

## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	29 September 2020
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Finance Report – Month 5 2020/21
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Rebecca Hayes, Senior Finance Business Partner

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Ar Gyfer Trafodaeth/For Discussion

### ADRODDIAD SCAA SBAR REPORT

#### Sefyllfa / Situation

The purpose of the report, attached at Appendix 1, is to outline Hywel Dda University Health Board's (HDdUHB) financial position to date against the Annual Plan and assess the key financial projections, risks and opportunities for the financial year 2020/21, alongside the financial forecast position for the financial year 2020/21, as assessed at Month 5.

#### Cefndir / Background

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

#### **Month 5 position**

- Month 5 variance to breakeven is £6.5m (Month 4, £9.0m).
- Month 5 operational variance is £4.4m to plan (Month 4, £6.9m).
- The additional costs incurred in Month 5 due to the impact of the COVID-19 pandemic is £10.7m (Month 4, £8.9m), with underspends repurposed of £2.8m (Month 4, £2.0m)
- No additional funding in relation to the COVID-19 pandemic has been assumed in the reported position

#### **Financial Projection**

- The future funding arrangements for the Health Board's (HB) response to the COVID-19 pandemic remain uncertain, and therefore there is a risk that the HB's financial position may be adversely affected. Both identified and as-yet unidentified savings schemes included in the Financial Plan are also at risk of non-delivery due to the operational focus being diverted to respond to COVID-19, and where identified schemes are not supportive of the response needed. Without additional funding from Welsh Government (WG), the HB will not achieve its revenue funding limit of £25m. Similarly, discussions

are on-going for additional funding to support the non-delivery of the HB's savings target.

- There are significant risks and opportunities which could materially affect the forecast, depending on the evolving COVID-19 situation.

### Savings Summary

- In-month delivery of £0.1m, which is £0.3m below plan, which is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 5, against which the forecast delivery is uncertain given the impact of the COVID-19 pandemic. At this stage, with COVID-19 demand modelling indicating that the pandemic may impact the remainder of the financial year, it is assumed that delivery will be adversely affected for the full year.

### Next Steps

- Carmarthenshire Field Hospital revenue-related set-up costs to be agreed with Local Authority colleagues;
- Deep dive into savings and cost reduction opportunities;
- Review of reserves to understand potential in year slippage;
- Clarity of VAT treatment of remainder of Field Hospital set-up costs;
- Clarity as to what current escalation measures can be safely and appropriately de-escalated/ decommissioned and which ceased/ deferred services /activities can be recommenced. A key element of this will be in relation to finalising the operational plans for Winter demand and capacity.
- Further work with WG to understand the level of future funding arrangements, as these remain uncertain.

### Asesiad / Assessment

#### Summary of key financial targets

HDdUHB's key targets are as follows:

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

Key Target		Annual Limit	YTD Limit	Actual Delivery	Forecast Risk
Revenue	£'m	25.0	10.4	31.8	
Savings	£'m	34.2	14.3	0.8	
Capital	£'m	28.7	11.2	11.2	Extreme
Non-NHS PSPP	%	95.0	95.0	97.1	Medium
Period end cash	£'m	4.0	4.0	3.1	Medium

Without additional funding from WG, the HB will not achieve its revenue funding limit. Similarly, discussions are on-going for additional funding to support the non-delivery of the HB's savings target.

Should the HB progress all the schemes identified to mitigate the impact of the implementation of social distancing measures and other COVID-19 requirements, and should no further funding be available from WG, the potential over-commitment against the Capital Resource Limit would be £16.2m. The risk of this is being actively managed.

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

**Argymhelliad / Recommendation**

The Finance Committee is asked to note and discuss the financial position and financial forecast as at Month 5.

