

**COFNODION HEB EU CYMERADWYO O GYFARFOD Y PWYLLGOR CYLLID/  
UNAPPROVED MINUTES OF THE FINANCE COMMITTEE MEETING**

<b>Date and Time of Meeting:</b>	Wednesday 26 <sup>th</sup> August 2020, 9.30 am – 11.30 am
<b>Venue:</b>	Board Room, Ystwyth Building, St. David's Park, Carmarthen

<b>Present:</b>	Mr Michael Hearty, Associate Member, Committee Chair (VC) Mr Mike Lewis, Independent Member, Committee Vice Chair (VC) Mrs Judith Hardisty, Vice Chair, Hywel Dda University Health Board Mr Paul Newman, Independent Member (VC) Mr Maynard Davies, Independent Member (VC)
<b>In Attendance:</b>	Mr Huw Thomas, Director of Finance Mr Andrew Carruthers, Director of Operations Mrs Joanne Wilson, Board Secretary (VC) Mrs Rebecca Hayes, Senior Finance Business Partner Mr Shaun Ayres, Assistant Director of Value Based Contracting Ms Sonja Wright, Committee Services Officer (Secretariat)

AGENDA ITEM	ITEM	
FC(20)107	<b>INTRODUCTIONS AND APOLOGIES FOR ABSENCE</b>	<b>Action</b>
	The Chair, Mr Michael Hearty, welcomed all to the meeting. Apologies for absence were received from: <ul style="list-style-type: none"> <li>Mr Steve Moore, Chief Executive</li> <li>Miss Maria Battle, Chair, Hywel Dda University Health Board</li> </ul>	

FC(20)108	<b>DECLARATIONS OF INTERESTS</b>	
	There were no declarations of interest.	

FC(20)109	<b>MINUTES OF PREVIOUS MEETING HELD ON 24<sup>th</sup> JULY 2020</b>	
	The minutes of the Finance Committee meeting held on 24 <sup>th</sup> July 2020 were <b>ACCEPTED</b> as an accurate record.	
	<b>RESOLVED</b> – that the minutes of the Finance Committee meeting held on 24 <sup>th</sup> July 2020 be <b>APPROVED</b> as an accurate record.	

<b>FC(20)110</b>	<b>MATTERS ARISING AND TABLE OF ACTIONS FROM THE MEETING HELD ON 24<sup>th</sup> JULY 2020</b>	
	An update was provided on the Table of Actions from the meeting held on 24 <sup>th</sup> July 2020 and confirmation received that all outstanding actions had been completed or were forward-planned for a future Finance Committee meeting.	

<b>FC(20)111</b>	<b>FINANCE REPORT AND FINANCIAL PRESENTATION MONTH 4, 2020/21</b>	
	<p>The Committee received the Month (M)4 2020/21 Finance Report and Financial Presentation.</p> <p>Members' attention was drawn to the following key points:</p> <ul style="list-style-type: none"> <li>• After excluding the impact of the treatment of funding from WG, the Month 4 Finance Report and Presentation reflects a fairly consistent position.</li> <li>• As compared with the M3 position (a favourable operational variance to plan of £0.6m, following WG funding, and a variance to breakeven position of £1.5m), M4 operational variance to plan is £6.9m and variance to breakeven is £9.0m, with the M4 deterioration attributable to WG funding being recognised in M3 and therefore not assumed in the M4 position.</li> <li>• Additional costs incurred in M4 due to the COVID-19 pandemic stand at £8.9m (compared with £12.2m for M3), with underspends of £2m re-purposed. Operational plans indicate a continuation of the significant costs incurred to date.</li> <li>• Loss of Non-Contract Activity (NCA), with the reduction through lockdown restrictions in the number of tourists who might require access to healthcare services.</li> <li>• Continued increase in drugs costs within Secondary Care services, and continuing cost pressures in Primary Care prescribing, which is being experienced at an All-Wales level.</li> </ul> <p>Members noted a complex and challenging financial position for the Health Board (HB) as presented in the M4 Report, given current uncertainty regarding WG funding arrangements.</p> <p>Members were informed that risk assessments had been removed from the Revenue and Savings positions presented in the Finance Report, as, due to the extraordinary circumstances arising from the COVID-19 pandemic, the HB will not contain its expenditure within its planned deficit position without further support from WG.</p> <p>Members were further advised that there is currently a significant over-commitment of capital, and that, while WG has funded additional staff and</p>	

	Field Hospital (FH) costs for Quarter 1, funding has not been formally confirmed for Quarter 2.	
	The Committee <b>NOTED</b> and <b>DISCUSSED</b> the financial position for Month 4 2020/21.	

