



**CYFARFOD BWRDD PRIFYSGOL IECHYD
UNIVERSITY HEALTH BOARD MEETING**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	27 May 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Committee Annual Report
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Mr Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Mr Huw Thomas, Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

The purpose of this paper is to present the Finance Committee Annual Report 2020/21 to the Board.

The Annual Report provides assurance in respect of the work that has been undertaken by the Committee during 2020/21, and demonstrates that the Terms of Reference, as set by the Board, are being appropriately discharged.

Cefndir / Background

Hywel Dda University Health Board's (HDdUHB's) Standing Orders and the Terms of Reference (ToR) for the Finance Committee require the submission of an Annual Report to the Board to summarise the work of the Committee and to identify how it has fulfilled the duties required of it.

The purpose of the Finance Committee, as expressed in its ToR, is to provide assurance on financial performance and delivery against the Health Board's financial plans and objectives and, with regard to financial control, to provide early warning of potential performance issues and recommend actions to continuously improve the financial position of the organisation, focusing in detail upon specific issues where financial performance is showing deterioration or there are areas of concern.

This includes:

- Scrutiny and provision of oversight of financial and revenue consequences of investment planning (both short term and in relation to longer term sustainability);
- Review of financial performance and review of any areas of financial concern, reporting these to the Board;
- Detailed scrutiny of all aspects of financial performance, including the financial implications of major business cases, projects, and proposed investment decisions on behalf of the Board;
- Regular review of contracts with key delivery partners.

Asesiad / Assessment

The Finance Committee has been established under Board delegation, with the most recent iteration of the Terms of Reference being approved by the Board at its meeting on 27th March 2021.

A Self-Assessment of Performance for the period 2019/20 was undertaken by Committee Members in April 2020, with outcomes from the assessment presented to the Committee in the meeting held 25th June 2020. The recommendation that the Committee review medium and long term issues and actions, in addition to maintaining a close focus on in-year delivery, was taken forward by the Corporate Governance Team and the Finance Team as part of their respective work plans for 2020/21.

This Annual Report outlines how the Finance Committee has complied with the duties set through its Terms of Reference and identifies key actions to address developments.

Constitution

The core membership of the Committee is comprised of:

- Associate Member of the Board (Chairman)
- Independent Member (Vice Chairman)
- Health Board Vice-Chair
- Independent Member
- Invitation extended to the Chair of Audit and Risk Assurance Committee (ARAC) to attend (not counted for quoracy purposes)

The following 'In Attendance' Members have also been identified to serve on the Committee:

- Chief Executive Officer
- Executive Director of Finance
- Executive Director of Operations
- Executive Director of Workforce and Organisational Development
- Other key Executive Directors/ Directors to attend as and when the Committee requests their attendance

Meetings

The Finance Committee is directly accountable to the Board for its performance, and it provides assurance to the Board, either through a formal written update report or through a verbal update, which is received at each subsequent Board meeting. A full set of papers for each Committee meeting is routinely made available on-line from the Health Board's website.

During 2020/21, Finance Committee meetings were held on a monthly basis, as follows:

• 28 th April 2020	• 22 nd October 2020
• 26 th May 2020	• 30 th November 2020
• 25 th June 2020	• 22 nd December 2020
• 24 th July 2020	• 26 th January 2021
• 26 th August 2020	• 25 th February 2021
• 29 th September 2020	• 23 rd March 2021

Areas of Responsibility

In discharging its duties, the Finance Committee has undertaken work during 2020/21 against the following areas of responsibility in relation to its Terms of Reference:

Discussion Items

- At each meeting the Committee is presented with the following papers to scrutinise with regard to the in-year financial position:
 - Financial Performance Update/ Finance Report and Monthly Monitoring Returns to Welsh government (WG);
 - Financial End of Year Report and Forecast
 - Capital Financial Management Report

The following papers are also presented to the Committee on a regular basis:

- Healthcare Contracting Update
- Opportunities Framework Report
- Route Map to Financial Balance
- Update report relating to EU Exit Risks (specifically relating to financial impact)
- Digital Planning update reports

In October 2020 it was agreed by the Chair and Committee Members to present items for discussion under 3 main agenda headings in order to reflect the Committee's focus upon both in-year financial performance and upon medium and long-term financial planning:

- Financial Performance 2020/21
- Finance Plan 2021/22
- Finance Strategy – The Route Map to Financial Balance (2022 onwards)

