Bwrdd Iechyd Prifysgol Hywel Dda University Health Board

PWYLLGOR CYLLID
FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	23 March 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Enabling Plan 2021/ 22
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Mark Bowling, Assistant Director of Finance 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 report and annex (attached as Appendices 1 and 2) present the Health Board's (HB) draft Financial Enabling Plan and accompanying Minimum Data Set for the new year (financial year 2021/ 22), which comprises the Finance component of the overall integrated HDdUHB Annual Plan.

Cefndir / Background

Due to the COVID-19 pandemic, Welsh Government (WG) had previously confirmed that the All-Wales expectation for the financial year 2021/ 22 was for organisations to submit an Annual Plan. Guidance and templates were subsequently issued, and a financial 'Touch Point' meeting was held on 3rd March 2021, as discussed in Finance Committee's previous meeting on 25th February 2021.

Following scrutiny by appropriate Board level committees, and presentation to the Board on 25th March 2021, this Plan is due to be submitted to WG on 31st March 2021.

Asesiad / Assessment

Although the global pandemic has resulted in unprecedented circumstances, and the request from WG is for an annual plan that will not be subjected to the usual levels of external scrutiny, the HB recognises that overall governance responsibilities include a break-even duty for the organisation that will continue not to be met.

This interim Financial Plan recognises a planned deficit in the 2021/22 financial year. As a result of this, the HB will be asked to approve a budget which would in effect breach its statutory financial duty for the three-year period. The HB is not empowered to approve expenditure in excess of the resources allocated to it by WG. In doing so the Health Board may subsequently have its accounts for 2021/22 qualified by the Audit Wales on the basis of regularity.

Furthermore, whilst only a one-year plan has been requested of all Health Boards, by recommending an Interim Financial Plan which includes a deficit budget for the year and by implication at this point a cumulative three-year period ending 31 March 2024, the Executive Director of Finance cannot assure the Board that the plan has been prepared within the limits of available funds or that it takes account of the principles of sustainable development; as such a deficit may need to be repaid in the longer term.

Specifically here, and in providing advice to the Board, the Chief Executive Officer is in turn 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*'. A failure to submit a deficit plan qualifies as a '*novel and contentious issue*'.

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

Assurance can also be taken that the Health Board is reviewing, and will continue to review, every opportunity to reduce expenditure and to close the financial gap wherever possible.

Papers attached:

- Appendix 1: Element of HDdUHB Annual Plan 2021/22: a document entitled: Financial Enabling Plan 2021 22.

- Appendix 2: An annex file ('Financial Enabling Plan 2021 22 Annex') containing:
  Section A: supplementary financial information, analysing selected core figures in the report, and
  Section B: Feedback received 17/03/21 from the Touch Point meeting held between the HB Finance Team and WG 03/03/21, with a note of work to address key issues or cross references with confirmation of work undertaken, as described in the in core report.

Argymhelliad / Recommendation

The Finance Committee is asked to scrutinise the draft financial plan, and recommend that the Board approve the submission to WG of the overall draft plan at the Board meeting on 25th March 2021.

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: Datix Risk Register Reference and Score:	646 (score 16) Ability to achieve financial sustainability over 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:	4. Improve Population Health through prevention and early intervention, supporting people to live happy and healthy lives

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termau: Glossary of Terms:	Explanation of terms is included in the main report
Partïon / 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, the Wales Audit Office, and with external stakeholders
Gyfrinachedd: Privacy:	Not applicable
Cydraddoldeb: Equality:	Not applicable

Appendix 1: Draft Strategic Narrative: Financial Plan

1. Introduction

Necessity is the mother of invention, and the past year has taught us that the NHS is capable of transforming the services we provide at pace. The agility and responsiveness of our colleagues across the organisation and across partner organisations; the scale of recruitment; the rapidity of planning and deployment; the responsiveness of service requirements; the embrace of technology and innovation all show that when change is needed, it can be delivered.

As part of this response, finance moved from being perceived as a constraint to being seen as a key enabler.

The coming year will be particularly challenging. The complexity of continuing to require the delivery of the testing programme, alongside vaccinations and system recovery issues will make accurate budgeting challenging. Quantifying system benefits arising from the transformation we have seen, and ensuring that the benefits arising from this new way of working are baked into the new normal will be critical as the service gradually moves into a new response phase.

The medium term outlook is a greater concern. Funding growth will likely be constrained, and the need to address inequalities across our communities which have been so vividly demonstrated by the impact of Covid will bring into stark reality the fact that health spend only accounts for 10% of the impact that is made in addressing health inequality[1]. The period of transition from 20/21, where all resources which have been required by the NHS have been made available, to a fiscally constrained environment will be difficult.

