

**COFNODION HEB EU CYMERADWYO O GYFARFOD Y PWYLLGOR CYLLID/  
APPROVED MINUTES OF THE FINANCE COMMITTEE MEETING**

<b>Date and Time of Meeting:</b>	Tuesday 26 <sup>th</sup> May 2020, 9.00 am – 11.00 pm
<b>Venue:</b>	Boardroom, Ystwyth Building, St. David's Park, Carmarthen

<b>Present:</b>	Mr Michael Hearty, Associate Member, Committee Chair (VC) Mr Mike Lewis, Independent Member, Committee Vice Chair (VC) Mrs Judith Hardisty, Vice Chair, Hywel Dda University Health Board (VC) Mr Paul Newman, Independent Member (VC) Mr Maynard Davies, Independent Member (VC) Ms Anne Beegan, Performance Audit Manager, Audit Wales (VC)
<b>In Attendance:</b>	Miss Maria Battle, Chair, Hywel Dda University Health Board Mr Steve Moore, Chief Executive Mr Huw Thomas, Executive Director of Finance Mrs Joanne Wilson, Board Secretary Mr Andrew Carruthers, Director of Operations (part) Mrs Libby Ryan-Davies, Strategic Programme Director Mr Shaun Ayres, Assistant Director of Value Based Contracting Ms Sonja Wright, Committee Services Officer (Secretariat)

AGENDA ITEM	ITEM	
FC(20)61	<b>INTRODUCTIONS AND APOLOGIES FOR ABSENCE</b>	<b>Action</b>
	The Chair, Mr Michael Hearty, welcomed all to the meeting. No apologies were received.	
FC(20)62	<b>DECLARATIONS OF INTERESTS</b>	
	There were no declarations of interest.	
FC(20)63	<b>MINUTES OF PREVIOUS MEETING HELD ON 28<sup>th</sup> APRIL 2020</b>	
	The minutes of the Finance Committee meeting held on 28 <sup>th</sup> April 2020 were <b>ACCEPTED</b> as an accurate record.	
	<b>RESOLVED</b> – that the minutes of the Finance Committee meeting held on 28 <sup>th</sup> April 2020 be <b>APPROVED</b> as an accurate record.	
FC(20)64	<b>MATTERS ARISING AND TABLE OF ACTIONS FROM THE MEETING HELD ON 28<sup>th</sup> APRIL 2020</b>	
	An update was provided on the Table of Actions from the meeting held on 28 <sup>th</sup> April 2020 and confirmation received that all outstanding actions had	

been completed or were forward-planned for a future Finance Committee meeting.

FC(20)65

### FINANCIAL PERFORMANCE PRESENTATION/ FINANCE REPORT MONTH 1 2020/21

Members were presented with the Month 1 2020/21 Finance Report and Mr Huw Thomas outlined the following key issues:

- A significant risk to the Hywel Dda University Health Board's (HDdUHB) Financial Plan 2020/21 to deliver a £25m deficit was highlighted. The operational Variance to Plan for Month 1 is £4.2m, with additional costs of £6.7m due to the impact of the COVID-19 pandemic. This net position of £4.2m has been divided into 2 elements: additional costs and savings not delivered. While there has been delivery of some savings, these have been very marginal compared with requirements.
- There has been a significant reduction in the use of Agency Nurse staff, due to service changes in response to the COVID-19 pandemic, reduced activity in Acute hospital sites and increased usage of Health Care Support Workers and Bank staff. A steady reduction in agency usage, reflected in the trajectory for Month 1, will hopefully lead to an improved (reduced) agency use position for Month 2, while future nursing demand will form a key element of Health Board (HB) planning.
- In response to a query regarding the financial flow between Community services and hospitals, and the ability to track and report the financial impact of actions and expenditure between these service areas, Members were advised that Finance Directorate is developing a reporting framework which aligns operational drivers and decisions with their financial consequences.
- An increase in actual expenditure relating to the number of Continuing Healthcare cases in month is mainly attributable to the Learning Disabilities (LD) patient cohort; however, this reflects the fact that, while LD patient numbers are low, expensive packages of care are required for their expedited discharge from Acute hospital settings in response to COVID-19 pressures. Members were assured that this expenditure would not form a pattern for future months.

Mr Michael Hearty expressed concern regarding potential future coinciding pressures resulting from a combination of Welsh Government (WG) expectations regarding HDdUHB's financial position, the as-yet unquantified monetary implications of the COVID-19 response, and the development of transformative plans to shape the organisation's financial management over the longer-term. Mr Thomas added that the funding and resource envelope (and therefore the financial restraints within which the Health Board will need to work during 2020/21), are not yet fully defined.