- In addition to the papers listed above, the following papers were received by the Committee at its meetings held in 2020/21:
 - **Financial Plan 2021/22 Development** – at its meeting held on 26th August 2020 the Committee received a verbal update with regard to the development of the HB's Financial Plan for 2021/22. Members were advised that at this stage of planning, the provision of details in report form was challenging, given that, while 'normal' processes were being followed in the planning process, due to the COVID-19 pandemic there was as yet no clarity regarding the financial environment against which financial plans would be set. A further update was received by the Committee at its meeting on 22nd October 2020, providing assurance that financial planning discussions had been on-going with WG and the Finance Delivery Unit (FDU) and advising Members that a draft financial assessment had been completed, based upon the financial forecast at M5 2020/21 (in order to model projections upon a position which was understood), which would be further refined and aligned to operational priorities. Members received a further briefing in the Committee meeting held on 25th February 2021 covering the key assumptions and principles underpinning the development of the HB's Financial Plan for 2021/22 and the Draft Finance Enabling Plan 2021/22 was presented to the Committee at its meeting on 23rd March 2021.
 - **Finance Strategic Objectives** – at its meeting held on 25th February 2021 the Committee received a presentation summarising the key strategic objectives for the HB's Finance function for 2021/22, which link to the development of long-term plans to achieve financial balance and which provide the basis for the development of a 'tracking' dashboard for the Committee, enabling Members to monitor the progress during 2021/22 of plans and initiatives which are intended to support these key objectives.
 - **Draft Annual Accounts 2019/20** – The draft Statutory Annual Accounts, as submitted to Welsh Government (WG) on 1st May 2020, were provided to the Committee in its

meeting held on 26th May 2020. Members were advised that the final Annual Accounts would be presented to the Audit and Risk Assurance Committee for scrutiny prior to submission to WG by 30th June 2020.

COVID-19 Value for Money and Governance Framework - at its meeting held on 28th April 2020, the Committee received reports describing the HB's Value for Money Framework, detailing key processes and principles underpinning decision-making to achieve best value for money and to ensure the economy, efficiency and equitable allocation of the HB's resources, and describing the financial governance applied within the HB in response to the urgent situation created by the COVID 19 pandemic, following the Accountability Letter and financial guidance issued by WG to all NHS Wales Chief Executives on 30th March 2020. While Members were advised that, given unprecedented challenges and demands arising as a result of the pandemic, the HB would be required to make decisions at pace to protect both staff and patients and (for reasons of expediency) would not always be in a position to follow the HB's Scheme of Delegation, assurance was provided in the meeting that the reasons for such decisions would be documented and that decisions would subsequently be regularised through appropriate governance processes. The Committee received a further report at its meeting on 26th May 2020 detailing costs for goods and services ordered in order to support the HB's response to the pandemic, being assured that Value for Money principles had been applied wherever possible, and that all decisions relating to orders had been approved by Gold Command.

- **COVID-19 Reporting Principles** - at its meetings held on 28th April and 26th May 2020, the Committee received reports outlining the HB's approach to the recording and internal and external reporting of costs incurred in response to the COVID-19 pandemic. Members were advised that WG had provided a monitoring template which represented a monthly reporting requirement for 2020/21, and that local recording and reporting mechanisms would need to be designed to fulfil this requirement, in addition to any further internal reporting requirements.
- **NHS Contracting and Payment during the COVID-19 Pandemic** - at its meeting held on 28th April 2020, the Committee received a report detailing the approach taken by the HB in line with NHS Guidance issued on 26th March 2020, recommending revised arrangements for NHS contracting and contract payments during the COVID-19 pandemic. Members were advised that as a result of the pandemic, the Welsh NHS would be redesigning its service delivery, suspending the majority of Elective Care treatments and focusing upon treating patients with the greatest Urgent Care needs. Members noted a risk that, given the anticipated reduction in non-contracted activity, the HB could potentially lose funding of up to £3.5m.
- **Workforce Plan** – at its meeting held on 25th June 2020, Finance Committee received a report detailing the HB's response to enhanced organisational demand for staff during the COVID-19 pandemic. Members were advised of current deficits in the nursing and Healthcare Support Worker establishment, and of requirements for additional staff to support the operationalisation of Field Hospitals, with discussions underway relating to the potential extension of short-term staffing contracts. Members were also assured of controls in place within the organisation to ensure robust financial governance of all aspects of staff recruitment, payment and contract management. The Committee received a further verbal briefing relating to the Workforce Plan at its meeting held on 29th September 2020. Members were advised of significant challenges impacting upon workforce capacity, and noted that organisational decisions would be required with regard to reviewing existing staffing ratios in order to alleviate

demand upon Registered Nurses, while maintaining safe patient care. Following a further briefing received by the Committee at its meeting on 22nd October 2020, Members took assurance from a reduction in projected workforce requirements as a result of mitigations implemented within the HB, while recognising remaining variables, such as sickness absence, Field Hospital surge demand, and requirements to support vaccination programmes. Being advised that a meeting between Finance and Workforce planning teams would be held on 27th October 2020 in order to link financial planning and workforce assumptions with regard to additional cost, scaling and phasing of the plan, Members supported a proposal that the plan receive Finance Committee's support via Chair's Action for onward submission to the November 2020 Public Board for ratification.