The thinking within our long term strategy has been tested, and remains appropriate for our recovery. If anything, the need is to accelerate on its delivery.

2. Lessons learnt

In developing the financial response to our plan, it is imperative that the system learn and implement the lessons of the pandemic. These include:

1. We must ensure that we put outcomes for our patients and population at the heart of our decision making
2. System wide integrated planning and delivery is critical, including local authorities, independent providers and the third sector
3. We must address the impact of unwarranted clinical variation
4. Prevention of ill-health is more important than ever
5. The wellbeing of colleagues is vital; and recognise that we don't have sufficient workforce capacity in our system for the demands we face and so need to find alternative solutions

[1] Future Generations Report 2020, Future Generations Commissioner for Wales, 2020

6. The system needs robust intelligence and digital tools to transform
7. We must ensure that transformation and service change is embedded

Our response to the pandemic has, by necessity, been short term. We must now bring that same energy to address the long term challenges we face.

3. Resource allocation

We will focus on three key areas for resource allocation:

1. Addressing prevention. We do not currently know how much of our resource is fully utilised by prevention measures. While this is not measured, understanding the impact and outcomes of prevention is not adequately achieved. We will ensure that we capture this information and test the benefits of prevention measures.
2. Value based interventions. We will support the fast tracking of interventions which can demonstrate value to support delivery across the organisations.
3. Risk. We will work to minimise risks where these have historically arisen because of lack of investment (eg Medical and Corporate Records Management) while ensuring that the benefits of investments are maximised.

These areas of focus remain pertinent if we remain in a period of Covid response, or longer term Covid recovery.

4. Resource utilisation

4.1 Productivity

The traditional approach within the NHS of delivering productivity and transactional 'savings' cannot be maintained. We have historically viewed savings as a simple part of the equation to balance costs with income. This is a misleading approach.

Funding growth in the NHS has been, and continues to be, guided by the long term approach outlined by the Health Foundation[2]. As outlined by Welsh Government[3], long term efficiencies of 1% should be delivered in order to supplement the funding provided.

Historic long term labour productivity growth in the UK economy before the 2008 economic crisis ran at c2% per annum, but since then has been 0.5%[4]. Consequently, the delivery of 1% productivity within the NHS represents a significant and positive contribution to UK productivity. This position is even more stark in Wales, where the Gross Value Added per capita is significantly below the UK average.

[2] The path to sustainability, Health Foundation, 2016

[3] Oral evidence to Health, Social Care and Sport Committee, 13 January 2021

[4] ONS, Labour productivity, UK

Our traditional approach where we have sought to deliver over 3% savings contribution from areas such as procurement and productivity was unsustainable and undeliverable over the longer term. However, the imperative for delivering long term productivity improvements of 1% is an important contributor, not just to the Health Board's finances, but for the broader economic health of Wales.

4.2 Transformation

Despite the challenges of delivering productivity improvements, the Health Board must balance its books and recognise the opportunities to transform our services.

There are three key disruptors which will be critical to the Health Board's transformation journey:

1. Workforce. Continuing to work with long term staffing issues across many of our services is unsustainable, and consequently new models of care must be identified and delivered which build upon the successes of our approach during Covid. We will ensure that our long term financial model is integrated with a long term workforce model to better articulate the benefits arising from new models of care.
2. Digital. Recognising there are demand side issues in delivering our services (KPMG's report which identified volume of care being a key driver of our deficit relative to the rest of Wales), and that there are supply side issues (workforce constraints and duplication of services across our region) mean that digital is a key enabler to improvement. Our digital response plan will be critically important. We will ensure that the service changes arising from digital must be embedded and the benefits of investment fully realised.
3. Value. A relentless focus on value, ensuring the consistent capture of outcomes across our services, will ensure that we allocate resources within the right part of our pathway. We will focus effort in ensuring that there are integrated locality financial models and integrated pathway financial models which are developed across our services and systems to understand the financial implications of our resource allocation and utilisation. We will use these to work with clinical and operational colleagues to:
    a. Identify and address unwarranted clinical variation
    b. Identify and implement new models of care and clinical pathways
    c. Identify and implement preventative models and social models of intervention.

4.3 Deficit management

Our reliance on our deficit funding is unacceptable at a time of fiscal tightening, and our current deficit cannot be justified over the medium term despite the challenges which may arise from eradicating the deficit. The deficit is a result of strategic and operational choices which have been made over a number of years: though these choices may have been implicitly made as a result of historic governance challenges.

Our recovery path needs to be guided by choices, both for our Board and Welsh Government. We will provide a series of choices to the Board for discussion as part of our medium term financial strategy.

