

## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	26 January 2021
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Finance Report – Month 9 2020/21
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	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, alongside the financial forecast position for the financial year 2020/21, as assessed at Month 9. The monthly reporting to Welsh Government (WG) is in line with the written report provided to the Finance Committee and Board; for information, the full submission, inclusive of detailed financial tables, has been included under agenda item 6.2.

#### Cefndir / Background

**HDdUHB's agreed Financial Plan is to deliver a deficit of £25m, after savings of £34.2m.**

#### **Month 9 position**

- Before recognising the COVID-19 WG funding in-month, the Month 9 variance to breakeven is £7.6m (Month 8, £8.0m). The expenditure level is similar to Month 8, with a reduction in staffing costs attributable to COVID-19 (£0.2m), predominantly due to lower Nursing agency resource; this is offset by the recognition of Field Hospital decommissioning costs of £0.4m and reduced Field Hospital set-up costs of £0.1m.
- The in-month reported position is breakeven against a deficit plan of £2.1m, after utilising the required balance of WG funding to mitigate the costs resulting from the COVID-19 pandemic, having offset the cost reductions recognised due to reduced operational activity levels. The Year To Date variance to breakeven is therefore £18.8m, in line with the planned deficit.
- The additional costs incurred in Month 9 due to the impact of the COVID-19 pandemic is £8.1m (Month 8, £7.7m).

#### **Financial Projection**

- Following confirmation of additional funding from WG in Month 6, the Health Board (HB) is forecasting to deliver the planned deficit of £25m. The Month 9 financial position is in line with the forecast, reflecting that, despite significant operational pressures arising from

increased prevalence of COVID-19, there is limited risk of any significant increase in Workforce expenditure, given the restricted supply. Furthermore, the HB has identified potential slippage in respect of planned operational expenditure, which has been repurposed.

- £30.8m savings requirement included in the Financial Plan are not expected to deliver due to the operational focus being diverted to respond to COVID-19, and where identified schemes are not supportive of the response needed. Discussions are on-going regarding the implications of this on funding or for the HB's underlying deficit.
- HDdUHB has prioritised its urgent COVID-19 and non-COVID-19 schemes and has used the balance of its discretionary allocation to progress these, leaving a residual capital risk of £0.8m in Month 9. This risk for 2020/21 is based only on the funding gap against committed COVID-19 schemes and funding released to date for these. It is anticipated that WG will release the funding for these schemes as the actual expenditure is incurred.
- The projection includes the cost of maintaining the Long Term Agreement block arrangements; as a net commissioner, the impact of this is estimated to be £15.7m compared to actual activity levels.

### Savings Summary

- In-month delivery of £0.3m of identified savings schemes, which is slightly below plan and which is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 9, 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

- An analysis of the underlying deficit is to be completed.
- The revenue impact for the financial year 2021-22 of actions taken in response to COVID-19 is to be determined.

## 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	18.8	18.8	Low
Savings	£'m	34.2	25.7	2.3	
Capital	£'m	28.7	19.3	19.3	Low
Non-NHS PSPP	%	95.0	95.0	95.0	Low
Period end cash	£'m	4.0	4.0	2.3	Medium

Following confirmation of additional funding from WG in Month 6, the HB is forecasting to deliver the planned deficit of £25m. The forecast risk is considered to be 'Low', recognising that the HB has limited risk of any significant increase in Workforce expenditure given the restricted supply, and has identified potential slippage on planned operational expenditure which has been repurposed.

The HB has prioritised its urgent COVID-19 and non-COVID-19 schemes and has used the balance of its discretionary allocation to progress these, leaving a residual capital risk of £0.8m in Month 9. This risk for 2020/21 is based only on the funding gap against committed COVID-19 schemes and funding released to date for these. It is anticipated that WG will release the funding for these schemes as the actual expenditure is incurred.

The Non-NHS PSPP risk has been reduced to 'Low' following the successful recovery of compliance to the end of Quarter 3.