- **Field Hospital Contracting Update** – at the Committee meeting held on 29th September 2020, Members received a report summarising progress made in relation to on-going Licence To Occupy (LTO) contract negotiations necessitated by the expiry of a number of LTOs in September 2020. Members were requested to note proposed committed expenditure in respect of Samuel Selwyn Centre, Parc Y Scarlets Barn, Carmarthen Leisure Centre and Llanelli Leisure Centre Field Hospital facilities.
- **HDdUHB Procurement Strategy – Utilising the Local Supply Chain** – at its meeting held on 25th June 2020, the Committee received the first of a series of reports outlining proposals to increase the efficiency of the HB's procurement function, and to develop a local focus in the procurement of goods, equipment and services, in accordance with WG policies relating to the Foundational Economy. At its meeting held on 22nd October 2020, Members were informed that the Centre for Local Economic Strategies (CLES) had been engaged to work with the HB to identify areas where there may be opportunities to extend local supply. Interim and final reports of findings were shared with Finance Committee at its meetings on 26th January and February 2021, providing an evidential basis for the development of a longer-term procurement strategy for the HB over Quarter 1 of 2021/22, and which was scheduled for presentation to Finance Committee at a future meeting.
- **Locality Expenditure Analysis** - at its meeting held on 22nd October 2020, the Committee received a report and presentation detailing analysis of expenditure at GP Cluster population level, and viewed a live demonstration of a data visualisation tool which enables analysis of locality-based expenditure, bringing benefits for the HB in terms of investigating differences in cost activity over time. Members recognised the tool's potential in supporting financial and service planning, with opportunities to feed activity analysis into longer-term planning, particularly in relation to a 'shift left' in terms of the increased use of community services.
- **Delivering and Funding for the Digital Programme Plan** – at its meeting held on 24th July 2020, the Committee received a report outlining proposals to allocate existing financial resources to support the development of digital capacity and the acceleration of the Digital Programme Plan within the HB, specifically through the establishment of additional recurrent and non-recurrent posts within the HB Digital Team. Members supported, in principle, the proposed commitment of expenditure to facilitate the acceleration of the Digital Programme Plan and its associated projects, noting that these proposals would be submitted to the Board for approval, and requested that regular reports be provided to Finance Committee to allow scrutiny of the financial benefits realised through this proposed investment of resources.

- Welsh Government Support for CHC** - at its meeting held on 29th September 2020, Members received a report detailing a WG allocation to the HB of £22.4m to directly support HB-commissioned care and joint packages of care within domiciliary and residential care settings, which would apply from 1st April 2020 to 30th September 2020 to cater for the additional costs which providers had incurred over this period, and which would be allocated to HBs on a formula basis in order to support providers in their response to COVID-19. Members received a further report, 'Annual CHC Fee Uplifts', at its meeting on 22nd October 2020 which was, at the request of Members, attended by the Director of Primary Care, Community and Long Term Care. This report presented two options relating to proposed fee uplifts in 2020/21 for clients who are in receipt of externally commissioned care within HDdUHB for Long Term Care services, Mental Health and Learning Disabilities services and Children's services. Having reviewed these options in terms of financial risks and benefits, Members supported option 2 ie. fee uplift calculated by applying a percentage uplift to the Base Rate, in line with Local Authority rates, adding Funded Nursing Care and LA Elements, noting that the total sum of £937k was within the financial allocation held in reserves by the HB.
- Value Based Healthcare** – at its meeting on 30th November 2020, the Committee received a presentation detailing the development and implementation of HDdUHB's Value-Based Healthcare (VBHC) Programme. Members were informed that VBHC involves a different approach to gathering patient feedback, enabling the routine capture of information relating to patient outcomes via digital systems (such as *DrDoctor*), as opposed to the historic 'linear' approach involving the periodic issue of surveys and questionnaires. Members were also informed that HDdUHB is the first Health Board in Wales to run a dedicated education programme to support the implementation of VBHC.
- Delivering and Funding the Programme Business Case for 'A Healthier Mid & West Wales'**. – at its meeting held on 25th June 2020, the Committee received a report outlining proposals for the allocation of internal funding of £1.5m to support the development of, and costs included in a Programme Business Case (PBC) for the HB's Health and Care Strategy; 'A Healthier Mid & West Wales'. Members were requested to consider and agree the commitment of expenditure and the sourcing of funds to progress the PBC, being advised of the target completion date (March 2021) and resource requirements to manage the capital programme and processes.
- Procurement of Haematology and Coagulation Managed Service Agreement** – at its meeting held on 26th January 2021, the Committee received a report seeking support to proceed with the procurement of Haematology and Coagulation equipment, reagent and consumables via a Managed Service Agreement, being advised that further sign-off would be required at WG level (following Board approval) due to the total contract value being greater than the £1,000,000 threshold. Members were informed that the contract would necessarily be put out to tender, and were assured that the contract value lies within the HB's current budget. Having discussed the proposal, and reviewed potential risks and anticipated benefits, Members supported the request to proceed with the procurement of Haematology and Coagulation equipment via a Managed Service Agreement, subject to Board approval and sign-off by WG.
- Underlying Deficit Analysis** – at its meeting held on 25th February 2021, the Committee received a report outlining the HB's proposed response to a WG request that a Ledger-based method of analysis be utilised by the HB in describing its underlying deficit as an element of 2021/22 financial planning. Members were advised that the Ledger-based method does not provide the overarching focus required to identify opportunities to address the deficit, and Members supported a position whereby the

