

Executive Summary

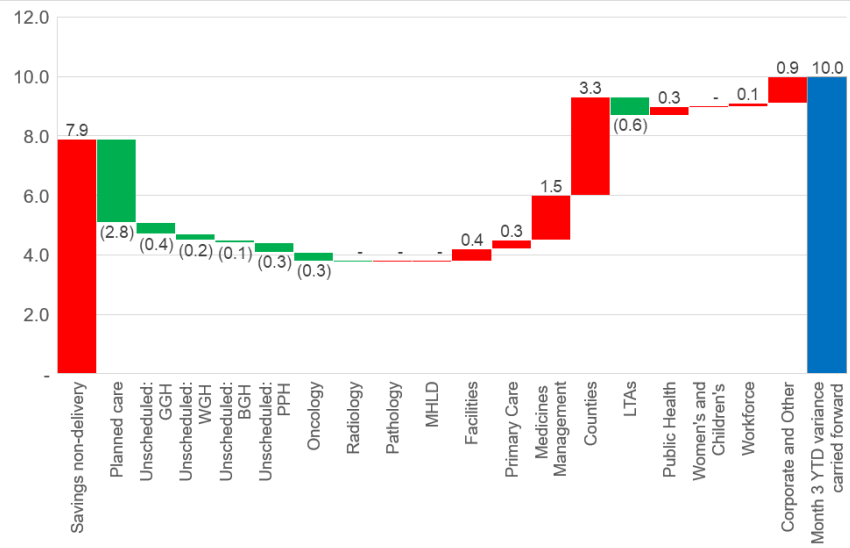
	<p style="text-align: center;">The Health Board's agreed Financial Plan is to deliver a deficit of £25m, after savings of £34.2m</p> <p style="text-align: center;">The impact of the COVID-19 pandemic presents an unprecedented significant risk to the financial position.</p>
Revenue	<ul style="list-style-type: none"> Month 3 variance to breakeven is £1.5m (Month 2, £8.4m). The underlying in-month variance was £12.3m; however one-off Quarter 1 Welsh Government (WG) funding for COVID-19-related pay and Field Hospital set-up costs totalling £10.8m was recognised in month. Month 3 position is a favourable operational variance of £0.6m to plan (Month 2, £6.4m adverse). Underlying in-month variance was £11.4m, excluding WG COVID-19 funding. The additionality of costs incurred in Month 3 due to the impact of the COVID-19 pandemic is £12.2m (Month 2, £9.8m), with underspends repurposed of £2.0m (Month 2, £3.5m). Further Year-To-Date (YTD) impact of Medical pay circular partly reflected in Month 3, based on additional enhanced rosters available. Further increase in spend in relation to fixed-term additional staff recruited in response to COVID-19. Field Hospital revenue set-up costs incurred in month for Ceredigion and Pembrokeshire sites. No additional funding in relation to the COVID-19 pandemic has been assumed in the reported position.
Projection	<ul style="list-style-type: none"> The funding arrangements for the Health Board's (HB) response to the COVID-19 pandemic remain uncertain, and therefore there is a risk that the HB's financial position may be adversely affected. Both identified and as-yet unidentified savings schemes included in the Financial Plan are also at risk of non-delivery due to the operational focus being diverted to respond to COVID-19, and where identified schemes are not supportive of the response needed. Without additional funding from WG, the HB will not achieve its revenue funding limit of £25m. Similarly, discussions are on-going for additional funding to support the non-delivery of the HB's savings target.
Savings	<ul style="list-style-type: none"> In-month delivery of £0.2m, which is £0.1m below plan, which is directly attributable to the COVID-19 pandemic. Green and Amber plans of £5.6m identified to Month 3, 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	<ul style="list-style-type: none"> Carmarthenshire Field Hospital revenue-related set-up costs to be agreed with Local Authority colleagues. Deep dive planned to identify savings and cost reduction opportunities. Clarify which current escalation measures can be safely and appropriately de-escalated/ decommissioned and which ceased/ deferred services/ activities can be recommenced. Continue to work with WG to understand the level of future funding arrangements, as these remain uncertain.

