

Health Board agreed Financial Plan to deliver deficit of £25m, after savings of £34.2m.

Financial position	Month 7 £'m	Month 8 £'m	YTD £'m	EOY £'m
Additional COVID-19 costs	10.0	7.7	72.7	121.1
Cost reductions due to reduced activity	(3.7)	(1.8)	(21.7)	(27.5)
Operational variance before WG funding COVID-19	6.3	5.9	51.0	93.6
Planned deficit	2.1	2.1	16.7	25.0
Variance to breakeven before WG funding COVID-19	8.4	8.0	67.7	118.6
WG funding COVID-19 for 'specific' costs*	(2.4)	(1.8)	(14.6)	(28.0)
WG funding COVID-19	(3.9)	(4.1)	(36.4)	(65.6)
Reported financial position	2.1	2.1	16.7	25.0

COVID-19 funding:

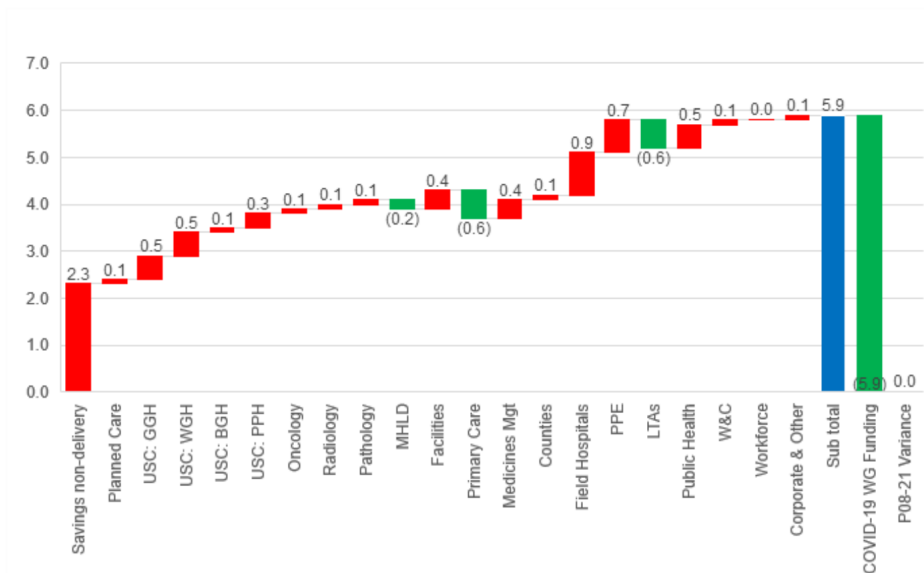
- Additional WG funding Annual Leave carryover, and RBP Discharge to Recover as Assess classified to COVID-19;
- WG 'specific' funding will match costs incurred for PPE, Flu vaccinations, COVID-19 mass vaccination programme, Field Hospital set-up and decommissioning costs, and consequential losses, and Test, Trace, Protect.

Significant assumptions:

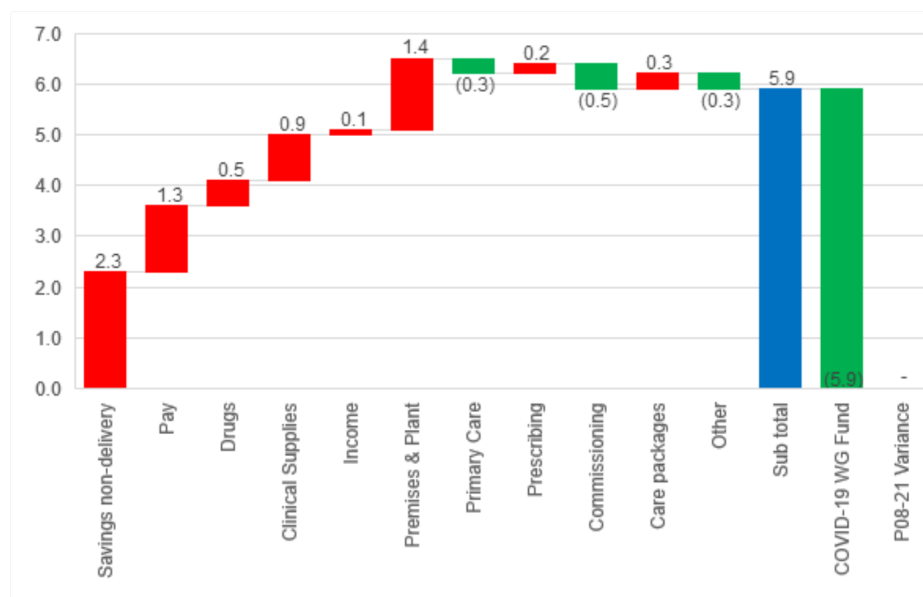
- Winter Plans are predicated on surge capacity within Field Hospitals;
- No significant cost pressures are assumed in relation to the EU exit.

