

- 2.1 Finance Report Month 6  
*Presenter: Huw Thomas*  
2.1 Finance Report 2020-21 Month 6 SBAR.docx  
2.1 Appendix 1 End of Year Forecast Month 6.pptx

## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	22 October 2020
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Finance Report – Month 6 2020/21
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	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

#### Sefyllfa / Situation

The purpose of the report, attached at Appendix 1, 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 6. 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 (committee agenda item 5.2).

#### Cefndir / Background

**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 6 position**

- Without the additional WG funding confirmed in-month, the Month 6 variance to breakeven is £5.5m (Month 5, £6.5m). The improvement is due to the release of an over-provision for the WG pay circular in relation to medical enhancements, a reduced trend in recharges of high cost drugs from Swansea Bay UHB, the financial benefit of delayed Welsh Health Specialised Services Committee (WHSSC) investments and slippage on Mental Health & Learning Disabilities (MHLDD) recruitment plans.
- The in-month reported position is £19.2m below breakeven after recognising additional WG funding to mitigate the Year to Date (YTD) unfunded costs resulting from the COVID-19 pandemic. The YTD variance to breakeven is therefore £12.5m, in line with the planned deficit.
- The additional costs incurred in Month 6 due to the impact of the COVID-19 pandemic is £6.9m (Month 5, £10.7m, which included Field Hospital set-up costs of £3.4m).

## Financial Projection

- Following confirmation of additional funding from WG, the Health Board is currently forecasting to deliver the planned deficit of £25m. However, the Health Board is managing a number of risks in respect of Winter Planning, reinstating elective services and any unprecedented further impact of the pandemic; the Health Board is planning to utilise funding streams already available to mitigate these risks, however those funding streams shared with Local Authority partners represent a level of risk.
- £30.8m identified and as yet unidentified savings schemes included in the Financial Plan are also 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 for additional funding to support the non-delivery of the Health Board's savings target on a recurrent basis.
- Should the Health Board progress with all the schemes identified to deal with implementing social distancing measures and other COVID-19 needs, and no further funding is available from Welsh Government, the potential over commitment against the Capital Resource Limit (CRL) would be £14.8m. The risk of this against the CRL is being actively managed, however there is a more significant operational risk if these schemes do not progress.
- The projection includes the cost of maintaining the LTA block arrangements; as a net commissioner, the impact of this is estimated to be £15.7m compared to actual activity levels.
- There are significant risks and opportunities which could materially affect the forecast depending on the evolving COVID-19 situation.

## Savings Summary

- In-month delivery of £0.3m, which is slightly above plan due to timing, which is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 5, 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 and Operational colleagues to ensure alignment of the financial forecast and operational plans ahead of the submission of the Operational Quarter 3 and 4 Plan on 19th October.
- Deep dive into savings and cost reduction opportunities.
- Continued review of reserves to understand further potential in year slippage.
- Clarity of VAT treatment of remainder of Field Hospital set-up costs (discussions are only with external consultants and HMRC).
- Clarity as to what current escalation measures can be safely and appropriately de-escalated/decommissioned and which ceased/deferred services/activities can be recommenced. A key element of this will be in relation to finalising the operational plans for Winter demand and capacity.

- 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 broadly £4.0m.

Key Target		Annual Limit	YTD Limit	Actual Delivery	Forecast Risk
Revenue	£'m	25.0	12.5	12.5	High
Savings	£'m	34.2	17.1	1.2	
Capital	£'m	26.6	12.0	12.0	Medium
Non-NHS PSPP	%	95.0	95.0	94.7	Medium
Period end cash	£'m	4.0	4.0	1.9	Medium

Following confirmation of additional funding from WG, the Health Board is currently forecasting to deliver the planned deficit of £25m. The risk has been amended from Black to High following confirmation of the additional WG funding, recognising the need for the Health Board to manage a number of risks in respect of Winter Planning, reinstating elective services and any unprecedented further impact of the pandemic. Discussions are also on-going regarding additional funding to support the non-delivery of the Health Board's savings target in respect of the recurrent impact from Financial Year 2022 onwards.

Should the Health Board progress with all the schemes identified to mitigate the impact of the implementation of social distancing measures and other COVID-19 requirements, and no further funding be available from Welsh Government, the potential over commitment against the CRL would be £14.8m. The risk of this against the CRL is being actively managed, however there is a more significant operational risk if these schemes do not progress.

