

Bundle Finance Committee 26 May 2020

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Finance Report Month 01

Presenter: Huw Thomas

2 1 Finance Report 2020-21 Month 1 SBAR.docx

2 1 Appendix 1 Finance Report 2020-21 Month 1.docx

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 May 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Report – Month 1 2020/21
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive 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 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.

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 1 position

- Month 1 variance to breakeven is £6.3m.
- Month 1 position is £4.2m operational variance to plan.
- The additionality of costs incurred in Month 1 due to the impact of the COVID-19 pandemic is £6.7m, with underspends re-purposed of £2.5m.
- No additional funding in relation to the COVID-19 pandemic has been assumed in the reported position.

Directorate Projections

- The funding arrangements for the Health Board's response to the COVID-19 pandemic remain uncertain, and therefore there is a risk that the Health Board'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 required. This results in a significant risk to the delivery of the Health Board's Financial Plan for 2020/21 of a £25m deficit.

Savings Summary

- In-month delivery of £0.2m - £0.5m below plan - which is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 1, 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

- Alignment of strategic response to current demand modelling indicators between Welsh Government, Gold Command and operational teams.
- Obtain clarity as to what current escalation measures can be safely and appropriately de-escalated/ decommissioned and which ceased/ deferred services/ activities can be recommenced.
- Continue to work with Welsh Government to understand the level of additional revenue and capital funding available.

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	2.1	6.3	High
Savings	£'m	34.2	2.9	0.2	High
Capital	£'m	24.1	4.0	4.0	Medium
Non-NHS PSPP	%	95.0	95.0	n/a	Medium
Period end cash	£'m	4.0	4.0	2.9	Medium

Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the financial position for Month 1.

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:	735 (score 16) Ability to deliver the Financial Plan for 2019/20 646 (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:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Healthcare FNC – Funded Nursing Care FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services MHLD – Mental Health & Learning Disabilities NICE – National Institute for Health and Care Excellence OOH – Out of Hours PPH – Prince Philip Hospital PSPP – Public Sector Payment Policy RTT – Referral to Treatment Time T&O – Trauma & Orthopaedics WG – Welsh Government

	WGH – Withybush General Hospital WRP – Welsh Risk Pool WHSSC – Welsh Health Specialised Services Committee YTD – Year to date
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Management 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:	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

Executive Summary

	<p>Hywel Dda University Health Board's agreed Financial Plan is to deliver a deficit of £25m, after savings of £34.2m</p> <p>The impact of the COVID-19 pandemic presents an unprecedented significant risk to the financial position.</p>
Revenue	<ul style="list-style-type: none"> • Month 1 variance to breakeven is £6.3m. • Month 1 position is £4.2m operational variance to plan. • The additionality of costs incurred in Month 1 due to the impact of the COVID-19 pandemic is £6.7m, with underspends re-purposed of £2.5m. • No additional funding in relation to the COVID-19 pandemic has been assumed in the reported position.
Projection	<ul style="list-style-type: none"> • The funding arrangements for the Health Board's response to the COVID-19 pandemic remain uncertain, and therefore there is a risk that the Health Board'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. This results in a significant risk to the delivery of the Health Board's Financial Plan for 2020/21 of a £25m deficit.
Savings	<ul style="list-style-type: none"> • In-month delivery of £0.2m, which is £0.5m below plan, which is directly attributable to the COVID-19 pandemic. • Green and Amber plans of £5.6m identified to Month 1, 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	<ul style="list-style-type: none"> • Alignment of strategic response to current demand modelling indicators between Welsh Government, Gold Command and operational teams. • Obtain clarity as to what current escalation measures can be safely and appropriately de-escalated/ decommissioned and which ceased/ deferred services/ activities can be recommenced. • Continue to work with Welsh Government to understand the level of additional revenue and capital funding available.

