

Executive Summary

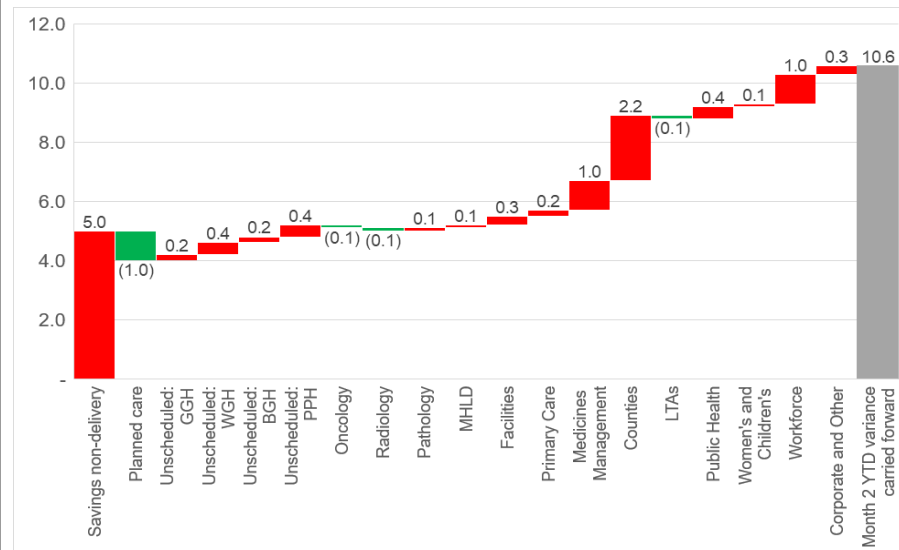
	<p>The Health Board's agreed Financial Plan is to deliver a deficit of £25m, after savings of £34.2m.</p> <p>The impact of the COVID-19 pandemic presents an unprecedented significant risk to the financial position.</p>	
Revenue	<ul style="list-style-type: none"> Month 2 variance to breakeven is £8.4m (Month 1: £6.3m). Month 2 position is £6.4m operational variance to plan (Month 1: £4.2m); the increase is primarily due to the higher workforce and prescribing expenditure and loss of non-contracted income arising from the COVID-19 pandemic. <p>The additionality of costs incurred in Month 2 due to the impact of the COVID-19 pandemic is £9.8m (Month 1: £6.7m), with underspends repurposed of £3.4m (Month 1: £2.5m).</p> <ul style="list-style-type: none"> 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. This results in a significant risk to the delivery of the HB's Financial Plan for 2020/21 of a £25m deficit. 	
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 2, 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. 	
Actionable Insights	<ul style="list-style-type: none"> The strategic response to current demand modelling indicators between Welsh Government (WG), Gold Strategic Command and operational teams is not yet fully aligned. It has not yet been determined which current escalation measures can be safely and appropriately de-escalated/ decommissioned. The level of additional revenue and capital funding available is currently not known. 	<ul style="list-style-type: none"> Finalise the Quarter 2 Operational Plan, which is likely to impact the financial forecast. Clarify which measures can be safely and appropriately de-escalated/ decommissioned and which suspended/ deferred services/ activities can be recommenced. Continue to work with WG to understand funding arrangements.

Executive Summary

Summary of Key Financial Targets					
<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; • 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). 					
Key Target		Annual Limit	YTD Limit	Actual Delivery	Forecast Risk
Revenue	£'m	25.0	4.2	14.7	
Savings	£'m	34.2	5.7	0.4	
Capital	£'m	21.6	7.5	7.5	High
Non-NHS PSPP	%	95.0	95.0	N/A	Medium
Period End Cash	£'m	4.0	4.0	4.5	Medium
<p>Without additional funding from WG, the Health Board will not achieve its revenue funding limit. Similarly, discussions are on-going regarding additional WG funding to support the non-delivery of the Health Board'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> <p>Period-end cash is higher than the suggested annual limit due to a receipt from Velindre University NHS Trust in relation to the Welsh Risk Pool, the timing of which was unexpected.</p>					