The Non-NHS PSPP risk has been 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. The main reason for failure was due to a number of staff self-isolating as a result of COVID-19 and systems not being in place to enable home working. An action plan has been developed to re-prioritise resource to clear the backlog by the end of October 2020, however this will mean that the improvement in the PSPP target will not be evidenced until the November 2020 PSPP figures are produced.

### Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the financial position and financial forecast as at Month 6.

<b>Amcanion: (rhaid cwblhau)</b> <b>Objectives: (must be completed)</b>	
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: Datix Risk Register Reference and Score:	856 (score 20) Ability to deliver the Financial Plan for 2020/21 646 (score 12) Ability to achieve financial sustainability over the medium term
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: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve Population Health through prevention and early intervention

<b>Gwybodaeth Ychwanegol:</b> <b>Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termiau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Healthcare FNC – Funded Nursing Care FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services MHLDD – Mental Health & Learning Disabilities NICE – National Institute for Health and Care Excellence OOH – Out of Hours PPH – Prince Philip Hospital PSPP – Public Sector Payment Policy

	RTT – Referral to Treatment Time T&O – Trauma & Orthopaedics WG – Welsh Government WGH – Withybush General Hospital WRP – Welsh Risk Pool WHSSC – Welsh Health Specialised Services Committee YTD – Year to date
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Management Team Executive Team Finance Committee

<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Financial implications are inherent within the report.
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	The impact on patient care is assessed within the savings schemes.
<b>Gweithlu:</b> <b>Workforce:</b>	The report considers the financial implications of our workforce.
<b>Risg:</b> <b>Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol:</b> <b>Legal:</b>	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.
<b>Enw Da:</b> <b>Reputational:</b>	Adverse variance against HDdUHB's financial plan will affect its reputation with Welsh Government, the Wales Audit Office, and with external stakeholders
<b>Gyfrinachedd:</b> <b>Privacy:</b>	Not applicable
<b>Cydraddoldeb:</b> <b>Equality:</b>	Not applicable



# Financial Performance and EOY Forecast Month 6



**Health Board agreed Financial Plan to deliver deficit of £25m, after savings of £34.2m.  
Impact of COVID-19 pandemic presents unprecedented significant risk to financial position.**

Financial position	Month 6 £'m	Month 5 £'m	YTD £'m
Additional COVID-19 costs	6.9	10.7	55.0
Cost reductions due to reduced activity	(3.5)	(2.9)	(16.2)
<b>Operational variance before WG funding COVID-19</b>	<b>3.4</b>	<b>7.8</b>	<b>38.8</b>
Planned deficit	2.1	2.1	12.5
<b>Variance to breakeven before WG funding COVID-19</b>	<b>5.5</b>	<b>9.9</b>	<b>51.3</b>
WG funding COVID-19 for 'specific' costs*	(4.4)*	(3.4)	(10.4)
WG funding COVID-19	(20.3)*	-	(28.4)
<b>Reported financial position</b>	<b>(19.2)</b>	<b>6.5</b>	<b>12.5</b>

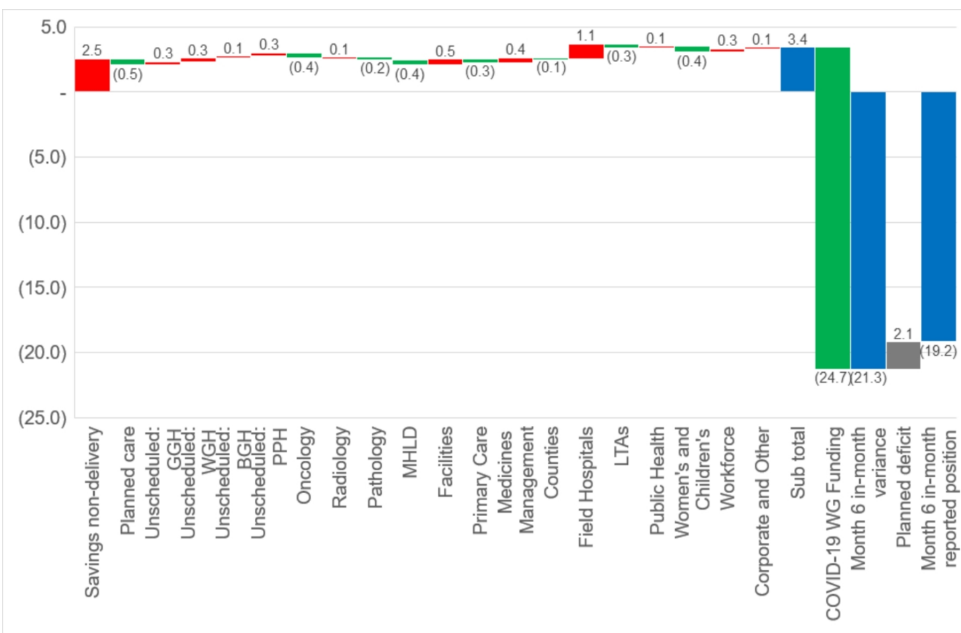
The latest guidance from WG confirms that funding will be provided to match costs incurred for the following 'specific' COVID-19 cost types:

- PPE;
- Test, Trace, Protect;
- Field Hospital set-up and decommissioning costs and consequential losses;
- Increased uptake of Flu immunisations;
- Independent sector provider (NB. £nil above as directly funded by WG to provider).

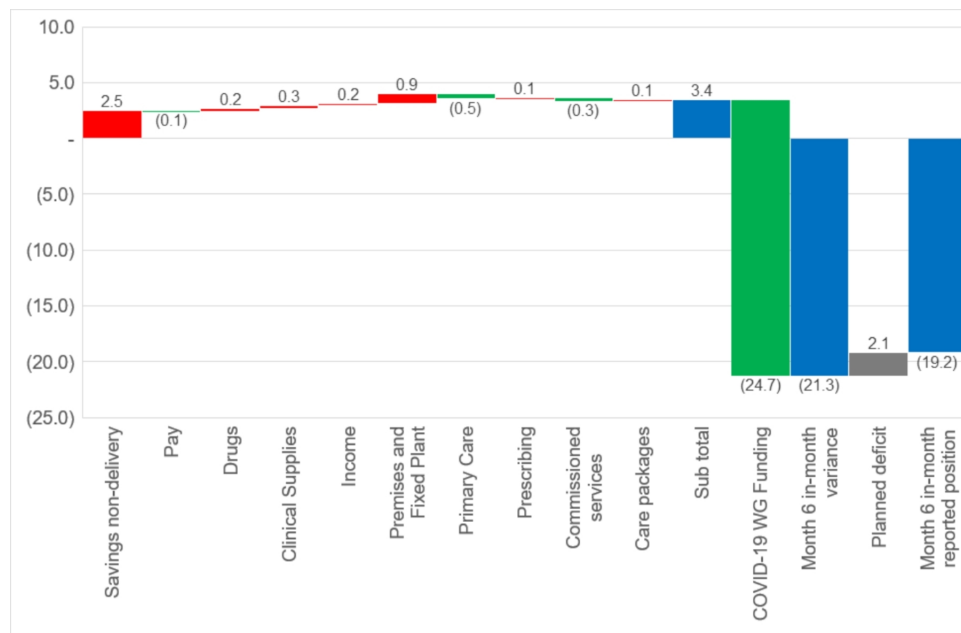
The Month 6 funding figures are to recognise the YTD unfunded variance to the deficit plan due to COVID-19.

# Executive Summary: Key drivers of in-month position

## In-month variance by Directorate



## In-month variance by Subjective



### Over-spends were driven by:

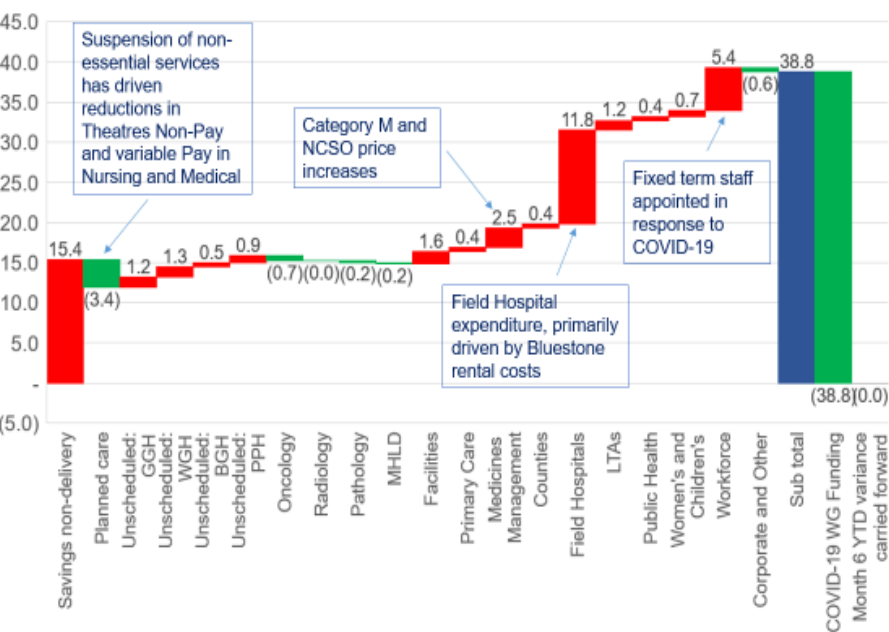
- Non delivery and unidentified savings, £2.4m;
- Field Hospital costs, largely being consequential losses, rent, equipment rental, utilities and security costs, £1.1m;
- Unscheduled Care due to roster and ward reconfigurations, increased A&E activity (affecting variable pay) and homecare drug expenditure, £1.0m; and
- Facilities additional staffing (predominantly domestic and portering) costs in response to COVID-19, £0.5m.