5. Social and economic value

The inequalities in society have been cruelly exposed by Covid. It is therefore imperative that the Health Board is seen as a critical anchor institution and driver of broader social and economic development in West Wales.

5.1 Foundational economy

We have been working with the Centre for Local Economic Strategies (CLES) to understand how we can develop an approach which puts our local economic activity as a key plank of our approach. We have done this in conjunction with our Local Authority partners, recognising the unique position the Health Board is in, being part of both the Swansea City Deal region and the Mid Wales growth region. This will develop our role as part of a network of local anchor institutions.

CLES define four key areas where organisations can consider the foundational economy:

1. Spending. We will develop a local procurement strategy which builds upon the findings of the review undertaken by CLES into our current local procurement approach.
2. Recruitment. We will work with colleagues in W&OD to capture the societal benefits arising from local recruitment activity, particularly our innovative apprenticeship scheme.
3. Assets. We will work with colleagues within Estates and Planning functions to ensure that we adopt best practice in the use of our assets for local public good.
4. Finance. We are more limited in this space than others are. For example, the Health Board does not have its own pension scheme assets or investment opportunities for surplus cash in the same way that other anchor institutions have. However, we will work with the Corporate Trustee to assess whether there are opportunities for Hywel Dda Health Charities to participate in this space.

5.2 Decarbonisation

Decarbonisation offers an opportunity to ensure that our regional recovery is driven by an approach which puts the environment at the heart of what we do. We will develop a decarbonisation strategy which not only considers investments which can be made across the organisation, but which also ensures that the environmental impact of decisions we take in resource allocation and utilisation more broadly are considered.

5.3 Wellbeing of Future Generations

Much work has been done over the past few years to capture the activities of the Health Board and address their impact on future generations. However, this work has been done largely in pockets; has not been mainstreamed across our organisation; and has not been given the priority it deserves. The old adage of managing what we measure is true here. Consequently, we will work with organisations such as the Social Value Portal to consistently capture, monetise and report on our activities in this area.

5.4 Value

By consistently capturing internationally validated Patient Reported Outcome Measures (PROMs), it is possible to assign the Quality Adjusted Life Years (QALYs) generated by our interventions and treatments. Linking this with demographic data will allow us to monetise the economic impact of our work. This will allow a far simpler approach to assessing the value we deliver, but also determine the broader impact of interventions on society.

5.5 Reporting

We will work to develop our reporting to the Board on the social value delivered by our spend across West Wales. By so doing, we will ensure that there is a clear thread which links our work on foundational economy, decarbonisation, the wellbeing of future generations and the value generated from the services we provide. Consistent and regular reporting in this area will ensure that our duty as a local anchor institution permeates our ways of working across the organisation.

6. Governance

6.1 Improving Together

Building on our work with Improvement Cymru, we will develop and implement our Improving Together approach. This is an approach which is based on embedding quality as a business strategy. We will ensure that financial governance is an integral part of the approach.

6.2 Commissioning

We will develop a commissioning strategy which ensures that our expenditure across provider organisations is closely monitored, providing assurance over quality and outcomes.

6.3 Procurement and Commercial

We will develop a procurement strategy, ensuring that our responsibilities to the foundational economy, to deliver quality and outcomes are at the forefront of our decision making.

We will separately develop a commercial strategy, ensuring that our assets are used to best effect.

6.4 Performance

As the Directorate has expanded to include performance and digital, we will develop a plan which best integrates finance and performance to ensure that reporting and decision making is better integrated.

6.5 Value

We will ensure that there is regular reporting on the patient and social value generated by our activities to the Board.

Our approach to business cases will be redefined to incorporate value and social value.

Our decision making, particularly in digital, will be enhanced to ensure agility in developing and delivering against business cases.

6.6 Regional governance

It is imperative that financial governance is embedded across our regional working. The reports to our Audit and Risk Assurance Committee from KPMG and Internal Audit on the Integrated Care Fund and Transformation Fund have highlighted weaknesses in regional financial governance. We will work with the regional team to address these and ensure that the investments deliver the best possible outcomes for our communities.

7. Unique Financial Planning Context

Whilst for 2021/22 Annual Plans will not receive Ministerial approval, scrutiny via a proportionate assessment will be undertaken and our approach has remained consistent with previous years in robustly reviewing and challenging HDdUHB's cost base, opportunities, risks and plans.

Despite a usual health budget allocation being issued in December, the pandemic aspects had to be kept separate and remain unclear at the point of finalising and submitting our plans. Endeavouring here to clearly segregate both the costs and notified or potential income streams.