Executive Summary

	<p>Hywel Dda University Health Board is grateful for the Cabinet Secretary’s announcement regarding the write-off of historical cash support received by the HB, and will explore the implications of the announcement on the HB’s three-year breakeven duty with WG colleagues.</p>																																				
	<p>Summary of Key Financial Targets</p>																																				
	<p>The HB’s key targets are as follows:</p> <ul style="list-style-type: none"> • Revenue: to contain the overspend within the HB’s planned deficit. • Savings: to deliver savings plans to enable the revenue budget to be achieved • Capital: to contain expenditure within the agreed limit • PSPP: to pay 95% of Non-NHS invoices within 30 days of receipt of a valid invoice <p>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 used (for the HB, this is approximately £4.0m).</p> <table border="1" data-bbox="369 691 1330 1003"> <thead> <tr> <th>Key Target</th> <th></th> <th>Annual Limit</th> <th>YTD Limit</th> <th>Actual Delivery</th> <th>Forecast Risk</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>£’m</td> <td>25.0</td> <td>6.3</td> <td>16.2</td> <td></td> </tr> <tr> <td>Savings</td> <td>£’m</td> <td>34.2</td> <td>8.6</td> <td>0.6</td> <td></td> </tr> <tr> <td>Capital</td> <td>£’m</td> <td>26.3</td> <td>8.1</td> <td>8.1</td> <td>High</td> </tr> <tr> <td>Non-NHS PSPP</td> <td>%</td> <td>95.0</td> <td>95.0</td> <td>97.1</td> <td>Medium</td> </tr> <tr> <td>Period End Cash</td> <td>£’m</td> <td>4.0</td> <td>4.0</td> <td>1.5</td> <td>Medium</td> </tr> </tbody> </table> <p>Without additional funding from WG, the HB will not achieve its revenue funding limit. Similarly, discussions are on-going regarding additional funding to support the non-delivery of the HB’s savings target.</p> <p>The Non-NHS PSPP risk has been rated ‘Medium’, given the increase in volume of supplier payments due to the impact of COVID-19.</p>	Key Target		Annual Limit	YTD Limit	Actual Delivery	Forecast Risk	Revenue	£’m	25.0	6.3	16.2		Savings	£’m	34.2	8.6	0.6		Capital	£’m	26.3	8.1	8.1	High	Non-NHS PSPP	%	95.0	95.0	97.1	Medium	Period End Cash	£’m	4.0	4.0	1.5	Medium
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Revenue Summary

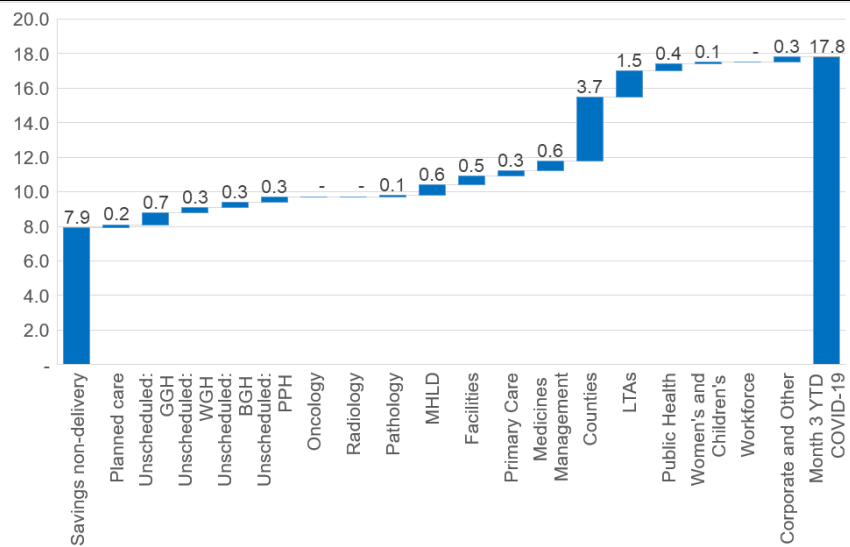
YTD Variance by Directorate (against Plan)



Key drivers of YTD position:

- **Savings non-delivery (£7.9m):** As a direct consequence of COVID-19, directorates have been unable to execute or identify additional savings plans as efforts have been re-purposed to respond to the pandemic.
- **Counties (£3.3m):** The cost of setting up and operating the various Field Hospitals with the HB's localities are contained within Finance Directorate.
- **Medicines Management (£1.5m):** Pressures continue within Category M Drugs where price increases are being seen nationally. Cost pressures are also being identified in the use of Novel Oral Anticoagulant Drugs (NOACs) and higher levels of No Cheaper Source Obtainable (NCSO) drugs.
- **Planned Care (-£2.8m):** Underspend primarily driven by a reduction in non-pay due to reduced activity in elective services.