### These are offset by:

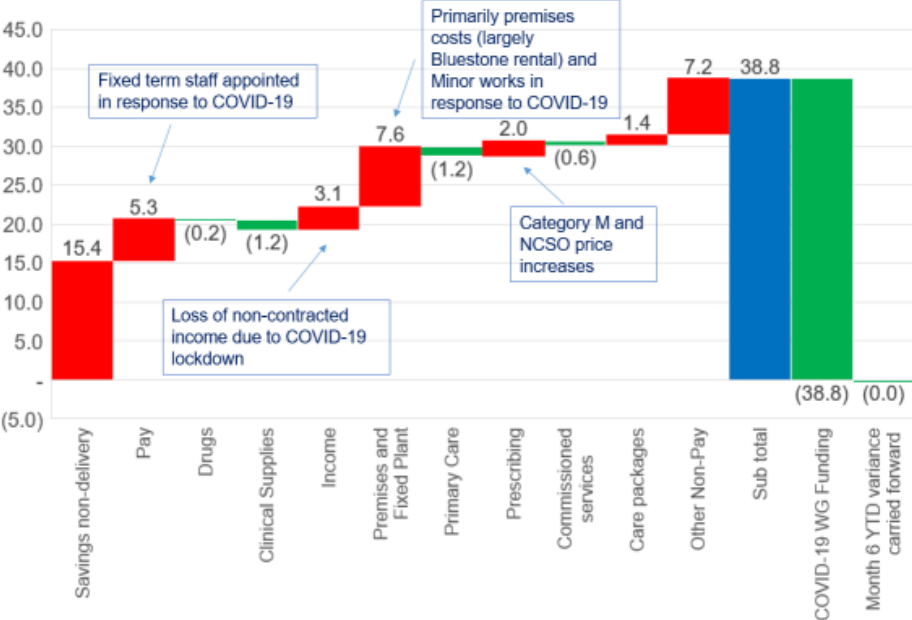
- Reduced non pay expenditure in Planned Care due to reduced activity (£0.5m);
- Release of over provision for WG circular on Medical enhancement pay following more accurate roster information (£0.4m);
- YTD slippage on recruitment plans and reduced CHC costs in Mental Health (£0.4m); and
- Reduced trend in recharges of high cost drugs from Swansea Bay UHB and financial benefit of delayed WHSSC investments (£0.3m).

# Executive Summary

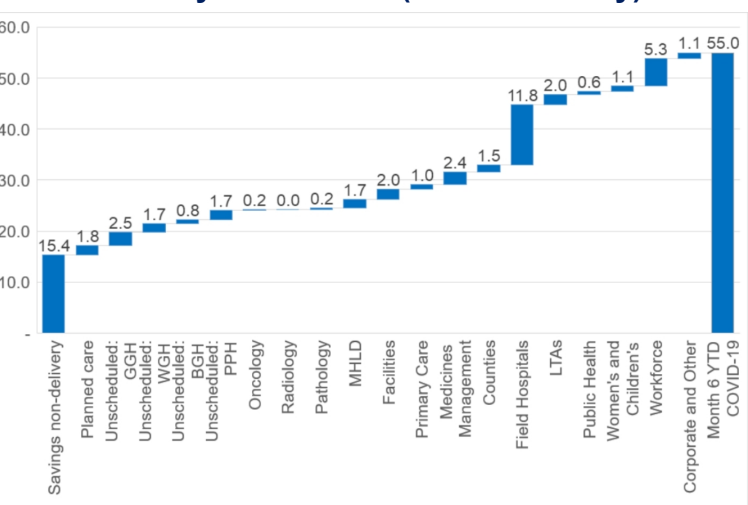
## YTD variance by Directorate (against Plan)