**Amcanion: (rhaid cwblhau)**

**Objectives: (must be completed)**

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.5 Provide assurance on financial performance and delivery against Health Board financial plans and objectives and, on financial control, giving early warning on potential performance issues and making recommendations for action to continuously improve the financial position of the organisation, focusing in detail on specific issues where financial performance is showing deterioration or there are areas of concern.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	856 (score 20) Ability to deliver the Financial Plan for 2020/21 646 (score 12) Ability to achieve financial sustainability over the medium term
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	5. Timely Care 7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve Population Health through prevention and early intervention

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
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 within the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Executive Team

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

## Appendix 1: Executive Summary

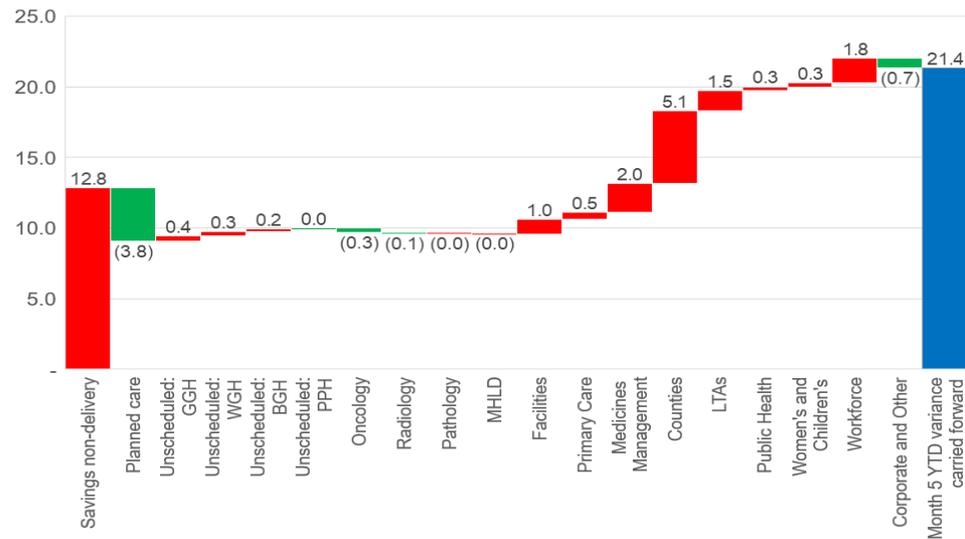
	<p style="text-align: center;"><b>The Health Board's agreed Financial Plan is to deliver a deficit of £25m, after savings of £34.2m</b></p> <p style="text-align: center;"><b>The impact of the COVID-19 pandemic presents an unprecedented significant risk to the financial position.</b></p>
<b>Revenue</b>	<ul style="list-style-type: none"> <li>• Month five variance to breakeven is £6.5m (Month four, £9.0m).</li> <li>• Month five operational variance is £4.4m to plan (Month four, £6.9m).</li> <li>• The additional costs incurred in Month five due to the impact of the COVID-19 pandemic is £10.7m (Month four, £8.9m), with underspends repurposed of £2.8m (Month four £2.0m) and Welsh Government (WG) Funding for Field Hospital set up costs totalling £3.4m.</li> <li>• No additional future funding in relation to the COVID-19 pandemic has been assumed in the reported position.</li> </ul>
<b>Projection</b>	<ul style="list-style-type: none"> <li>• The funding arrangements for the Health Board's (HB) response to the COVID-19 pandemic remain uncertain, and therefore there is a risk that the HB's financial position may be adversely affected. £30.8m identified and as-yet unidentified savings schemes included in the Financial Plan are also not expected to deliver due to the operational focus being diverted to respond to COVID-19, and where identified schemes are not supportive of the response needed. Without additional funding from WG, the HB will not achieve its revenue funding limit of £25m. Similarly, discussions are on-going for additional funding to support the non-delivery of the HB's savings target.</li> <li>• Should the HB progress all the schemes identified to deal with implementing social distancing measures and other COVID-19-related requirements, and should no further funding be available from WG, the potential over commitment against the CRL would be £16.2m. The risk of this is being actively managed.</li> </ul>
<b>Savings</b>	<ul style="list-style-type: none"> <li>• In-month delivery of £0.1m, which is £0.3m below plan, which is directly attributable to the COVID-19 pandemic.</li> <li>• Green and Amber plans of £5.6m identified to Month five, against which the forecast delivery is uncertain given the impact of the COVID-19 pandemic. At this stage, with COVID-19 demand modelling indicating that the pandemic may impact the remainder of the financial year, it is assumed that delivery will be adversely affected for the full year.</li> </ul>
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## Appendix 1: Executive Summary

