



## PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	25 April 2022
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Planning Submissions to Welsh Government
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Andrew Spratt, Deputy Director of Finance

### 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

Following consideration of the Health Board's Draft Financial Plan 2022/23 by the Board at its meeting on 31<sup>st</sup> March 2022, this report sets out the governance process undertaken to communicate a breach of statutory financial duty to appropriate stakeholders.

#### Cefndir / Background

As the Draft Financial Plan recognises a planned deficit in the 2022/23 financial year and does not recover the cumulative deficit incurred to date, which was reset to 1 April 2020, the Health Board has presented a draft budget that will breach its statutory financial duty for the period of 2022/23.

The Health Board has, in accordance with guidance from Welsh Government (WG), not approved an Integrated Medium Term Plan (IMTP) and has therefore deviated from its Standing Financial Instructions as a Board. A deficit plan has also been presented; the deficit is £25million for the year and requires the Health Board's Chief Executive Officer to notify the Director General for Health and Social Services.

#### Asesiad / Assessment

The Accountable Officer letter sent to the Director General for Health and Social Services on 31<sup>st</sup> March 2022 to advise of this breach in duty, attached at Appendix 1, highlights several additional financial risks that feature within the delivery of the Draft Financial Plan, as summarised below:

- Funding assumptions related to transitional COVID-19 costs
- Funding assumptions related to exceptional cost pressures as defined by WG
- Delivery risk of the £29.4m of savings schemes included within the draft plan, where there has been very limited assurance provided that comprehensive operational plans exist.

The Board is committed to addressing/mitigating these challenges and is in the process of constructing a clear core plan, focusing on recovery, which will allow the Health Board to get back on track with the financial roadmap. It is the Board's aspiration that a target operating model can be constructed to focus delivery of services in the most optimum way for the Health Board's patients and population, and is a critical part of the approach to the medium-term outlook. Additionally, this will align with the design assumptions set out in the Health Board's *A Healthier Mid and West Wales* strategy and Programme Business Case.

The draft three-year plan will be updated during Quarter 1, and significant work will continue on developing key plans including planned care, the financial plan, and savings opportunities, with a commitment to submit an approvable IMTP to WG.

### Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to note the decision-making process taken and the risks to be managed over the coming financial year.

### Amcanion: (rhaid cwblhau)

#### Objectives: (must be completed)

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	2.1 Provide assurance on financial performance and delivery against Health Board financial plans and objectives and, on financial control, give early warning of potential performance issues, 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:	Not Applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
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 Objectives Annual Report 2018-2019</a>	10. Not Applicable

### Gwybodaeth Ychwanegol:

#### Further Information:

Ar sail tystiolaeth: Evidence Base:	Budget allocation funding confirmation from Welsh Government, Draft Financial Plan and Planning Objectives.
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Rhestr Termau: Glossary of Terms:	Not Applicable
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	Executive Team, Planning Steering Group, Operational Planning and Delivery Group, Board.

<b>Effaith: (rhaid cwblhau) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	Financial risks to the recurrent deficit are considered and included within the report.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Not Applicable
<b>Gweithlu: Workforce:</b>	Not Applicable
<b>Risg: Risk:</b>	Contained within the report.
<b>Cyfreithiol: Legal:</b>	Not Applicable
<b>Enw Da: Reputational:</b>	Not Applicable
<b>Gyfrinachedd: Privacy:</b>	Not Applicable
<b>Cydraddoldeb: Equality:</b>	Not Applicable



GIG  
CYMRU  
NHS  
WALES

Bwrdd Iechyd Prifysgol  
Hywel Dda  
University Health Board

Ein cyf/Our ref: GEO.8590  
Gofynnwch am/Please ask for: Kelly Sursona  
Rhif Ffôn /Telephone: 01267 239569  
Dyddiad/Date: 31/03/2022

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

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Mrs Judith Paget  
Director General Health and Social Services  
NHS Wales Chief Executive  
Health and Social Services Group  
Cathays Park  
Cardiff  
CF10 3NQ

By e-mail to: [Judith.Paget@Gov.Wales](mailto:Judith.Paget@Gov.Wales)

Dear Judith,

## Hywel Dda University Health Board Annual Financial Plan Accountable Officer Letter 2022/23

To accompany our plan, which has been approved by Board on 31 March 2022, please find details laying out financial implications surrounding our commitments that I would like to share with you regarding the key funding and financial risks for the Board.

We acknowledge the key next steps required in order to deliver the plan but recognise that there continue to be a number of on-going system challenges that may have implications in how we do this, and as a consequence how quickly we can turnaround the financial position.

### Financial Accountability

Our draft Financial Plan recognises a planned deficit in the 2022/23 financial year and does not recover the cumulative deficit incurred to date (which was reset to 1 April 2020). As a result of this, we have presented a draft budget which will breach our statutory financial duty for the three-year period.

We are not in a position at this stage to submit an IMTP, and the plan we are presenting is a deficit plan. This deficit is £25.0m for the year which by its nature requires me to write to you to advise you of that action.

There are several risks, principles and working assumptions we are actively managing to ensure that this position can be delivered across the financial year, as well as being applied to our ambition to submit an approvable IMTP at the end of the first quarter of

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Swyddfeydd Corfforaethol, Adeilad Ystwyth,  
Hafan Derwen, Parc Dewi Sant, Heol Ffynnon Job,  
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Corporate Offices, Ystwyth Building,  
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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

2022/23. The key elements of these are set out below.

### **Exceptional and COVID-19 Costs**

The draft Financial Plan for 2022/23 presents a planned deficit position of £25.0m, after assuming, in line with recent guidance, Welsh Government funding/risk recognition for the exceptional economic challenges in relation to energy prices, the impact of the increased National Insurance contributions, and the impact of the Real Living Wage for social care on commissioned packages of care and also for the ongoing transitional costs of COVID-19.

We have ensured that the exceptional economic challenges are well described and assessed and that the scrutiny of our COVID-19 response will enable the transition into the 'new normal' during the year.

### **IMTP Development**

It is still our ambition to submit an approvable IMTP for the period 2022/25. This would be the first time our Health Board has been in a position to do this, largely due to the longstanding sustainability and financial challenges that exist in the NHS in West Wales and would represent a bridge to the delivery of our strategy, "A Healthier Mid and West Wales".

Following discussion at a Board Development session on 17th February 2022, unfortunately we are not in a position to submit a financially balanced IMTP by 31st March 2022. The Health Board's underlying deficit has worsened over the last two financial years, from £25.0m to £68.9m, following the gaps in delivery of recurrent savings of £32.4m in 2020/21 and £11.5m in 2021/22.

We are committed to addressing these challenges which will allow us to get back on track with our financial roadmap. Value based health care approaches are being taken across the whole organisation. It is our aspiration that a target operating model can be constructed to focus our delivery of services in the most optimum way for our patients, population and workforce, with this forming a critical part of our approach to the medium-term outlook.

This will align with the design assumptions set out in our strategy and Programme Business Case, and we aim to deliver this IMTP by the end of the first quarter of the new financial year.

### **Savings Plans Delivery Risk**

In lieu of having developed the full detail for the IMTP, there remain, in the interim period, significant risks to the deliverability of the planned deficit of £25.0m due to the scale and transformational nature of the savings requirement, currently assessed at c.£29.4m. Whilst opportunities have been identified, there are currently limited operational plans for delivery due to the escalating pressures caused by attendances to A&E and Domiciliary and Social Care fragility preventing the discharge of medically fit patients.

The implementation of plans to reduce the number of acute beds in this climate is exceptionally challenging. There is also an inherent inflationary risk to the existing assessment of our cost base, given the present exceptional economic environment.

While our plan aims to maintain our deficit at its current level, the risks to savings delivery will result in a forecast position which exceeds this. This forecast is currently being assessed while actions are also being taken to ensure that greater assurance can be provided on the delivery of our plan.

I can assure you that we will continue to look at every opportunity to mitigate of the risks associated with the items set out above. Whilst our short-term outlook is to focus on delivering our £25.0m planned deficit, our medium-term aim is to deliver a roadmap to financial sustainability as part of our ambitious IMTP process, that is being developed across my Executive Team.

Yours sincerely

A handwritten signature in black ink that reads "Steve Moore". The signature is written in a cursive, slightly stylized font.

**Steve Moore**  
**Prif Weithredwr / Chief Executive**

Cc Maria Battle (Chair)  
HDUHB Executive Team