Finance Team would continue to utilise its current activity-based analysis (recognising that this delivers a better understanding of the deficit) and would reconcile outputs to fit the reporting format requested by WG.

- **Telehealth Business Case** – at the Committee meeting held on 25th February 2021, Members received a business case for financial investment on the part of the HB in Technology Enabled Care (TEC), and its adoption within core elements of care pathways. Members reviewed a detailed appraisal of costs, benefits, deliverables and further opportunities arising from the implementation of TEC and Telehealth services and, being assured that all associated risks and mitigations had been subject to consideration, supported the proposed investment in TEC, noting that the proposal had been submitted to the HB Executive Team for approval on 24th February 2021.
- **Digitisation of Health Records Business Case** - at the Committee meeting held on 25th February 2021, Members received an update on the future direction of the Digitisation of Health Records programme and an Outline Programme Plan, based upon the key principles of reducing or eradicating paper generation in all health records, identification of areas where the use of e-records is achievable, and developing scanning capacity as a solution where the use of e-records is not practicable. Members were advised of significant risks associated with current paper record storage arrangements, particularly those relating to fire safety, and were also made aware of costs and logistical challenges linked to the scanning of records. Members were assured that funding has been identified by the Director of Finance to expedite the delivery of the Outline Programme Plan i.e. a time-limited recurrent annual sum of circa £300,000 for a period of approximately 3 years.
- **Enhanced Cleaning Standards** - at the Committee meeting held on 25th February 2021, Members received a report detailing new cleaning standards which will become the baseline for cleaning requirements in Healthcare environments, and setting out the need for the HB to invest in its environmental cleaning programme, thereby increasing and enhancing its cleaning resource capacity in order to meet the new standards set by WG. Members were advised that, given the significant investment required in terms of human resourcing to comply with the enhanced standards (approximately £2.8m additional staff costs as well as non-pay costs of approximately £0.1m), the recommendation for investment would be presented to the Executive Team on 24th February 2021 prior to being presented to the Board for approval at its meeting on 25th March 2021.
- **Value from investment in Clinical Equipment** - at the Committee meeting held on 23rd March 2021, Members received a report illustrating areas where investment in medical equipment has been made in order that the HB may ensure compliance with statutory and audit requirements, thus reducing the risk of potential harm to both staff and patients and enabling greater resilience in service provision through possession of sufficient equipment resources. Members were advised that the expenditure incurred during the year on medical equipment is below the capitalisation threshold, and had been approved verbally by the Executive Team, with the paper being submitted for formal confirmation of approval to Executive Team on 24th March 2021, and noted in the Financial Report to the Board on 25th March 2021.
- **Referral to Treatment (RTT) Report** – at its meeting held on 28th April 2020 the Committee received a report providing headline RTT figures for Month 12 2019/20. Members were advised that were it not for the cancellation of elective treatments related to the COVID-19 pandemic, the HB would have delivered against the 36-week target.

- The Committee was presented with live demonstrations in the following Strategic Workshops:
 - **Long Term Financial Model and Strategic Workforce Model** – at its meetings held on 26th January and 25th February 2021, the Committee received presentations from PWC which demonstrated in a ‘live’ setting the functionality of a Long Term Financial Model and a Strategic Workforce Model, which had been developed to support the Health Board’s financial forecasting and to support strategic decision-making.