Revenue Summary

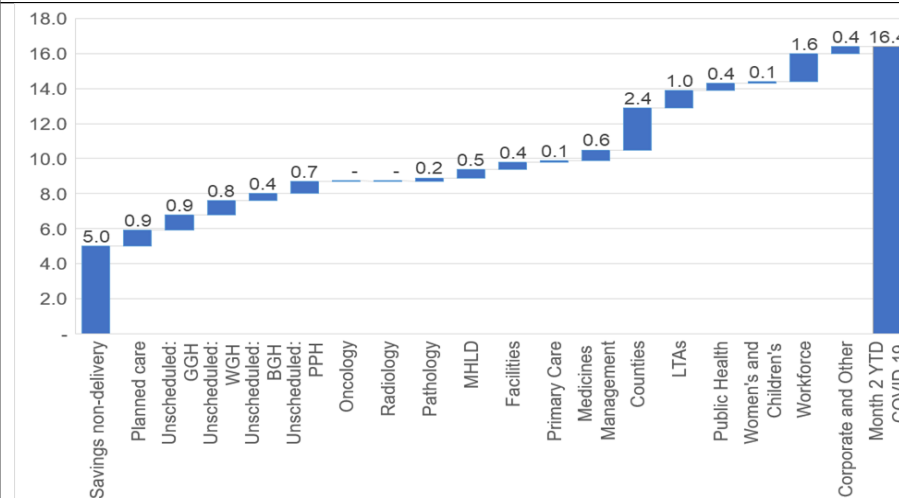
Year To Date (YTD) Variance by Directorate (against Plan)



Key drivers of YTD position:

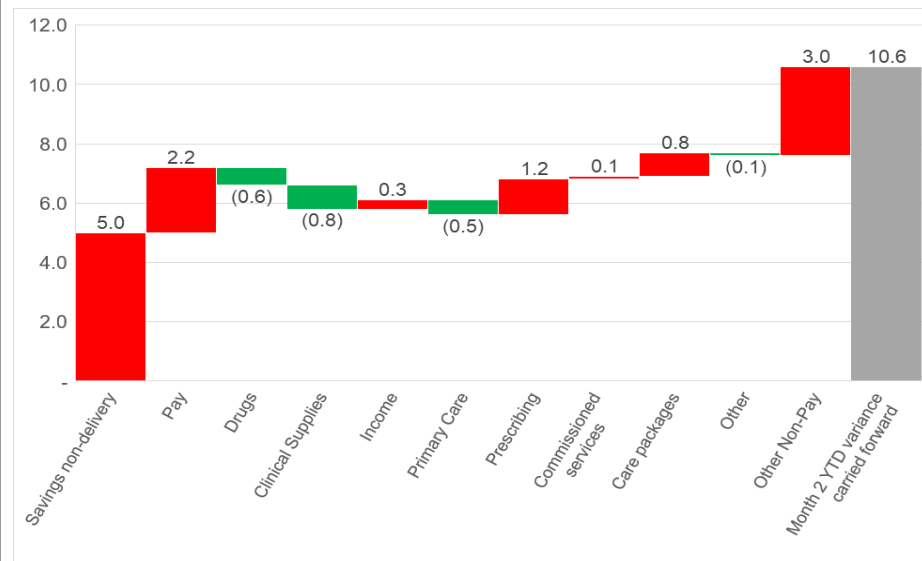
- **Savings Non-delivery (£5.0m):** As a direct consequence of COVID-19, Directorates have been unable to execute or identify additional savings plans, as efforts have been re-directed to respond to the pandemic.
- **Counties (£2.2m):** The cost of setting up and operating the various Field Hospitals within the HB's localities are contained within Finance Directorate.
- **Workforce (£1.0m):** In response to the Pandemic, the HB has recruited significant numbers of fixed-term staff within both Clinical professions and Estates to support the response to the Pandemic.
- **Medicines Management (£1.0m):** Pressures continue within Category M Drugs and in the use of Novel Oral Anticoagulant Drugs (NOACs). A further cost pressure has been recognised in Month 2 for the impact of higher levels of No Cheaper Source Obtainable (NCSO) drugs incurred since March 2020.
- **Planned Care (-£1.0m):** the underspend is primarily driven by reduced activity in elective services, which has dramatically reduced the non-pay element of Theatre spend.

