

**CYFARFOD BWRDD PRIFYSGOL IECHYD
UNIVERSITY HEALTH BOARD MEETING**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	28 May 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Committee Annual Report 2019/20
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Mr Huw Thomas, Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Mr Huw Thomas, Executive Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

The purpose of this paper is to present the Finance Committee Annual Report 2019/20 to the Board.

The Annual Report provides assurance in respect of the work that has been undertaken by the Committee during 2019/20, and demonstrates that the Terms of Reference, as set by the Board, are being appropriately discharged.

Cefndir / Background

Hywel Dda University Health Board's (HDdUHB's) Standing Orders and the Terms of Reference (ToR) for the Finance Committee require the submission of an Annual Report to the Board to summarise the work of the Committee and to identify how it has fulfilled the duties required of it.

The purpose of the Finance Committee, as expressed in its ToR, is to provide assurance on financial performance and delivery against the Health Board's financial plans and objectives and, with regard to financial control, to provide early warning of potential performance issues and recommend actions to continuously improve the financial position of the organisation, focusing in detail upon specific issues where financial performance is showing deterioration or there are areas of concern.

This includes:

- Scrutiny and provision of oversight of financial and revenue consequences of investment planning (both short term and in relation to longer term sustainability);
- Review of financial performance and review of any areas of financial concern, reporting these to the Board;
- Detailed scrutiny of all aspects of financial performance, including the financial implications of major business cases, projects, and proposed investment decisions on behalf of the Board;
- Regular review of contracts with key delivery partners.

Asesiad / Assessment

The Finance Committee has been established under Board delegation, with the Terms of Reference approved by the Board at its meeting on 30th May 2019.

A Self-Assessment of Performance for the period 2018/19 was undertaken by Committee members in April 2019, with outcomes from the assessment presented to the Committee in the meeting held 20th May 2019. The recommendation that the Committee review medium and long term issues and actions in addition to maintaining a close focus on in-year delivery was taken forward by the Corporate Governance Team and the Finance Team as part of their respective workplans for 2019/20.

This Annual Report outlines how the Finance Committee has complied with the duties set through its Terms of Reference and identifies key actions to address developments.

Constitution

The core membership of the Committee is comprised of:

- Associate Member of the Board (Chairman)
- Independent Member (Vice Chairman)
- Health Board Vice-Chair
- Independent Member
- *Invitation extended to the Chair of Audit and Risk Assessment Committee (ARAC) to attend (not counted for quoracy purposes)

The following 'In Attendance' Members have also been identified to serve on the Committee:

- Chief Executive Officer
- Executive Director of Operations
- Executive Director of Finance
- Turnaround Director (this post was removed from the establishment, effective from January 2020, with certain elements of the role transferred to the Executive Director of Finance)
- Other key Executive Directors/ Directors to attend as and when the Committee requests their attendance

Meetings

The Finance Committee is directly accountable to the Board for its performance, and it provides assurance to the Board, either through a formal written update report or through a verbal update, which is received at each subsequent Board meeting. A full set of papers for each Committee meeting is routinely made available on-line from the Health Board's website.

During 2019/20, Finance Committee meetings were held on a monthly basis, as follows, and were quorate at each meeting:

- 25th April 2019
- 20th May 2019
- 25th June 2019
- 22nd July 2019
- 22nd August 2019
- 24th September 2019
- 21st October 2019
- 26th November 2019
- 19th December 2019
- 27th January 2020
- 13th March 2020

There was no meeting held in February 2020.

Areas of Responsibility

In discharging its duties, the Finance Committee has undertaken work during 2019/20 against the following areas of responsibility in relation to its Terms of Reference:

Discussion Items

- At each meeting the Committee is presented with the following papers to scrutinise in regard to the in-year financial position:
 - Financial Performance Update and Finance Report;
 - Turnaround Report (this paper was amalgamated with the Finance Report, with effect March 2020);
 - Financial Projections Report (this paper was amalgamated with the Finance Report, with effect March 2020);
 - Referral to Treatment Financial Plan and Trajectory 2019/20
 - Capital Financial Management Report;
 - Corporate Risks assigned to the Finance Committee (quarterly report)

- **Year-End Debrief** – An update on outcomes from a meeting of the Year-End Debrief Panel (consisting of the Chair of the Finance Committee, HDdUHB Executive Director of Finance, HDdUHB Chief Executive and members of the Finance Delivery Unit) was provided to the Committee in its meeting held in May 2019. The Panel had focused upon lessons learned from the previous year, and upon defining processes and budget-setting for 2019/20.

- **Referral to Treatment (RTT) Report** – the RTT Plan 2019/20 was presented to the Committee in its meeting held in April 2019, with members advised of the forecast for delivery requirement for 2019/20, standing at £5.5m. Monthly updates were provided to the Committee, detailing progress with respect to the Financial Plan and planned expenditure trajectory to support RTT, Diagnostic and Therapy service waiting times target delivery for 2019/20. In the Committee meeting held 13th March 2020, members were assured that, in terms of year-end spend, HDdUHB remained on course to meet the target of £6.45m against the 2019/20 Financial Plan, with an operational Delivery Plan in place to enable attainment of target positions. Members were advised of £1.5m additional funding secured from WG to support the cost of planned outsourced Orthopaedic activity, forming part of the Delivery Plan. The Committee also received a report detailing the RTT performance relating to patients resident within HDdUHB area who are being treated by external Health Boards, and requested that this report continue to be received on a quarterly basis.