Executive Summary

Summary of Key Financial Targets

The Health Board's key targets are as follows:

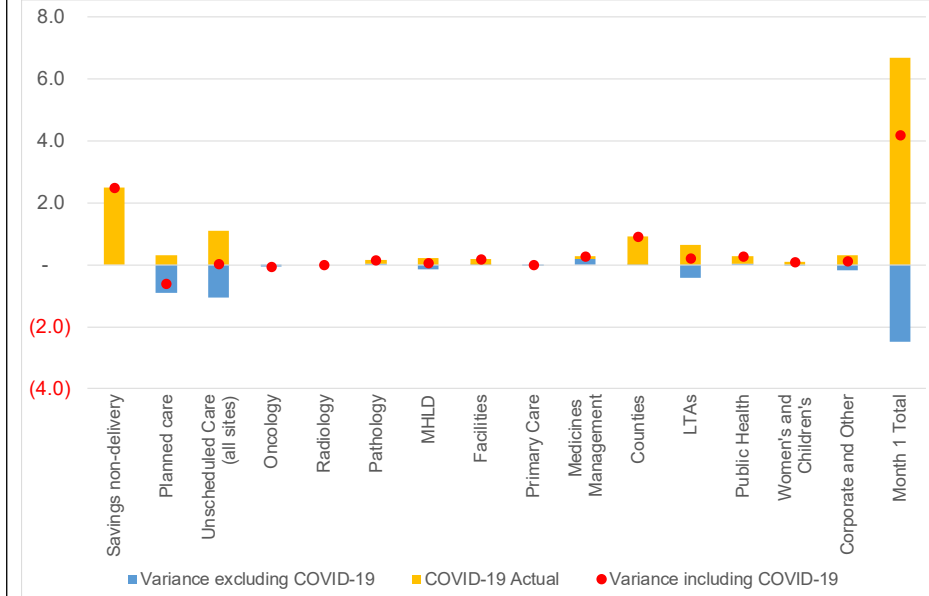
- Revenue: to contain the overspend within the Health Board's planned deficit;
- Savings: to deliver savings plans to enable the revenue budget to be achieved;
- Capital: to contain expenditure within the agreed limit;
- PSPP: to pay 95% of Non-NHS invoices within 30 days of receipt of a valid invoice;
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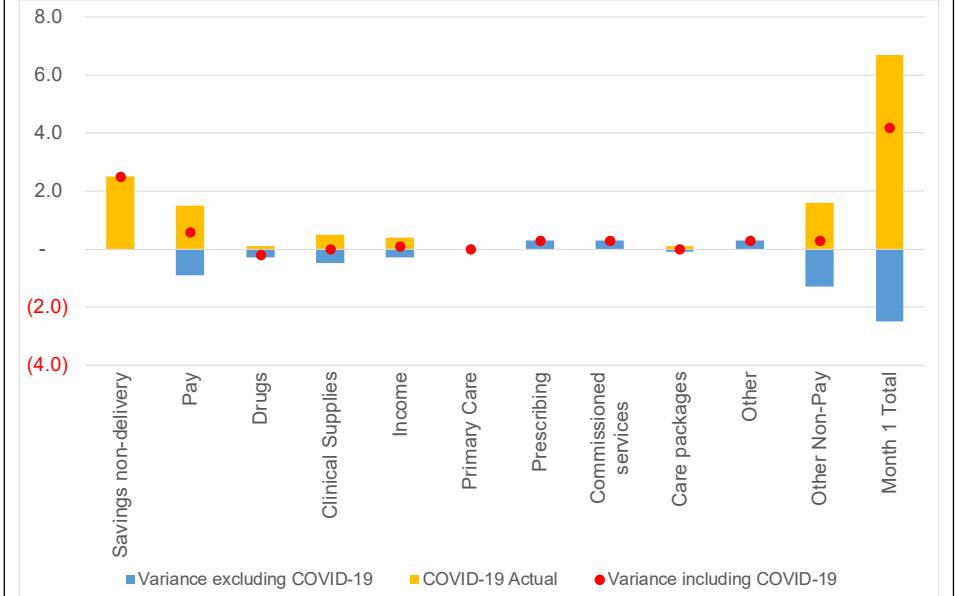
The Non-NHS PSPP risk has been rated Medium given the increase in volume of supplier payments due to the impact of COVID-19.

