

Bundle Finance Committee 29 September 2020

3.3 Finance Delivery Unit Q2 Planning - Peer Review

Presenter: Huw Thomas

3.3 Peer Review Report 2020-21 Month 5 SBAR.docx

3.3 Appendix 1 Finance Delivery Unit Q2 Planning – Peer Review.pdf

IS BWYLLGOR CYLLID FINANCE IN COMMITTEE

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| DYDDIAD Y CYFARFOD: DATE OF MEETING: | 29 September 2020 |
| TEITL YR ADRODDIAD: TITLE OF REPORT: | Quarter 2 Plan: Peer Review – Month 5 2020/21 |
| CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR: | Huw Thomas, Director of Finance |
| SWYDDOG ADRODD: REPORTING OFFICER: | 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 the Financial Delivery Unit's (FDU) feedback following a peer review undertaken by Hywel Dda University Health Board (HDdUHB) and Cardiff and Vale University Health Board (CVUHB) of their respective Quarter 2 Operational Plans in response to the COVID-19 pandemic.

Cefndir / Background

A Peer Review approach was developed and shared with the Directors of Finance across Wales; organisations were paired, and shared their respective Quarter 2 Operational Plans. Analysis was completed and key assumptions communicated between finance representatives from both HDdUHB and CVUHB. A formal review meeting was then facilitated by the FDU in July 2020, where both organisations presented the approach adopted and key factors considered in formulating both the financial and wider Operational Plan for Quarter 2. Each organisation provided feedback and had the opportunity to discuss areas of alignment, differing assumptions and operational considerations.

Asesiad / Assessment

The review was valuable and provided an opportunity for insight and learnings across the organisations. The FDU's conclusions in respect of the requirements associated with a 'worst case' scenario being potentially undeliverable (from a clinical and workforce supply perspective) are consistent with the refinements made to the financial forecast in Month 4 and Month 5, as previously highlighted to Finance Committee and to Board.

A follow-up review for NHS Wales organisations was conducted in the Deputy Directors of Finance Forum in September 2020, based on the Month 4 financial forecast for additional costs incurred, cost reductions identified, and savings delivery impacted by the COVID-19 pandemic. While this follow-up review is outside the scope of the attached report, it highlights the variation in assumptions made across NHS Wales organisations and the potentially significant financial implications for organisational forecasts. A further review is planned for the Deputy Directors of

Finance Forum, which will also encompass financial planning assumptions and principles in relation to COVID-19 for the financial year 2022.

Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the feedback from the FDU.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

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| 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 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: Hyperlink to HDdUHB Well-being Statement | Improve Population Health through prevention and early intervention |

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 main body of the report. |

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| 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) | |
|---|---|
| Ariannol / Gwerth am Arian: Financial / Service: | Financial implications are inherent within the report. |
| Ansawdd / Gofal Claf: Quality / Patient Care: | N/A |
| Gweithlu: Workforce: | N/A |
| 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 |

Finance Delivery Unit Q2 Planning – Peer Review Hywel Dda

FINAL
August 2020



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Finance Delivery Unit
Uned Gyflawni Cyllid

Evidence, Excellence, Insight, Delivery

Peer Review of Plans

Introduction

A Peer Review process was initiated as a result of the following:-

- A review of quarter 1 and 2 plans identified significant variation across NHS Wales organisations;
- A peer review methodology had been adopted by NHS Scotland as an improvement opportunity; and
- The Finance Academy review of lessons learned during COVID-19 identified that Directors of Finance felt that there was a greater opportunity to share and learn from each other.

Process

A Peer Review approach was developed and shared with Directors of Finance. This was aligned with a detailed review of monitoring returns performed at month 3.

Set up

Agree Process

Proposed process to be agreed at Finance Cell and shared at DoFs Forum

Establish Pairings

Proposed pairings are as follows:-

BCU -> CTM
SBU -> AB
HD -> C&V
Powys -> Velindre
WAST -> PHW

Review (1 week)

Share plans

FDU to share plans submitted.

Review

Appropriate individuals (maximum of 3 per organisation) identified to review the plans – list of key lines of enquiry provided by FDU.

Facilitate (2 hours)

Facilitated Session

FDU facilitated session to consider key lines of enquiry.

Learning (1 week)

Organisation Level

FDU to collate feedback document for each organisation

Wider Review

FDU to link with NHS Scotland to identify any common system themes

Key Themes

FDU to summarise key themes for consideration at Finance Cell

Key Messages

Key Messages

- 1** The Quarter 2 plan is a worst case reflection and is not considered deliverable. In particular, there are significant gaps in the workforce required that need to be addressed.
- 2** There was a lack of a robust and deliverable clinical and workforce plan for key aspects of the plan, including field hospitals.
- 3** There is a need to develop budget accountability beyond the finance function.