#### **Argymhelliad / Recommendation**

The Finance Committee is asked to note and discuss the financial position and financial forecast as at Month 9

#### **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 8) Ability to deliver the Financial Plan for 2020/21 646 (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: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	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.
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Rhestr Termiau: Glossary of Terms:	Explanation of terms is included 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

<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Financial implications are inherent within the report.
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	The impact on patient care is assessed within the savings schemes.
<b>Gweithlu:</b> <b>Workforce:</b>	The report considers the financial implications of our workforce.
<b>Risg:</b> <b>Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol:</b> <b>Legal:</b>	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.
<b>Enw Da:</b> <b>Reputational:</b>	Adverse variance against HDdUHB's financial plan will affect its reputation with Welsh Government, the Wales Audit Office, and with external stakeholders
<b>Gyfrinachedd:</b> <b>Privacy:</b>	Not applicable
<b>Cydraddoldeb:</b> <b>Equality:</b>	Not applicable

# Financial Performance and EOY Forecast Month 9

**Health Board agreed Financial Plan to deliver deficit of £25m, after savings of £34.2m.**

Financial position	Month 8 £'m	Month 9 £'m	YTD £'m	EOY £'m
Additional COVID-19 costs	7.7	8.1	83.4	130.4
Cost reductions due to reduced activity	(1.8)	(2.6)	(23.8)	(28.2)
<b>Operational variance before WG funding COVID-19</b>	<b>5.9</b>	<b>5.5</b>	<b>59.6</b>	<b>102.2</b>
Planned deficit	2.1	2.1	18.8	25.0
<b>Variance to breakeven before WG funding COVID-19</b>	<b>8.0</b>	<b>7.6</b>	<b>78.4</b>	<b>127.2</b>
WG funding COVID-19 for 'specific' costs*	(1.8)	(2.2)	(16.8)	(28.1)
WG funding COVID-19	(4.1)	(3.3)	(42.8)	(74.1)
<b>Reported financial position</b>	<b>2.1</b>	<b>2.1</b>	<b>18.8</b>	<b>25.0</b>

## COVID-19 funding:

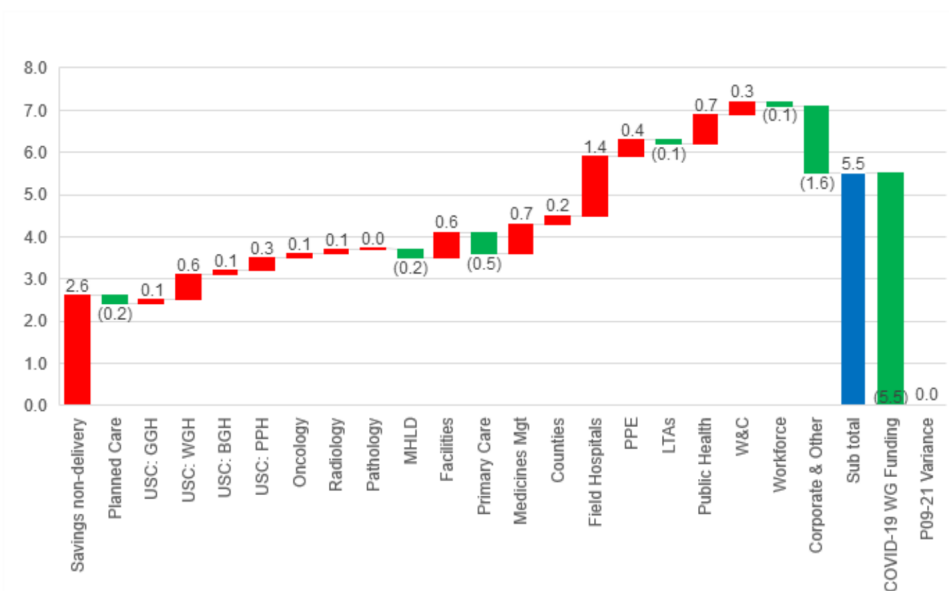
- Additional WG funding Annual Leave carryover based on Month 9 estimation methodology;
- WG 'specific' funding will match costs incurred for PPE, Flu vaccinations, COVID-19 mass vaccination programme, Field Hospital set-up and decommissioning costs, and consequential losses, and Test, Trace, Protect.