YTD Actual COVID-19 Costs by Directorate



Revenue Summary

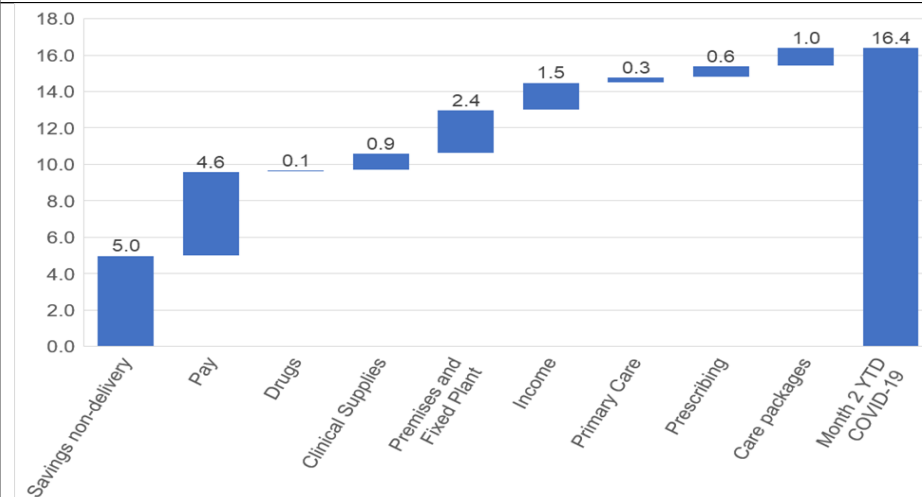
YTD Variance by Subjective (against Plan)



Key drivers of YTD position:

- **Savings Non-delivery (£5.0m):** As a direct consequence of COVID-19, Directorates have been unable to execute or identify additional savings plans, as efforts have been re-directed to respond to the pandemic.
- **Pay (£2.2m):** See detailed analysis in Key Subjective Summary slides.
- **Prescribing (£1.2m):** See detailed analysis in Key Subjective Summary slides.
- **Other Non-Pay (£3.0m):** Primarily driven by premises costs (£2.4M) which are directly attributable to the COVID-19 response (particularly Field Hospitals).

YTD Actual COVID-19 Costs by Subjective



Revenue Summary

Governance: arrangements for COVID-19 expenditure

Procurement systems and processes provide the best route to value for money and safety both in terms of quality products and fraud prevention, and wherever possible these existing governance arrangements have been applied. However, the processes are frequently time-consuming and require pre-planning and, at times, a tolerable level of risk was accepted to ensure expediency.

This resulted in managers being necessarily required to make decisions or commitments during March and April 2020 which would not normally be allowable under the HB standing orders, standing financial instructions and Scheme of Delegation. The Scheme of Delegation outlines the financial limits up to which members of staff are authorised to commit expenditure, together with requirements regarding procurement. The limits set out in the current scheme of delegation have **not** been amended during the pandemic.

Recruitment processes and controls were not amended in response to the COVID-19 pandemic. Management of rotas remains the responsibility of the relevant budget holder.

