

PWYLLGOR CYLLID FINANCE COMMITTEE

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| DYDDIAD Y CYFARFOD: DATE OF MEETING: | 29 April 2021 |
| TEITL YR ADRODDIAD: TITLE OF REPORT: | Risk to Delivery of the Financial Plan for 2021/22 |
| CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR: | Huw Thomas, Director of Finance |
| SWYDDOG ADRODD: REPORTING OFFICER: | Rebecca Hayes, Senior Finance Business Partner |

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| Pwrpas yr Adroddiad (dewiswch fel yn addas) Purpose of the Report (select as appropriate) |
| Ar Gyfer Trafodaeth/For Discussion |

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| ADRODDIAD SCAA SBAR REPORT |
| <u>Sefyllfa / Situation</u> |
| An emerging risk relating to the delivery of the Health Board's Financial Plan for 2021/22 has been identified. |
| <u>Cefndir / Background</u> |
| The key considerations in assessing the level of risk and the control environment require the consideration of the Committee. |
| <u>Asesiad / Assessment</u> |
| The accompanying spreadsheet (Appendix 1) details the rationale for the current and target risk score and provides the relevant controls and assessment of control gaps. One of these controls is the issue of Accountability Letters to Budget Managers; a copy of this letter, issued on 23rd April 2021, is included as Appendix 2. |
| <u>Argymhelliad / Recommendation</u> |
| Finance Committee is asked to discuss and agree the addition of the identified Corporate Risk. |

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| Amcanion: (rhaid cwblhau) Objectives: (must be completed) | |
| Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor: | 2.5 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: | Replaces risk 856: Ability to deliver the Financial Plan for 2020/21 646 (score 16) Ability to achieve financial sustainability over medium term |

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| Safon(au) Gofal ac Iechyd: Health and Care Standard(s): | 7. Staff and Resources |
| Amcanion Strategol y BIP: UHB Strategic Objectives: | All Strategic Objectives are applicable |
| Amcanion Llesiant BIP: UHB Well-being Objectives: | Not Applicable |

| Gwybodaeth Ychwanegol: Further Information: | |
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| Ar sail tystiolaeth: Evidence Base: | Monitoring returns to Welsh Government based on HDdUHB's financial reporting system. |
| Rhestr Termau: Glossary of Terms: | Explanation of terms is included in the report. |
| Partion / 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) | |
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| 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 |

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| Strategic Objective: | | Deliver the Financial Plan for 2021/22 by the end of March 2022, despite the financial impact of the COVID-19 pandemic and subsequent Recovery Plans. | | Executive Director Owner: | Thomas, Huw | Date of Review: | apr-21 |
| | | | | Lead Committee: | Finance Committee | Date of Next Review: | mai-21 |
| Risk ID: | TBC | Principal Risk Description: | There is a risk to the delivery of the Health Board's draft interim Financial Plan for 2021/22 of a £57.4m deficit. This is caused by 1. Costs of addressing our local COVID-19 needs may exceed funding available from UHB, Regional and WG sources. 2. Unidentified savings schemes included in the Financial Plan are also at risk of non-delivery due to both the operational focus being diverted to respond to COVID-19 and where identified schemes are not supportive of the response needed (e.g. bed closures). This could lead to a further impact/affect on the Health Board's underlying deficit position, reduction in stakeholder confidence and increased scrutiny from WG. | Risk Rating:(Likelihood x Impact) | | | |
| | | | | Domain: | Statutory duty/inspections | | |
| | | | | Inherent Risk Score (L x I): | 4x5=20 | | |
| | | | | Current Risk Score (L x I): | 3x4=12 | | |
| | | | | Target Risk Score (L x I): | 2x4=8 | | |
| | | | | Tolerable Risk: | 6 | | |
| Does this risk link to any Directorate (operational) risks? | | | yes | Trend: | ←→ | | |