## Significant assumptions:

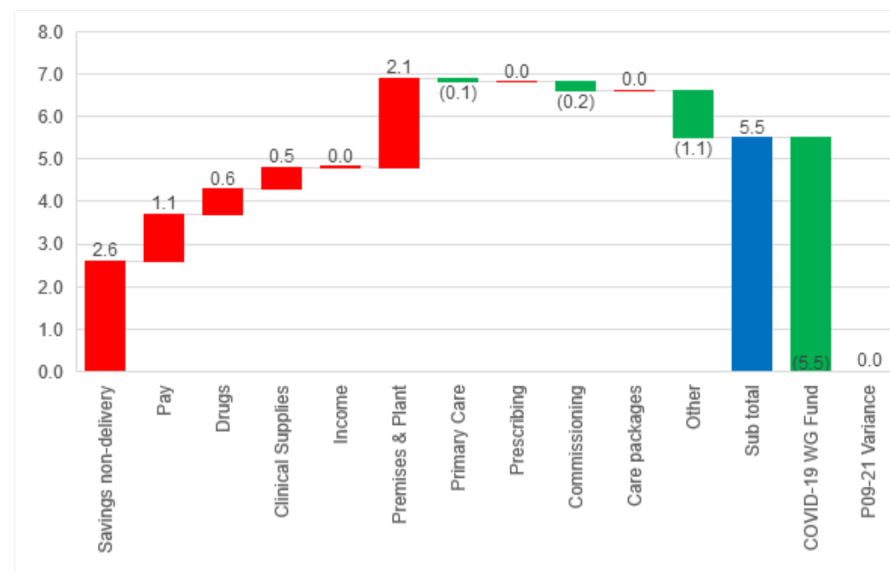
- No significant cost pressures are assumed in relation to the EU exit.

# Executive Summary: Key drivers of in-month position

## In-month variance by Directorate



## In-month variance by Subjective



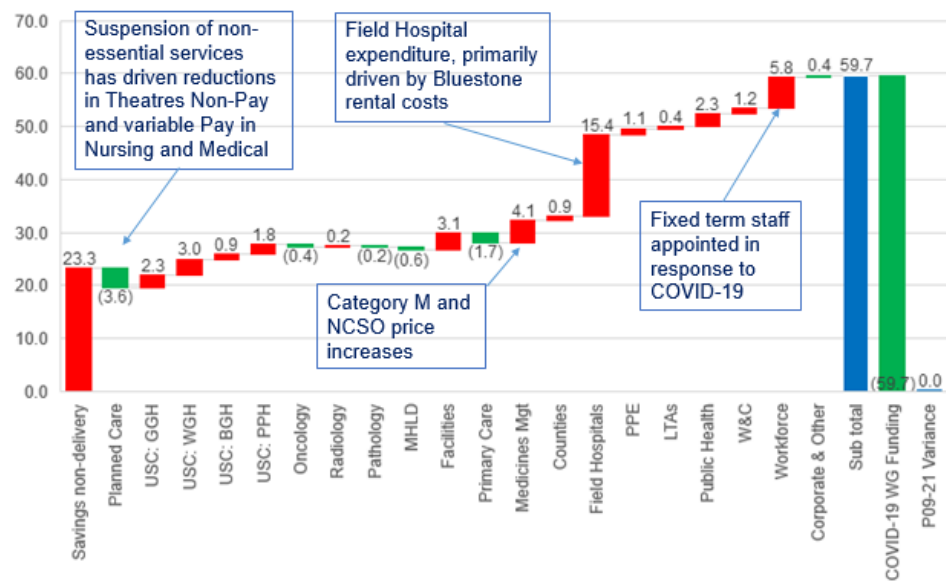
### Over-spends were driven by:

- Non delivery and unidentified savings, £2.6m;
- Field Hospital costs, largely being consequential losses, decommissioning costs, rent, equipment rental, utilities and security costs, £1.4m;
- Unscheduled Care, primarily due to roster pressures impacting variable pay, £0.9m;
- Public Health, primarily due to the increased Local Authority TTP expenditure of £0.8m;
- Medicines Management, primarily due to the impact of COVID-19 on Primary Care Prescribing expenditure of £0.7m; and
- PPE of £0.4m, which is now being recorded centrally for tracking purposes.