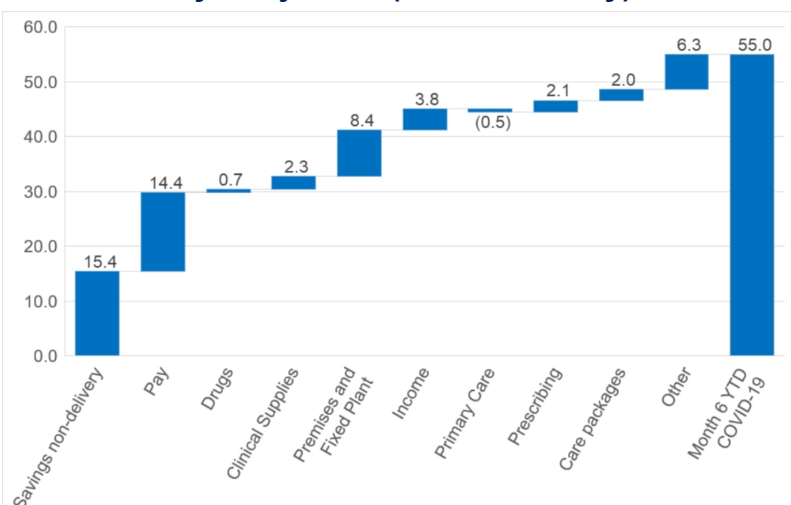
## YTD variance by Subjective (against Plan)