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| Rationale for CURRENT Risk Score: | Rationale for TARGET Risk Score: |
| Financial planning assumptions have been assessed assuming 6 months of COVID-19 prevalence at a level similar to Q3 of 2020/21. Whilst the operational responses and corresponding financial impact of the pandemic during 2020/21 has provided a sound basis for modelling scenarios, it should be acknowledged that the scale and duration of the pandemic and the likely impact on the Health Board is as yet unknown for 2021/22. WG funding streams are partly confirmed, however there will be a reliance on the success of bids for specific funding to support the Health Board's Recovery Plans, Digital Transformation and enhanced Mental Health service support in response to the pandemic and in the acceleration of the Health Board's Strategy. There is also ongoing WG scrutiny of the opening underlying deficit for 2021/22, and the Health Board has not yet had confirmation from WG that the draft interim Financial Plan for 2021/22 will be approved. | The Health Board needs to demonstrate that it is able to manage its financial position effectively, cognisant of the risks which are inherent in the delivery of safe and timely care. As the actual activity in the Health Board manifests, the level of risk may be considered to be reduced, however the impact of the mass vaccination programme and risk of new variants is as yet unknown. As further clarity is provided by partner organisations and Welsh Government as to funding arrangements, the risk of unfunded activity may be reduced. Given the challenge in delivering the financial position this year, it is unlikely that the Health Board will achieve a risk which is in line with the tolerable risk for the year. Consequently, the target risk score exceeds the tolerable risk at this point. This is not an acceptable position, and further work is ongoing to manage this risk. |

| Key CONTROLS Currently in Place: (The existing controls and processes in place to manage the risk) | Gaps in CONTROLS | | | | | |
|---|---|--|--|------------------------------|---|--|
| | Identified Gaps in Controls : (Where one or more of the key controls on which the organisation is relying is not effective, | How and when the Gap in control be addressed | By Who | By When | Progress | |
| 1. Modelling of anticipated patient flows, and the resultant workforce, equipment and operational requirements is managed through Gold command. 2. Financial modelling and forecasting is co-ordinated on a regular basis. 3. Timely financial reporting to Directorates, Finance Committee, Board and Welsh Government on local costs incurred as a result of Covid-19 to inform central and local scrutiny, feedback and decision-making. 4. Oversight arrangements in place at Board level and through the command structure. 5. Exploration of a number of funding streams being explored, including: Local Health Board funding arrangements; Funding arrangements through the Regional Partnership Board and Local Authority partners. Funding from Welsh Government's own sources or from HM Treasury via Welsh Government. 6. Opportunities Framework, refreshed to identify alternative ways of working in response to COVID-19 that may result in cost reductions/formal savings schemes identified. 7. Accountability statements in relation to the Opening Directorate Budgets underpinning the draft interim Financial Plan for 2021/22 were issued to all budget holders in April 2021. The letters clarify that it is expected that all budget holders manage their services within their allocated budgetary envelope; that it is incumbent on all to ensure that expenditure, including the operational response to COVID-19, represents best value; and, that there is the expectation that these operational needs can be clearly demonstrated and that additional costs will reduce as and when decision making through the command structure allows. | The costs of addressing the Health Board's local needs may exceed available funding. This is in relation to the direct response to COVID-19, the continuation of essential services and delivery of the Recovery Plan. Identification and assessment of sustainable opportunities arising from cost reductions due to changes in activity levels or other service changes in response to COVID-19. | Alignment of strategic response to current demand modelling indicators between Welsh Government, Gold Command and operational teams. Clarity as to what current escalation measures can be safely and appropriately de-escalated/decommissioned and which ceased/deferred services/activities can be recommenced and/or increased to deliver the Recovery Plan. | Carruthers, Andrew Carruthers, Andrew | 01.07.2021 01.07.2021 | A refreshed Annual Plan will be submitted to Welsh Government in May 2021, as agreed by Gold Command. The Board will be asked to approve the Plan at the June 2021 meeting. The dataset required includes activity, workforce and financial KPIs and will be driven by the Operational modelling. A refreshed Annual Plan will be submitted to Welsh Government in May 2021, as agreed by Gold Command. The Board will be asked to approve the Plan at the June 2021 meeting. The dataset required includes activity, workforce and financial KPIs and will be driven by the Operational modelling. Externally commissioned capacity will continue to be assessed as part of Recovery Plans. | |
| | | Feedback/clarity from Welsh Government as to levels of additional revenue and capital funding available | | Thomas, Huw | 01.07.2021 | The level of Sustainability Funding for 2021/22 has been confirmed by Welsh Government (WG). Further initial guidance, at a high level, has been received from WG in respect of the programme responses to the pandemic such as the mass COVID-19 vaccination programme, Test Trace and Protect, extended Flu vaccination programme, enhanced cleaning standards and PPE. Further clarifications are anticipated following the Q1 reporting cycle. The Health Board has submitted funding bids to WG in April 2021 in respect of Recovery Plans. |