YTD Variance by Directorate (COVID-19 only)

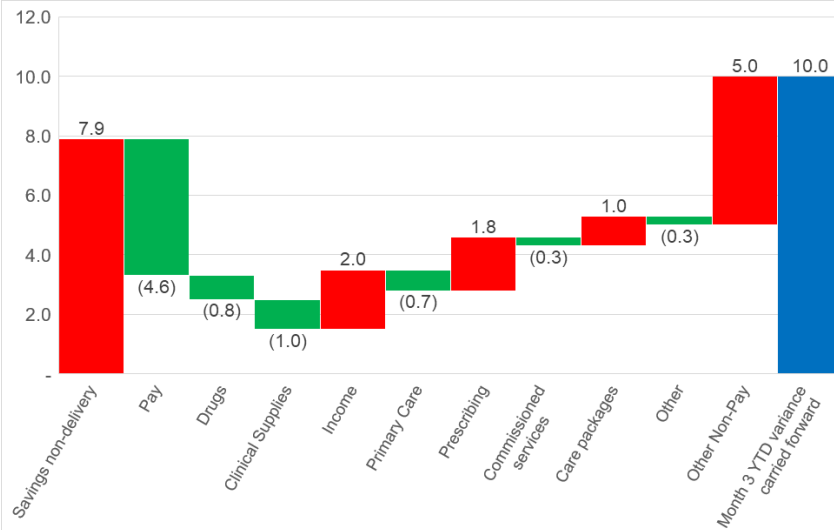


Key drivers of COVID-19 YTD position over and above what is reported above:

- **Long Term Agreements (LTAs) (£1.5m):** Loss in Non-Contract Activity (NCA) income as lockdown restrictions have impacted the tourism industry, which in turn has reduced visitors outside the HB area accessing services.

Revenue Summary

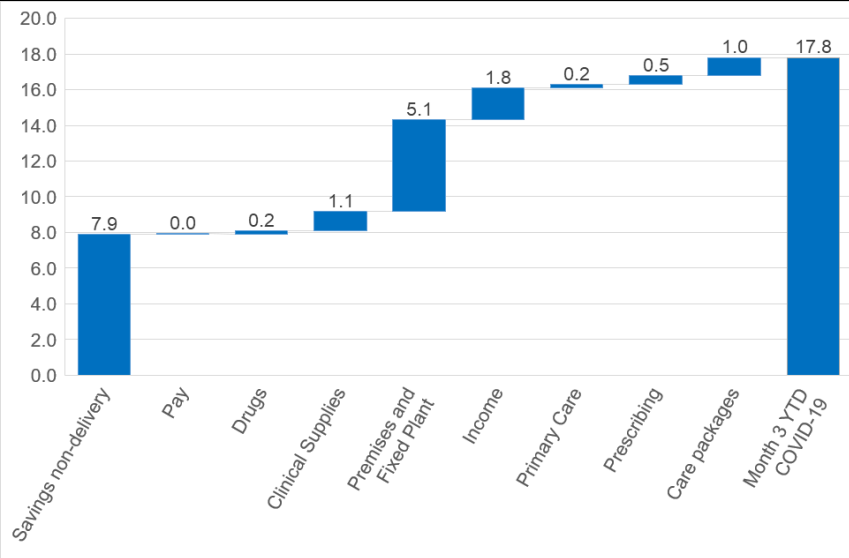
YTD Variance by Subjective (against Plan)