Assurance Items

- The following papers were received by the Committee:
 - **Corporate and Operational Financial Risk Reports** - the Corporate Risk report and the Operational Financial Risks report were presented to the Committee for scrutiny at its meetings held in May, August, November, and December 2020, and in February and March 2021. At the Committee meeting held on 26th May 2020, Members were assured that work was being undertaken by Directorate teams to update their operational risk registers to ensure that these reflected new risks which had emerged due to the COVID-19 pandemic. At the meeting held on 23rd March 2021, Members noted the de-escalation of corporate risks to the delivery of the Financial Plan and the Capital Resource Limit for 2020/21, and were advised of the formal identification of a risk to the Financial Plan for 2021/22, noting that some mitigations to this risk would be included in the HB’s Route Map to Financial Balance.
 - **HDdUHB Response to the COVID-19 NHS Wales Operating Framework** – Finance Committee received the HB’s Operational Plans (Responses) for Q1, Q2 and Q3 at its meetings held on 26th May, 26th August and 22nd October 2020. Members were advised of the operational demands upon the organisation, noting the emerging benefits of investment in digital technology, plans to re-start and support Urgent and Cancer diagnostic and surgical treatments, and challenges relating to the re-start of elective services. Members received an explanation of the COVID-19 and non-COVID-19 modelling programmes utilised to generate capacity and demand forecasts at an organisational level, and were advised of the alignment between the HB’s Q3/ Q4 response and its Regional Winter Protection Plan, which was received by the Committee at its meeting on 22nd October 2020.
 - **NWSSP HB Summary Performance Quarterly Report** – at its meetings held on 29th September 2020, 22nd December 2020 and 23rd March 2021 the Committee received reports containing summary performance data in respect of the services provided by NWSSP for each quarterly period. Members were advised of a decision taken at a meeting of the People, Planning & Performance Assurance Committee held on 27th August 2020 that the report would transfer for review to the Finance Committee.
 - **Finance Delivery Unit (FDU) Q2 Planning – Peer Review** - at its meeting held on 29th September 2020, Finance Committee received a presentation summarising the FDU’s feedback following a peer review undertaken by HDdUHB and Cardiff and Vale University Health Board of their respective Quarter 2 Operational Plans in response to the COVID-19 pandemic. Having reviewed the areas for improvement identified, Members requested that updates relating to each area be provided, to include comments from the Director of Finance and details of actions planned in order to address each issue. A summary of the responses to the recommendations made by the

FDU was accordingly presented to the Committee at its meeting on 22nd October 2020 to provide assurance and opportunity for further scrutiny.

- **Finance Team Transformation – Internal Audit Report** – at its meeting on 22nd December 2020, the Committee received a report detailing the findings of a review undertaken by NWSSP evaluating the progress made in the restructure and transformation of HDdUHB's Finance Directorate. Members were advised that the audit report had been reviewed by the Audit and Risk Assurance Committee (ARAC) at its meeting on 15th December 2020, where it had been agreed that the report would be presented to Finance Committee in order to provide assurance to Members regarding the progress achieved in transforming the Finance Directorate.
- **Finance Committee Assurance Report to ARAC** – at its meeting held on 25th June 2020, Members received the Finance Committee Assurance Report to ARAC noting the evidence included to support confirmation of the effective discharge by the Finance Committee of its duties during 2019/20, as specified in its Terms of Reference.
- **Balance Sheet** – at its meetings held on 22nd October 2020 and 26th January 2021, the Committee received reports summarising key movements in the HB's Balance Sheet position, and outlining the monthly scrutiny applied to the position. Members were informed that a Balance Sheet closedown system (Blackline Solutions) had been successfully procured and were assured that the system would enable reconciliations to be undertaken with greater transparency, efficiency and completeness, thereby providing greater assurance that all controls and approvals are in place. Being advised in the meeting held on 26th January 2021 of the size of settlement figures for some medical negligence claims, Members requested that further detail of medical negligence provision be included in the next Balance Sheet report to Finance Committee (29th April 2021).

Information Items

- At each meeting during 2020/21, the Committee has been presented with the following papers for information:
 - Monthly Monitoring Returns (included for information from 22nd October 2020);
 - Finance Committee Work Programme
- In addition to the papers listed above, the following papers were received by the Committee:
 - **Strategic Cash Request** – at its meeting held on 22nd December 2020, the Committee received a report outlining the process for requesting Strategic Cash Support for 2020/21 and the rationale for the request. Being advised that the HB's request for cash assistance of £16m for 2020/21 assumes the delivery of the current forecast deficit of £25m, Finance Committee supported the HB's request for Strategic Cash Support for 2020/21. At the Committee meeting held on 25th February 2021, Members received assurance that the request for Strategic Cash Support of £16m for 2020/21 had been approved by WG.
 - **Medical Staff Job Planning** – at its meeting held on 29th September 2020, Members received for information, as requested at the previous Committee meeting, a report providing an update in relation to medical job planning processes within HDdUHB, specifically in relation to Consultants and Staff and Associate Specialist (SAS) Doctors. The significant improvement in job planning processes and increased compliance with

job plan targets during 2020/21 was noted. Members were assured that the HB's progress in exercising control of job planning had been maintained over the previous and current year, while enabling the level of flexibility required in order to effectively address the demands arising from the COVID-19 pandemic.