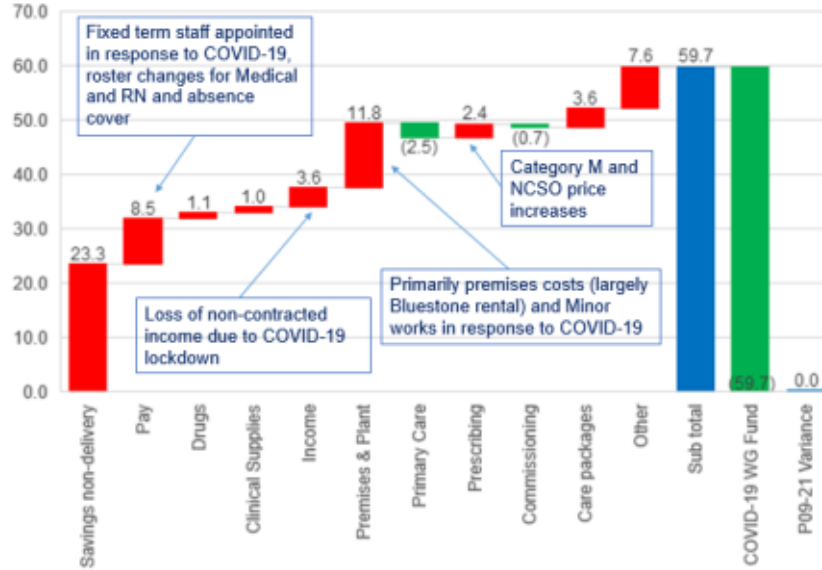
### These are offset by:

- Primary Care Dental Contract performance, other primary care investment slippage and GMS rates rebates (£0.8m).

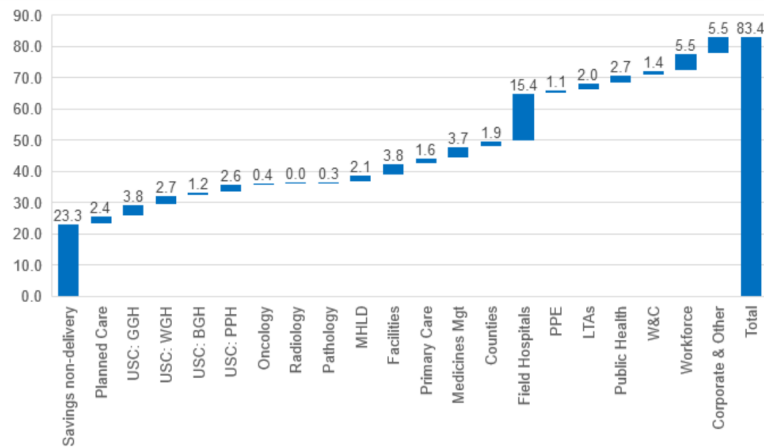
## YTD variance by Directorate (against Plan)



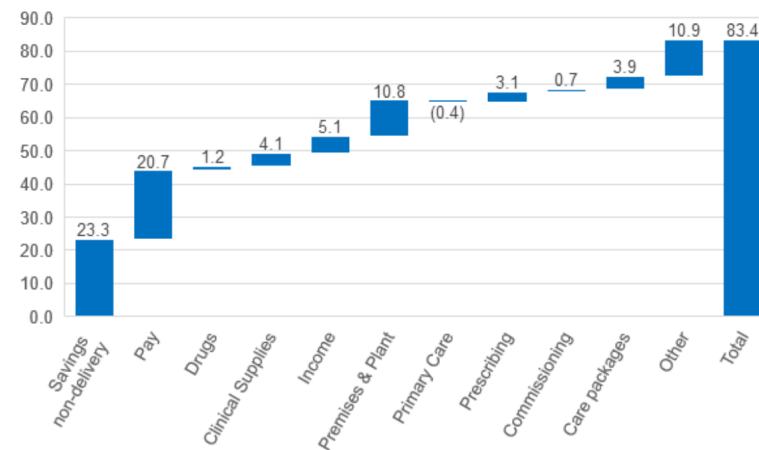
## YTD variance by Subjective (against Plan)