Revenue Summary

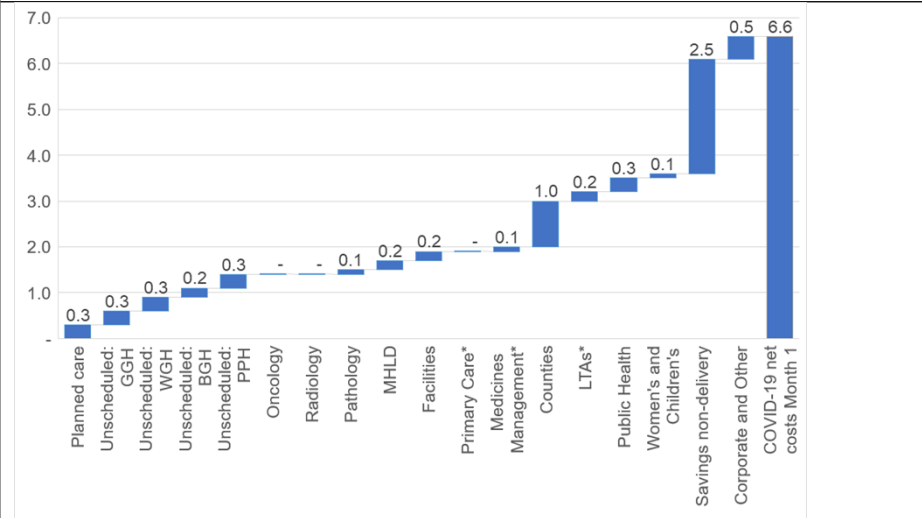
YTD Variance by Directorate (against Plan)



YTD Variance by Subjective (against Plan)



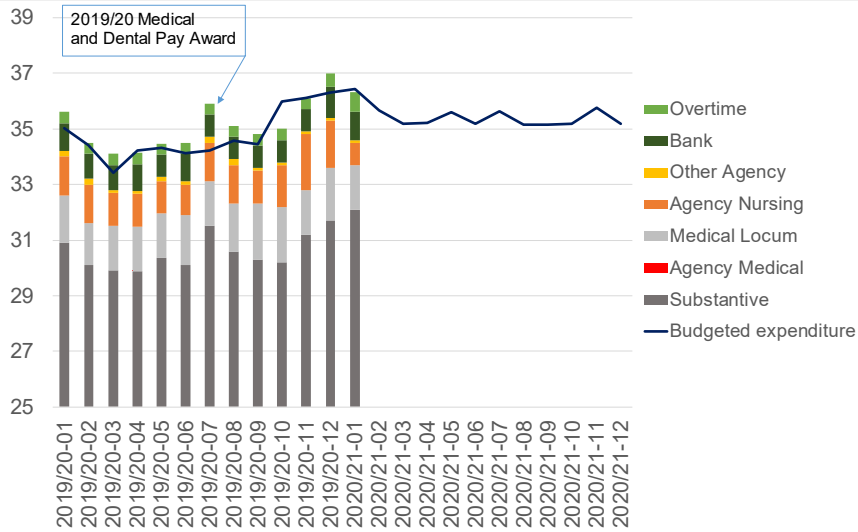
Month 1 Actual COVID-19 Costs



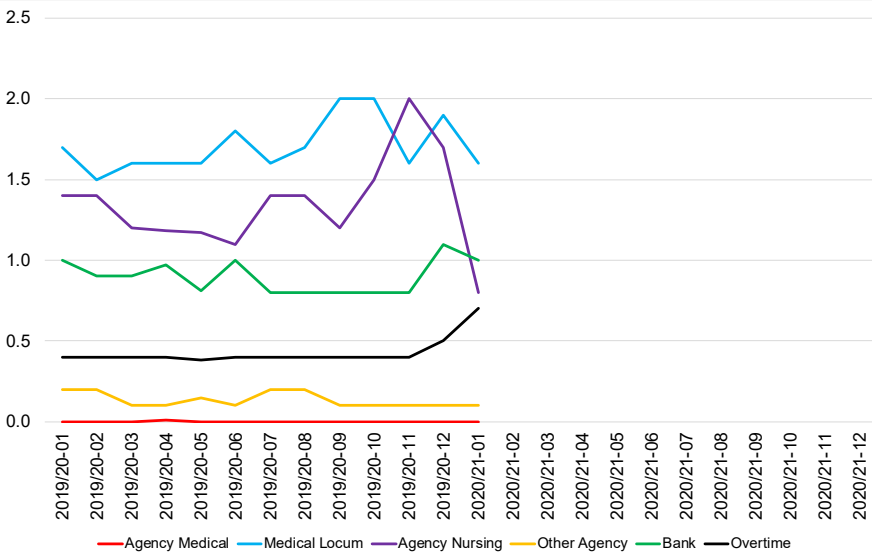
* Any impact on Primary Care, LTAs and Primary Care Prescribing is excluded. Further data and guidance regarding the accounting treatment is available on an all-Wales basis.