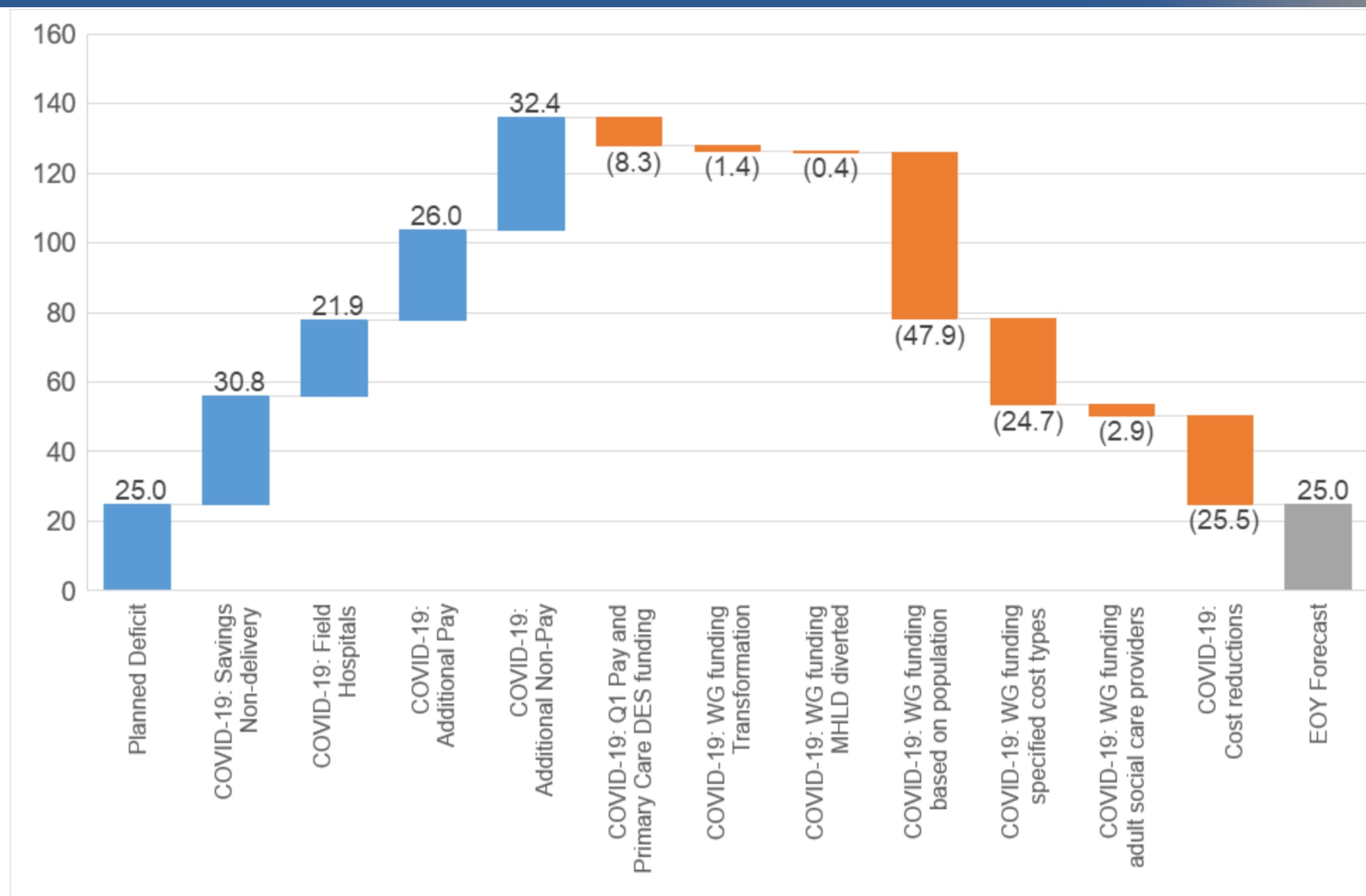


## YTD actual by Directorate (COVID-19 only)



## YTD actual by Subjective (COVID-19 only)

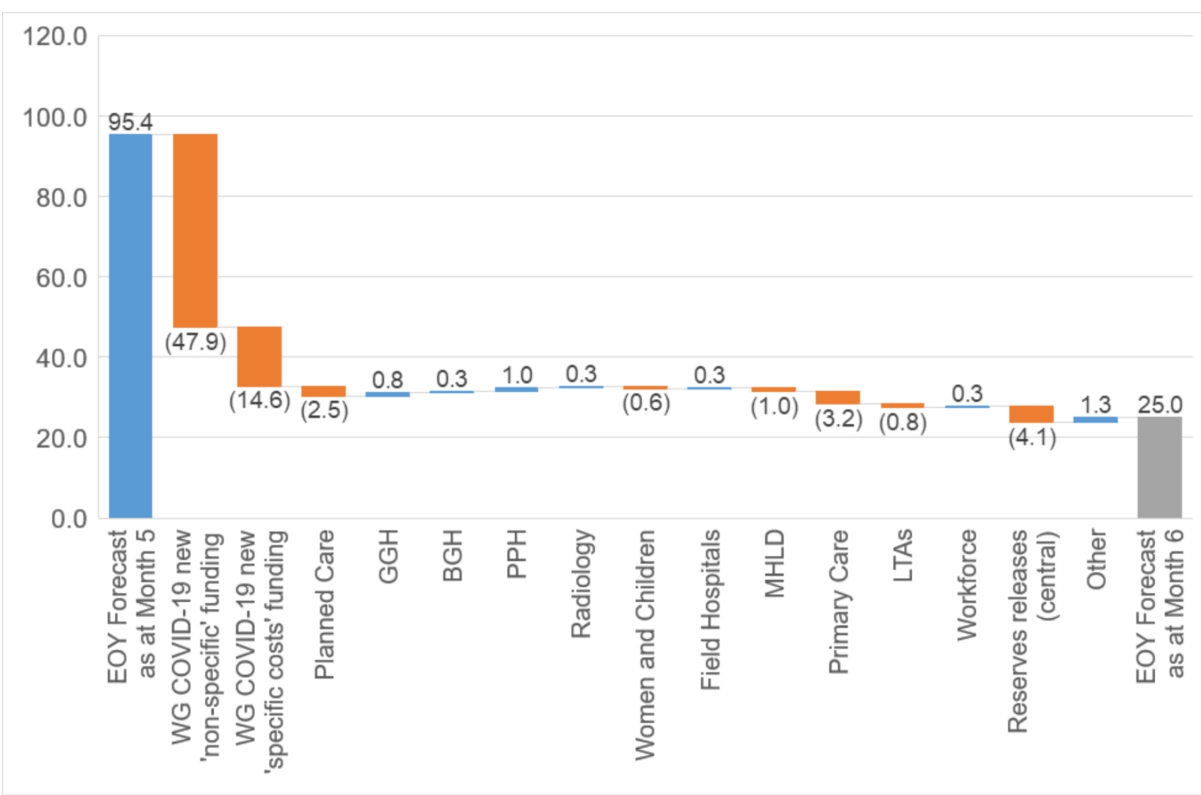




Significant risks and opportunities which could materially affect the forecast depending on the evolving COVID-19 situation.