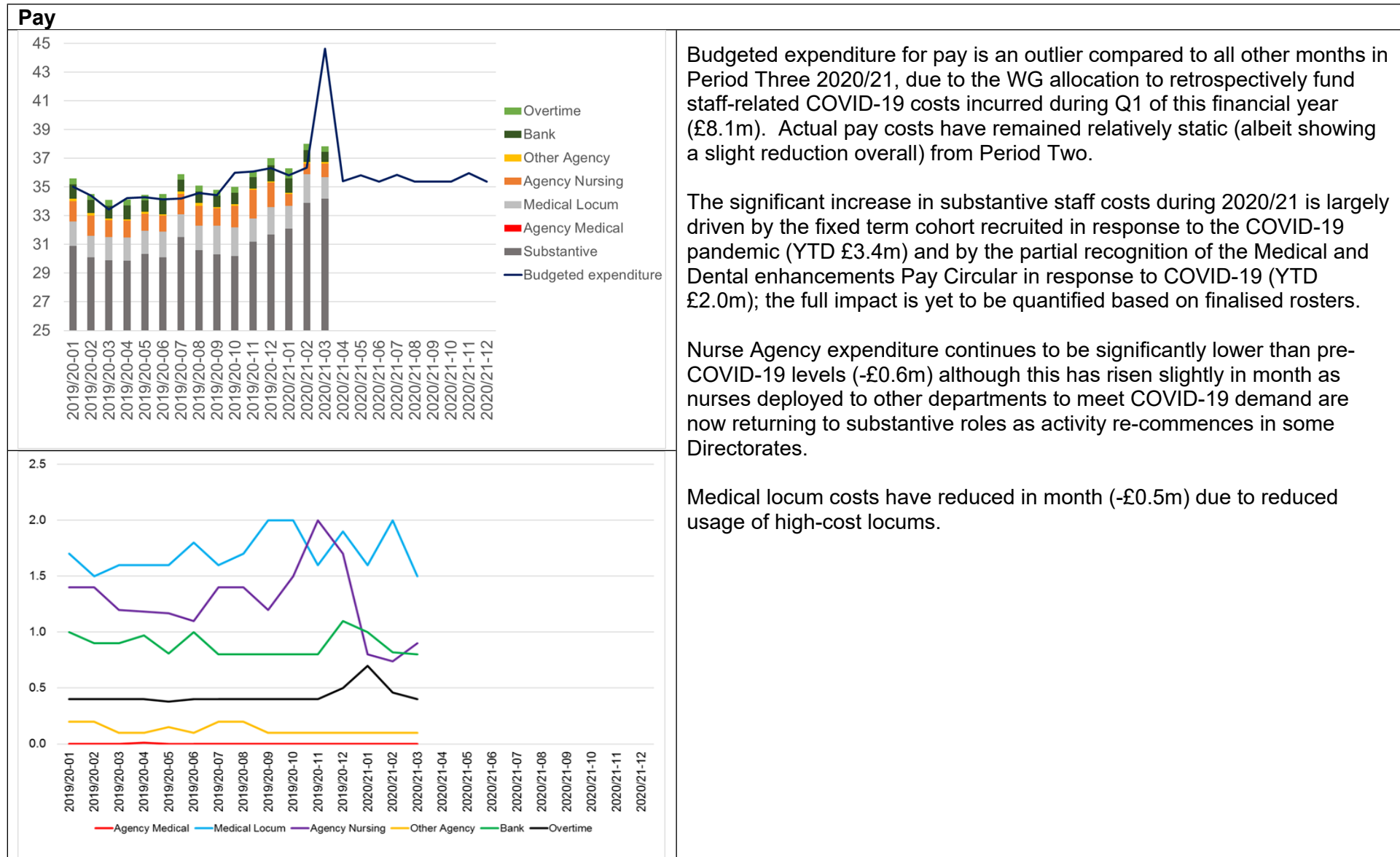
Key drivers of YTD position:

- **Savings non-delivery (£7.9m):** As a direct consequence of COVID-19, directorates have been unable to execute or identify additional savings plans as efforts are re-purposed to respond to the pandemic.
- **Other non-pay (£5.0m):** Primarily driven by premises costs (£5.1m) which are directly attributable to the COVID-19 response (with particular reference to the Field Hospital sites).
- **Income (£2m):** As referenced in the previous slide, income generated from NCA activity has been impacted by the lockdown restrictions (£1.5m); we have also seen a deterioration in income within hospital sites due to lower patient numbers accessing commercial and hospitality facilities.
- **Prescribing (£1.8m):** See detailed analysis in Key Subjective Summary slides.
- **Care packages (£1m):** Additional costs have been incurred due to the expedited discharge of Continuing Healthcare (CHC) patients and patients being placed in out-of-area accommodation.
- **Pay (-£4.6m):** See detailed analysis in Key Subjective Summary slides. Month 3 shows a significant reduction in pay variance as this is distorted by the full Quarter 1 allocation for COVID-19 additional pay costs (£8.1m).
- **Drugs & Clinical supplies (-£1.8m):** Underspend primarily driven by reduced activity in elective services within Planned Care (-£2.8m) offset by increased spends as a result of COVID-19 (£1.3m).