| ASSURANCE MAP | | | | Control RAG Rating (what the assurance is telling you about your controls) | Latest Papers (Committee & date) | Gaps in ASSURANCES | | | |
|--|---|-----------------------------------|-------------------------------------|--|--|-------------------------------|---|--------|---------|
| Performance Indicators | Sources of ASSURANCE | Type of Assurance (1st, 2nd, 3rd) | Required Assurance Current Level | | | Identified Gaps in Assurance: | How are the Gaps in ASSURANCE will be addressed Further action necessary to address the gaps | By Who | By When |
| Performance against planned response to COVID-19 | Performance against plan monitored through System Engagement Meetings with Services | 1st | 1st | Yellow | * Mth 12 Finance Report - Finance Committee April 2021 | None | | | |
| In-month financial monitoring | Executive Performance Reviews | 2nd | 2nd | | | | | | |
| | Finance Committee oversight of current performance | 2nd | 2nd | | | | | | |
| | Transformation & Financial Report to Board & BPPAC | 2nd | 2nd | | | | | | |
| | WG scrutiny through monthly monitoring returns | 3rd | 3rd | | | | | | |
| | WG scrutiny through revised monthly Monitoring Returns (specific COVID-19 template) and through Finance Delivery Unit | 3rd | 2nd | | | | | | |
| | Audit Wales Structured Assessment 2021 | 3rd | 2nd | | | | | | |



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Hywel Dda
University Health Board

Eich cyf / Your ref:

Ein cyf/Our ref:

Gofynnwch am/Please ask for: Alex Harries

Rhif Ffôn /Telephone: 01267 239581

Ffacs/Facsimile: 01267 239579

Dyddiad/Date: 23 April 2021

Swyddfeydd Corfforaethol, Adeilad Ystwyth
Hafan Derwen, Parc Dewi Sant, Heol Ffynnon Job
Caerfyrddin, Sir Gaerfyrddin, SA31 3BB

Corporate Offices, Ystwyth Building
Hafan Derwen, St Davids Park, Job's Well Road,
Carmarthen, Carmarthenshire, SA31 3BB

To: All Budget Managers

Opening Budget Position: Delegations and Financial Delivery for 2021-22

Dear colleague,

In the past 12 months we have faced significant challenges and together demonstrated our ability to innovate and deliver in unprecedented circumstances. In this time we have accelerated elements of our transformation strategy across our services which has led to pathway redesign, digital enablement and reviews of working practices.

The Plan for 2021-22 has been developed as our recovery plan. This is built on the Discover report approved by the Board in July 2020 and the work of our Transformation Steering Group and Strategic Enabling Group, alongside our Command Structure, to encompass how we support our staff, our organisation and our communities and our systems to recover. We recognise that there continue to be a number of on-going challenges regarding the pandemic that may have implications in how we do this, and as a consequence how quickly we recover. The Health Board remains in a financially challenged situation and continues to operate from a position of deficit in relation to our funding allocation.

One strong message received from staff through the pandemic is that teams have valued having the autonomy and freedom to make decisions in line with a clear shared goal. Decisions were made quickly through having regular, short, focused, multi-disciplinary meetings. People felt empowered to deliver. Thank you for adopting this approach. It has been critical to responding at pace to unprecedented change.

The Health Board is committed to embedding the positive elements emanating from the pandemic. We are counting on you to continue to look for opportunities to utilise data and feedback to drive decision making. This will allow us to build on the innovation and change that we have seen through the pandemic and remove unnecessary processes to reduce the time taken to respond to our patients and improve service levels. We will be rolling out an approach called Improving Together to equip teams with additional tools and skills to embed these lessons.