Executive Summary: Key drivers of in-month position

In-month variance by Directorate



In-month variance by Subjective



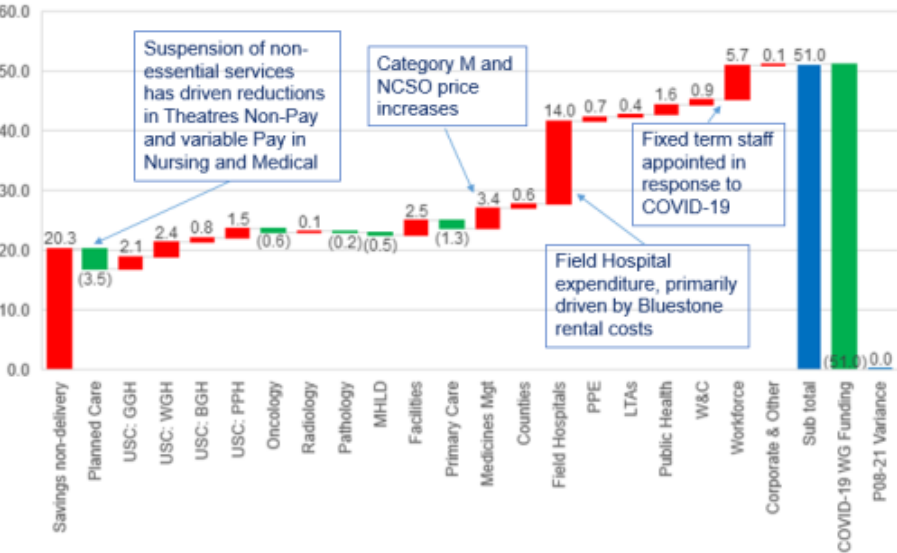
Over-spends were driven by:

- Non delivery and unidentified savings, £2.3m;
- Field Hospital costs, largely being consequential losses, set-up costs, rent, equipment rental, utilities and security costs, £1.3m;
- Unscheduled Care due to roster pressures impacting variable pay, increased PPE prices and homecare drug expenditure, £0.9m;
- PPE of £0.7m, which is now being recorded centrally for tracking purposes;
- Public Health, primarily due to the increased Local Authority TTP expenditure of £0.5m;
- Medicines Management, primarily due to the impact of COVID-19 on Primary Care Prescribing expenditure of £0.4m; and
- Facilities additional staffing (predominantly domestic and portering) costs in response to COVID-19, £0.4m.

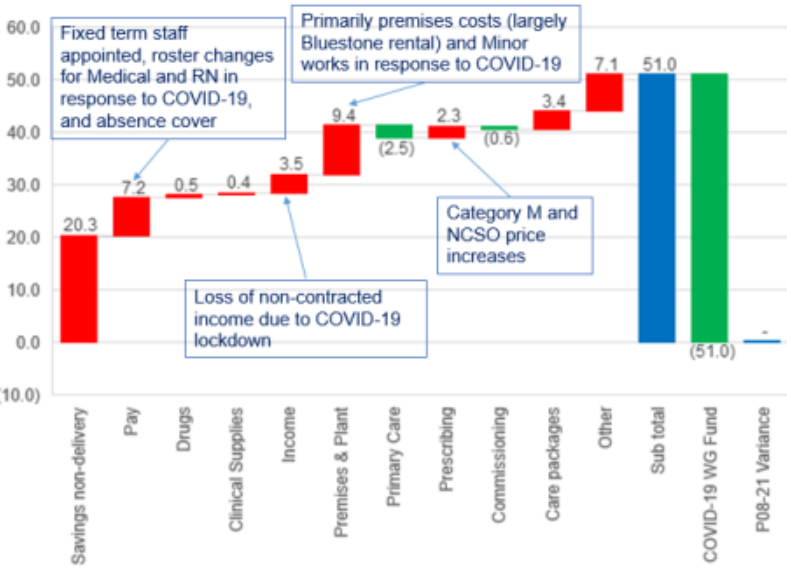
These are offset by:

- Primary Care Dental Contract performance, other primary care investment slippage and GMS excess contractual uplift funding (£0.6m); and
- Reduced trend in recharges of high cost drugs from Swansea Bay UHB and financial benefit of delayed WHSSC investments (£0.6m).

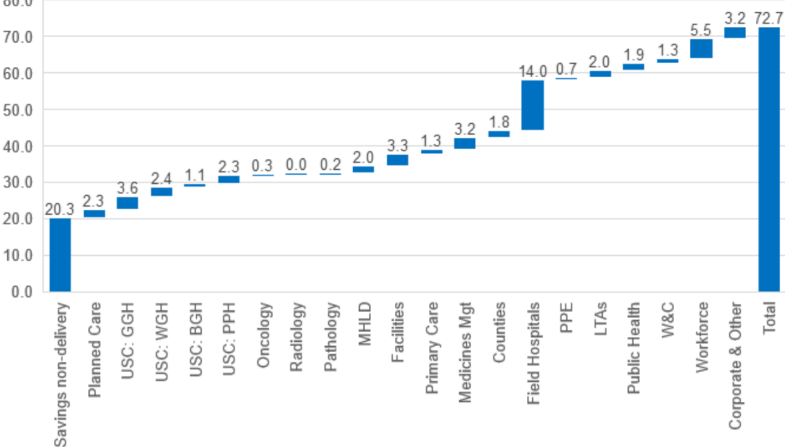
YTD variance by Directorate (against Plan)



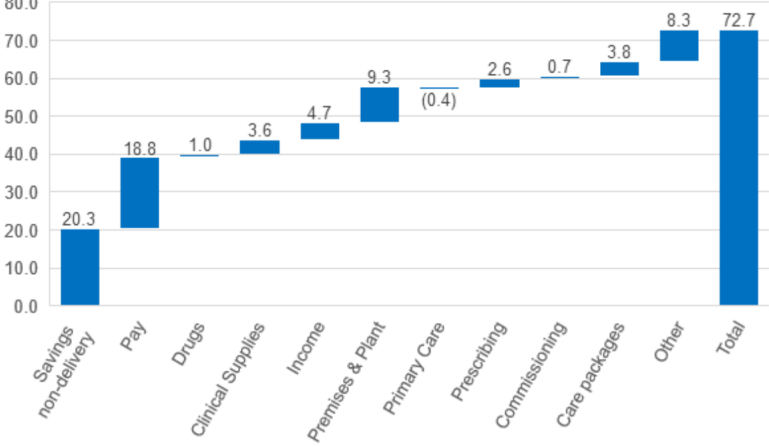
YTD variance by Subjective (against Plan)