YTD Variance by Subjective (COVID-19 only)



Key Subjective Summary



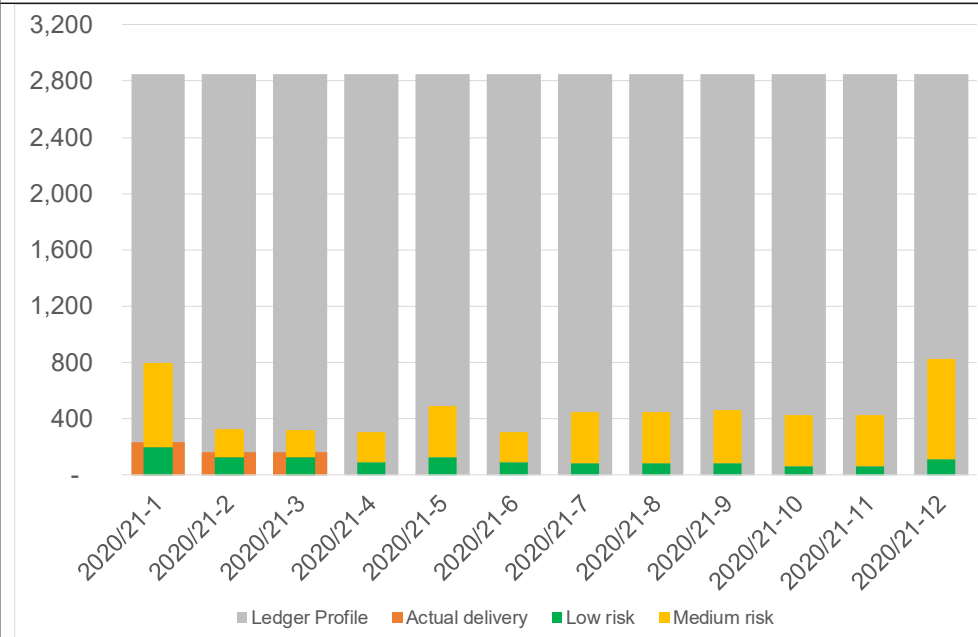
Key Subjective Summary

CHC	
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>The total number of cases decreased in month, mainly due to reduced admissions within Pembrokeshire facilities.</p> <p>A number of expedited discharges from acute settings in response to COVID-19 have resulted in the need to utilise packages of care at a premium rate.</p> <p>Actionable Insight: undertake financial assessment of the potential long-term implications of the expedited discharge arrangements, including options for the transfer of care packages to reduce the premium rate.</p>
Secondary Care Drugs	
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>Drug spend has increased in Period Three due to activity re-commencing in a number of Directorates, notably Oncology (£170k) and Planned Care (£97k).</p>

Key Subjective Summary

Clinical Supplies and Services	
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>An in-month increase in Medical and Surgical equipment spend has occurred as activity has re-commenced in a number of Directorates across all acute sites.</p> <p>Actionable Insight: costs are primarily driven by operational demand as elective activity increases, with requirements to meet performance targets such as Referral to Treatment (RTT) times. This will impact the financial forecast.</p>
Primary Care Prescribing	
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>Pressures continue in the Category M drugs outturn following the price increase from August 2019, despite an increase in budget during the 2020/21 financial planning process. The HB continues to see an increase in the use of NOACs as a result of the operation of the new NOAC Enhanced Service in General Medical Services.</p> <p>A further cost pressure has been recognised in Month 3 for the impact of higher levels of No Cheaper Source Obtainable (NCSO) drugs incurred since March 2020.</p> <p>There is circumstantial evidence indicating increased costs with Direct Acting Oral Anticoagulants replacing Warfarin in response to COVID-19; however the data to quantify this will not be available until the Month 4 submission.</p>

Risk-Assessed Directorate Savings Profile, Delivery and Forecast



Assurance

- Green and Amber plans of £5.6m identified to Month 3, 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.
- In-month delivery of £0.2m, which is £0.1m below plan, which is directly attributable to the COVID-19 pandemic.

Concerns

- The unprecedented circumstances mean that operational focus is diverted to the organisation's response to COVID-19, and therefore not to the delivery or identification of further savings schemes that are not supportive of the response to the pandemic.

Actionable Insights:

- Refresh the Opportunities Framework to identify alternative ways of working in response to COVID-19 that may result in cost reductions/ formal savings schemes identified.
- Further develop and embed the Value for Money Framework, alongside existing financial governance arrangements, within the organisation's decision-making processes.
- Carry out a deep dive assessment of identified schemes which are not delivering.