Overview and Reflections

The Quarter 2 planning process was led by the Chief Operating Officer through the gold, silver, bronze command structure in place. The UHB noted that the financial plan was fully aligned to the operational plan but acknowledged that there were significant risks to delivery, notably a workforce gap of 300 nurses. The plan was, in effect, a worst case scenario position.

The UHB highlighted that an immediate priority had been securing additional capacity to meet the reasonable worst case scenario demand numbers. Using an initial projected additional demand of 1,000 beds, the UHB had commissioned nine field hospital sites with significant support and input from local authorities. The scale of demand has subsequently reduced down to 501 beds (including winter) reflecting the UHB's experience of COVID demand and other factors such as reduced elective activity.

The plan excluded the impact of the Test, Trace and Protect strategy and vaccinations.

Subsequent to submission of the plan, the UHB has developed an approach presenting the forecast as sunk costs, best estimates, demand driven and choices. This gives rise to a range of forecasts which has been considered by the Finance Committee.

Each directorate has a COVID cost centre, which is monitored using the following criteria: goods/services that can be reused, value for money framework and approval. The business partner model has been adapted to embed business partners in acute and field hospital response to maintain grip.

Non-delivery of savings due to COVID-19 is estimated at £31m of the target of £34m. Delivery of savings of this scale was already challenging before the impact of the pandemic. The UHB acknowledged the difficulty in assessing the drivers of any underspend and whether it is COVID related and recurrent or non recurrent.

The UHB has maintained governance through finance and audit committees enabling scrutiny of the position.

Areas for Improvement

Areas for Improvement

- **Internal Challenge:** There is a need to build in sufficient time for internal challenge and quality assurance on the delivery of the plan. This did not happen prior to the Q2 submission and resulted in the submission of a plan that was not considered deliverable.
- **Workforce Plan:** The UHB acknowledged that the plan submitted had a gap of 300 nurses and was not deliverable. This resulted in the overstatement of the forecast by c. £8m. In contrast, the peer (Cardiff and Vale UHB) had adopted an approach which assessed the workforce as fixed and developed a plan on how to appropriately flex the workforce across capacity as required
- **Overstated Forecast:** The UHB acknowledged that the ‘bottom up’ approach to developing the financial plan built up a level of prudence at each tier, resulting in a risk averse and overstated forecast. A ‘top down’ challenge process would mitigate this risk.
- **Regional Planning:** There has been little or no exploration of regional solutions to some of the capacity and workforce challenges identified.
- **Material Omissions:** Forecasts for TTP and other key areas of spend such as vaccinations were material omissions. The UHB recognised that this was an area of concern.

Areas for Improvement

Areas for Improvement

- **Budget Accountability:** The UHB recognised that the organisation has typically viewed finance as entirely a Director of Finance responsibility. There is a need to improve local ownership of budgets and forecasts.
- **Benchmarking:** Benchmarking and discussions arising through the peer review process identified variation in the following areas that warrant further exploration:-
 - High cost (as a proportion of turnover) for nursing, estates, continuing healthcare and non pay;
 - A significant difference in the assessed impact and approach to social distancing for capacity purposes (Hywel Dda: 190 beds vs Cardiff and Vale: 49 beds); and
 - The assessed impact of winter on capacity (Hywel Dda: 155 beds vs Cardiff and Vale: 50 beds).

Good Practice

Good Practice

- **Modelling:** There had been a significant improvement in the modelling capability within the UHB during the COVID period. This had enhanced the organisation's ability to make informed decisions based on the assessed population needs.
- **Governance:** The bronze, silver and gold command structure had been used to develop the plan and this had worked to good effect.
- **Financial Choices:** Subsequent to the submission of the plan, the UHB prepared an analysis of costs for Finance Committee which categorised them as a best estimate, demand driven or choice.
- **Demography:** The Health Board indicated that they now have better modelling and understanding of their population.

Agreed Actions

1

The UHB will review the workforce modelling and identify along with the capacity plan how the deficit in the staffed capacity, and nursing workforce can be mitigated or reduced.

2

The UHB will review the phasing of reserves, including assessing the impact of delayed investments as Integrated Care Funding has been used for field hospitals.

3

The UHB will continue to meet with Cardiff and Vale UHB to maximise the learning on a monthly basis.