Summary of Key Financial Targets																																									
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# Revenue Summary

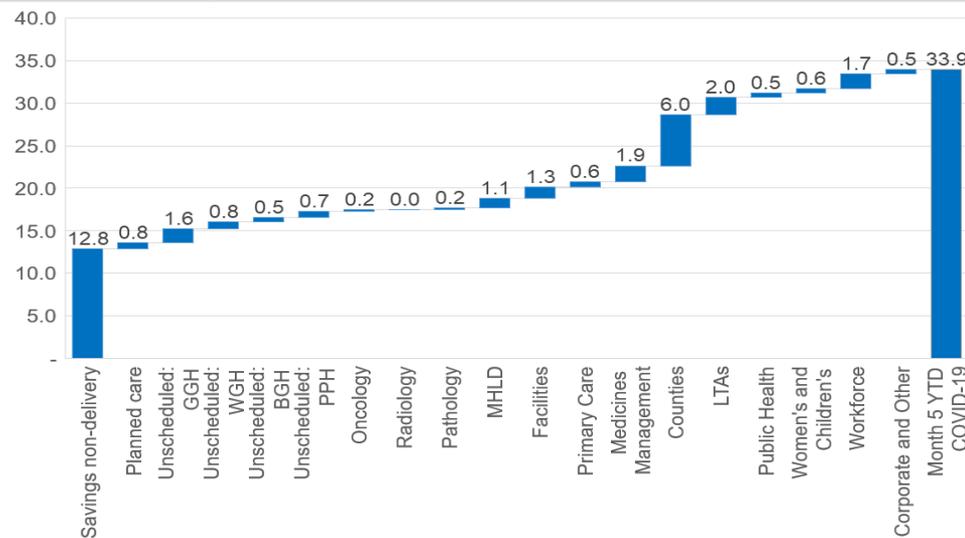
## YTD Variance by Directorate (against Plan)



### Key drivers of YTD position:

- **Savings non-delivery (£12.8m):** As a direct consequence of COVID-19, Directorates have been unable to execute or identify additional savings plans as efforts are re-purposed to respond to the pandemic.
- **Counties (£5.1m):** The cost of setting up and operating the various Field Hospitals with the HB's localities are contained within this Directorate.
- **Medicines Management (£2.0m):** Pressures continue in the Category M where price increases are being seen nationally. Cost pressures are also being identified in the issue of in the use of Novel Oral Anticoagulant Drugs (NOACs) and higher levels of No Cheaper Source Obtainable (NCSO) drugs.
- **Planned Care (-£3.8m):** Underspend primarily driven by a reduction in non-pay due to reduced activity in elective services