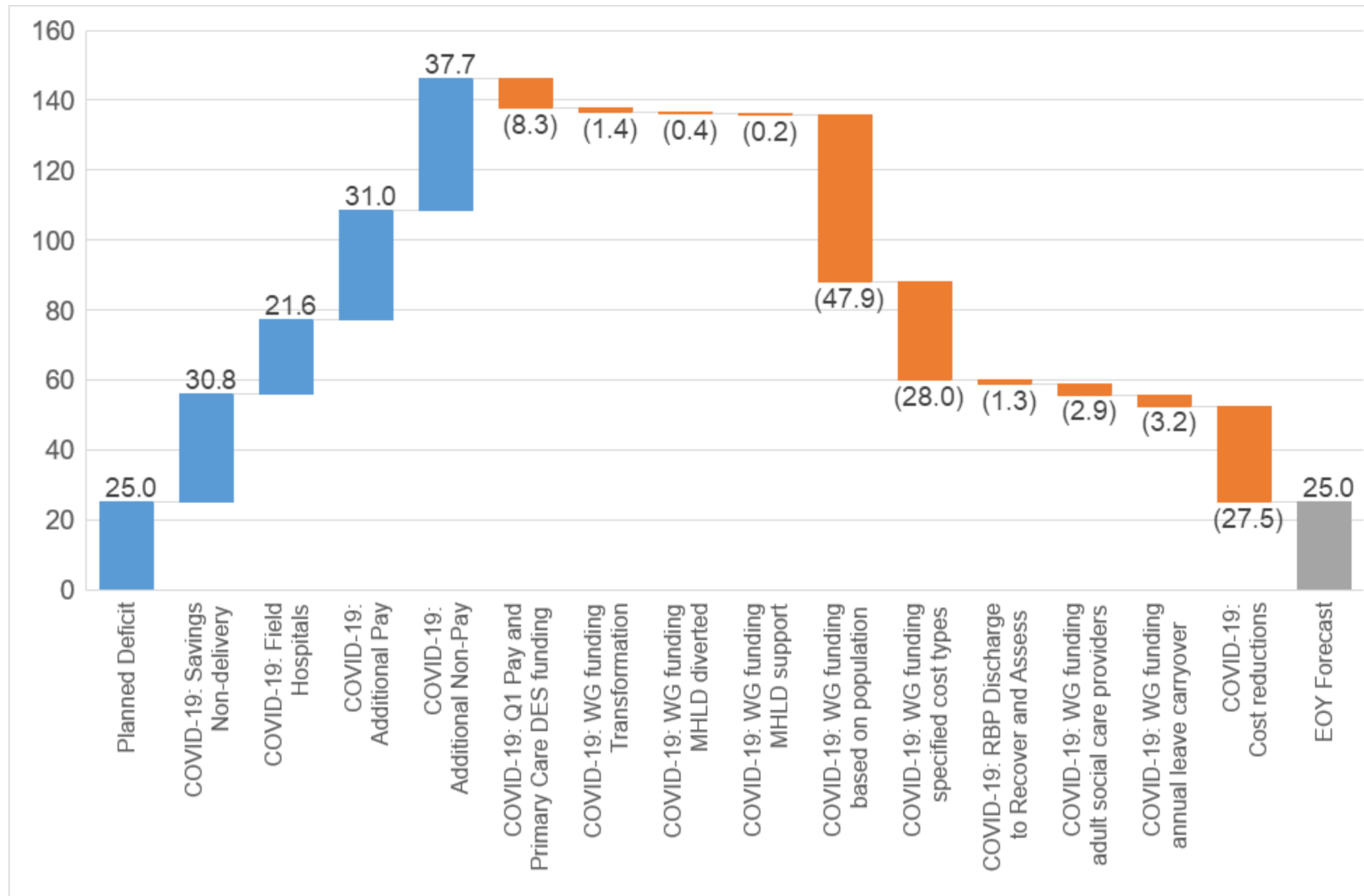


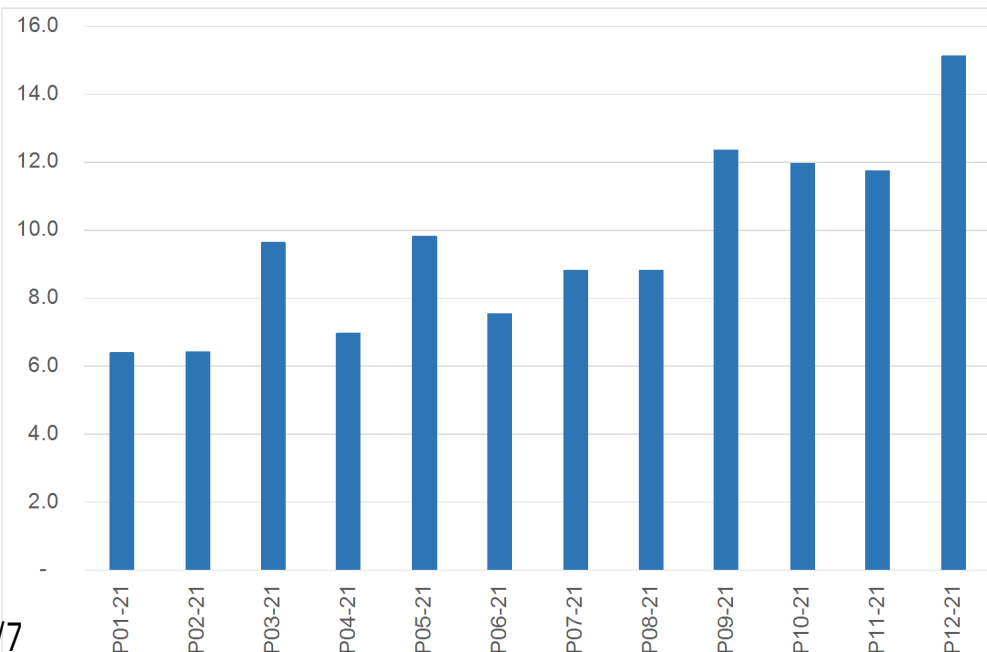
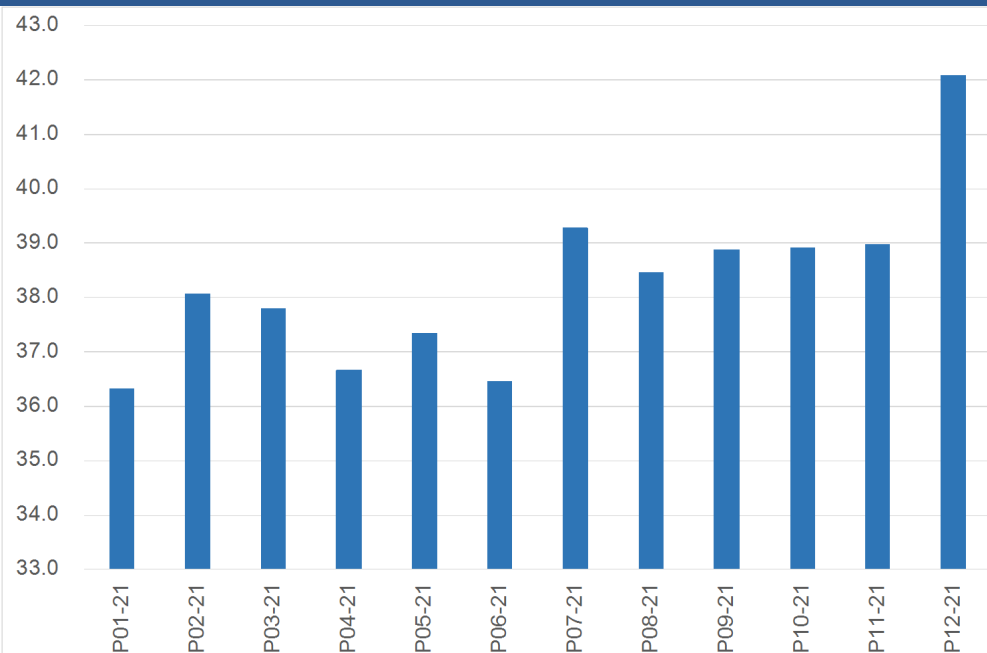
YTD actual by Directorate (COVID-19 only)



YTD actual by Subjective (COVID-19 only)







Pay

Some increase in staffing costs, primarily in relation to the COVID-19 mass vaccination programme and recognition of the Benefit in Kind liability for staff accommodation in response to COVID-19; recognising supply restrictions.

Month 12 includes recognition of £3.2m Annual Leave Carryover provision in response to COVID-19; this calculation is likely to be refined following the December TAG meeting, at which point WG funding is expected to be confirmed.

Non-Pay

Significant increase in expenditure profile in future months within Non-Pay in relation to:

- ICF;
- Bed and equipment replacement;
- TTP;
- HMRC provisions;
- Welsh Risk Pool;
- Field Hospital decommissioning costs.