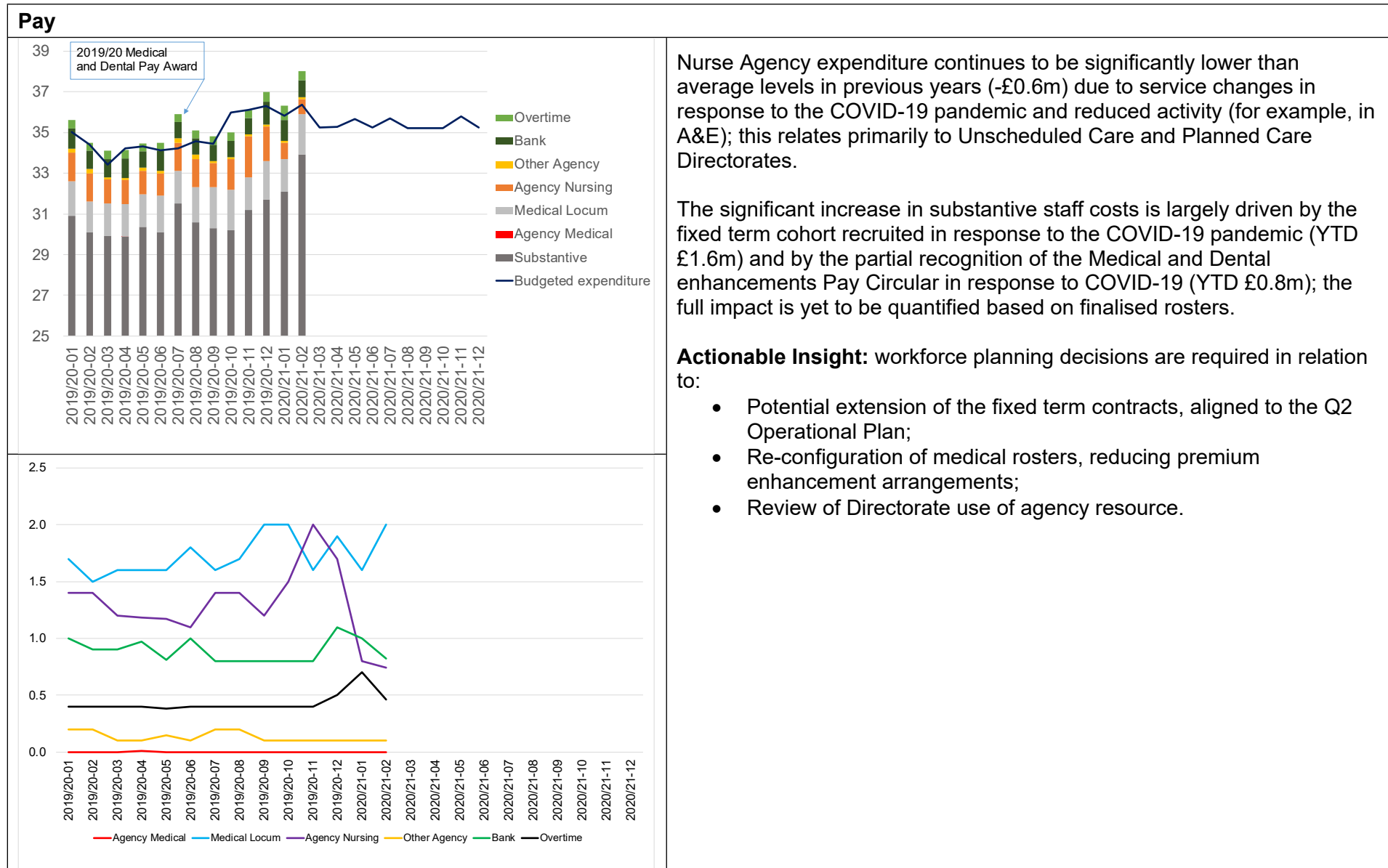
A Retrospective Decision Making Record form was mandated for all decisions with a financial impact exceeding £25,000. A schedule of orders placed and decisions taken which require further approval was presented for approval to the Gold Strategic Group, and this was reported through Audit and Risk Assurance Committee (ARAC). This process applied until 16th April 2020, at which time the Executive Director of Finance and the Board Secretary issued a letter to all Executive Directors, Directors and General Managers confirming the importance of all decisions to be taken within the HB's existing Scheme of Delegation. Following this, a letter of 6th May 2020 ('Delegations and Financial Delivery for 2020-21') was issued to budget holders stating: *"As a budget holder it is expected that you will continue to operate within the remit of the existing Standing Financial Instructions and Scheme of Delegation and use best endeavours to deliver value for money within your delegated budgets"*.

Finance Business Partners continue to support budget holders in analysing expenditure and financial planning in response to the pandemic.