The financial impact of the COVID-19 pandemic already extends beyond 2020-21; the opening financial position for 2021-22 has deteriorated due to unidentified savings against the requirement in the 2020-21 Financial Plan. Work is on-going to assess the impact of

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Cadeirydd / Chair
Ms Maria Battle

Prif Weithredwr/Chief Executive
Mr Steve Moore

Bwrdd Iechyd Prifysgol Hywel Dda yw enw gweithredol Bwrdd Iechyd Lleol Prifysgol Hywel Dda
Hywel Dda University Health Board is the operational name of Hywel Dda University Local Health Board

Mae Bwrdd Iechyd Prifysgol Hywel Dda yn amgylchedd di-fwg Hywel Dda University Health Board operates a smoke free environment

this on the underlying deficit, which is an area of scrutiny by Welsh Government (WG). WG have confirmed a limited level of non-recurrent funding to mitigate some of the financial impact of COVID-19 in 2021-22.

A change in principle will mean that COVID-19 specific WG funding will be not allocated to Directorate budgetary positions in order to provide greater transparency over the level and nature of COVID-19 related expenditure. It is incumbent on us to ensure that our expenditure, including the operational response to COVID-19, represents best value. There will be the expectation that these operational needs can be clearly demonstrated and that additional costs will reduce as and when decision making through the command structure allows.

The Opening Budget Position set out below is aligned to the Health Board's Draft Interim Financial Plan which was taken to the Board at the end of March 2021. This plan will reflect your budget and required cost reductions discussed with you by your respective Finance Business Partner (FBP).

Delegations and Responsibilities

Your total budget is listed in Appendix A with the detail available from your FBP. From time to time during the year these figures are likely to change to take account of both recurrent and non-recurrent additional allocations or transfers.

It is expected that all budget holders manage their services within their allocated budgetary envelope. Wherever possible, the recurrent budget should be realigned from areas of underspend to address materialising cost pressures. There is an expectation that budget holders, supported by their FBP, will continually assess non-recurrent benefits with a view to converting these opportunities recurrently wherever possible or identifying non-recurrent savings schemes.

Where there is a service need which will result in incurring expenditure outside of your existing budget, an alternative approved funding stream or cost avoidance plan will need to be identified prior to any commitment being made. We would welcome business case applications for non-recurrent funding during 2021-22 that enable the delivery of medium and/or long term objectives. Any 'invest to save' business cases should be submitted in line with the Investments governance process.

Should in-year commitments be made by the Board then you will be notified accordingly of such commitments and an appropriate budget adjustment will be allocated.

I would like to take this opportunity to thank you for all that you continue to do to support our staff, patients, partners and the public during a particularly challenging time.

Should you have any questions, please do not hesitate to contact your FBP or me directly. Please respond to this letter, by e-mail to ourselves, by 30 April 2021 to confirm that you understand your budgetary allocation and that you will manage your risks and opportunities proactively supported by your FBP.