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

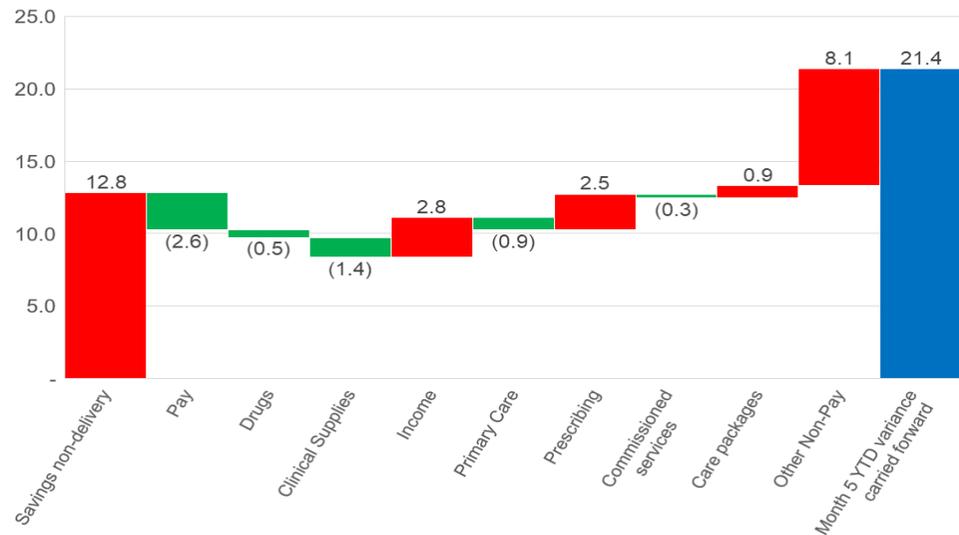


### Key drivers of COVID-19 YTD position over and above what is reported above:

- **Long Term Agreements (LTAs) (£2.0m):** Loss in Non Contract Activity (NCA) income as lockdown restrictions have impacted the tourism industry which in turn has reduced visitors outside of Hywel Dda accessing services.
- **Workforce (£1.7m):** Fixed term staff recruited in response to COVID-19.
- **Unscheduled Care (All sites) (£3.6m):** Increase in variable pay for Nursing and HCA staff re-deployed to Field Hospitals, Variable pay for additional Medical staff, Medical pay enhancements and PPE expenditure.

# Revenue Summary

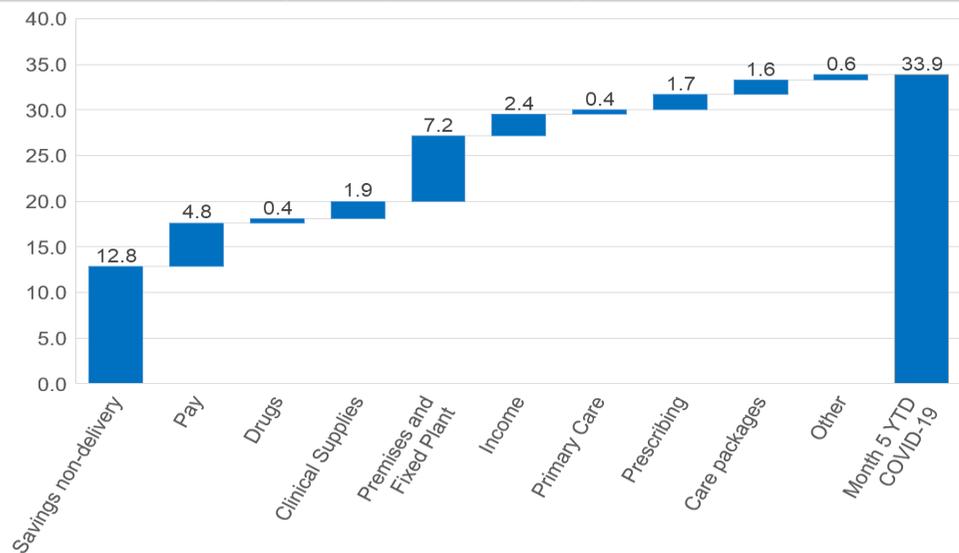
**YTD Variance by Subjective (against Plan)**