Revenue Summary

Type	Governance Arrangement
Savings non-delivery	Approved by the Board as part of the bi-monthly Finance reporting cycle
Pay	<p>Additional Staff: Approved by the Gold Strategic Group in March 2020 on a fixed term basis (either 3-month or 6-month). Costs tracked in single cost centre for transparency and using the Electronic Staff Record (ESR) system.</p> <p>Additionality Costs of Existing Staff: nursing e-rostering system records shift “reason” where the response to COVID-19 creates demand for a shift (eg. staff sickness or rostering changes). Payroll have issued a proforma for authorised managers to submit additional payments due to staff deployed in response to the pandemic, where normal working hours have changed, e.g. enhanced rates for unsocial hours or overtime. Additional locum claims for sessions worked by substantive clinicians in relation to COVID-19 are recorded by Directorates based on approved rosters; claims are authorised in line with the Scheme of Delegation.</p> <p>Additionality for Variable Pay: recorded electronically on appropriate platform (e.g. TempRe).</p> <p>Medical and Dental Enhancements: WG Pay Circular has been applied and can be quantified based on rosters altered in response to COVID-19.</p> <p>Local arrangements: responses to the pandemic were implemented by General Managers and other Service Leads at a local level; the full extent of these is not yet understood.</p>
Drugs	Direct feed from Pharmacy; however the completeness of this classification as COVID-19 additionality is not yet validated due to limited data.
Clinical Supplies	Subject to the standard and retrospective processes described above.
Premises and Fixed Plant	
Income	Loss of income has been quantified in line with the reporting principles approved by Board; this is based on the past four years of profiled data, which is considered a robust methodology.
Primary Care	This relates to the Dental contracting mechanism, where WG guidance required the reduction of the GDS contractual payment to 80% of agreed levels. This is offset by the loss of Dental Income.
Prescribing	Prescribing has been quantified in line with the reporting principles approved by Board; this is based on trend analysis using March 2020 data, which may be a limitation.
Care Packages	Care Package additionality has been quantified in line with the reporting principles approved by Board; the premium associated with expedited discharge from acute settings has been recorded.

Key Subjective Summary

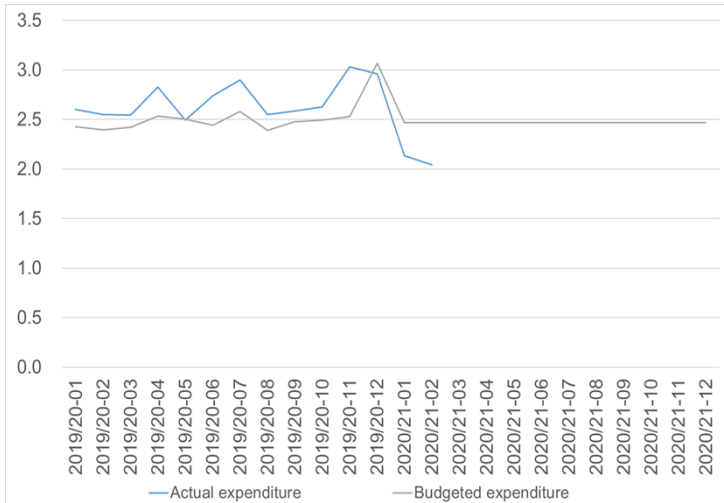


Key Subjective Summary

Continuing Health Care (CHC)	
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>The total number of cases decreased in month within General Nursing and EMI Care Homes.</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 transfer of care packages to reduce the premium rate.</p>
Secondary Care Drugs	
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>There was an underspend in month, primarily due to reduced activity in Theatres (Planned Care) and in Emergency Departments. There is also a reduction in expenditure within Pathology and Oncology where treatment regimes have been changed in response to the COVID-19 pandemic.</p>

