

Bundle Finance Committee 26 August 2020

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Finance Report Month 4

Presenter: Huw Thomas

2.1 Finance Report 2020-21 Month 4 SBAR.docx

2.1 Appendix 1 Finance Report 2020-21 Month 4.docx

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 August 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Report – Month 4 2020/21
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Rebecca Hayes, Senior Finance Business Partner

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

The purpose of the report, attached at Appendix 1, is to outline Hywel Dda University Health Board's (HDdUHB) financial position to date against the Annual Plan and assess the key financial projections, risks and opportunities for the financial year 2020/21.

Cefndir / Background

HDdUHB's agreed Financial Plan is to deliver a deficit of £25m, after savings of £34.2m. The impact of the COVID-19 pandemic presents an unprecedented significant risk to the financial position.

Month 4 Position

- Month 4 variance to breakeven is £9.0m (Month 3, £1.5m).
- Month 4 operational variance is £6.9m to plan (Month 3, £0.6m favourable). The deterioration in Month 4 from Month 3 is due to Welsh Government (WG) pay funding recognised in Month 3, which is not assumed in the Month 4 position.
- The additionality of costs incurred in Month 4 due to the impact of the COVID-19 pandemic is £8.9m (Month 3, £12.2m), with underspends repurposed of £2.0m (Month 3 also £2.0m)
- No additional funding in relation to the COVID-19 pandemic has been assumed in the reported position

Directorate Projections

- The future 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 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 regarding additional funding to support the non-delivery of the HB's savings target.

Savings Summary

- In-month delivery of £0.1m, (£0.2m below plan), which is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 4, 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

- Carmarthenshire Field Hospital revenue-related set-up costs to be agreed with Local Authority colleagues;
- Deep dive to be undertaken into savings and cost reduction opportunities;
- Review of reserves to understand potential in-year slippage;
- Clarification of VAT treatment of the remainder of Field Hospital set-up costs;
- Clarification relating to which current escalation measures can be safely and appropriately de-escalated/ decommissioned and which ceased/ deferred services/ activities can be recommenced;
- Further work with WG to understand the level of future funding arrangements, as these remain uncertain;
- Following the Cabinet Secretary's welcome announcement regarding the write-off of historical cash support received by HDdUHB, the implications of the announcement on the HB's three-year breakeven duty will be further explored in conjunction with WG colleagues.

Asesiad / Assessment

Summary of Key Financial Targets

HDdUHB's key targets are as follows:

- Revenue: to contain the overspend within HDdUHB's planned deficit;
- Savings: to deliver savings plans to enable the revenue budget to be achieved;
- Capital: to contain expenditure within the agreed limit;
- Public Sector Payment Policy (PSPP): to pay 95% of non-NHS invoices within 30 days of receipt of a valid invoice;
- Cash: While there is no prescribed limit for cash held at the end of the month, WG encourages this to be minimised and, as a rule of thumb, 5% of monthly expenditure is applied. For HDdUHB, this is broadly £4.0m.

Key Target		Annual Limit	YTD Limit	Actual Delivery	Forecast Risk
Revenue	£'m	25.0	8.3	25.2	
Savings	£'m	34.2	11.4	0.7	
Capital	£'m	28.2	9.6	9.6	Extreme
Non-NHS PSPP	%	95.0	95.0	97.1	Medium
Period end cash	£'m	4.0	4.0	2.9	Medium

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.

Should the HB progress all the schemes identified to deal with implementing social distancing measures and other COVID-19-related needs, and should no further funding be available from WG, the potential-over commitment against the CRL would be £16.4m.

The Non-NHS PSPP risk has been rated 'Medium', given the increase in volume of supplier payments due to the impact of COVID-19.

Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the financial position for Month 4.

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:	856 (score 20) Ability to deliver the Financial Plan for 2020/21 646 (score 12) 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: Hyperlink to HDdUHB Well-being Statement	Improve Population Health through prevention and early intervention

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:	Terms are explained in the main body of the 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