The Minimum Data Set (MDS) utilised during the pandemic has continued and accompanies this document and thereby replaces previous more familiar presentational documents. As noted the underlying work, including close liaison with all disciplines, specifically planning, performance and workforce has continued during this year's planning cycle.

The Annual Plan remains an interim plan as modelling work is undertaken across Wales in respect of our assessment of the impact of national pressures.

It is expected that the MDS will be updated as the financial year progresses, this submission representing a best estimate of known issues at the time of creation and in particular focusing upon a first six months where it is anticipated that the pandemic will still have a material impact upon services and resources.

8. Summary Financial Position

Given the considerable uncertainty that the global pandemic has brought, the HDdUHB interim draft financial plan for 2021/22 is to curtail further increases and maintain our £57.4m brought-forward deficit. This is based upon:

- The brought-forward underlying financial position from 2020/21, comprising a £25.0m underlying deficit brought forward into that year and unachieved savings of £32.4m for that year;
- A reasonable assessment of internal and external pressures;
- The additional allocations as detailed in the Allocation Letter received on the 22nd December from Welsh Government (WG);
- Risk assessed identified saving opportunities of £16.1m;
- COVID-19 Pandemic has been separated and will be discussed at section 7;
- Confirmation July 2020 that the Health Board will not have to repay its historic deficit.

The table below illustrating the key elements of this assessment, followed by further comment on the construction of key elements.

Figure A **Summary Financial Plan**	**2021/22** **£'m**	**2021/22** **£'m**
Control Total for 2020/21	25.0	
Unachieved Recurrent Savings 2020/21	32.4	
Opening Position for 2021/22		**57.4**
Assessment of Pay, Prices and Growth		
Pay modelling	7.0	
Primary care prescribing - price	4.0	
Primary care prescribing - growth	1.3	
CHC – price	2.7	

Figure A **Summary Financial Plan**	**2021/22** **£'m**	**2021/22** **£'m**
CHC – growth	0.6	
Secondary care drugs – horizon scanning	2.6	
Revenue consequences of capital schemes	1.5	
Welsh Risk Pool	0.1	
WG core uplift 2021/22	(14.6)	
Pay, Prices and Growth Gap		**5.2**
Other identified pressures		
Secondary care drugs – price and growth	2.1	
WHSSC investment contribution	2.0	
LTA 2% uplifts (net position)	2.0	
LTA high cost drug recharge	0.3	
Birthrate Plus	0.6	
Medical variable pay	0.9	
Nurse Staffing Act (phase 2)	0.3	
Microsoft SLA uplift	0.3	
Legal redress	0.2	
Medical records digitisation	0.3	
Other identified pressures		**9.0**
Investments and Service Developments		
Malnutrition (phase 2)	0.2	
Major Trauma Network (step up)	0.1	
Flu vaccinations 50-65 years cohort	0.4	
Eye Care Sustainability	0.3	
Diabetes strategy	0.4	
Major Trauma Network consultant	0.1	
Specialist palliative care consultants	0.3	
Asylum seekers health needs	0.1	
Investments and Service Developments		**1.9**
Identified saving Opportunities		**(16.1)**
Planned outturn (excluding COVID-19)		**57.4**

Further schedules are available within the technical financial annex to this report.

9. Route Map to Financial Sustainability

Recognising that financial sustainability is essential as we seek to innovate and develop, we have established a risk assessed initial efficiency target of £16.1m for 2021/22. Aligned to HDdUHB's six strategic priorities and longer term strategy.

We have identified 4 themes for improvement which will provide a framework for us to design and develop opportunities for 2021/22 and beyond, underpinned by key components of our 2021/22 to 2022/23 planning objectives. These themes are:

I. Providing system wide integrated community, social and mental health care, managing attendance and admission rates and LOS;

II. Developing and nurturing our substantive workforce and reducing reliance upon agency and locum resource;
III. Developing commissioning opportunities; and
IV. Maintaining grip and control over our resources. Which includes a review of paused 20/21 savings programme and insights from other Health Board programmes.

	Figure B **Improvement Theme**	**Integrated Care and LOS** **£m**	**Commis-sioning** **£m**	**Grip and Control** **£m**	**Full Year Effect** **£m**
1	Maintaining unplanned care	5.1			5.1
	Long length of stay active management	2.5			2.5
	length of stay active management	1.0			1.0
2	Directorate productivity (locum & agency)			1.0	1.0
3	Commissioning grip		0.5		0.5
	Commercial income		0.5		0.5
	R&D sponsorship income		0.5		0.5
4	Procurement			1.0	1.0
	Estates			1.0	1.0
	Corporate and support function consolidation			1.0	1.0
	Productivity, digital, switchboard and command centre			2.0	2.0
	Total (recurrent)	**8.6**	**1.5**	**6.0**	**16.1**

These initiatives, may not begin to crystallise until after we exit the COVID-19 period, where planning assumption at present would be October 2021 onwards and may thereby reduce the in year opportunity accordingly.