Key Subjective Summary

Clinical Supplies and Services



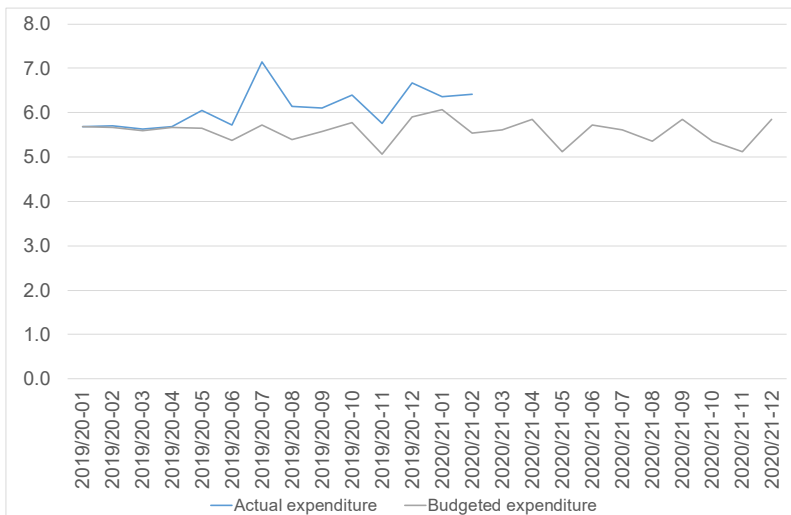
The impact of the COVID-19 pandemic has driven £0.4m of additional costs in Month 2 (Month 1: £0.5m). This largely relates to Personal Protective Equipment and the costs associated with local testing within Pathology.

This is offset by cost reductions due to service changes in response to the pandemic, most significantly manifesting in Planned Care (£0.6m, of which £0.5m relates to Theatres).

Other cost reductions have materialised within patient appliances and Women and Children’s services, due to reduced activity.

Actionable Insight: costs are primarily driven by operational demand; as elective activity increases, due to RTT, for example, this will impact the financial forecast.

Primary Care Prescribing



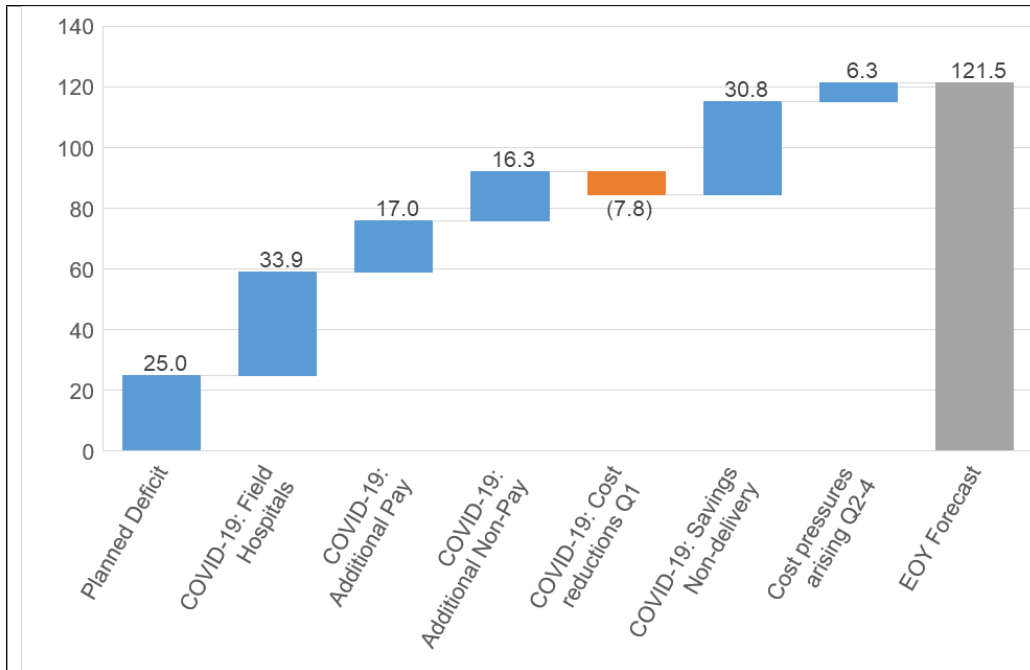
Pressures continue in the Category M Drugs outturn following a price increase from August 2019, despite an increase in budget during the 2020/21 financial planning process. The HB continues to see increased use of NOACs as a result of the operation of the new NOAC Enhanced Service in General Medical Services.