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 4 variance to breakeven is £9.0m (Month 3, £1.5m). • Month 4 operational variance is £6.9m to plan (Month 3, £0.6m favourable). The deterioration in Month 4 from Month 3 is due to WG pay funding recognised in Month 3, which is not assumed in the Month 4 position. • The additionality of costs incurred in Month 4 due to the impact of the COVID-19 pandemic is £8.9m (Month 3, £12.2m), with underspends repurposed of £2.0m (Month 3 also £2.0m). • 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 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. • Should the HB progress all the schemes identified to deal with implementing social distancing measures and other COVID-19-related needs, and should no further funding be available from WG, the potential over-commitment against the CRL would be £16.4m.
Savings	<ul style="list-style-type: none"> • In-month delivery of £0.1m, which is £0.2m below plan, which is directly attributable to the COVID-19 pandemic • Green and Amber plans of £5.6m identified to Month 4, 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 into savings and cost reduction opportunities; • Review of reserves to understand potential in-year slippage; • Clarification of VAT treatment of the remainder of Field Hospital set-up costs • Clarification regarding which current escalation measures can be safely and appropriately de-escalated/ decommissioned and which ceased/ deferred services/ activities can be recommenced; • Further work with WG to understand the level of future funding arrangements, as these remain uncertain;

Executive Summary

- Following the Cabinet Secretary's welcome announcement regarding the write-off of historical cash support received by Hywel Dda University Health Board (HDdUHB), the implications of the announcement on the HB's three-year breakeven duty will be explored in conjunction with WG colleagues.

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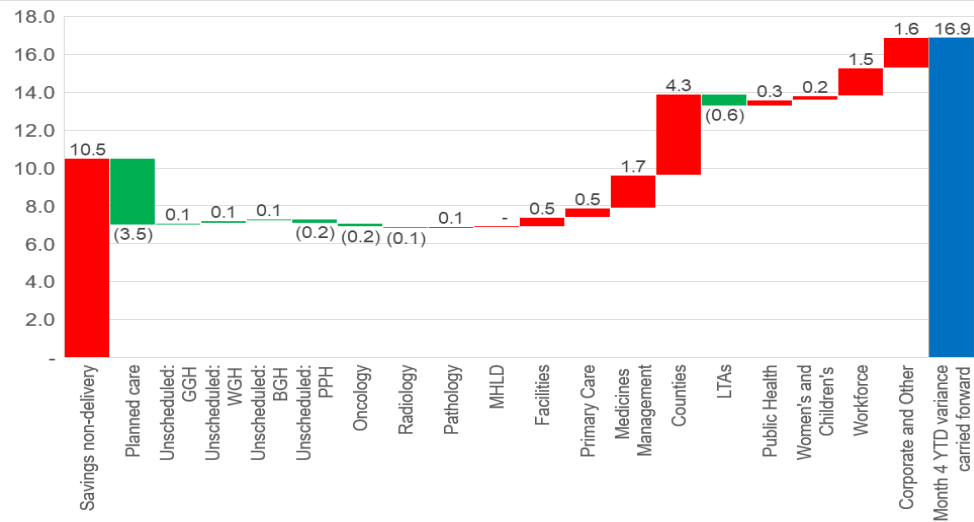
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The Non-NHS PSPP risk has been rated 'Medium' given the increase in volume of supplier payments due to the impact of COVID-19.

Revenue Summary

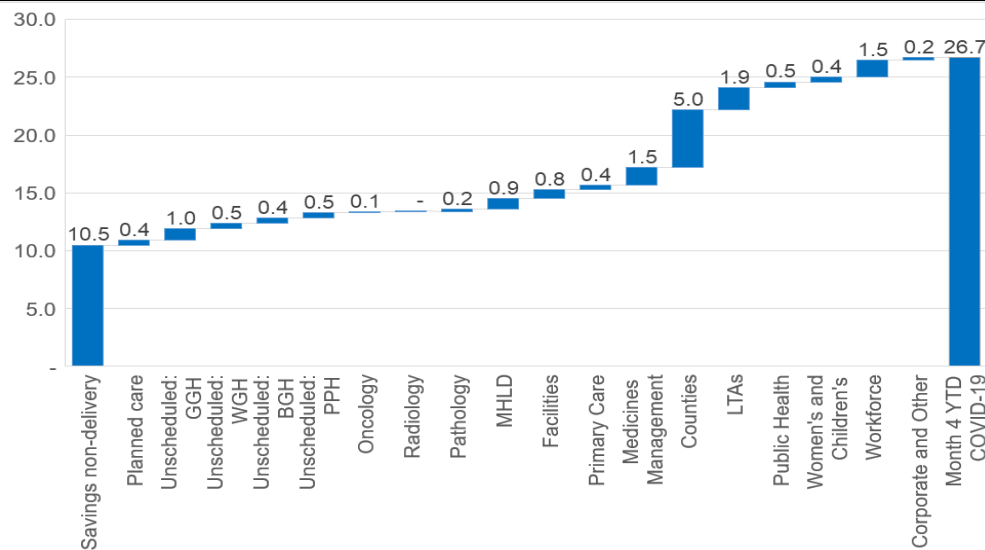
YTD Variance by Directorate (against Plan)