	The Committee <b>NOTED and DISCUSSED</b> the financial position for Month 1 2020/21.	

<b>FC(20)66</b>	<b>DRAFT ANNUAL ACCOUNTS 2019/20</b>	
	<p>Members received the Draft Annual Accounts for 2019/20 for discussion. Mr Thomas requested that any variances identified in the accounts be raised with him outside of the meeting, and highlighted the following key points:</p> <ul style="list-style-type: none"> <li>• In terms of statutory expenditure targets, while HDdUHB has not met the Revenue Resource Performance target for 2019/20, Year 2 and Year 3 overspend positions have been steady, and represent a significant improvement upon the overspend position for Year 1. The Capital Resource Performance target has been achieved, reflecting a slight underspend, which had been agreed with WG. The target relating to the preparation of a 3-Year plan has not been achieved, as work upon some constituent elements of the plan is still underway.</li> <li>• An increased spend at Month 12 2019/20 of £1.6m is attributable mainly to the estimating techniques used in relation to annual leave accruals, to non-pay items in the form of stock held by the Health Board at year-end , and to the impact of Primary Care prescribing, which will be subject to discussion with Audit Wales and the Board.</li> </ul>	<b>All</b>
	The Committee <b>NOTED</b> the Draft Statutory Annual Accounts	

<b>FC(20)67</b>	<b>CAPITAL FINANCIAL MANAGEMENT</b>	
	<p>Members were presented with the Capital Financial Management report, providing the most recent update in regard to the All-Wales Capital Programme (AWCP) and the Capital Resource Limit (CRL) for 2020/21.</p> <p>No queries or issues were raised by Members with regard to the content of the report.</p> <p>Mr Thomas advised Members that an allocation for Advance Fire Compliance works at Withybush General Hospital (£0.35m) is pending, and that the expenditure profile for 2020/21 reflected a sensible spread of cashflow across the period.</p>	
	<p>The Committee</p> <ul style="list-style-type: none"> <li>• <b>NOTED</b> the Capital Resource Limit for 2020/21 together with expenditure allocations and profile;</li> <li>• <b>NOTED</b> the value of capital expenditure currently committed to deal with COVID-19 for 2020/21</li> </ul>	

FC(20)68	<p><b>HEALTHCARE CONTRACTING REPORT</b></p> <p>The Committee received the Healthcare Contracting Report, providing the Year End position in relation to Long Term Agreements (LTAs) and the agreed contract values for 2020/21, together with details of the HB approach to contracting for Q1 and the response to COVID-19 demands.</p> <p>Members were advised that while HDdUHB expenditure on LTAs signified an over-plan performance of £388k, this represented an improvement upon a previously anticipated over-plan expenditure of £1.3m. Members were further informed that 30% of the improved expenditure position (i.e. £1m) could be attributed to increased scrutiny and challenge applied to the activity datasets received for the LTAs by the HDdUHB Healthcare Contracting Team, and an enhanced focus upon negotiating and closing out liability associated with non-contract activity. Members were further advised that whether or not this improvement can be sustained will become clearer with the termination of block contracting arrangements; consideration will then need to be applied to the effective management of over-performance and above-plan payments to other providers.</p> <p>With regard to contract values for 2020/21, Members' attention was drawn to the fact that while all LTAs held by HDdUHB are currently based upon block contracts (as per WG guidance), with no deviation from plan and performance to take into account, there will be a risk from Q2 onwards in terms of managing over/ under performance for the final part of the year, once the Health Board moves away from block contract arrangements. This will be particularly evident in relation to the LTAs held with English Trusts and Providers, where the unfeasibility of transfer of HDdUHB COVID-positive patients precludes any benefit for the Health Board in terms of value for money.</p> <p>The Committee <b>NOTED</b> the content of the Healthcare Contracting report and the steps being taken to manage contracts in 20/2021.</p>	
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FC(20)69	<p><b>Q1 OPERATIONAL PLAN</b></p> <p><i>Mr Andrew Carruthers joined the Committee meeting</i></p> <p>Members received a report outlining HDdUHB's Q1 response to the COVID-19 NHS Wales Operating Framework issued by WG on the 6<sup>th</sup> May 2020, noting that following its review by the Finance Committee, the report would be presented to the Public Board meeting on 28<sup>th</sup> May 2020.</p> <p>Mr Andrew Carruthers advised the Committee that WG will continue to require a quarterly response from the Health Board regarding its capacity to accommodate any future surge in demand and to continue to provide essential services. While the Q1 response reflects specific areas of focus as specified by WG, the Q2 response will include an emphasis upon Winter planning and contingency planning for a potential further COVID-19 outbreak.</p> <p>Mr Carruthers highlighted the discipline demonstrated by the organisation in drawing together and presenting all relevant information in one place as</p>	
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a coherent and co-ordinated response. Mr Carruthers further commented upon the innovative and creative responses to operational demands that had been evinced by HB Managers and their teams, particularly with regard to re-configuring Acute hospital sites to accommodate red and Green COVID-19 pathways, and in accelerating the delivery of strategies, for example those relating to the provision of Mental Health services. Members were further apprised of WG's favourable commentary upon the Health Board's response to operational demands.