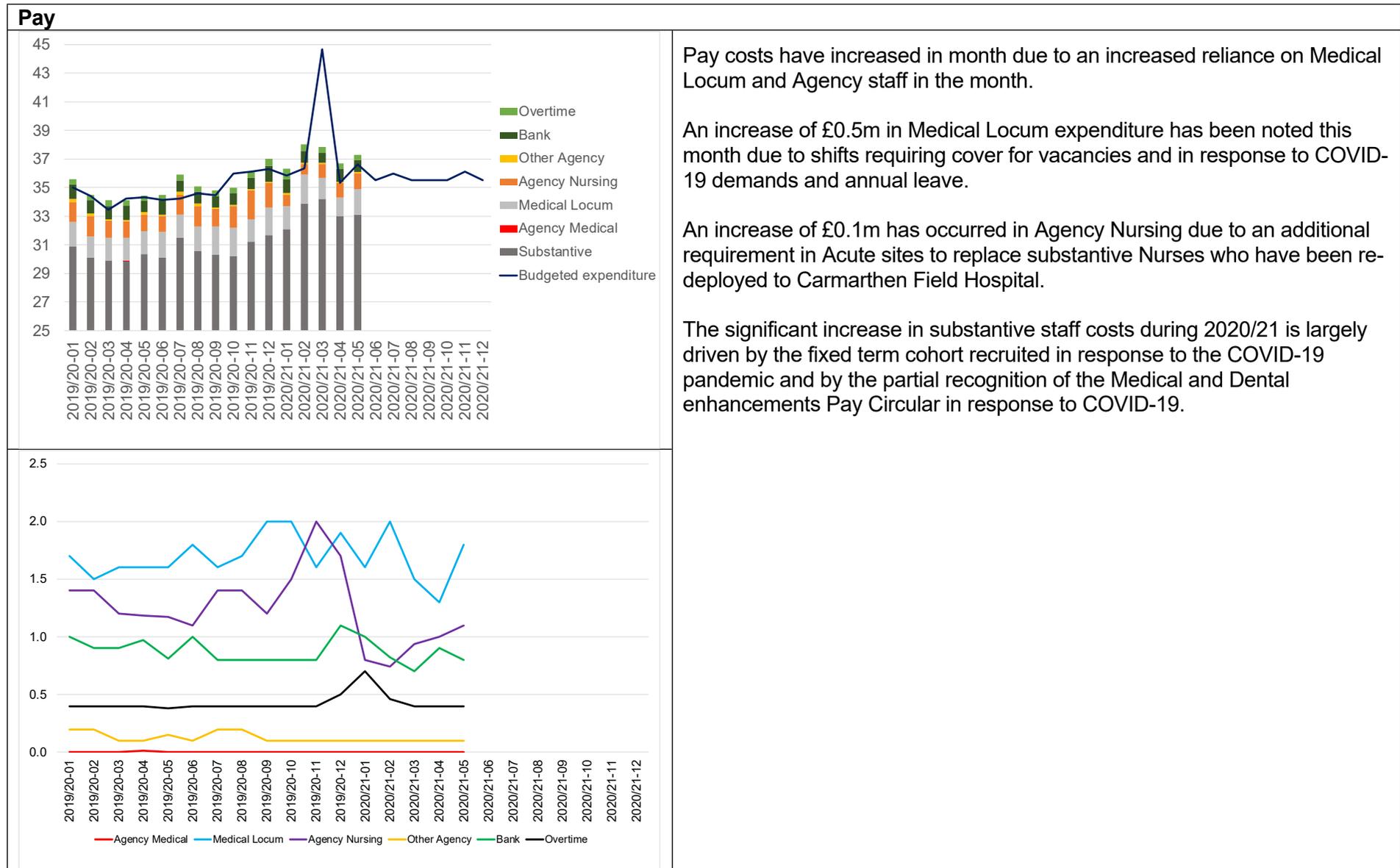
Key drivers of YTD position:

- **Savings non-delivery (£12.8m):** As a direct consequence of COVID-19, Directorates have been unable to execute or identify additional savings plans as efforts are re-purposed to respond to the pandemic.
- **Other non-pay (£8.1m):** Primarily driven by Premises costs (£7.2m) which are directly attributable to COVID-19 response, primarily driven by the cost of setting up and operating the various Field Hospitals with the HB's localities.
- **Income (£2.8m):** As referenced in the previous slide, income generated from NCA activity has been impacted by the lockdown restrictions; we have also seen a deterioration in income within Hospital sites due to lower patient numbers accessing commercial and hospitality facilities.
- **Prescribing (£2.5m):** See detailed analysis in key subjective summary slides.
- **Care Packages (£0.9m):** Additional costs have been incurred due to the expedited discharge of CHC Patients and patients being placed in out of area accommodation.
- **Pay (-£2.6m):** See detailed analysis in key subjective summary slides.
- **Drugs & Clinical supplies (-£1.9m):** Underspend is primarily driven by reduced activity in elective services within Planned Care (-£3.1m), Unscheduled Care (-£0.3m) and Patient appliance spend (-£0.3m) offset by increased spends as a result of COVID-19 (£2.3m)