Key drivers of YTD position:

- Savings non-delivery (£10.5m):** 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.
- Counties (£4.3m):** The cost of setting up and operating the various Field Hospitals with the HB's localities are contained within this directorate.
- Medicines Management (£1.7m):** 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 (-£3.5m):** Underspend primarily driven by a reduction in non-pay due to reduced activity in elective services.

YTD Variance by Directorate (COVID-19 only)

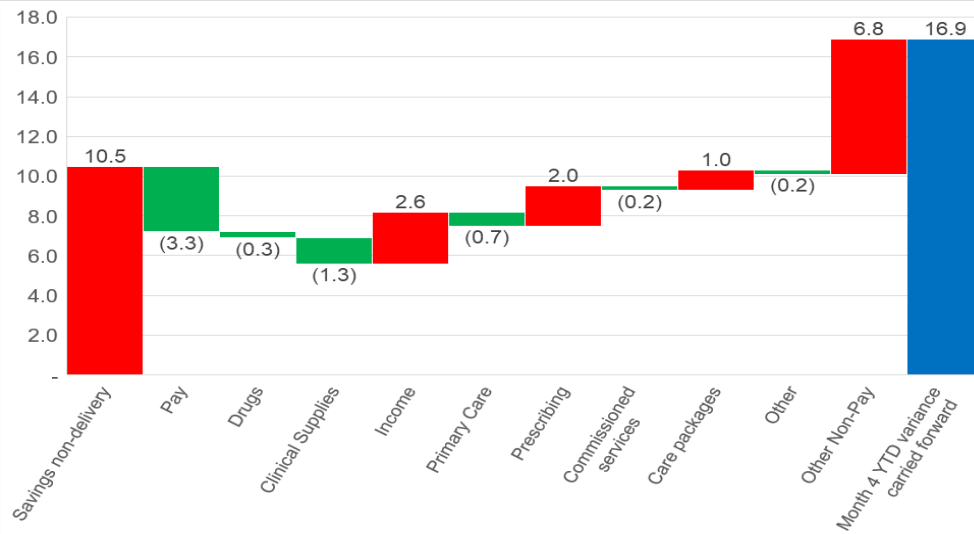


Key drivers of COVID-19 YTD position over and above what is reported above:

- Long Term Agreements (LTAs) (£1.9m):** 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.
- Workforce (£1.5m):** Fixed term staff recruited in response to COVID-19.

Revenue Summary

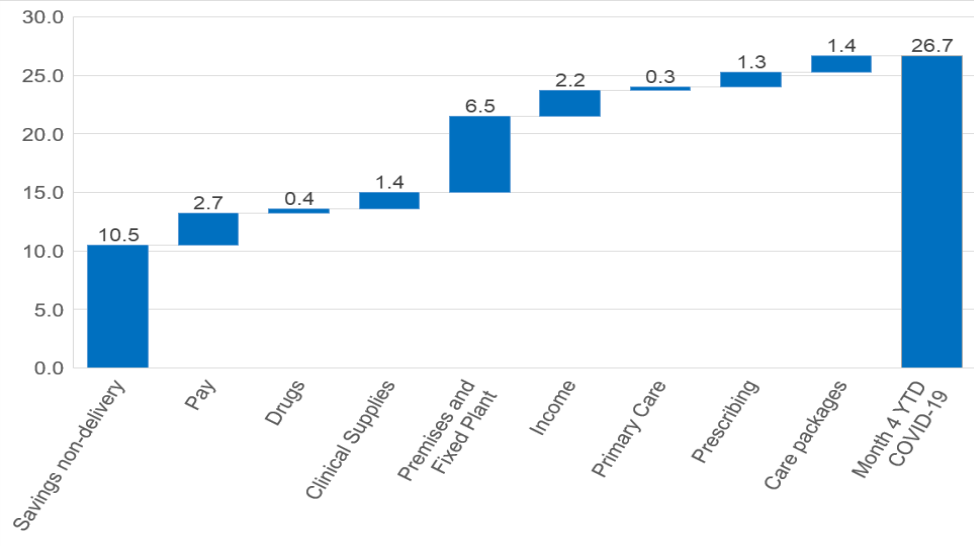
YTD Variance by Subjective (against Plan)