Members were informed that HDdUHB's self-assessment of the maintenance of Essential Services during the pandemic showed the Health Board to be compliant with the relevant guidance, with any areas of non-compliance relating to services which are not directly provided by the organisation. In response to concerns raised by Mrs Judith Hardisty regarding lack of reference to Mental Health and Learning Disability (MHL) costs in the financial forecasting paper (Appendix 2), and to future MHL demand, Mr Carruthers explained that an apparent reduction in demand was due to suspension of MHL services, and assured Members that work is now ongoing to encourage patients to access services through the established routes. In the context of pent-up demand manifesting with the resumption of services, not limited to MHL, Mr Thomas drew Members' attention to the fact that additional costs associated with this potential demand are not included in the HB response.

Members' attention was drawn to the emerging benefits of increased investment in digital technology on the part of the Health Board in response to the need to provide alternative means of clinician-patient consultations (virtual clinics) in order to support a reduction in patient footfall through Acute hospital sites. Members agreed that these innovations should continue to be supported in the future provision of services. In response to a query from Mr Maynard Davies regarding evaluation of the financial and qualitative risks and benefits deriving from the implementation of digital technological solutions, Mr Thomas confirmed that the Opportunities Framework will be critical to understanding the impact of COVID-19 response measures, adding however that impact assessment is currently challenging, given the lack of clarity regarding the Health Board's financial settlement for 2020/21.

Mr Carruthers highlighted the challenges in reinstating elective work within all HDdUHB sites, due to pre-admission pathway and theatre sterilisation requirements, which significantly increased the length of time required to undertake even routine surgical procedures. Mr Carruthers assured Members that, notwithstanding this significant reduction in surgical capacity, the intention is to re-start all Urgent and Cancer diagnostic and surgical treatments within Health Board sites.

Mr Paul Newman queried the extent to which the Health Board will seek to gather information regarding patient experience in order to provide an overview of effective practice and to inform the development of improved efficiencies. In response, Mr Carruthers referenced survey exercises currently undertaken by the Community Health Council and planned by

	<p>HDdUHB Patient Experience Team, which will provide the opportunity for an increased patient focus in planning and administration.</p> <p>Mr Hearty commented upon the richness of evidential detail captured in the HDdUHB response, adding that he was assured to see this reflected in other agenda items relating to governance, financial management, and the identification of decision-making based upon value-for-money considerations. He also observed that the effectiveness of the activity described in the response will only prove beneficial if it is carried forwards on a 'business as usual' basis, and not only as a WG requirement. Mr Thomas responded that consideration has been given as to how best to incorporate operational changes and innovations within a 12-month planning cycle, and to align them with long-term planning assumptions. In this context, Miss Maria Battle emphasised the linkage between the work described in the response paper, the outcomes arising from application of the Opportunities Framework and work undertaken by the HDdUHB Transformation Steering Group, and added her commendation for the comprehensive planning undertaken by all Health Board managers and their teams.</p> <p><i>Mr Andrew Carruthers left the Committee meeting</i></p>	
	<p>The Committee <b>NOTED</b> and <b>DISCUSSED</b> the financial consequences of HDdUHB's Q1 response to the COVID-19 NHS Wales Operating Framework, in advance of its submission to Board.</p>	