<b>FC(20)112</b>	<b>FINANCIAL FORECAST – MONTH 4</b>	
	<p>The Committee received a presentation outlining Hywel Dda University Health Board's (HDdUHB) financial forecast position for the year 2020/21, as assessed at Month 4.</p> <p>The M4 forecast position having previously been discussed in some detail by Members in their In Committee session, the following points were raised or re-iterated:</p> <ul style="list-style-type: none"> <li>• The M4 forecast position reflects a move away from the planning assumptions included within the HB's Q2 Operational Plan, and presents a more realistic presentation of the financial consequences of current and predicted future demand.</li> <li>• Where it had been previously assumed that, following the implementation of social distancing measures, bed numbers within acute hospital sites would be reduced and that staff would be therefore be released from these sites for re-deployment to FH's, the loss of acute beds has been less than planned (as a result of the introduction of mitigating measures), and the capacity to re-deploy staff has been reduced accordingly.</li> <li>• Where previous forecasts had assumed that all services would return to pre-COVID-19 activity levels, it is apparent that the resumption of elective care and other non-urgent activity will not proceed at the pace and volume assumed.</li> <li>• Although modelling assumptions have moved from the peak demand requirement figure of 501 FH beds, there remains uncertainty regarding the scale of future bed demand.</li> <li>• The HB's contract with BMI Werndale Hospital is assumed to continue without WG funding for Quarters 3 and 4.</li> </ul> <p>Mrs Judith Hardisty requested that information regarding the impact and expenditure relating to community funding streams be included in the HB's financial forecasts, referring to the Integrated Care Fund, Transformation Funds and GP Cluster funding, and remarking that HB forecasting is currently focused upon expenditure within Secondary Care. Members were referred to an action agreed in the In Committee session preceding this meeting – namely that an overview of transformational and other community funding expenditure will be included in a report detailing HB investments and opportunities, which will be presented to the Committee at its next meeting, to be held 29<sup>th</sup> September 2020.</p> <p>Mrs Hardisty also requested assurance that, despite a reduction in the use of medical staff and Locums as a result of reduced activity within Secondary Care services during the COVID-19 pandemic, HB Directorates are continuing to evaluate and monitor job plans and vacancies for medical</p>	

	<p>staff. Mr Thomas agreed to invite the Medical Director/ Deputy Chief Executive to a future meeting in order to provide further detail regarding medical staff planning and pay. An opportunity to review the job descriptions of some medical staff was also noted by Members.</p>	HT
	<p>Mr Michael Hearty remarked upon the complexity of the financial position presented in M4, highlighting the difficulty in identifying whether the HB is in a good or bad position, given the number of qualifying elements attached to the figures provided. In view of this complexity, Mr Hearty requested that a high-level summary, omitting variable factors where possible, be included within future forecast reports to provide Members with a clearer indication of the HB's position in regard to individual financial targets such as the HB's Control Total and savings position. Responding to Mr Hearty's request, Mr Thomas advised that due to a revision of deadlines within the monthly financial timetable, a Working Day 2 position could be included in future reports, which would provide Members with early sight of high-level figures for the current month.</p>	HT
	<p>While recognising that a degree of latitude was to be allowed to Finance Directorate in terms of financial management, given requirements to respond to the pandemic, Mr Hearty highlighted the need for clarity regarding the point at which a proactive approach to the management and reporting of the HB's finances would be resumed. Mr Thomas responded by advising Members of three main areas of focus for the HB:</p> <ul style="list-style-type: none"> <li>• The re-establishment of a performance assurance framework based upon a system-by-system finance, operational and workforce review process undertaken by the Strategic Enabling Group (SEG), which is co-ordinated the Director of Finance and the Director of Operations, and which focuses upon individual services, county areas and Primary Care provision. While this service review process has not yet been formalised in terms of a report, Mr Thomas undertook to present the outcomes of reviews in report form to the Committee in future meetings.</li> <li>• Workforce planning;</li> <li>• Digital Enablement planning.</li> </ul>	HT
	<p>Mr Thomas added that details and outcomes from organisational focus upon workforce and digital planning will provide key areas of scrutiny for the Committee, as they will demonstrate both opportunities to realise financial benefit and the linkage between financial, operational and workforce planning and, as such, will be reported to the Committee on a regular basis. A report detailing the HB's procurement strategy will also be submitted to the Committee for review and discussion.</p>	HT/ LG/ AC
	<p>In response to a query from Mr Hearty regarding how Finance Committee will accelerate its work in support of the Transformation Strategy, Mr Thomas informed Members that the Chief Executive will provide an update at the next Committee meeting.</p>	HT
	<p>The Committee <b>NOTED</b> and <b>DISCUSSED</b> the HB's Financial Forecast Position at Month 4.</p>	SM