Over the medium term, the Health Board is assessing the opportunities to deliver financial sustainability. These include:

- Addressing excessive unscheduled care admissions (c£7m)
- Reassessing skillmix and addressing challenges in workforce recruitment (c£2m)
- Addressing high on-call and 24/7 rotas (c£2.5m)
- Unsustainable ED/MIU provision (c£15m)
- Addressing unsustainable 24/7 provision in support services (c £10m in the medium term, further £10m in the longer term)

Further work will be undertaken over Q1 to assess the deliverable opportunity as part of the development of our Medium Term Financial Plan.

As noted this assessment of potential opportunity will be presented to Board as part of our recovery path and, where approved, will progress to fuller clinical and operational engagement as part of our discover, design and deliver approach.

10. COVID-19 Pandemic – Continued Response and Recovery

Continued Response

Projections here have been modelled based on COVID-19 prevalence as assessed in September 2020 and are summarised in Figure C below. As scenarios and modelling, both locally and nationally continue to evolve, the financial scenarios will be reconsidered through the first two quarters of 2021/22.

Only two elements below have been modelled for the full year; changes in cleaning standards which are expected to thereafter remain in place as a recurrent element, and primary care prescribing which whilst a risk of also becoming a recurrent Non-COVID-19 impact, it is too early to clearly determine.

All other elements are financially modelled to be in place for the first six months of 2021/22.

Field Hospital assumptions:

- Bluestone and Plas Crug decommissioned by 31 March 2021;
- Parc Y Scarlets Barn decommissioning to be finalised during April 2021;
- Selwyn Samuel use reducing through Q1 with peak requirement of 28 beds, contractually committed for full year, however no bed requirement modelled beyond Q1;
- Carmarthen Leisure Centre held in moth-balled state, incurring consequential losses.

As noted in section 2 the costs below do not form part of our summary financial plan, and further noted at section 4 income for these costs has neither been agreed or assumed at this point.

Figure C COVID-19 Response	**Profile**	**Pay £m**	**Non Pay £m**	**TOTAL £m**
Test, Trace and Protect	M01-06	0.2	4.2	4.4
COVID-19 Vaccination Programme	M01-06	1.1	4.5	5.6
Surge Capacity/Field Hospitals	M01-06	0.9	0.5	1.4
Cleaning Standards	M01-12	2.8	0.1	2.9
Primary Care Prescribing	M01-12	0.0	4.4	4.4
PPE	M01-06	0.0	5.3	5.3
Other COVID-19 related spend	M01-06	8.0	6.8	14.8
Savings non-delivery	M01-06	6.2	1.8	8.0
Sub Total COVID-19 additionality		**19.2**	**27.6**	**46.8**

Recovery

As noted quarters 1 and 2 will focus on clinical priorities around Urgent and Suspected cancer as part of the COVID-19 response, at this point anticipating that quarters 3 and 4 will focus on recovery actions. Figure D highlighting ideas and broad indicative full year effect (FYE) financial assessments at this point.

Figure D **COVID-19 Recovery**	**2021/22** **£'m (FYE)**
Third Party Support (Outsourcing): expected to support Urgent and Cancer pathways in Q1-2 and COVID-19 response in Q3-4	7.0
Third Party Support (Insourcing): for services such as Dermatology and Neurology	1.0
Demountable capacity: currently exploring opportunities to create additional operating capacity to aid Recovery, unlikely to begin prior to Q3 FY22, Pay of £1.4m, Non-Pay £2.6m (£14-16m 3yr contract, including initial set-up costs); requires fully costed business case to WG	4.0
Diagnostic Capabilities: to explore opportunities via the National Radiology Board (necessary infrastructure at Prince Phillip Hospital). Capital consequence currently unclear; revenue costs additional external staffing due to existing service staffing fragility	1.1
Staff support: variety of support staff to enable to COVID-19 and Recovery response	0.5
Second CT Scanner Glangwili General Hospital (unapproved capital scheme FY22): staffing and running costs if approved *(capital aspect in annex)*	0.2
Ophthalmology opportunities require scoping	Tbc
Mental Health Recovery Plans under development, focusing on Wellbeing: 1) workforce recovery and resilience, 2) retaining innovation and good practice, 3) service expectations, 4) additional service capacity and equality of access, 5) Children and Young People.	Tbc
Total	**13.8**

Financial plan annex

Section A: Supplementary Information

1 Growth assessment

Within the assessment of pay, prices and growth, please note:

- Underpinning CHC assumptions have aligned inflation to current Local Authority discussions (2.5% Pembrokeshire, 4.0% Carmarthenshire, 7.0% Ceredigion) and based growth upon a three year average of client numbers;
- Prescribing has been modelled from current Category M prices plus estimated further price increase from 1 October 2021 and an item volume growth of 0.5%;
- Secondary care drugs assessment provided by pharmacy team exercise to review current drug pressures and detailed horizon scanning by both drug and directorate.