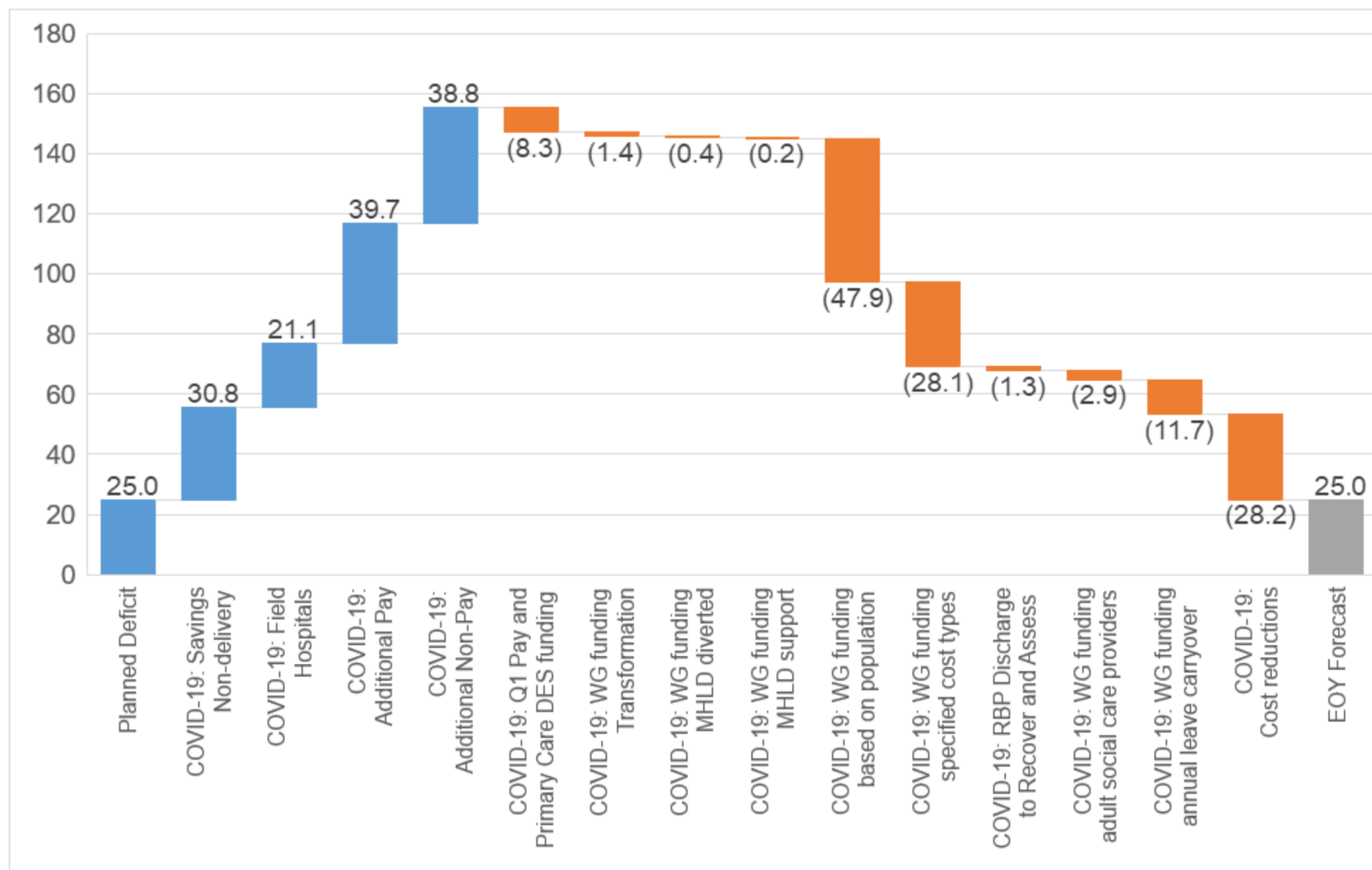
## YTD actual by Directorate (COVID-19 only)