**YTD Variance by Subjective (COVID-19 only)**



# Key Subjective Summary



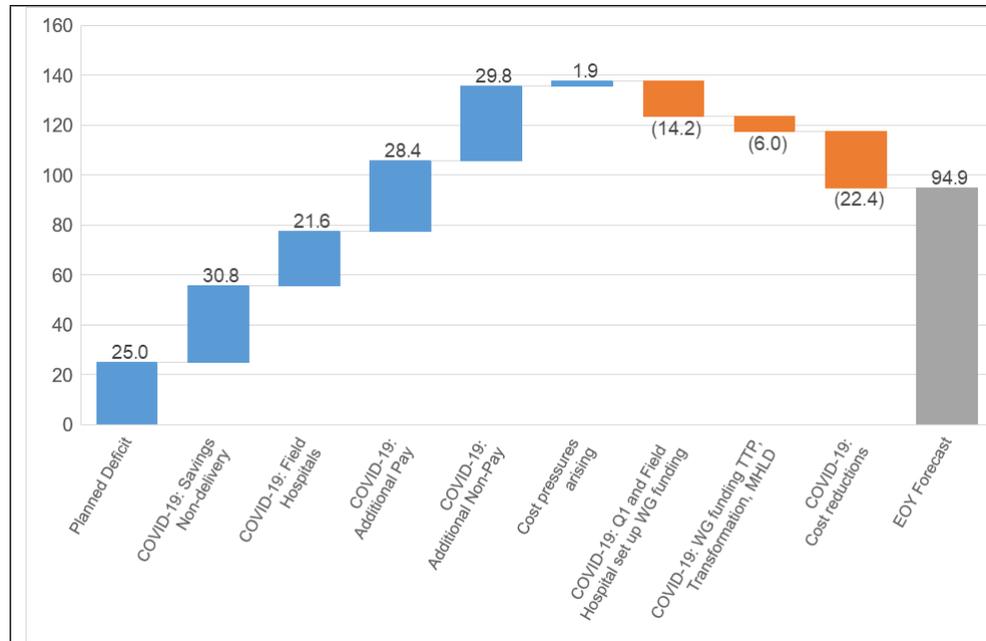
# Key Subjective Summary

CHC	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>A reduction in spend has occurred in month due to a number of a net reduction in patients requiring Continuing Health Care (CHC) in month (1,227 from 1,231 at Month four).</p> <p>The largest financial reduction was seen in Community- Based Home Care support, where patient numbers reduced by four in the month, and in Paediatrics.</p>
Secondary Care Drugs	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>The month has seen a reduction in Secondary Care drug spend primarily driven by a drug rebate in Oncology of £154k.</p> <p>During the month, reductions in drug spend have also been noted in Planned Care and Pathology as lower levels of activity continue to be seen within these Directorates as a result of COVID-19.</p>

# Key Subjective Summary

Clinical Supplies and Services	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>The increase in supplies is a result of additional PPE purchased in the month, primarily, Visor style kits in Planned Care, and Continuous Positive Airway Pressure (CPAP) equipment and general stores items for the PPE Hub at Prince Philip Hospital.</p>
Primary Care Prescribing	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>A reduction in month has been driven by a decrease of 6p per item in the baseline cost of items prescribed in month by Primary Care contractors and the HB has also recorded a reduction in the prescribing of NCSO medication. These reductions have been offset by an increase in cost of Category M drugs, where prices have increased by 28p per item.</p>

# Financial Projection



## Key Assumptions

- No funding assumed in future months;
- Field Hospital profiling is based on local modelling as a most 'realistic' assessment;
- Field Hospital staffing has been modelled on a substantive costs basis – no premium for Agency workers is included;
- Existing Services modelling is profiled to March 2021 and assumes an increasing level of reinstated elective services;
- There are significant risks and opportunities which could materially affect the forecast, depending on the evolving COVID-19 situation.

## Assurance

- The HB's Accountability statements in relation to the Budget for 2020/21 were replaced with a Delegations and Finance Delivery letter, issued in May 2020. These clarify the continuation of existing financial control principles and the importance of existing governance processes and frameworks, and state the significance of decision-making in response to, and the accurate recording of the financial impact of, COVID-19.
- Performance monitored monthly through System Engagement meetings for the highest risk Directorates.