A further cost pressure has been recognised in Month 2 relating to the impact of higher levels of No Cheaper Source Obtainable (NCSO) drugs, incurred since March 2020.

As prescribing data is 2 months in arrears, the impact of COVID-19 has been assessed using March 2020 data. Further refinement of the model will be required as further data and trends become apparent.

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.

Directorate Projections



Key Assumptions:

- Field Hospital profiling is based on the 2.4 Public Health Wales model at 40% compliance, amended for local information regarding non-COVID-19 patients, extended to January 2021;
- Field Hospital staffing has been modelled on a substantive costs basis – no premium for Agency workers is included. Where fixed term employees are available, it has been assumed that these will be deployed as a priority to fulfil Field Hospital requirements;
- Existing Services modelling is profiled to September 2020 and assumes a level of reinstated elective services from June 2020;
- There are significant risks and opportunities which could materially affect the forecast depending on the evolving COVID-19 situation.

Assurance

- The HB's Accountability Statements in relation to the Budget for 2020/21 were replaced with a Delegations and Finance Delivery letter, issued in May 2020. This clarifies the continuation of existing financial control principles and the importance of existing governance processes and frameworks, and confirms the significance of decision-making in response to COVID-19, together with the accurate recording of any financial impact.

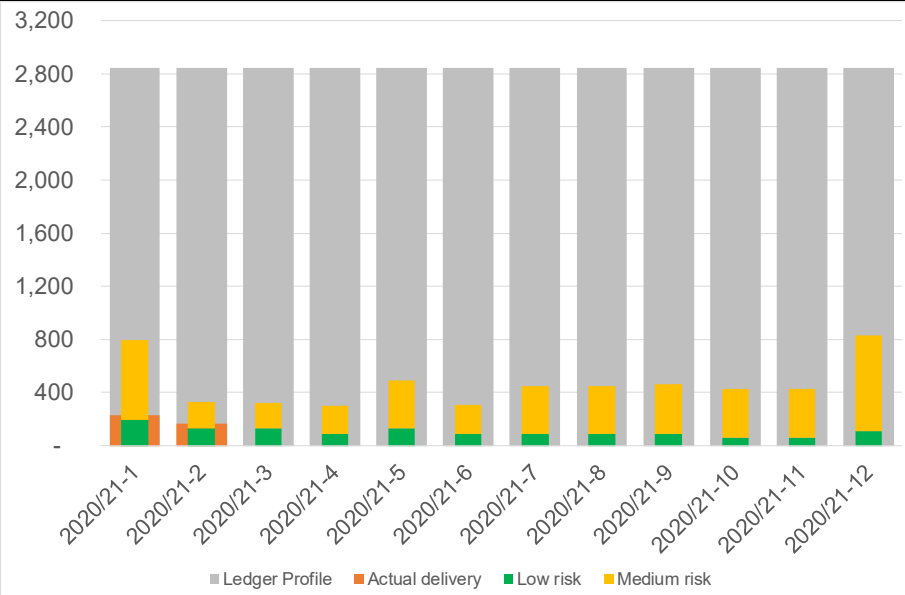
Concerns

- The funding arrangements for the HB's response to the COVID-19 pandemic remain uncertain, and there is therefore 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 both diversion of operational focus in response to COVID-19 and where identified schemes are not supportive of the response required (e.g. bed closures). This results in a significant risk to the delivery of the HB's Financial Plan for 2020/21 of a £25m deficit.

Actionable Insights:

- Align the strategic response to current demand modelling indicators between WG, Gold Strategic Command and operational teams.
- Finalise the Quarter 2 Operational Plan, which is likely to impact the financial forecast.
- Clarify which current escalation measures can be safely and appropriately de-escalated/ decommissioned and which suspended/ deferred services/ activities can be recommenced.
- Continue to work with WG to understand the level of additional revenue and capital funding available.

Risk-Assessed Directorate Savings Profile, Delivery and Forecast



Assurance

- Green and Amber plans of £5.6m identified to Month 2, 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 focused upon the delivery or identification of further savings schemes which 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, into the organisation's decision-making processes.