- **Ministerial Directions** – at its meetings held on 24th July 2020 and 26th January 2021, Members received reports providing assurance that all NHS Non-Statutory Instruments (Ministerial Directions) received from WG in 2020/21 have been implemented or adopted by the HB.
- **Agile Digital Business Group Update** – updates from the Group's meetings held on 17th December 2020 and 5th March 2021 were presented to the Committee at its meetings held on 26th January 2021 and 23rd March 2021.
- **Commissioning Group Update** – updates from the meetings of the Commissioning Group held on 14th December 2020 and 11th February 2021 were presented to the Committee at its meetings held on 22nd December 2020 and 25th February 2021.

Approval Items

- **Digital Delivery – Governance** – at its meeting held on 22nd October 2020, the Committee received a report detailing a proposal for the establishment of an Agile Digital Business Group as a Sub-Group of the Finance Committee, to take forward the digital response to the HB's Strategic and Planning Objectives. Members reviewed draft Terms of Reference for the Group, being advised that while the Group would apply the appropriate level of scrutiny to digital projects, and provide an agile response in identifying which initiatives to progress and which to withdraw, Finance Committee would monitor any financial risk to the HB arising from the implementation of digital projects. Members noted that updates from the Group's meetings would be included on the Finance Committee's work plan.
- **Commissioning Group Terms of Reference** – the Committee reviewed the Terms of Reference for the Commissioning Group, being advised that the Group also links to the Quality, Safety and Experience Assurance Committee. Members agreed the Commissioning Group's Terms of Reference, and noted that updates from the Group's monthly meetings would be included on the Finance Committee's work plan.
- The Finance Committee approved the following Financial Procedures during 2020/21:
 - VAT Procedure (24th July 2020)
 - Injury Costs Recovery Scheme (29th September 2020)
 - Retention of Financial Records (29th September 2020)
 - Stock Procedure (22nd October 2020)
 - Oracle E Business Suite System Access and General Ledger Security (22nd December 2020)
 - Charitable Funds Financial Governance and Administrative Procedure 2020 (22nd December 2020)
 - Cash Procedure (26th January 2021)
 - Project Bank Accounts (26th January 2021)
 - Tax Status of Workers (March 2021)
 - Custody of Safe Keys (March 2021)

Governance Items

- **Finance Committee Annual Report** – the Finance Committee Annual Report 2019/20 was reviewed by Members, summarising the Committee’s business undertaken during the year, and identifying key areas of risk and concern raised by the Committee for the Board’s attention. The Committee endorsed the Finance Committee Annual Report 2019/20 for onward submission to the Board on 28th May 2020 for approval.
- **Finance Committee Outcome of Self-Assessment of Performance 2019/20** - a report summarising outcomes from its annual self-assessment exercise was received by the Committee at its meeting held on 25th June 2020, together with proposed actions and suggestions for improvement in response to Members’ comments.
- **Finance Committee Annual Review of Terms of Reference** – at the Committee meeting held on 25th February 2021, Members reviewed Finance Committee’s Terms of Reference (ToR), in order to consider whether the Committee’s structure, purpose and responsibilities continue to be fully and accurately represented within the current version. Members recognised the need to review the definition of quoracy applied to the Committee’s ‘In Attendance’ membership, noting also that the ToRs would be amended to include reference to the Committee’s sub-groups (the Commissioning Group and the Agile Digital Business Group), and that Finance Committee’s scrutiny of the HB’s investment in its Digital programme would need to be reflected in the ToRs. Members noted that amendments would be agreed via Chair’s Action prior to submission to the Board on 25th March 2021.

Key Risks and Issues/ Matters of Concern raised by the Committee to the Board during 2020/21 included:

- **Financial Risks associated with the COVID-19 Pandemic** – emerging potential and confirmed risks relating to the financial demands associated with the HB’s response to the COVID-19 pandemic were highlighted to the Board, reflecting early uncertainty regarding the as-yet unquantified monetary implications of the HB’s COVID-19 response and, subsequently, the level of central funding which would be provided to support this response. The impact of COVID-19 upon the Capital Resource Limit for 2020/21, delivery of the forecast deficit and delivery of the HB’s savings targets were regularly highlighted to the Board by the Committee, and in the meeting held on 26th May 2020, Members registered concern that additional costs associated with the re-start of suspended Planned Care services were not included in the HB’s Q1 Response to the COVID-19 NHS Wales Operating Framework, while concerns regarding costs associated with the re-start of services were raised at the Committee’s meeting held on 26th August 2020. Concerns relating to potential future coinciding pressures resulting from a combination of 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 were highlighted in the meeting held on 26th May 2020.
- **Challenges to Delivery of Savings Schemes** – risks to the HB’s savings position had been identified early in 2019, and measures to address the savings gap were accordingly reported at each subsequent meeting. At its meeting on 26th May 2020, the Committee highlighted concerns regarding challenges to the delivery of savings, which would either require recurrent WG funding as part of the baseline, or would be treated as an increase to the underlying deficit for 2021/22. Further concerns were expressed

by the Committee at its meeting on 25th June 2020 and subsequent Committee meetings, regarding the risk of non-delivery of identified and as-yet unidentified savings schemes included in the HB's financial plan for 2020/21, resulting in a significant risk to the delivery of the £25m deficit, and the expectation that a £30.8m savings requirement included in the Financial Plan would not be delivered due to the diversion of operational focus in response to COVID-19.