	Total	Central	Pay	Non-Pay
Plan	25.0	25.0		
Field Hospitals	21.6		1.0	20.6
Savings	30.8	30.8		
COVID-19 Existing sites	68.7		31.0	37.7
WG funding	(93.6)	(93.6)		
Cost reductions	(27.5)	(27.5)		
	25.0	(65.3)	32.0	58.3

- Consequential losses* £6.5m;
- Set up costs £6.5m;
- Restoration costs £4.3m;
- Security, site management, equipment and bed hire £1.7m;
- Other running costs £1.0m;
- Rent*, rates and utilities £0.6m.

- Planned Care Non-Pay £5.0m and Pay £1.0m;
- Unscheduled Care £3.3m
- Reduced activity in other acute services £2.8m;
- Nursing Agency £2.4m;
- Travel £1.9m;
- Dental GDS contract £1.7m;
- Reserve slippage £6.7m;
- LTA drugs recharges £1.0m;
- WHSSC LTA £0.7m.

- Fixed term cohort extended to March 2021 £10.0m;
- Establishment additionality £10.2m (Nursing £3.0m, Medical £2.1m, HCSW £2.9m, Estates £0.9m);
- Agency £5.6m (Nursing £3.8m, Medical £1.4m);
- Student Nurses early on-board £1.7m, other Students £0.3m;
- Annual Leave carryover provision £3.2m.

- Prescribing £4.5m;
- TTP, including antigen and antibody testing (LA pass through £4.2m) £5.3m;
- M&SE consumables £3.9m;
- Dental contract loss of income £2.9m;
- Loss of NCA income £2.0m;
- CHC (accelerated discharge premium) £1.1m and Adult Social Care Provider Support £2.9m;
- Drugs and Medical Gases 2.4m;
- PPE £3.0m;
- Flu Immunisation £1.4m.

* The spilt of consequential losses and rent has been reviewed, calculating the difference between actual costs paid and commercial rental value (per sq. ft) as the consequential loss.



03 December 2020

Mr Huw Thomas
Director of Finance
Hywel Dda University Health Board
Ystwyth Corporate Offices
St David's Park
Jobs Well Road
Carmarthen
SA31 3BB

Eich cyf. Your ref:
Ein cyf. Our ref: HDULHB\m7\ajh

Dear Huw

I refer to the meeting held on the 2 December 2020, which was also attended by Alan Brace and Hywel Jones (FDU) and thank you for your time.

The purpose of the meeting was to discuss the concern that your Month 7 Financial Monitoring Returns did not meet the expectations of a robust forecast, given the significant levels of risk and uncertainty described in the submission. These concerns were set out in detail in my letter of 25th November 2020.

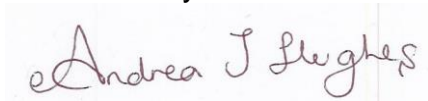
Alan expressed his concern that at the Month 6 Review session, assurance had been provided that the HB would deliver the agreed deficit of £25m and that the risks (particularly those in relation to workforce) had been subsequently dealt with and therefore was surprised that the Monitoring Return did not reflect that position. You asserted that this was due to the need to finalise the governance via the Board process and although this was acknowledged, Alan was clear for the requirement of a single version of the status of the outturn position.

At the meeting you confirmed that the various material risks, reported at Month 7, have either now been removed or will be incorporated within your position and managed. You also accepted the concern raised in relation to ongoing material movements in spend totals and between categories. In addition, you confirmed your approach to dealing with your identified slippage and reserves including for example ICF and accepted the need to ensure the appropriate governance arrangements in

relation to the decisions being taken, the award of contracts and the need to ensure the spend is within the scope of the intended purpose of the funding.

The Accountable Officer letter sent to Andrew Goodall on the 26th November, which was after the Monitoring Return submission, confirmed the position as a £25m deficit and therefore this is expectation.

Yours sincerely

A handwritten signature in dark ink, reading "Andrea J Hughes". The signature is written in a cursive style with a large initial 'A'.

Andrea J Hughes
Head of NHS Financial Management