## Concerns

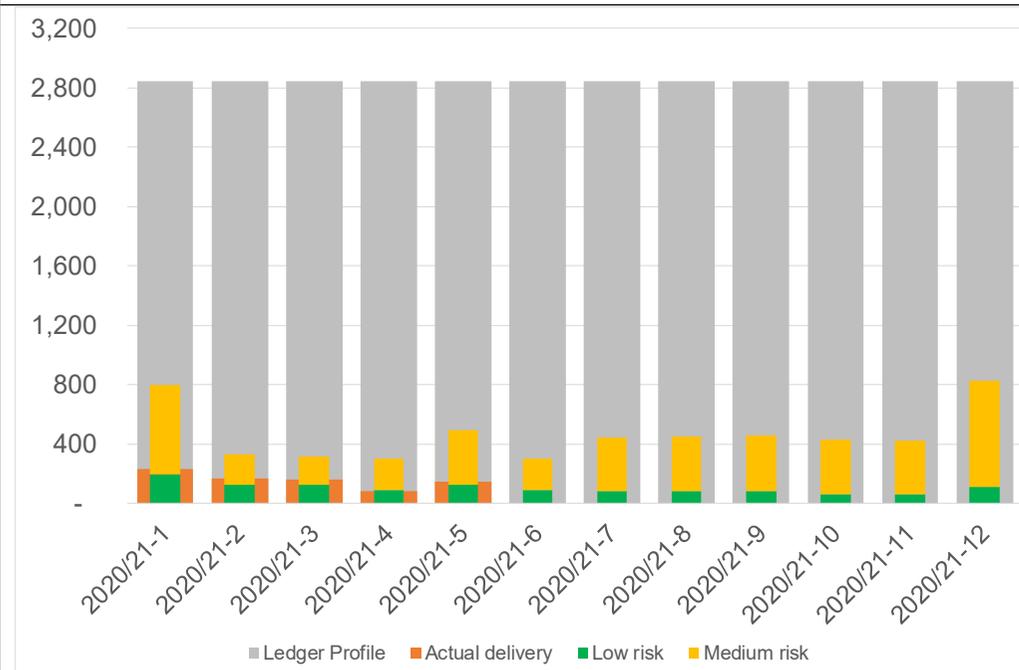
- The funding arrangements for the HB's response to the COVID-19 pandemic remain uncertain, and therefore a risk that the HB's financial position may be adversely affected. Both identified and as-yet unidentified savings schemes included in the Financial Plan are also at risk of non-delivery due to both 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 results in a significant risk to the delivery of the HB's Financial Plan for 2020/21 of a £25m deficit.

## Next Steps

- Clarification of which current escalation measures can be safely and appropriately de-escalated/ decommissioned and which ceased/ deferred services/ activities can be recommenced.
- Continue to work with WG to understand the level of additional revenue and capital funding available.
- Deep dive into savings and cost reduction opportunities.

# Financial Projection

## Risk-Assessed Directorate Savings Profile, Delivery and Forecast



### Assurance

- Green and Amber plans of £5.6m identified to Month 4, against which the forecast delivery is uncertain, given the impact of the COVID-19 pandemic. At this stage, with COVID-19 demand modelling indicating that the pandemic may impact the remainder of the financial year, it is assumed that delivery will be adversely affected for the full year.
- In-month delivery of £0.1m, which is £0.3m below plan, which is directly attributable to the COVID-19 pandemic.
- The Opportunities Framework is being refreshed to identify alternative ways of working in response to COVID-19 that may result in cost reductions/ formal savings schemes identified.

### Concerns

- The unprecedented circumstances mean that operational focus is diverted to the organisation's response to COVID-19, and therefore not to the delivery or identification of further savings schemes that are not supportive of the response to the pandemic.

### Next Steps

- The Value for Money Framework, alongside existing financial governance arrangements, is to be further developed and embedded into the organisation's decision-making processes.
- Deep dive assessment of identified schemes not delivering.