- **Delivery of Deficit Position** - potential risks to the projected delivery of the HB's deficit position of £25m were regularly highlighted to the Board, arising from additional winter planning costs, reinstating elective services, and unprecedented impacts of the COVID-19 pandemic. Conversely, a risk that the HB might underspend against the planned deficit of £25m was first highlighted at the Committee meeting held on 30th November 2020, where Members were advised that the deficit figure of £25m agreed with WG was based upon the expectation that HB resources are managed as closely as possible to meet identified indicative flexibility. At this meeting, Members were informed that the financial forecast is dependent on assurances provided by a range of teams across the HB and across the Regional Partnership Board regarding the drivers of spend; there is a risk that these assurances do not reflect future expenditure profiles and that the financial outturn differs from the current forecast. Risks relating to the financial forecast, including cost pressures arising from Acute activity demands, Primary Care prescribing, and Public Health requirements in the form of COVID-19 and influenza vaccination programmes were highlighted at the meeting held on 29th September 2020, while concerns relating to the impact upon the deficit position of additional costs relating to additional winter planning, field hospitals and agency staff were highlighted in the meeting held on 29th September 2020.
- **Underlying Deficit** - a risk that the HB will continue to accrue large deficits until such time as any large-scale transformative change is implemented was highlighted at the meeting held on 30th November 2020. At the meeting held on 23rd March 2021, Members were presented with the draft Financial Enabling Plan, and noted that £32.4m unachieved recurrent savings for 2020/21 have been added to the 2020/21 deficit figure of £25m to provide a starting financial deficit position of £57.4m in 2021/22.
- **Expenditure** – a significant increase in the HB's expenditure profile forecast for future months was highlighted to the Board in the Committee meeting held on 22nd December 2020, relating to a delay in Local Authority invoicing for Test Trace Protect and Integrated Care Fund schemes, the HB's required contribution to the Welsh Risk Pool, Field Hospital decommissioning costs, required HMRC provisions, bed and equipment replacement costs, the HB's investment in Delta Wellbeing services and additional PPE costs arising from increased prices. Projected significant additional costs of £12m for M12, largely due to pay costs for the accrual of annual leave in 2021/22 and cost impacts relating to the HB's decision to allow an annual leave carry-over into 2021/22 were highlighted in the Committee meeting held on 25th February 2021.
- **Risk to Capital Schemes** – uncertainty relating to the allocation of central funding to progress new capital schemes was noted as a matter of concern at the Committee meeting held on 25th June 2021, and the risk that the HB would breach its Capital Resource Limit in-year (by £15.07m, as reported in June 2020, and by £16.2m, reported in September 2020) was highlighted, should all expected capital costs materialise in 2020/21 with no further WG funding forthcoming. Financial risks associated with progressing COVID-19-related capital schemes at feasibility stage without confirmed funding were regularly highlighted in Finance Committee meetings, together with significant operational risks should feasibility schemes to implement COVID-19-related requirements, and to support the delivery of healthcare services, not be progressed.

Formal recognition of concerns relating to the lack of central flexibility to allow the movement of capital between financial years was captured through the addition of a new Corporate Risk in August 2020. At the Committee meeting held on 22nd December 2020, concerns were raised to the Board that no further funding would be available from WG for specific investment in COVID-19, should additional capital cost be incurred to deal with the HB's response to the pandemic and social distancing requirements. The risk of slippage in the HB's Discretionary Capital programme was noted in the meeting held on 26th January 2021.