<p><b>FC(20)113</b></p>	<p><b>FINANCIAL PLAN 2021/22 DEVELOPMENT</b></p> <p>The Committee received a verbal update with regard to the development of the HB's Financial Plan for 2021/22.</p> <p>Members were advised that at this stage of planning, provision of details in report form was challenging, given that, while 'normal' processes were being followed in the planning process, there is as yet no clarity regarding the financial environment against which financial plans will be set. Mr Thomas advised Members that this organisational challenge will be raised with the Finance Directors of other Welsh Health Boards in order to compare plans and responses.</p> <p>Mr Thomas re-iterated the problematic nature of savings delivery and service re-start, given the scale of current un-met demand.</p> <p>Mr Hearty expressed Members' reassurance that the HB has nevertheless initiated the planning process, while Mrs Hardisty drew attention to the differences between HDdUHB and other Welsh HBs, citing the relatively low prevalence of COVID-19 within the HB's communities as an example, and recommending that the organisation's individual position in this, and other respects, be reflected in the Plan.</p> <p>The Committee <b>NOTED</b> and <b>DISCUSSED</b> the Financial Plan 2021/22.</p>	
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<p><b>FC(20)114</b></p>	<p><b>CAPITAL FINANCIAL MANAGEMENT</b></p> <p>Members received the Capital Financial Management report, providing the most recent update in regard to the All-Wales Capital Programme (AWCP), the Capital Resource Limit (CRL) for 2020/21 and the value of capital expenditure currently committed to deal with the COVID-19 pandemic for 2020/21.</p> <p>Members were advised of significant capital constraints, representing an unprecedented challenge to the HB, particularly given patient and service demands, and lack of central flexibility to allow the movement of capital between financial years. This has been captured and articulated through the addition of a new Corporate Risk (<i>'A risk that based on the current capital funding issued to date from Welsh Government for COVID-19 that the Health Board may spend in excess of the capital resource it has available'</i>), details of which were presented to the Committee in an appendix to the Capital Financial Management report. Members were assured that this risk will be actively managed through the scrutiny and prioritisation of Capital Plans by other HB Committees and operational groups.</p> <p>Mr Thomas further advised Members that, while the implementation of social distancing mitigations and addressing identified fire risks within the HB estates are ring-fenced in terms of spend, other capital spending schemes will be re-prioritised, and cautioned that although the HB can apply for additional capital support from WG, any application must of necessity be set against other demands upon central capital resources.</p>	
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	<p>In response to a query from Mrs Hardisty regarding whether there are any capital costs assigned for the new hospital, Mr Thomas informed Members that the new build is not included in the 2020/21 Capital Plan and costs are charged to revenue. However, once a Programme Business Case has been developed, WG has indicated that the specific details of building can be reviewed and consideration can then be given to capitalising costs.</p> <p>Mr Maynard Davies noted a reference to a sum of £300k for capital development included in the Business Development Fund for 2020/2, and queried whether this is will be assigned to the new hospital building. Mr Thomas agreed to clarify what this figure relates to.</p> <p>Mr Davies, recognised the difficulties faced by Service Leads and Directors in prioritising these projects, requested that details of capital schemes listed for prioritisation by the Bronze Acute Command Group be shared with Members, together with the potential benefits of the projects in terms of enhancing patient care.</p> <p>Mr Hearty queried the degree of oversight exercised by SEG in the management and mitigation of risks associated with the prioritisation of capital schemes, and requested assurance that Mid-West Wales Housing continue to carry financial risk relating to the Cylch Caron integrated care scheme, which Mr Thomas affirmed.</p>	<p>HT</p> <p>HT</p>
	<p>The Committee:</p> <ul style="list-style-type: none"> <li>• <b>NOTED</b> the Capital Resource Limit for 2020/21;</li> <li>• <b>NOTED</b> the value of capital expenditure currently committed to deal with the COVID-19 pandemic for 2020/21 and funding released to date;</li> <li>• <b>NOTED</b> the financial risk associated with progressing capital schemes at feasibility stage without confirmed funding, and the proposal to add this risk to the Corporate Risk Register;</li> <li>• <b>NOTED</b> the updates on the Women and Children Phase II (GGH) and Cylch Caron schemes, and Interserve.</li> </ul>	