# EOY Financial Forecast 2020/21: Key movements since Month 5

The forecast has moved from £94.9m in Month 5 to £25.0m in Month 6.



- Confirmation of further WG funding towards impact of COVID-19 of £47.9m plus 'specific' COVID-19 funding to match costs incurred for PPE, Flu vaccinations, Field Hospital set-up and decommissioning costs, and consequential losses.
- Planned Care: reduction in Medical staffing where shielding requirements have eased and deployment of existing staff to fill the ITU green pathway and assumed Werndale activity directly funded by WG in Quarter 4.
- Unscheduled Care: £2.4m due to increasing trend in variable pay, driven by an increase in activity, a ward reconfiguration at GGH and additional 20 beds in PPH; and an extension of the use of IV drugs in a home setting at a premium cost.
- Radiology: increase in RROL due to two Medical leavers and increased activity.
- Women and Children: YTD correction of estimated cost of Medical rosters in relation to the WG COVID-19 enhancements.
- Field Hospitals: increased running costs in excess of previous forecast re security, utilities.
- Primary Care: Dental FY20 underperformance and creditor, Ophthalmology contractual mechanism change to activity from block.
- LTAs: WHSSC underperformance and Swansea Bay HCD.

## Risks:

Winter Plans are not yet finalised – schemes currently being prioritised – costs may not be covered by current forecast	COVID-19 vaccination programme – anticipating a minimum of 100,000 patients, no confirmed WG funding
If acute activity demand increases, likely additional Field Hospital expenditure. Plans are fluid given current national trends; there is significant potential variability	Benefit-in-Kind liability for staff accommodation during COVID-19 covered by the HB (decision)
Agency premium in acute sites and Field Hospitals to resource increases in acute demand	GMS contractual 'true-up'
Increased elective activity if capacity allows – no significant increase included in forecast to address RTT	GMS QAIF
EU Exit	Asylum seeker health needs – Home Office directive utilising Penally army base

## Opportunities:

Additional WG funding may be available to mitigate the risk of Winter Plan costs above	Further cost reductions may occur as a result of reduced activity should less services than planned be re-instated
Centrally held Reserves may not be fully utilised for planned investments	

# Financial Forecast 2020/21: Key items

	Total	Central	Pay	Non-Pay
<b>Plan</b>	<b>25.0</b>	25.0		
<b>Field Hospitals</b>	<b>21.9</b>		1.4	20.5
<b>Savings</b>	<b>30.8</b>	30.8		
<b>COVID-19 Existing sites</b>	<b>58.4</b>		26.0	32.4
<b>WG funding</b>	<b>(85.6)</b>	(85.6)		
<b>Cost reductions</b>	<b>(25.5)</b>	(25.5)		
	<b>25.0</b>	(55.3)	<b>27.4</b>	<b>52.9</b>

- Consequential losses\* £6.4m;
- Set up costs £6.2m;
- Restoration costs £4.3m;
- Security, site management, equipment and bed hire £1.8m;
- Other running costs £1.0m;
- Rent\*, rates and utilities £0.8m.

- Planned Care Non-Pay £5.4m and Pay £1.0m;
- Unscheduled Care £3.3m
- Reduced activity in other acute services £2.8m;
- Nursing Agency £2.5m;
- Travel £1.7m;
- Dental GDS contract £1.7m;
- Reserve slippage £4.1m;
- LTA drugs recharges £1.0m;
- WHSSC LTA £0.6m.

- Fixed term cohort extended to March 2021 £11.1m;
- Establishment additionality £8.5m (Nursing £2.4m, Medical £1.9m, HCSW £2.0m, Estates £1.1m);
- Agency £4.1m (Nursing £2.6m, Medical £1.2m);
- Student Nurses early on-board £1.9m, other Students £0.3m.

- Prescribing £5.1m;
- TTP, including antigen and antibody testing (LA pass through £3.8m) £4.1m;
- M&SE consumables £3.8m;
- Dental contract loss of income £2.8m;
- Loss of NCA income £2.0m;
- CHC (accelerated discharge premium) £1.7m and Adult Social Care Provider Support £2.9m;
- Flu Immunisation £1.3m.

\* 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.

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**Creu gwerth gyda'n gilydd. Heddiw ac i'r dyfodol.**



Modelled assuming more 'realistic' scenario based on demand to date and local intelligence.