Within other identified pressures, please also note:

- Provision for WHSSC/EASC developments have not yet been finalised by WHSSC, therefore a best estimate in absence of this information.

2 Underlying Assessment

As described the brought-forward underlying financial position from 2020/21, comprises a £25.0m underlying deficit brought forward into that year and unachieved savings of £32.4m for that year.

In compliance with monthly monitoring return and 2021/22 national financial framework processes Figure B below continues a historic analysis and attribution to clinical and operational directorates.

Figure B **Underlying Deficit Assessment**	**2021/22** **£'m**
Service Area	
Unscheduled Care	(24.6)
Scheduled Care	(9.7)
Commissioned Services	(7.7)
Women & Children's Services	(5.4)
Continuing Healthcare	(3.5)
Executive / corporate areas	(3.4)
Primary Care	(2.6)
Specialised Services	(2.4)
Support Services	(0.5)
Mental Health Services	1.7
Community Services	0.8
Total	**(57.4)**

Within an over-arching purpose of HDdUHB truly understanding our deficit, work is underway to replicate Welsh Government income allocation approaches to internally onward allocate income to county levels. Alongside an expenditure analysis utilising reference cost data, where available, to consider costs from a perspective of patient flow and service consumption. It is envisaged that this approach will then allow moving from Figure B's historical and input cost focused attribution of our deficit to an activity based attribution, crucially in doing so updating from the historic visible effects of financial pressure to a more visible and hence addressable cause based analysis. This will be completed over Q1 2021/22.

3 Income Assumptions

The funding allocation from WG was notified on 22nd December 2020. The current financial plan has the following key assumptions:

- 2% core cost and demand uplift, after top-slice, to base allocation (Discretionary and Ring-fenced) of £14.2m;
- This includes funding to cover the first 1% of agreed pay awards for 2021-22.

Figure C **Revenue allocation category**	**Total Core Allocation 2020/21** **£'m**	**Issued in-year 2020/21** **£'m**	**Additional Core Uplift 2021/22** **£'m**	**Total Core Allocation 2021/22** **£'m**
Hospital, Community and Health Services and Prescribing **(Discretionary)**	624.9	4.2	12.5	641.6
Hospital, Community and Health Services and Prescribing **(Ring Fenced)**	128.8	3.3	1.8	133.9
Directed Expenditure	1.1	0	0	1.1
GMS Contract	70.7	2.3	0	73.0
Community Pharmacy Contract	21.1	0	0.4	21.5
Dental Contract	17.4	0.5	0	17.9
Total	**864.0**	**10.3**	**14.7**	**889.0**

Hospital, Community and Health Services and Prescribing (Discretionary)

The HCHS&P discretionary aspect is distributed using the updated needs-based allocation formula, as first implemented for 2020/21 allocations. This differentially adjusts to bring Health Boards closer to a target share over time. Following additional recurrent funding of £10.0m in our 2020/21 allocation, the Health Board is

close to target share and hence this differential should not have a significant impact for our future planning.

Income that has not yet been agreed from Welsh Government has been excluded from plans, whilst associated costs are in financial plans. These elements are detailed in Figure D below.

Figure D **Income excluded from plan, as not yet confirmed by Welsh Government**	**2021/22 £'m**
WHSSC Major Trauma Network	0.3
Field Hospitals – consequential losses	0.2
Asylum seekers	0.1
Total	**1.2**

Specifically, in relation to the COVID-19 pandemic, plans and activities to effectively recover from the harms and delays caused by the pandemic remain under development and both costs and potential Welsh Government funding are excluded in their entirety from this iteration of the financial plan.

In relation to existing pandemic activities the following income is anticipated from Welsh Government, in common with practices during 2020/21, but have yet to be confirmed. As summarised in Figure E below, for further detail of anticipated costs please refer to section 7.

Figure E (Pandemic specific) **Income excluded from plan, as not yet confirmed by Welsh Government**	**2021/22 £'m**
Recurrent:	
Cleaning Standards	2.9
Non-recurrent:	
Test, Trace & Protect	4.4
Mass COVID-19 vaccination programme	5.6
Flu Immunisations for 50-65yrs cohort	0.5
Total	**13.4**

Hospital, Community and Health Services and Prescribing (Ring Fenced)
The tracking of expenditure against the Mental Health and Learning Disabilities elements of the ring-fence occurs 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.

Other Ring-Fenced Allocations include Dental and Renal Services. It is assumed that savings against any of these respective allocations are reinvested in the same to address 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.

General Medical Services (GMS)

The General Medical Services (GMS) allocation issued to HDdUHB for 2021/22 is based on the 2020/21 allocation plus in-year uplifts, giving a provisional GMS ring-fence allocation for 2021/22 of £73.0m.

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.

Integrated Care Fund (ICF)

Although this Programme was due to come to an end in March 2021, Welsh Government have agreed a one year extension until March 2022, in doing so allowing time for a new approach to regional resourcing to be developed in readiness for April 2022. The ICF allocation for Hywel Dda and the 3 Local Authorities for 2021/22 is £11.4m, and analysed in Figure F below.

Figure F **Integrated Care Fund (ICF)**	**2021/22** **£'m**
Older people	5.6
LD, complex needs, carers	2.4
Children on the edge of care	1.8
IAS	0.4
Dementia	1.2
Total	**11.4**

Expenditure plans for these allocations will be drawn up with partners and be presented to the Finance Committee. The ICF funding is included in the base allocation issued by WG in December 2020, with the exception of Dementia which is expected to be issued during 2021/22.

Long Term Agreements (LTAs) and Other Healthcare Contracts

The pandemic impacting here, leading to pragmatic pan-Wales agreements to move to block arrangements for LTA income, which will continue into the first part of 2021/22. An opening premise of 2% inflationary uplift and predicated on the base being the block sums above. The additional spend is predicated on unavoidable

spend which includes growth, inflation and essential investment, including an assessment of pressure from high cost drug recharges.

In other aspects pandemic population lockdown restrictions have curtailed movement and tourism, leading to a significant reduction to income received from Non-Contracted-Activity (NCA), the CRU (road traffic accidents) and OSV (Overseas Visitors), provision for which has been included at section 7.

4 Capital

The Health Board is anticipating an initial Capital Allocation from Welsh Government for 2021/22 of £12.0m

Figure G **Capital Allocation – Approved Schemes**	**2021/22** **£'m**	**2021/22** **£'m**
Women and Children Phase II	3.3	
MRI scanner	1.3	
Total All Wales capital allocation		4.6
Discretionary Capital allocation		7.4
Total Capital Resource Limit anticipated		**12.0**
Whilst an approved scheme, funding not yet approved:		
Cross Hands Health and Well-being Centre (OBC submitted)	4.3	

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.

For completeness the following are capital scheme proposals at varying stages of development and submission.

Figure H **Business Cases in development, funding not yet approved**	**2021/22** **£'m**	**stage**
Implementation of A Healthier Mid & West Wales: Our Future Generations Living Well *(Costs TBC)*	TBC	PBC in Development
Aseptic Units *(Estimated Scheme Cost £10.1m)*	2.4	SOC Submitted
Major Infrastructure *(Estimated Scheme Cost £118.4m)*	3.0	PBC Submitted
Fire Enforcement PBC Withybush General Hospital and Glangwili General Hospital *(Costs TBC)*	TBC	BJC Submitted

Transforming Mental Health *(Costs TBC)*	TBC	PBC Submitted
Imaging – second CT Scanner Glangwili General Hospital *(Estimated Scheme Cost £2.3m)*	2.3	Local priority
Imaging – replacement CT Scanner Withybush General Hospital *(Estimated Scheme Cost £2.2m)*	2.2	Local priority
Total Cases in development, funding not approved	**9.9**	

Section B

Further to a formal Financial Planning Touch Point meeting, held 3rd March 2021 between HDdUHB finance team and representatives of Welsh Government (WG)

Below is the summary response to this meeting, as received from Hywel Jones, Director, Finance Delivery Unit, 17 March 2021 07:29:

Thanks to you and the team for the time and preparation which went into our recent informal touch point meeting on the development of the Health Board's financial plan. In broad terms we discussed the emerging financial assessment and key issues in the draft financial plan through the structure we've developed through our weekly Directors of Finance meetings. This is with a view to establishing where organisations have certainty, risk, and variability in key assumptions informing the 2021/22 financial outlook at this stage.

The plan is clearly a work in progress and a number of variables continue to be uncertain, therefore, your plan represented best draft estimates and potential risks at this point in time. We also described that Welsh Government had recently secured additional funding for the first six months of 2021/22 to support the ongoing COVID-19 response which at the time of meeting was yet to be allocated. There is an expectation therefore that plan submissions received at the end of March will be a step in the planning process and drafts to form the basis of further review, feedback, and development during Quarter 1, as outlined in Andrew Goodall's letter to CEO's on 11th March 2021.