Yours sincerely



Steve Moore
Prif Weithredwr
Chief Executive



Huw Thomas
Cyfarwyddwr Cyllid
Director of Finance

Annex A

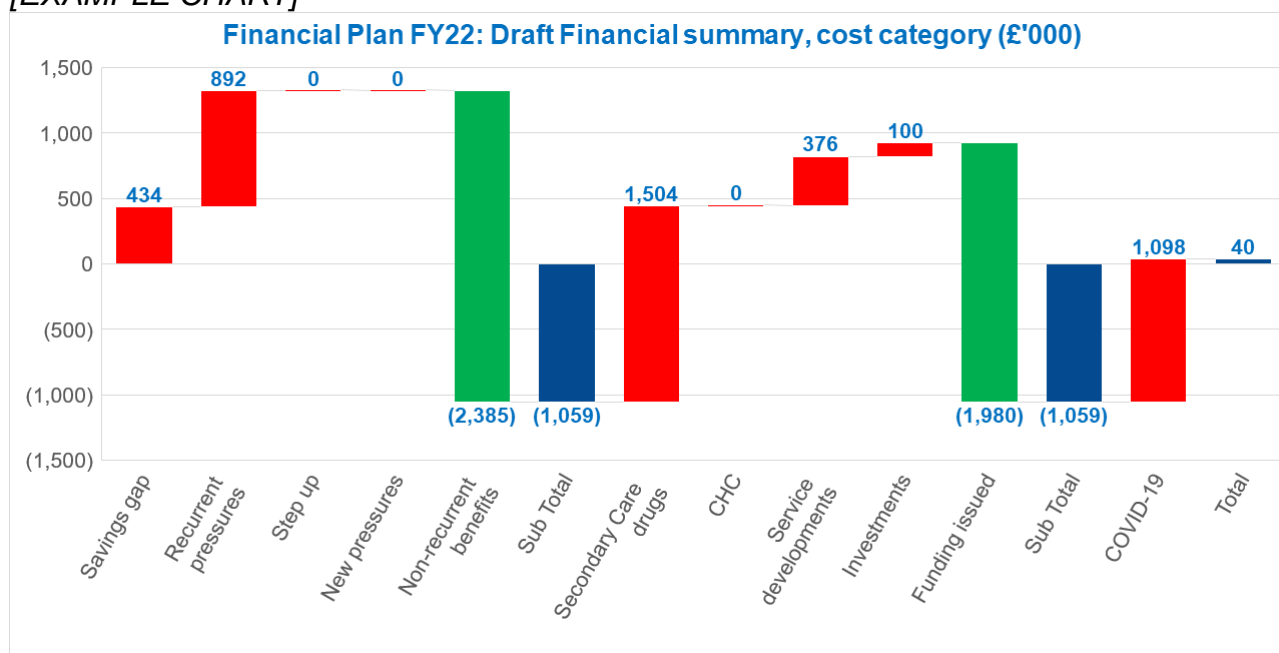
Opening Budget 2021-22 Letter

| | |
|-----------------------|----------------|
| Name of Budget Holder | <i>Example</i> |
| Directorate | <i>Example</i> |
| Opening Budget | £ |

This letter, authorises the above budget holder to exercise control of the named Directorate budget in accordance with the Health Board’s approved scheme of delegation.

Please note that the base budget above excludes all recurrent adjustments identified between Months 10 and 12 (January to March) of 2020-21; these will be included in your Month 1 budgets.

[EXAMPLE CHART]



The above chart summarises the risks and opportunities highlighted through the financial planning process and discussed in the March 2021 System Engagement meetings. As highlighted during these meetings, there is an expectation that budget holders will manage expenditure levels within the issued funding envelope above.

Funding issued represents a combination of funding issued directly to the Directorate and that held in Reserves, which will be drawn by your FBP during the financial year once the relevant costs are shown to materialise. The above summary excludes the funding that has been issued to the Directorate to offset the impact of inflationary and skill mix (based on the Month 9 2020/21 staff in post position) across all pay groups and Medical and Dental staff increments and commitment awards. Further funding will be issued in year once Pay Awards are confirmed by WG.

Please note the base budget includes the following items in respect of the 2021-22 financial year:

- Roll-forward recurrent budgets from 2020-21;
- Full year impact of identified 2020-21 green and amber savings plans;
- In the absence of an agreed pay award, A4C pay budgets have been rolled over at the 2020-21 level; funding will be issued in-year in line with an agreed pay award;
- Medical & Dental budgets have been currently set at the 2020-21 level pending agreement of pay awards for 2021-22; funding will be issued in-year in line with an agreed pay award;
- Adjustments made for certain cost pressures, investments and service developments for 2021-22 as illustrated above.

Budgets for the following pressures are being held in Reserves, with a defined process for release into Directorate budgets:

- NICE and High Cost Drugs (both FYE of existing pressures and Horizon scanning of new pressures);
- Primary Care Prescribing (in relation to anticipated Category M price increases);
- CHC Inflation;
- CHC Growth;
- Nurse Staffing Act;
- Integrated Care Funds.

The Directorate budgets do not include any apportionment of the Health Board's 2021-22 savings target that forms part of the Financial Plan; your business partner will work with you to understand the impact of the current opportunities framework, service redesign and any efficiency gains relevant to your Directorate, which would need to be identified during the year.