<p><b>FC(20)70</b></p>	<p><b>CORPORATE RISKS</b></p> <p>Members received the Corporate Risks report, which has been refreshed to identify 2 risks assigned to the Finance Committee from the 28 currently recorded in the Corporate Risk Register:</p> <ul style="list-style-type: none"> <li>• 856: Risk to delivery of the Financial Plan for 2020/21;</li> <li>• 646: Ability to achieve financial stability over the medium term.</li> </ul> <p>Mr Thomas advised Members that, with regard to delivery of the Financial Plan for 2020/21, the funding envelope is as yet unspecified, adding that in-year uncertainty, and therefore in-year impact, was of less concern than the lack of savings delivery, which will either need to be funded recurrently by WG as part of the baseline, or will increase the Health Board's underlying deficit for 2021/22 (to stand at £30m).</p> <p>Of further obvious concern is the future impact of un-met need and pent-up demand, resulting from suspension of services during the COVID-19 pandemic. Mr Thomas highlighted opportunities to work with the HB Transformation Steering Group and to utilise the Opportunities Framework in order to identify how the Health Board can deliver savings without transacting them i.e. increase productivity within the system rather than drawing cash out.</p> <p>Mr Hearty highlighted that, until and unless there is provision to transfer the risk to WG, the in-year risk to savings delivery will need to be tolerated by</p>	<p><b>HT</b></p>
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	<p>the organisation, and that this tolerance will need to be made explicit in the relevant paperwork. Mr Hearty added that, in accordance with the aim of balancing short-term 2020/21 risks with breaking even in the medium term, part of the Health Board's mitigation will be to make clear that the organisation can manage the 2020/21 risks effectively. Mr Hearty concluded by confirming that, with regard to the recommendations made in the Corporate Risks report - i.e. to seek assurance that identified controls are working effectively, and that all planned actions will be implemented to reduce risk - whilst the Committee had discussed controls and planned actions, due to current uncertainties, it is unable to fully present its assurance to the Board.</p>	
	<p>The Committee <b>NOTED</b> the Corporate Risks report.</p>	

<p><b>FC(20)71</b></p>	<p><b>FINANCE OPERATIONAL RISKS</b></p> <p>Members were presented with the Finance Operational Risks report, providing a summary of 12 operational risks which have been extracted from the <i>Datix</i> database and assigned to the Finance Committee as the 'Assuring Committee'.</p> <p>Members were assured that HDdUHB operational teams are reviewing their individual risks and that the development of COVID-19-specific risks is being progressed.</p> <p>With regard to risk 817 (<i>Inability to meet financial target due to increased costs for Category M drugs</i>), Mrs Hardisty queried whether it is technically possible to include a risk on the system which is recorded as being 'beyond the Health Board's control'. Mr Thomas agreed that, while from an individual Directorate perspective there is little that can be done to mitigate this risk, further work can be done at corporate level to reduce the impact.</p> <p>Members were further assured that further work is being undertaken by the Executive Directors and their teams to update and refresh the operational risk registers to ensure the risks are scored appropriately and are reflective of the new risks, which have emerged due to the COVID-19 pandemic. Mrs Wilson reminded Members of the recommendations and approvals that the Board had made at its meeting in April 2020 in respect of the management of risks and audit reports during this COVID-19 pandemic. Furthermore, support is being provided to the services by the Assurance and Risk Team.</p>	
	<p>The Committee <b>NOTED</b> the Financial Operational Risks report.</p>	

<p><b>FC(20)72</b></p>	<p><b>FINANCIAL GOVERNANCE AND VALUE FOR MONEY CONSIDERATIONS – COVID 19</b></p> <p>Members received the Financial Governance and Value for Money Considerations – COVID-19 Report for review, prior to its presentation to the Board at its meeting to be held 28<sup>th</sup> May 2020.</p> <p>Mr Thomas highlighted the following key points:</p>	
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- There has been no change to the HDdUHB Scheme of Delegation during the COVID-19 pandemic response; all HB Budget Managers have been reminded of these delegations via a letter from the Chief Executive.
- As a result of the pandemic response, certain decisions were required to be made at pace, and this is reflected in the report.
- The cost of additional staff to support the HB's response to the pandemic (£10.8m) has been included in financial forecasting, and has been approved at Executive level by Gold Command Group.
- The use of £25k as a threshold figure in recording the value of orders placed by the HB for goods and services is predicated upon the normal requirement to go out to tender for orders of or above this figure.
- Value for Money principles have been applied wherever possible to specify which ordered items can be used or re-purposed, stock-piled or disposed of, with decisions having been approved by Gold Command Group.
- In respect of contractual liability applicable to orders and contracts cancelled early, Members were assured that no penalties would be applied in the event of early cancellation.