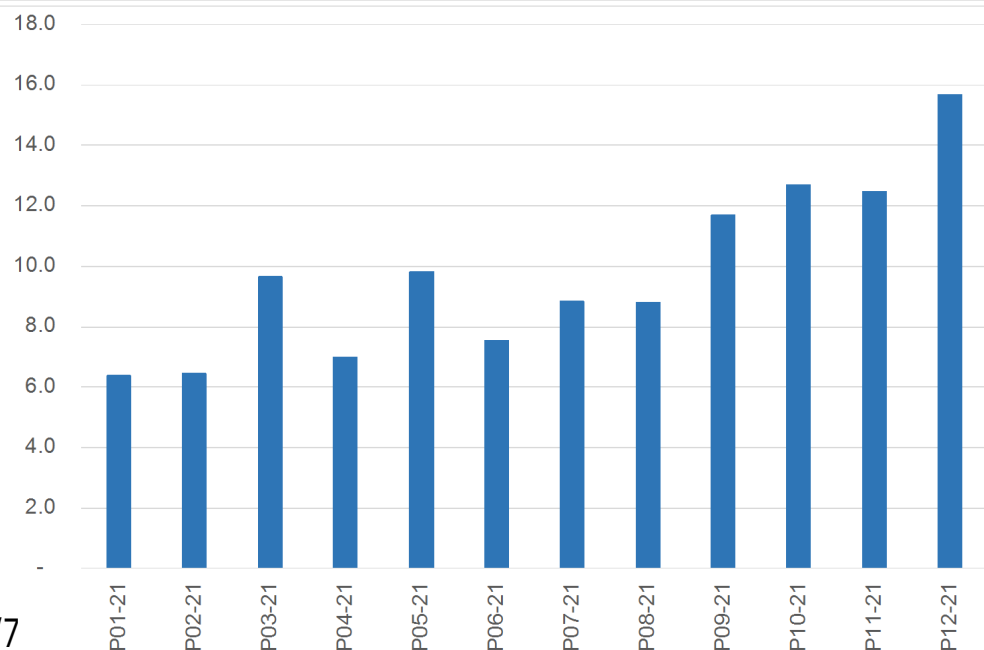
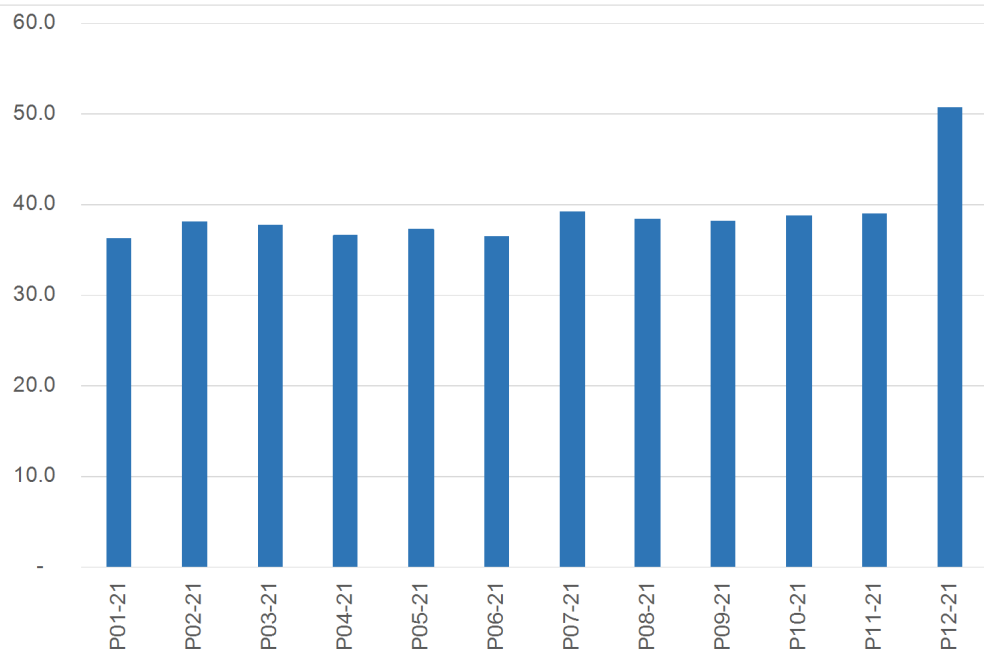