Key Subjective Summary

Pay



Nurse Agency expenditure is significantly lower than prior year levels due to the service changes in response to the COVID-19 pandemic and reduced activity (for example, A&E); this is primarily within Unscheduled Care and Planned Care Directorates.



Key Subjective Summary

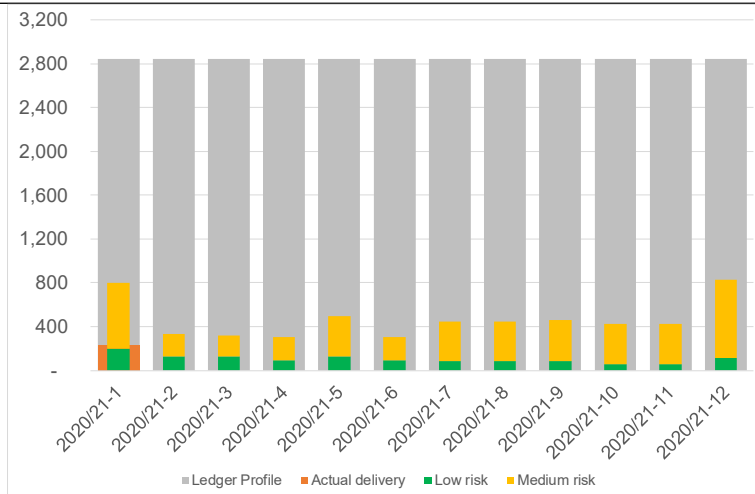
CHC	
<p>Actual expenditure Budgeted expenditure</p>	<p>The total number of cases increased in month, mainly due to the Learning Disabilities cohort.</p> <p>A number of expedited discharges from acute settings in response to COVID-19 have resulted in the need to utilise packages of care at a premium rate.</p>
Secondary Care Drugs	
<p>Actual expenditure Budgeted expenditure</p>	<p>There was an underspend in month, primarily due to Oncology where treatment regimes have been changed in response to the COVID-19 pandemic.</p>

Key Subjective Summary

Clinical Supplies and Services	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>The impact of the COVID-19 pandemic has driven £0.5m of additionality costs in Month 1.</p> <p>This is offset by cost reductions due to the service changes in response to the pandemic, most significantly manifesting in Planned Care in Theatres (£0.8m).</p>
Primary Care Prescribing	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Pressures continue in the Category M outturn following the price increase from August 2019, despite an increase in budget during the 2020/21 financial planning process. The Health Board continues to see an increase in the use of New Oral Anticoagulants (NOACs) as a result of the operation of the new NOAC Enhanced Service in General Medical Services (GMS).</p> <p>As Prescribing data is two months in arrears, the impact of COVID-19 cannot yet be quantified for Month 1 and is therefore excluded. Further guidance regarding the accounting treatment of any additional costs is awaited from WG/ WAO.</p>

Savings and Turnaround Actions

Risk-assessed Directorate Savings Profile, Delivery and Forecast



Assurance

- Green and Amber plans of £5.6m identified to Month 1, 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 £0.2m, which is £0.5m below plan, which is directly attributable to the COVID-19 pandemic.

Concerns

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

Next Steps

- 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.
- The Value for Money Framework, alongside existing financial governance arrangements, is to be further developed and embedded into the organisation's decision-making processes.