- **Risk to delivery of the CRL** – Following increasing assurance regarding the stability of the HB's capital position during the latter part of the 2020/21, and recognising the monitoring and management of potential slippage in the end-of-year WG allocation and the Discretionary Capital Programme, a risk to the delivery of the HB's Capital Resource Limit for 2020/21 was highlighted in the meeting held on 23rd March 2021, arising from unanticipated year-end WG funding allocations. Members were, however, assured that while WG funding allocations at this point in the financial year represent a challenge in terms of impacting the HB's capital forecast trajectory, all efforts would be made to ensure that further allocations would be spent as effectively as possible.
- **Financial Planning** – at its meeting held on 26th August 2020, Members noted concerns relating to the lack of clarity regarding the financial environment against which the HB's financial plans would be set.
- **Contracts and Long Term Agreements (LTAs)** – at its meeting held on 28th April 2020, the Committee highlighted concerns that block contract agreements (as recommended by NHS guidance regarding revised contracting and payment arrangements during the pandemic) would be unlikely to deliver value for money, as these arrangements related mainly to elective treatments. Members were apprised of the material risk for the HB linked to Non-Contracted Activity (NCA), and advised of the possibility that, between NCA and block contracting arrangements with English Trusts, HDdUHB would be impacted to the sum of circa £2.9m. Further concerns relating to a significant risk to NCA income of approximately £450k per month discussed at the Committee meeting held in August 2020 were highlighted to the Board. Concern regarding a lack of consensus regarding a common approach to contracting and LTAs for 2021/22 among Welsh Health Board Healthcare Contracting representatives was highlighted in the Committee meetings held on 25th February and 23rd March 2021, together with a recognition of value for money concerns linked to block contracts, and a risk of impact upon HDdUHB patients requiring treatment outside the HB should other Health Boards (as service providers) enter their COVID-19 recovery phase later than HDdUHB.
- **EU Exit** – early indications that the impact of EU exit would manifest within increased Primary Care prescribing and drugs costs were highlighted in the Committee meeting held on 25th June 2020. The financial impact of costs associated with EU exit which would represent a significant element in the HB's budget for 2021/22, was highlighted in the meeting held on 22nd October 2020, and in its meeting held on 22nd December 2020 the Committee was advised of potential restrictions in the supply of medical devices and other equipment arising from EU-exit trade deal negotiations, and from recent border controls imposed in response to the COVID-19 pandemic.
- **Women and Children Scheme, Glangwili General Hospital** - a delay to the projected completion date for the scheme was highlighted in Committee meetings. Members were advised that this delay impacts upon the total resource required for the scheme, with

estimated additional COVID-19-related costs for the whole scheme amounting to £2.74m as at July 2020.

Other risks and matters of concern identified by Finance Committee during 2020/21 included:

- **Field Hospital Contracts** – at its meeting on 23rd March 2021, Members were informed of Onerous' Field Hospital contracts held by the HB in 2021/22 - in particular, those held with Bluestone Resorts Ltd and Parc y Scarlets, with provision of upwards of £300k having been made to cover associated costs and, in the case of the Parc y Scarlets site, potential indemnity issues relating to requirements for rectification of the pitch.
- **Corporate and Medical Records Storage** - a material risk relating to the management of corporate and medical records, particularly relating to fire safety, was highlighted to the Board in the Committee meetings held on 22nd December 2020 and 25th February 2021, recognising that addressing the risk inherent in maintaining and storing hard copy records will incur a significant cost to the organisation.
- **COVID-19 VFM and Governance Framework** - at the Committee meeting held on 28th April 2020, Members were advised that, as part of individual Directorates' responses to the COVID-19 pandemic, some decisions involving a financial impact had necessarily been made outside of the HB's Standing Orders, Standing Financial Instructions and Scheme of Delegation, and that there would therefore be a requirement for the HB to demonstrate value for money and to regulate the expenditure through governance processes.
- **Costs Associated with the Recovery of Planned Care Services** – significant costs associated with the re-start of Elective Care treatments were highlighted at the Committee meeting held on 26th August 2020

Finance Committee Future Work Plan 2021/22

During 2021/22, there will be a key focus for the Committee on the following:

- Route Map to Financial Balance, including the Opportunities Framework
- Social Value and Procurement
- Long Term Agreements and Healthcare Contracting
- Outcomes from Investment in Digital Enablement
- Linkage of Financial and Workforce Planning
- Capital Financial Management
- Scrutiny of Financial Risks

Argymhelliad / Recommendation

The Board is asked to endorse the Finance Committee Annual Report for 2020/21.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Cyfeirnod Cofrestr Risg Datix a Sgôr
Cyfredol:
Datix Risk Register Reference and
Score:

Not Applicable

Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives:	Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Agendas, papers and minutes of the Committee meetings held in 2020/21
Rhestr Termau: Glossary of Terms:	Included within the body of the report.
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	Finance Committee

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	A sound system of internal control, as evidenced in the Committee's Annual Report, will assist with ensuring financial control, and the safeguard of public funds.
Ansawdd / Gofal Claf: Quality / Patient Care:	SBAR template in use for all relevant papers and reports.
Gweithlu: Workforce:	SBAR template in use for all relevant papers and reports.
Risg: Risk:	SBAR template in use for all relevant papers and reports.
Cyfreithiol: Legal:	A sound system of internal control, as evidenced in the Committee's Annual Report, ensures that any risks to the achievement of the Health Board's objectives are identified, assessed and managed. Compliance with the Health Board's Standing Orders, and Committee's Terms of Reference, requires the submission of an Annual Report to the Finance Committee.
Enw Da: Reputational:	Not Applicable
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	SBAR template in use for all relevant papers and reports