<p><b>FC(20)115</b></p>	<p><b>HEALTHCARE CONTRACTING REPORT</b></p> <p>The Committee received the Healthcare Contracting report, providing details of the Month 4 position, specifically in relation to Long Term Commissioned Agreements (LTAs).</p> <p>Mr Shaun Ayres outlined the following key points:</p> <ul style="list-style-type: none"> <li>• Block contract arrangements will remain in place until the end of September 2020. While this provides some financial benefits, the contracts remain below plan in terms of activity, resulting in reduced income obtained from the treatment of patients from other HB areas within HDdUHB.</li> </ul>	
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- There is a significant risk to income from Non-Contracted-Activity (NCA), with this lost income badged as a cost of COVID-19 (approximately £450k per month).
- Financial benefits in the region of £580k have been realised in relation to the use of high cost drugs, which, being classified as a 'pass-through' payment, are not subject to block contract arrangements.
- There is a focus within the Healthcare Contracting Team (HCT) upon the qualitative aspects of under-performance in the HB's contracts, specifically relating to the ability of other HBs to meet Referral to Treatment targets for HDdUHB patients.

Members were advised that, while there are currently some disagreements between net providers and net commissioners regarding the interpretation of terms governing block contract agreements, the HB wishes to reinstate these block arrangements.

Mr Hearty commended the HCT upon improvements in the reporting of the HB's healthcare contracting position, noting the helpful presentation of data in the Healthcare Income and LTA dashboards, and requested an indication of the future level of control which the HB is expected to be able to exercise in relation to its contract management. Mr Ayres assured Members that an improvement in the grasp of contract outturn is anticipated, and highlighted a greater level of focus upon the qualitative elements of contracting through the integration of the work of the HCT with that of the Quality, Safety and Experience Assurance Committee (QSEAC) in reviewing patient pathways relating to individual contracts. Mr Ayres added that an enhanced financial understanding of contract areas in which there is likely to be a variation in performance will support future decision-making regarding future contracting arrangements and pathways for HDdUHB patients.

Emphasising the need to ensure safety and quality elements are prioritised in the transfer of HB patients to Tertiary Care providers, Mr Paul Newman queried how this may be managed in terms of cost, and how funding is allocated to ensure maximum patient benefit. Mr Ayres responded that contract planning will be based upon requirements to ensure timely internal and external treatment for HDdUHB residents, highlighting the close working relationships which the HB holds with Swansea Bay and Cardiff and Vale University Health Boards, and the qualitative assurance provided by the input from QSEAC into the HB's contract planning and management.

Mr Thomas advised Members that, the KPMG review of HB Field Hospital management being almost complete, an update regarding the outcomes of the review will be provided to the Committee at a future meeting.

HT

The Committee **NOTED** the steps being taken to manage contracts for the remainder of 2020/21 and to mitigate the financial risk in LTAs.

Members received a verbal update covering progress to date against the key elements of the HB's Q2 Operational Plan.

Mr Andrew Carruthers highlighted the following points:

- Good progress overall has been made in implementing the main elements of the plan, particularly in terms of providing sufficient acute bed capacity and reducing potential surge off-site by successfully mitigating the potential impact of implementation of social distancing requirements upon bed numbers within the HB's acute hospitals.
- Work continues between the HB and Local Authorities with regard to the maintenance of FH capacity. While there remains some 'challenging' debate among the organisations involved, there are clear plans relating to which sites will be retained for future use in order to meet bed demand modelling requirements, and which will be de-commissioned.
- While good progress is being made with regard to the provision of treatment for Cancer and Urgent patients, the re-start of elective services is proving more challenging, due to capacity issues which are impacting upon the HB's plans to reduce patient waiting lists. Significant costs are associated with the recovery of services, and it is likely that in terms of meeting waiting times performance targets, the HB will be in the same position at the end of 2020 as that reported in 2014.
- A dedicated Task and Finish Group has been established to plan how best to maximise elective capacity and productivity within the HB, with consideration being given to the potential role of individual sites in providing different treatment pathways, and the development of a 'Green' site approach, while taking into account all logistical and geographical factors which may apply.
- It will be necessary to extend some current healthcare provision arrangements into Q3, for example emergency dental and eye care, which will involve additional cost to the HB.
- Work has commenced upon development of the Q3 and Q4 Operational Plan, which is likely to incorporate winter demand planning for 2020/21, although WG guidance regarding the planning framework is not anticipated until late September 2020. Potential surge in COVID-19-related demand in future months will also be factored in to the Q3 and Q4 plan.

Mr Carruthers highlighted the significant challenges faced by HB operational teams in re-starting 'routine' services, drawing Members' attention to public expectation that health services will return to pre-COVID-19 levels in line with the general 'return to normal' in other aspects

of daily life, and emphasised the need to manage this expectation through the effective communication of the degree to which the HB's ability to resume elective services remains compromised by factors such as the impact of shielding upon the HB workforce.

