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Bwrdd Iechyd Prifysgol
Hywel Dda
University Health Board

Ein cyf/Our ref: CEO9338
Gofynnwch am/Please ask for: Alex Harries
Rhif Ffôn /Telephone: 01267 239588
Dyddiad/Date: 8th July 2022

Swyddfeydd Corfforaethol, Adeilad Ystwyth
Hafan Derwen, Parc Dewi Sant, Heol Ffynnon Job
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Mrs Judith Paget
Director General Health and Social Services
NHS Wales Chief Executive
Health and Social Services Group
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By e-mail to: judith.paget001@gov.wales

Dear Judith,

Hywel Dda University Health Board Financial Deficit Accountable Officer Letter July 2022/23

I wrote to you on 12 May 2022 following on from my previous letter dated 31 March 2022. I outlined the challenges our system was experiencing, and our assessment that that we would not be able to deliver on our ambitious transformation financial roadmap opportunities during this financial year.

This letter accompanies our revised planning submission that we committed to present by the end of Quarter 1 2022/23, and covers the financial implications of our updated plans.

As our re-submitted plan confirms, we are only able to submit an annual financial plan. This exceeds our allocated budget, and the Board therefore continues to breach its statutory duties.

Since our initial plan submission, each Executive Director and their respective leadership teams have been reviewing their operational plans to deliver a step change through a Target Operating Model approach. This is the basis for our transformation improvement programmes, supported by our Planning Objective structure and governance.

Whilst these have yielded benefits, such as our recovery plan to deliver dedicated ring-fenced wards for elective procedures, they are not currently sufficient to improve the financial outlook. The Health Board continues to have to commit expenditure at a consistent rate to maintain services while we are experiencing the current significant system demand and challenges.

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Cadeirydd / Chair
Miss 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

At the same time, we have been through a detailed process to fundamentally reassess our COVID-19 response for the coming year alongside the pressures we are seeing.

As I'm sure you will appreciate, this has been a challenging process, but our assessment represents a reasonable assurance perspective of our current projected deficit for the year. We will be managing this position over the remainder of the year in a way which fully recognises our responsibility as a Board to make appropriate choices to minimise the impact of the operational drivers to our expenditure profile.

In your letter dated 27 May 2022, in response to our £17.0m savings gap communication, you were clear that you expected a response in our latest plan to address the following points:

- A clear plan setting out deliverables for the organisation, supported with a revised financial plan;
- Further understanding on the cost drivers for the deterioration in the financial position, with opportunities to mitigate the forecasted cost growth;
- Recovery allocation utilisation to be consumed on recovery actions and activity;
- Refine and reduce COVID-19 costs inline with latest de-escalation guidance;
- Work required at pace on the organisations in-year savings plans.

These points are covered in the below sections, and are included within our plan re-submission.

End of Year Financial Projection

In summary, while the draft March plan submission included an ambition to keep our deficit within £25.0m, this was predicated on delivering a transformational change programme through our Target Operating Model approach. We recognised that this would not lead to our £29.4m savings requirement being delivered in full or recurrently when I wrote to you in May; when the operational pressures were clearly seen not to be easing.

At that stage, we revised our position to recognise that our deficit for the year would be £42.0m, given our view that £17.0m of our savings requirement would not deliver.

Since then, in line with expectations, we have gone through a thorough process to review our COVID-19 non-programme costs. This showed that a significant element of these costs are now embedded in supporting the unscheduled care system in particular. We have therefore reduced our non-programme costs by £20.7m. At the same time, we have had to recognise that these are largely supporting the broader system and consequently our core deficit position has deteriorated by £20.0m.

While there are some choices in recognising these costs as part of our core deficit; these are areas from which it will not be easy for the Board to withdraw in the short term. This will be for a mixture of clinical and operational, safety and quality reasons, and the Board in July will receive clear professional advice on the implications of any disinvestment. That said, should the Board not disinvest, they will provide a source of opportunities for value elsewhere in the system which we will need to pursue quickly.

Our COVID-19 programme costs have also reduced by £3.6m as part of this process review; and we are seeking ways to maximise the benefit which is provided to the rest of the system through these costs.

By choosing to recognise these responses within core services, I recognise that it places further challenge into our underlying financial deficit, which continues to be a key focus of the Board.

Underlying Cost Drives

The contributing factors which are driving our financial deficit have been assessed and a consistent reporting methodology is being developed to ensure that the Board and Executive is focused on addressing these challenges.

There are three core elements which have been assessed, with themes identified within these:

- Demand side – ready to leave patients, repatriations, drugs and diagnostic volume growth;
- Supply side – Medical agency premium, nurse agency premium, drugs and utilities cost growth, and continuing health care;
- Configuration and Efficiency – medically optimized patients, dispersed multiple location footprint and operational efficiencies.

COVID-19 Costs

I am extremely grateful for the early support which Welsh Government have provided in addressing our ongoing COVID-19 costs, recognising it has yet to be confirmed whether this can be partly or fully funded.

Following the work undertaken by the Health Board teams in recent months, each response has been reviewed against the de-escalation of COVID-19 guidance that was helpfully shared with us on 20 May 2022. Our classification of response costs in a de-escalated state has now reduced to £7.1m, accepting that elements of the reduction are continuing as part of our ongoing core service offering.

Whilst it was our intention, as mentioned in my last correspondence with you, to decommission a large proportion of COVID-19 costs, our detailed undertaking has concluded that several elements will need to continue for the benefit of our patients and quality of care and have thus transferred into our deteriorated core deficit.

As mentioned above, following the latest guidance, and our continued review of our service models, the anticipated costs of the COVID-19 programmes (Tracing, Testing, Mass Vaccinations and PPE), is £13.0m, some £3.6m lower than our original plans.

Exceptional Costs

We have ensured that the exceptional economic challenges are well described and assessed based on the latest available information and are assumed to be funded based on current advice from Welsh Government, accepting this could pose a risk to our financial position.

Delivery of Savings Plans

As referenced in my previous letter, the deterioration of the £17.0m against our initial plan to deliver a deficit of £25.0m was due to an inadequate level of assurance around the deliverability of the extensive opportunities that had been shared with the organisation.

Opportunities to improve both the in-year and underlying deficit have been identified and shared with the organisation. We are focused on harnessing these opportunities to address/mitigate our challenges in aligning back to our financial roadmap.

My team and I welcome the continuation of the ongoing dialogue with colleagues from Welsh Government and the Finance Delivery Unit as we progress through the remainder of this financial year.

Yours sincerely

A handwritten signature in black ink that reads "Steve Moore". The signature is written in a cursive style with a large, stylized 'S' at the beginning.

Steve Moore
Prif Weithredwr / Chief Executive

Cc Maria Battle (Chair)
HDUHB Executive Team