We will discuss the themes from draft plans and next steps more broadly at Directors of Finance and continue to work with you and the team as the plan continues to develop over the next few months. However specifically for Hywel Dda our reflections at the touch point were:

FDU's Response	Our Actions / response
Overall plan – The transparency of your assessment was clear and helpful, however there was recognition at this stage that this was a financial assessment which had largely been undertaken in isolation of service, activity, and workforce plans at this point. You described an intention to develop a plan which balanced on an in-year basis but would not address the organisations underlying financial position which has deteriorated in 2020/21. Further work was required to triangulate demand and capacity work, with workforce planning to develop an integrated plan. This alongside the materiality of the current draft assessed deficit of £80m as outlined in your	Working closely throughout, specifically in workforce areas where baseline comparisons had taken place as part of the in-year work when completing the Welsh Government Minimum Dataset templates. In re-utilising these for year ahead the additional COVID related aspects have largely been worked on collaboratively, Test Trace & Protect being the area where further work needed to conclude.

FDU's Response	Our Actions / response
slides were a concern at this stage with further work required.	Understandable low ask of operational teams in recent months and uncertainty around COVID scenario modelling for the Health Board have hampered predictive aspects of this work. With greater certainty expected through quarter 1 will take the opportunity to update plans as per WG recommendation.
Underlying Deficit - The underlying deficit is assessed at £57m, consisting of a brought forward underlying position of £25m and £32m representing the recurrent impact of non-delivery of 2020/21 savings. Whilst the impact of savings delivery in 2020/21 as a result of the pandemic is understood in principle, the level of non-delivered savings in 2020/21 and the impact on the carry forward position is high, and was discussed in the session. This position should be evidenced with clarity on what the drivers are in service and workforce terms. We reflected on the themes of the final KPMG report and recognised that 32m of the 57m underlying assessment is a 2020/21 issue and therefore there should be clarity on these drivers. We agreed a follow up meeting would be beneficial on this specific issue and I'll ask Tim to progress this with the team.	As discussed and amended at Finance Committee 25th February, under the same topic heading, work is underway to deliver both an updated analysis in the WG prescribed external format as well as ongoing work to produce an income and activity based analysis for internal discussion.
Allocation assumptions – the detail of your assumptions were helpful and transparent, and these will be reviewed in detail following the draft plan submission on 31st March	Noted
In-year cost pressures – of the new year pressures we focussed on prescribing and CHC as being the material drivers of net cost growth at around £8m combined. This required further work and clarity in terms of the robustness of this assessment, and it was acknowledged that further work was required in this area on a local and national basis	Internally the Business Partnering and Commissioning teams are continuing to take forward more detailed analysis, and would also participate in any nationally led exercises.
Savings – you outlined £16m of savings opportunities in-year which were in development and we discussed the need to be clear on the level of savings that had robust plans and confidence at this stage, and those which remained opportunities for future implementation. We also discussed the need to be clear on any plans which would be impacted by the ongoing COVID-19 response	Linking to COVID note in 'overall plan' answer above and particularly pandemic scenario uncertainty. Pragmatically therefore, in line with COVID response within the plan, no savings would be expected to arise within the first six months, and thereafter assumed to begin

FDU's Response	Our Actions / response
and having a realistic assessment of when plans would be implemented linked to a return to baseline service provision as appropriate.	delivering. Half in 2021/22, full year effect thereafter. However engagement and testing activities are underway, with a view to implementing as soon as feasible. Existing monthly savings response requirements will keep WG clearly informed of actual progress. *Also noted section 9 of plan*
COVID-19 Response – plans remained in constant development, and we discussed the current presentation of directorate based cost assessments would be beneficial if categorised in programme terms. You also described that costs were net of under-spends related to a reduction in non COVID related activity therefore it would be helpful to understand the gross cost of COVID response plans and under-spend associated with reduced non COVID activity. We also reflected it would be beneficial to have clarity on areas of confidence and certainty, and areas of variability given the continually evolving nature of the pandemic response.	Again linked to greater certainty and planning of COVID scenarios. We have endeavoured to answer this the additional analysis requested, as far as feasible at this point, through the financial tables of the prescribed Minimum Data Set response, to be submitted by end of March 2021. *Also discussed at section 10 of plan*
Capital – Welsh Government colleagues were sighted on the programmes highlighted in your presentation and specific items of follow-up would be taken forward with you by capital colleagues	Capital team informed of meeting outcome but actions largely with WG team, where regular communication exists.