Referring to the current prevailing distrust of models and algorithms following recent high-profile media stories, Mr Hearty queried the degree of confidence which the HB holds in relation to the robustness of its modelling, and whether independent verification is routinely sought to support its forecasts. Mr Carruthers assured Members of his confidence in the integrity and accuracy of the modelling product utilised by the HB, informing the Committee that conversations with WG indicate that this confidence is shared centrally.

Mrs Hardisty requested assurance that demand modelling, to include winter planning, will factor in all local services provided through regional partnership and transformation work. Mr Carruthers confirmed the HB's intention to embed transformational work within service provision, for example in providing some outpatient services via digital platforms, and advised Members that while overall modelling starts at HB level, granularity of data at county and pathway level is available, supporting the HB's work with partner agencies to analyse social care and domiciliary capacity and requirements.

Members' attention was drawn to a meeting scheduled for 22<sup>nd</sup> September 2020, to be attended by Committee Chairs and members of the Gold Command Group, at which the modelling and decision-making processes utilised by the HB would be explained. Mrs Jo Wilson informed Members that they are welcome to attend this meeting, should they wish.

In response to a query from Mr Newman regarding the extent to which a re-start of elective services, combined with requirements to maintain COVID-19 operational contingency measures, will impact upon the HB's financial position. Mr Carruthers assured Members that finances are closely monitored, adding that while there are inherent costs in the continued operation of 'Red' and 'Green' patient pathways within acute hospital sites, these need to be maintained, irrespective of the current low levels of COVID-19 within local populations.

Mr Carruthers highlighted the HB's underlying staff deficit and challenges in recruiting the additional staff required to respond to COVID-19 demand, adding that work is underway to address this deficit, and remarking upon increased levels of national interest shown in response to HB vacancies advertised.

The Committee **NOTED** and **DISCUSSED** the progress made against key elements of the Q2 Operational Plan.

**FC(20)117 FINANCE OPERATIONAL RISKS**

Members were presented with the Finance Operational Risks report, providing a summary of 7 operational risks which have been extracted from

	<p>the <i>Datix</i> database and assigned to the Finance Committee as the 'Assuring Committee'.</p> <p>Members were advised that despite challenges faced by Directorates and operational teams in monitoring their allocated risks, given the re-direction of focus required to respond to the COVID-19 pandemic, Finance Directorate continues to review and update the operational risks sitting within its remit.</p> <p>Mrs Hardisty queried the inclusion of risk 523 among those assigned to Finance Committee as the 'Assuring Committee, given that it relates primarily to staffing rather than financial issues. Mr Thomas explained that all HB Directorates necessarily carry some level of financial risk, and agreed that it would be useful to undertake a further review of individual risks with the relevant Directorates.</p> <p>Mr Thomas also confirmed that he will work with the Board Secretary to review those risks which are currently assigned to Finance committee.</p>	<b>HT/ JW</b>
	<p>The Committee <b>NOTED</b> and <b>DISCUSSED</b> the Financial Operational Risks report.</p>	

<b>FC(20)118</b>	<p><b>REFLECTIVE SUMMARY</b></p> <p>Mr Thomas highlighted the key topics discussed during the meeting for inclusion in the Finance Committee Update Report to the next Public Board meeting:</p> <ul style="list-style-type: none"> <li>• Useful discussion regarding progress made against the main elements of the Q2 Operational Plan, noting in particular the complexities of winter planning while providing for a potential increase in COVID-19 demand, and the challenges inherent in the re-start of elective services within the HB.</li> <li>• Discussions regarding the HB's financial position, noting a significant level of variation in the M4 forecast position, a reduction in spend upon elective services and staff recruitment, and requirements to re-assess spending commitments.</li> <li>• Recognition that current demand upon the HB's capital will not be met centrally, and that mitigating actions need to be taken.</li> <li>• A shift in HB contracting arrangements from block to variable contracts, requiring changes to the management of these arrangements.</li> <li>• An action to review the operational risks assigned to Finance Committee.</li> </ul>	
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	The Committee <b>NOTED</b> the key topics discussed during the meeting for inclusion in the Finance Committee Update Report to the next Public Board meeting.	
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<b>FC(20)119</b>	<b>ANY OTHER BUSINESS</b>	
	No other business was raised.	

<b>FC(20)120</b>	<b>DATE OF NEXT MEETING</b>	
	Tuesday 29 <sup>th</sup> September 2020, 9.30 am - 11.30 pm, Boardroom, Ystwyth Building, St. David's Park, Carmarthen	