## YTD actual by Subjective (COVID-19 only)









## Pay

Some increase in staffing costs, primarily in relation to the COVID-19 mass vaccination programme and recognition of the Benefit in Kind liability for staff accommodation in response to COVID-19; recognising supply restrictions.

Month 12 includes recognition of £11.7m Annual Leave Carryover provision in response to COVID-19; this calculation has been refined following the December TAG meeting.

## Non-Pay

Significant increase in expenditure profile in future months within Non-Pay in relation to:

- ICF;
- Bed and equipment replacement;
- TTP;
- HMRC provisions;
- Welsh Risk Pool;
- Field Hospital decommissioning costs.

# Financial Forecast 2020/21: Key items

	Total	Central	Pay	Non-Pay
<b>Plan</b>	<b>25.0</b>	25.0		
<b>Field Hospitals</b>	<b>21.1</b>		1.0	20.1
<b>Savings</b>	<b>30.8</b>	30.8		
<b>COVID-19 Existing sites</b>	<b>78.5</b>	11.7	28.0	38.8
<b>WG funding</b>	<b>(102.2)</b>	(102.2)		
<b>Cost reductions</b>	<b>(28.2)</b>	(28.2)		
	<b>25.0</b>	<b>(62.9)</b>	<b>29.0</b>	<b>58.9</b>

- Consequential losses\* £6.5m;
- Set up costs £6.4m;
- Restoration costs £3.5m;
- Security, site management, equipment and bed hire £2.2m;
- Other running costs £0.9m;
- Rent\*, rates and utilities £0.6m.

- Annual Leave Carryover provision £11.7m.

- Planned Care Non-Pay £5.1m and Pay £1.0m;
- Unscheduled Care £3.5m
- Reduced activity in other acute services £3.7m;
- Nursing Agency £2.4m;
- Travel £1.9m;
- Dental GDS contract £1.7m;
- Reserve slippage £7.1m;
- LTA drugs recharges £1.0m;
- WHSSC LTA £0.8m.

- Fixed term cohort extended to March 2021 £9.8m;
- Establishment additionality £11.0m (Nursing £3.1m, Medical £2.9m, HCSW £2.9m, Estates £0.9m);
- Agency £5.3m (Nursing £3.4m, Medical £1.5m);
- Student Nurses early on-board £1.6m, other Students £0.3m;

- Prescribing £4.6m;
- TTP, including antigen and antibody testing (LA pass through £5.3m) £6.6m;
- M&SE consumables £3.5m;
- Dental contract loss of income £2.9m;
- Loss of NCA income £2.0m;
- CHC (accelerated discharge premium) £1.1m and Adult Social Care Provider Support £2.9m;
- Drugs and Medical Gases £1.6m;
- PPE £3.3m;
- Flow Optimisation £1.4m;
- Flu Immunisation £1.0m.

\* The spilt of consequential losses and rent has been reviewed, calculating the difference between actual costs paid and commercial rental value (per sq. ft) as the consequential loss.

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**Creu gwerth gyda'n gilydd. Heddiw ac i'r dyfodol.**