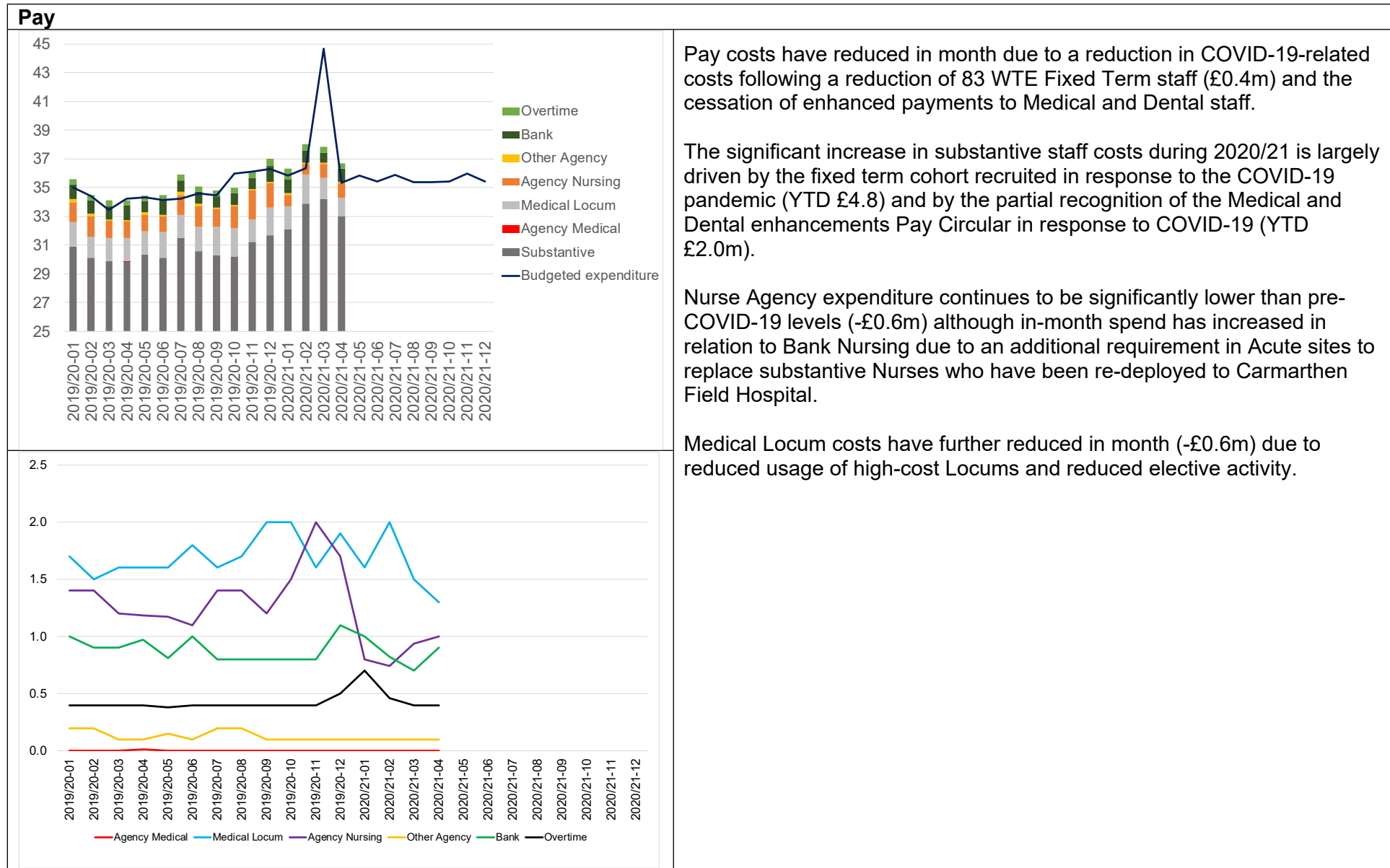
Key drivers of YTD position:

- Savings non-delivery (£10.5m):** 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 (£6.8m):** Primarily driven by premises costs (£6.5m) which are directly attributable to COVID-19 response, primarily driven by the Field Hospital sites.
- Income (£2.2m):** As referenced in the previous slide, income generated from Non-Commissioned Activity (NCA) has been impacted by the lockdown restrictions; a deterioration in income within Hospital sites due to lower patient numbers accessing commercial and hospitality facilities has also been seen.
- Prescribing (£2.0m):** 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 (-£3.3m):** See detailed analysis in Key Subjective Summary slides.
- Drugs & Clinical supplies (-£1.6m):** Underspend is primarily driven by reduced activity in elective services within Planned Care (-£2.5m), Unscheduled Care (-£0.5m) and Patient appliance spend (-£0.2m) offset by increased spends as a result of COVID-19 (£1.8m)

YTD variance by Subjective (COVID-19 only)



Key Subjective Summary



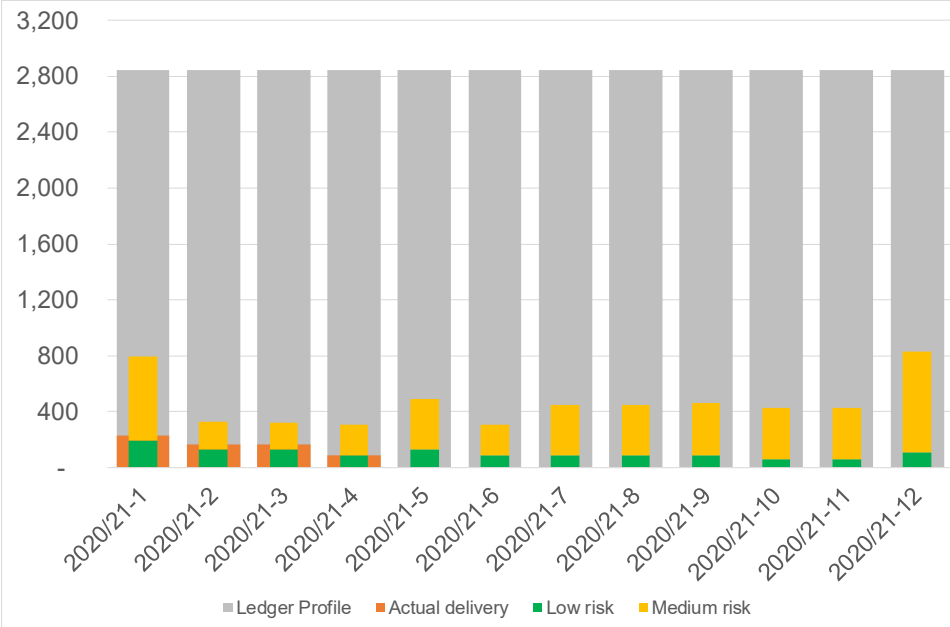
Key Subjective Summary

CHC	
<p>Actual expenditure</p> <p>Budgeted expenditure</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>Supplementary costs have also been incurred for patients residing in Care Homes who have required one-to-one care where it has been deemed that they must socially isolate, as they have presented with COVID-19 symptoms.</p>
Secondary Care Drugs	
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>A continual increase in Drug spend has been seen where activity in some Directorates has increased - primarily in Oncology and Pathology - where there has been an increase in the use of prescribed high-cost drugs (£0.1m), in Planned Care (where some elective services are being re-stated - £0.1m), and Unscheduled Care, where A&E attendances have started to increase (£0.2m).</p>

Key Subjective Summary

Clinical Supplies and Services	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Spend in this category continues to be significantly lower than pre-COVID-19 levels as elective services continue to be temporarily suspended.</p>
Primary Care Prescribing	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Pressures continue in the Category M 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 Service.</p> <p>Month 4 saw a reduction in No Cheaper Source Obtainable (NCSO) drugs (-£0.2m) after an increase in the previous month.</p>

Risk-Assessed Directorate Savings Profile, Delivery and Forecast



Assurance

- Green and Amber plans of £5.6m identified to Month 4, 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 £0.1m, which is £0.2m 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 on the delivery or identification of further savings schemes that are not supportive of the response to the pandemic.

Next Steps

- The Opportunities Framework is being refreshed to identify alternative ways of working in response to COVID-19 that may result in cost reductions/ formal savings schemes identified.
- The Value for Money Framework, alongside existing financial governance arrangements, is to be further developed and embedded into the organisation's decision-making processes.
- A deep dive assessment will be undertaken of identified schemes which are not delivering.