- Impact of current 2m social distancing guidelines in ward areas, whereby existing acute capacity would not significantly reduce following mitigating actions such as screens;
- Additional capacity required in response to Winter Pressures will largely be fulfilled by Field Hospitals;
- Fixed term cohort extended to March 2021;
- Werndale contract assumed to be directly funded by WG in Q4 based on Independent Sector Provider 'specific funding' guidance;
- Cost reductions assumed to continue to some extent for remainder of financial year;

## Field Hospitals

- Field Hospital requirement of 82 beds at a potential peak:
  - Fulfills capacity lost in existing sites following implementation of current 2m social distancing guidance;
  - Active sites: Bluestone (peak of 70) and Selwyn Samuel (peak of 12)
  - Number of sites assume no requirement: Parc Y Scarlets Barn, Cardigan Leisure Centre, Plas Crug (with readiness plans in place if needed)
  - Number of sites decommissioned: Parc Y Scarlets Stadium, Llanelli Leisure Centre, Carmarthenshire Leisure Centre, Penweddig School

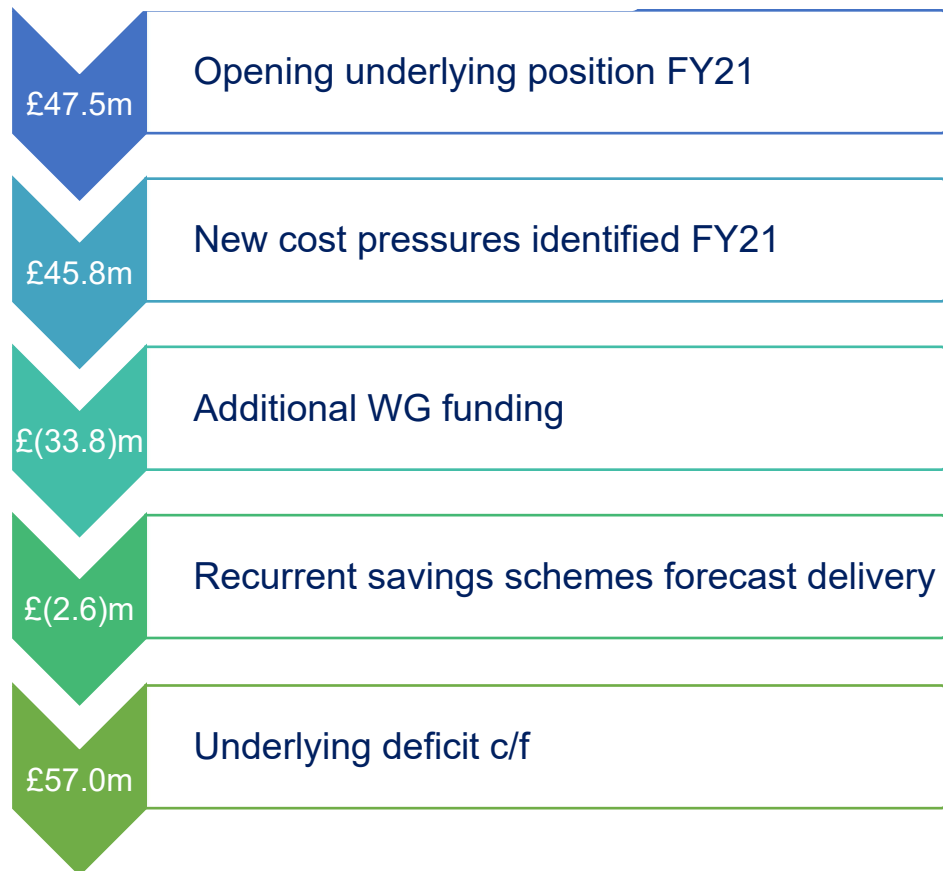
*As a consequence of the increasing trend in COVID-19 activity, and current relatively modest Field Hospital financial assumptions, there is a risk that a 'second wave' would significantly affect the above assumptions.*

- Field Hospital staffing modelled on substantive costs basis – no premium for Agency workers is included. Where fixed term employees are available, assumed that these will firstly fulfil the requirements in the Field Hospitals;
- All de-commissioning costs assumed to fall into current financial year, regardless of exit date;
- VAT on revenue set up costs for Bluestone and Parc Y Scarlets Barn recognised based on latest guidance.



# EOY Financial Forecast 2020/21: Underlying deficit

## Recurrent underlying deficit:



## Non-recurrent FY21 assumptions:

