

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	23 March 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Report – Month 11 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
<u>Sefyllfa / Situation</u> 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 11. The monthly reporting to WG is in line with the written report provided to the Finance Committee and Board; for information, the full submission inclusive of detailed financial tables has been included for information under agenda item 5.2.
<u>Cefndir / Background</u> HDdUHB's agreed Financial Plan is to deliver a deficit of £25m, after savings of £34.2m. Month 11 position <ul style="list-style-type: none"> Before recognising the COVID-19 WG funding in-month, the Month 11 variance to breakeven is £11.8m (Month 10, £10.7m). The expenditure level is higher than Month 10, with the recognition of £1.0m of Primary Care GMS Enhanced Service costs in relation to the COVID-19 mass vaccination programme; both January and (estimated) February costs were recognised in Month 11 following confirmation that repayments to practices would pass through the Health Board. The in-month reported position is breakeven against a deficit plan of £2.1m, after utilising the required balance of WG funding to mitigate the costs resulting from the COVID-19 pandemic, having offset the cost reductions recognised due to reduced operational activity levels. The YTD variance to breakeven is therefore £22.9m, in line with the planned deficit. The additional costs incurred in Month 11 due to the impact of the COVID-19 pandemic are £12.6m (Month 10, £9.8m). Financial Projection

- Following confirmation of additional funding from WG in Month 6, the Health Board (HB) is forecasting to deliver the planned deficit of £25m. The Month 11 financial position was in line with forecast, reflecting that despite significant operational pressures arising from increased prevalence of COVID-19, there is limited risk of any significant increase in Workforce expenditure, given the restricted supply. Further, the HB has identified potential slippage in respect of planned operational expenditure, which has been repurposed.
- £30.8m savings requirement included in the Financial Plan are 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. Discussions are on-going on the implications of this on funding or for the HB's underlying deficit.
- The projection includes the cost of maintaining the Long Term Agreement block arrangements; as a net commissioner, the impact of this is estimated to be £15.7m compared to actual activity levels.

Savings Summary

- In-month delivery of £0.3m, which is slightly below plan of identified savings schemes, which is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 11, against which the forecast delivery is uncertain given the impact of the COVID-19 pandemic. At this stage, given that the pandemic will impact the remainder of the financial year, it is assumed that delivery will be adversely affected for the full year.

Next Steps

- Analysis of underlying deficit to be completed.
- Determine revenue impact for FY22 of actions taken in response to COVID-19.

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	22.9	22.9	Low
Savings	£'m	34.2	31.5	3.0	
Capital	£'m	33.7	22.8	22.8	Low
Non-NHS PSPP	%	95.0	95.0	95.0	Low
Period end cash	£'m	4.0	4.0	4.15	Medium

Following confirmation of additional funding from WG in Month 6, the HB is forecasting to deliver the planned deficit of £25m. The risk is considered to be Low, recognising that the HB has limited risk of any significant increase in Workforce expenditure given the restricted supply,

and has identified potential slippage on planned operational expenditure which has been repurposed.

Capital funding has been confirmed during March 2021 in line with the forecast expenditure.

The Non-NHS PSPP risk has been reduced to 'Low' following the successful recovery of compliance to the end of Quarter 3.

Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the financial position and financial forecast as at Month 11.

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 8 – de-escalated) Ability to deliver the Financial Plan for 2020/21 646 (score 16) 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:	Improve Population Health through prevention and early intervention

Gwybodaeth Ychwanegol:

Further Information:

Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termiau: Glossary of Terms:	Explanation of terms is included in the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Executive Team Finance Committee

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:	The impact on patient care is assessed within the savings schemes.
Gweithlu: Workforce:	The report considers the financial implications of our workforce.
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

Financial Performance and EOY Forecast Month 11

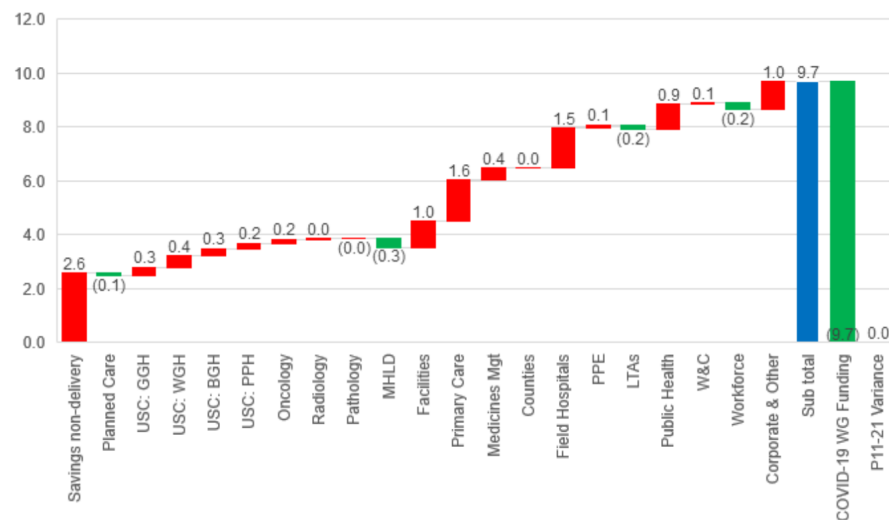
Health Board agreed Financial Plan to deliver deficit of £25m, after savings of £34.2m.

Financial position	Month 10 £'m	Month 11 £'m	YTD £'m	EOY £'m
Additional COVID-19 costs	9.8	12.6	105.8	133.8
Cost reductions due to reduced activity	(1.2)	(2.9)	(27.9)	(31.0)
Operational variance before WG funding COVID-19	8.6	9.7	77.9	102.8
Planned deficit	2.1	2.1	22.9	25.0
Variance to breakeven before WG funding COVID-19	10.7	11.8	100.8	127.8
WG funding COVID-19 for 'specific' costs*	(1.3)	(1.9)	(20.0)	(24.9)
WG funding COVID-19	(7.3)	(7.8)	(57.9)	(77.9)
Reported financial position	2.1	2.1	22.9	25.0

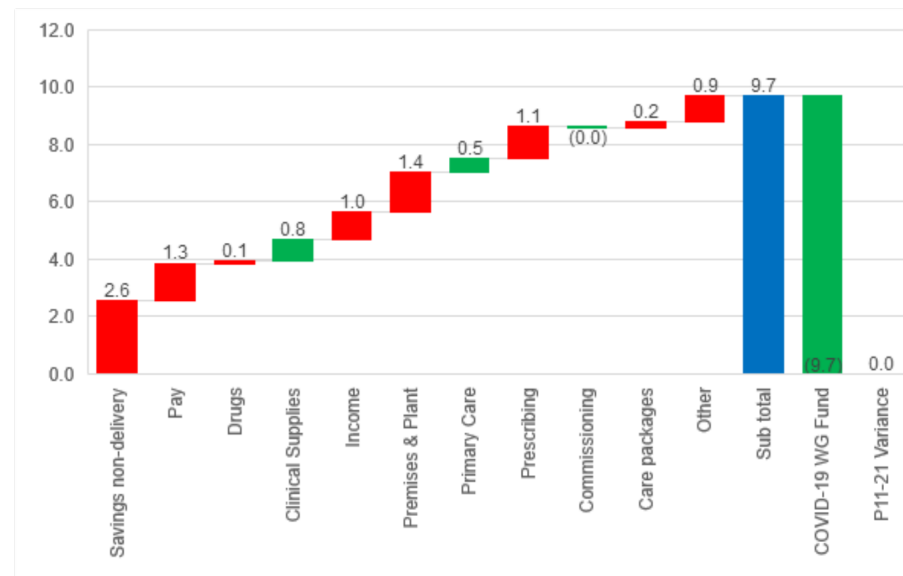
COVID-19 funding:

- WG 'specific' funding will no longer be adjusted to match costs incurred for PPE, Flu vaccinations, COVID-19 mass vaccination programme, Field Hospital set-up and decommissioning costs, and consequential losses, and Test, Trace, Protect, and are expected to be utilised in totality against all COVID-19 related expenditure;
- Additional WG funding Annual Leave carryover based on Month 9 estimation methodology;
- Additional WG funding assumed to cover cost of GMS Enhanced Services in relation to the COVID-19 mass vaccination programme previously assumed to be funded directly.

In-month variance by Directorate



In-month variance by Subjective

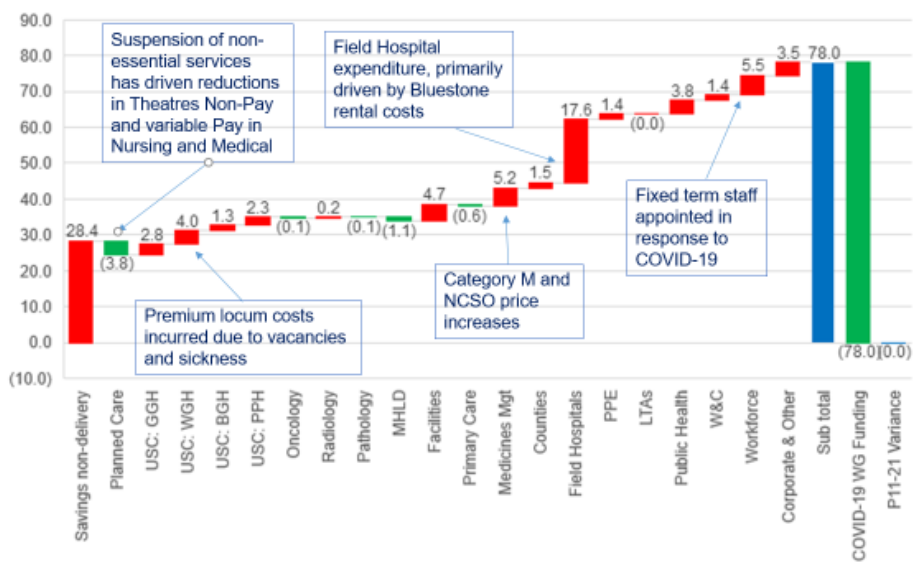


Over-spends were driven by:

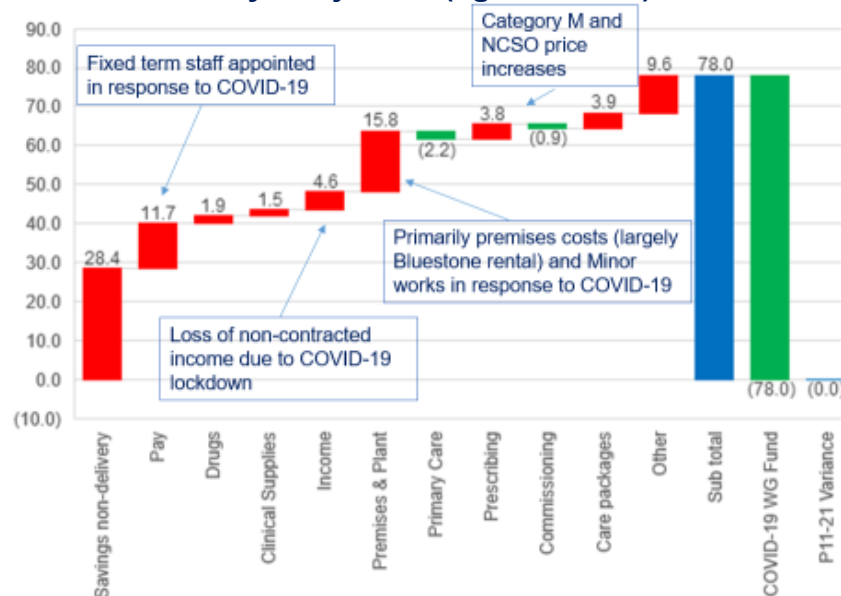
- Non delivery and unidentified savings, £2.6m;
- Field Hospital costs, largely being consequential losses, rent, equipment rental, utilities and security costs, £1.5m;
- Unscheduled Care, primarily due to roster pressures impacting variable pay, £1.2m;
- Primary Care GMS Enhanced Service costs in relation to the COVID-19 mass vaccination programme – both January and (estimated) February costs were recognised in Month 11 following confirmation that repayments to practices would pass through the Health Board £1.0m;
- Public Health, primarily due to the increased Local Authority TTP expenditure of £0.9m;
- Medicines Management, primarily due to the impact of COVID-19 on Primary Care Prescribing expenditure of £0.4m;

Executive Summary

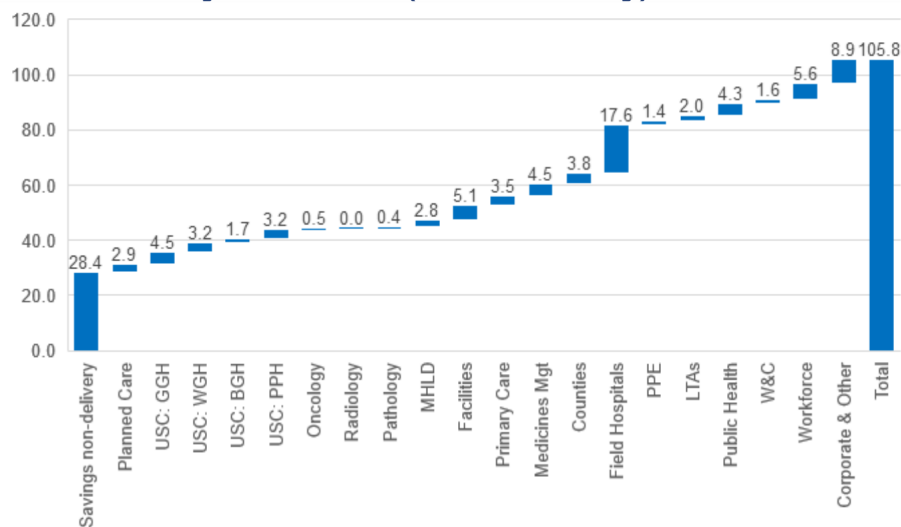
YTD variance by Directorate (against Plan)



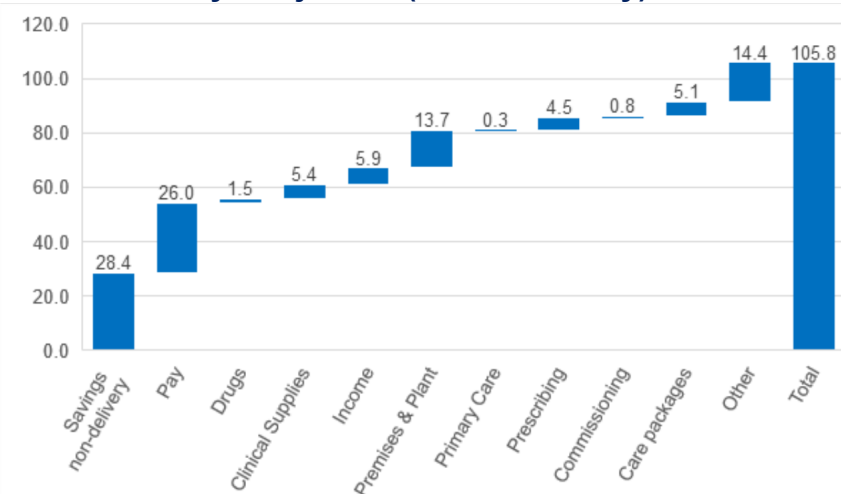
YTD variance by Subjective (against Plan)

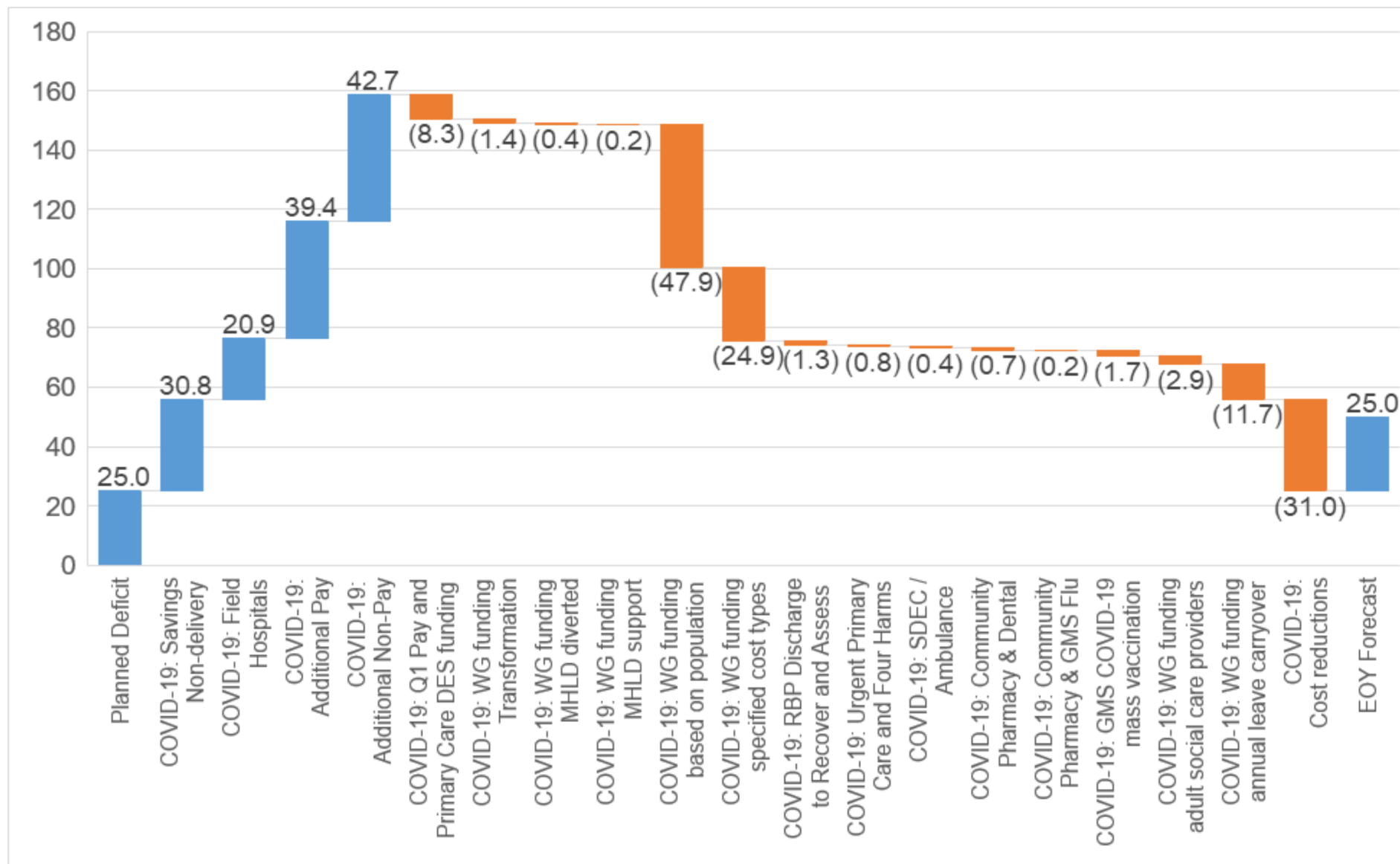


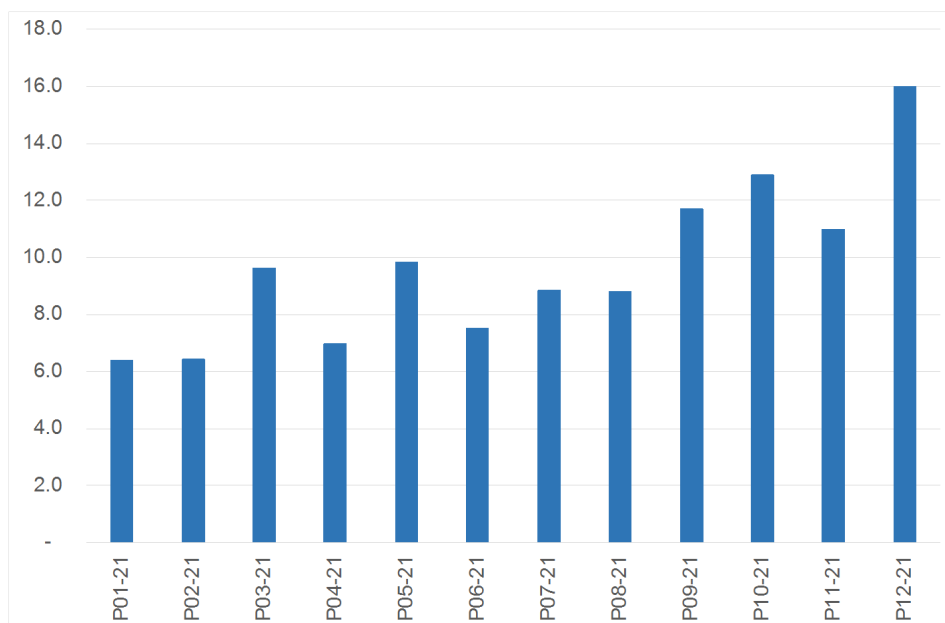
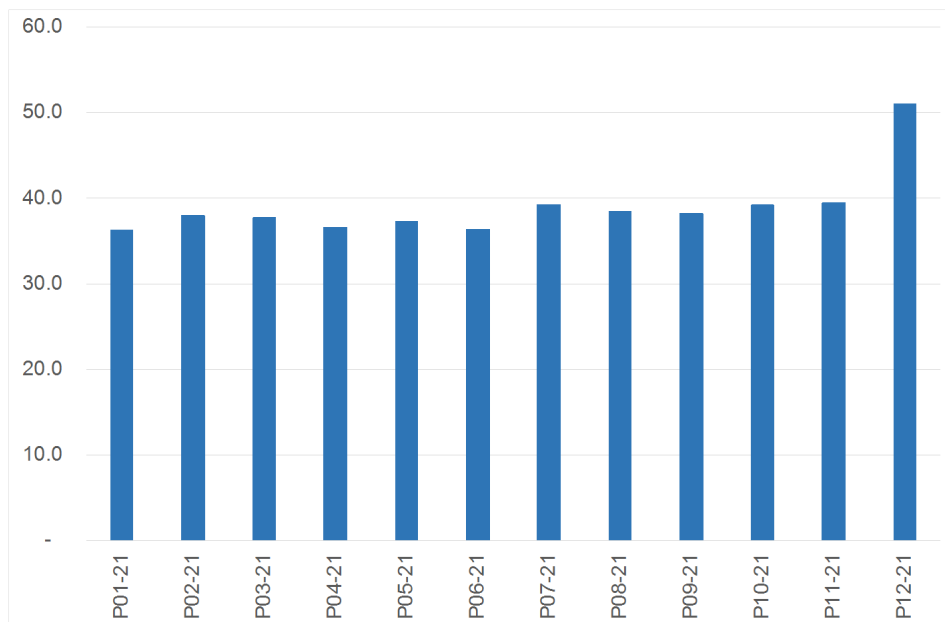
YTD actual by Directorate (COVID-19 only)



YTD actual by Subjective (COVID-19 only)







Pay

Small increase in staffing costs, primarily in relation to the enhanced overtime rates; recognising supply restrictions. Delivery in line with increased profile.

Month 12 includes recognition of £11.7m Annual Leave Carryover provision in response to COVID-19; this calculation is now fixed until the EoY assessment.

Non-Pay

Significant increase in expenditure profile in future months within Non-Pay in relation to:

- ICF;
- Bed and equipment replacement;
- TTP;
- HMRC provisions;
- Welsh Risk Pool;
- Field Hospital decommissioning costs.

Financial Forecast 2020/21: Key Items

	Total	Central	Pay	Non-Pay
Plan	25.0	25.0		
Field Hospitals	20.9		1.0	19.9
Savings	30.8	30.8		
COVID-19 Existing sites	82.1	11.7	27.7	42.7
WG funding	(102.8)	(102.8)		
Cost reductions	(31.0)	(31.0)		
	25.0	(66.3)	28.7	62.6

- Consequential losses* £6.5m;
- Set up costs £6.4m;
- Restoration costs £3.2m;
- Security, site management, equipment and bed hire £2.4m;
- Other running costs £0.6m;
- Rent*, rates and utilities £0.8m.

- Annual Leave Carryover provision £11.7m.

- Planned Care Non-Pay £5.3m and Pay £1.0m;
- Unscheduled Care £3.5m
- Reduced activity in other acute services £3.8m;
- Nursing Agency £2.4m;
- Travel £1.8m;
- Dental GDS contract £1.7m;
- Reserve slippage £9.7m;
- LTA drugs recharges £1.0m;
- WHSSC LTA £0.8m.

- Fixed term cohort extended to March 2021 £10.0m;
- Establishment additionality £10.4m (Nursing £3.2m, Medical £2.7m, HCSW £2.6m, Estates £1.0m);
- Agency £5.3m (Nursing £3.3m, Medical £1.6m);
- Student Nurses early on-board £1.6m, other Students £0.4m;

- Prescribing £4.7m;
- TTP, including antigen and antibody testing (LA pass through £3.2m) £4.6m;
- Equipment costs £5.3m;
- M&SE consumables £3.0m;
- CHC (accelerated discharge premium) £1.1m and Adult Social Care Provider Support £2.9m;
- Dental contract loss of income £2.9m;
- PPE £2.7m;
- Loss of NCA income £2.0m;
- GMS COVID-19 vaccinations £1.7m;
- Drugs and Medical Gases £1.5m;
- Flow Optimisation £1.4m.

* The split of consequential losses and rent has been reviewed, calculating the difference between actual costs paid and commercial rental value (per sq. ft) as the consequential loss.

	Recurrent £'m	Non- recurrent £'m
Pembrokeshire CHC	-	0.4
Recruitment delays MHL D		0.2
Unfilled shifts Dir Ops		0.2
Transforming communities (Pembrokeshire)	0.2	
BGH Rhiannon short stay ward weekend closure	0.2	
British Gas		0.2
Rates		0.1
Winter utilisation (Pembrokeshire)		0.1
Enhancement of CCT (Carmarthenshire)	0.1	
Pay review LD and Older Adult (MHL D)		0.1
Oncology drug rebates/Homecare/repatriation of aseptic work	0.3	
MIU/OOH merger (Dir Ops)	0.1	
Carmarthenshire CHC	0.1	
Recruitment slippage (Nursing)		0.1
Recruitment slippage (Partnerships)		0.1
Facilities Non-Pay rationalisation		0.1
Revenue to capital transfer (Facilities)		0.1
RPC reduction of one review (Medical)		0.1
GGH pay review		0.1
Equipment lease savings (Dir Ops)	0.1	
Other	0.2	0.2
EoY Total Forecast	1.3	2.1

- Of the identified Green and Amber status savings schemes, the Health Board is forecasting to deliver £3.4m within the current financial year, of which £1.3m is recurrent.