Mr Mike Lewis remarked upon HDdUHB's outstanding achievement in terms of effective procurement over a short time period, ensuring that patient safety considerations were balanced with the need to expedite delivery lead-in times. Mr Thomas added that, while the HB procurement strategy during the pandemic has allowed for a degree of relaxation of the normal limitations applying to orders in order to expedite delivery of equipment, appropriate governance must, and will, be maintained. Mr Thomas also noted opportunities for the organisation to adopt a more flexible approach towards engaging more actively with the local economy in order to generate robust supply chains, in addition to utilising the 'Once for Wales' national procurement route.

Mrs Hardisty remarked upon a reference to the standardised approach applied to the procurement of equipment in terms of make and model ordered, and requested confirmation that this practice would continue. Mr Thomas responded that efforts will be made to maintain a standardised approach where this represents value-for-money, however added that there is a possibility that ordering behaviour will 'revert' once the pandemic has abated.

In response to a query from Mr Newman regarding the organisation's storage capacity for stockpiled goods, Mr Thomas observed that the use of these goods requires national discussion, and that costs and risks associated with HB stocks will be discussed by the Audit and Risk Assurance Committee.

The Committee **NOTED** the work undertaken to regularise HB expenditure upon goods and services within the Scheme of Delegation.



FC(20)73	<b>COVID-19 FINANCIAL REPORTING AND FORECASTING PRINCIPLES</b>	
	<p>Members received the COVID-19 Financial Reporting and Forecasting Principles Report, outlining the Health Board’s approach to internal and external reporting and forecasting of the financial implications arising from the response to the COVID-19 pandemic.</p> <p>There were no questions or comments from Members in relation to the report contents.</p>	
	<p>The Committee <b>NOTED</b> the Health Board’s COVID-19 financial reporting and forecasting principles.</p>	
FC(20)74	<b>VALUE FOR MONEY FRAMEWORK</b>	
	<p>Members were informed that the Value for Money Framework has been introduced in order to guide the development of a creative and flexible approach on the part of Finance Directorate and the wider organisation to the recovery of operations, and to support post-COVID-19 decision-making to ensure the economic, efficient and equitable use of resources to achieve best outcomes.</p> <p>Mr Thomas assured Members that while the Health Board is aiming to develop an approach to financial decision-making which is based upon increased flexibility and collegiate working, this will not entail the abdication of any degree of fiscal control on the part of the Finance Directorate.</p>	
	<p>The Committee <b>NOTED</b> the Value for Money Framework Report.</p>	
FC(20)75	<b>REFLECTIVE SUMMARY</b>	
	<p>Mr Thomas outlined the key topics discussed during the meeting for inclusion in the Finance Committee Update Report to the next Public Board meeting:</p> <ul style="list-style-type: none"> <li>• The Month 1 2020/21 financial position for the Health Board reflects the impact of the COVID-19 pandemic response, which is also reflected in performance against financial targets, as set out in the HDdUHB 2019/20 Draft Annual Accounts;</li> <li>• Robust discussion held around Healthcare Contracting, recognising challenges in current national requirements applying to contract arrangements, and highlighting the HB aim of ensuring value for money in future contracting arrangements;</li> <li>• Q1 Operational Plan – a comprehensive summary of HDdUHB’s operational response to the pandemic, together with a comprehensive summary of financial consequences prompted</li> </ul>	

	<p>detailed discussion by Members, and will serve to assure the Board of the effectiveness of the organisation's response for Q1.</p> <ul style="list-style-type: none"> <li>• Corporate risks assigned to the Finance Directorate were summarised, recognising the impact of non-delivery of 2019/20 savings, and the potential risk represented by pent-up demand resulting from the suspension of services during the COVID-19 pandemic;</li> <li>• The Finance Committee Operational Risk Register requires further work to refine responses and action updates;</li> <li>• Financial Governance and Value for Money considerations – expenditure decisions made by the Gold Command Group in response to operational pressures have been reviewed by the Committee, which can accordingly assure the Board of appropriate financial scrutiny of additional costs associated with the COVID-19 pandemic;</li> <li>• A summary overview of financial reporting and forecasting principles and the Value for Money Framework provided to Members for noting.</li> </ul>	
	<p>The Committee <b>NOTED</b> the key topics discussed during the meeting for inclusion in the Finance Committee Update Report to the next Public Board meeting.</p>	

<b>FC(20)76</b>	<b>ANY OTHER BUSINESS</b>	
	No other business was raised.	

<b>FC(20)77</b>	<b>DATE OF NEXT MEETING</b>	
	Thursday 25 <sup>th</sup> June 2020, 9.30 am - 12.30 pm, Boardroom, Ystwyth Building, St. David's Park, Carmarthen	