- **Draft Financial Plan Implementation 2019/20** – a report on implementation of the Draft Financial Plan 2019/20 was provided to the Committee in April 2019, advising Members of savings requirements, financial challenges, and risks to schemes to deliver the £25 million Control Total, together with details of mitigating actions to de-risk these schemes.

- **Draft Financial Plan 2020/21** – the Draft Indicative Financial Plan 2020/21 was introduced to the Committee in its meeting held 22nd July 2019, providing an initial assessment of the financial challenge and the scale of the organisational savings required for 2020/21. Further presentations of the Draft Financial Plan were received at Finance Committee meetings held 21st October 2019 and 27th January 2020, providing details of the calculated opening underlying deficit for 2020/21 and a breakdown of the deficit, including full year impact and cost pressures identified at Directorate level.

At the Committee meeting held 13th March 2020, recognising significant shortfalls in the plan regarding the delivery of savings required, and notwithstanding assurance regarding further work by Directorates to identify and progress key savings schemes, Members agreed that the Draft Financial Plan 2020/21 could not be signed off in its current form, and that further work was required before the plan could be signed off by the Finance Committee and submitted to the Board for approval at its meeting on 26th March 2020. Committee Members therefore confirmed that, in light of timescales involved, they were content for the Chair of the Committee to take Chair's Action on their behalf to work through the Draft Financial Plan with the Executive Director of Finance and Lead Director for the Committee and confirm approval of the plan, or otherwise, on the Committee's behalf.

- **Long Term Agreements (LTAs)/ Contracts Update** – In July 2019 an External Secondary Care Contracts report was presented to the Committee, providing an update on the current contractual position of external Secondary Care and Welsh Health Specialised Services Committee (WHSSC) contracts. The Committee subsequently received updates relating to HDdUHB's Healthcare Contract Management Approach in August 2019 and September 2019, and was advised of measures to align HDdUHB contracts/LTAs through the Contracting Project Implementation Plan. In September 2019, the Committee approved the inclusion of a LTA/Contracts Update as a standing item on its agenda, to ensure Members are sighted on any contracts over £0.5m and to enable any concerns to be reported to Board. In March 2020, it was agreed that the LTA/Contracts Update report would be submitted to the Committee on a quarterly basis.
- **Workforce Pay Controls** – Updates relating to the Establishment Control Project and the KPMG Grip and Control workstream and Action Plan were presented to the Committee. Members were assured that KPMG's action plan and recommendations, which had been developed through its assessment of the control environment operating in HDdUHB, were being addressed and taken forward by the Workforce Delivery Group.
- **External Finance Review** – monthly updates to the Committee were provided, covering the background, planning and progress of the review, which had been commissioned by Welsh Government (WG). The Committee received an overview of the requirements set by WG and HDdUHB for review of the current financial plan for 2019/20, identifying opportunities to improve the underlying deficit for 2019/20, and to review the financial governance and structure of the Health Board. HDdUHB responses to KPMG recommendations were presented to the Committee at its meeting held 13th March 2020.
- **Savings Plan 2019/20** – the Savings Plan 2019/20 was presented to Committee at its meeting held in April 2019. The Committee was advised that savings of £24m were required in order to meet the year-end position of a £29.8m deficit, although acknowledged that variations in this figure may result from work being undertaken in relation to RTT. The Committee was further advised of the change in Control Total set by WG, with a further £5m added pressure in year.
- **Deloitte Zero Based Review** - recommendations from the Deloitte Zero Based Review were presented to Committee at its meeting held in May 2019. The Committee was advised that the review made four recommendations regarding actions to improve efficiencies in the short, medium and longer term. The Committee was assured that

implementation of these actions would be monitored as part of the External Finance Review.

- **Impact of International Financial Reporting Standard (IFRS) 16** – the Committee received a report detailing the Impact of IFRS 16 in March 2020 and was advised that the new accounting standard, which replaces previous accounting standards related to leases, would be effective from 1st April 2020. The Committee also received updates in relation to the implementation of IFRS 16 in its meetings held in May 2019 and September 2019.
- **Benchmarking Network Summary Report** - the Benchmarking Network Summary Report produced by the Financial Delivery Unit (FDU) was presented to the Committee in May 2019. The Committee was advised that the Summary Improvement Opportunity Reports for HDdUHB would contribute to the direction of work for long term financial management.
- The Committee was presented with outcomes from the following Strategic Workshops:
 - **Implementing Value** – the Committee received a presentation on Implementing Value, providing an overview of the Intelligence and Value Strategy.
 - **Implementing Contracting** – the Committee was advised of the proposed approach to future contracting and service commissioning arrangements.
 - **Implementing Finance Strategy** – the Committee was provided with an update on the status of the Finance Team, and the development of a finance function to support better decision-making within HDdUHB.

.Assurance Items

- **Corporate and Operational Financial Risk Reports** - the Corporate Risk report and the Operational Financial Risks report were presented to the Committee for scrutiny in May 2019, November 2019 and March 2020. Corporate risks identified as having financial consequences for the Health Board were discussed, and the Committee was assured that operational risks would be reviewed by the Finance Directorate and operational services to ensure that individual services are provided with the necessary support to identify and manage risks effectively. In light of current national challenges in respect of the COVID-19 pandemic, Members recognised the need to refresh these Finance-related risks for the 26th March 2020 Board meeting.
- **Winter Plan Model 2019/20** – a verbal update on the Winter Plan Model 2019/20 was presented to the Committee in September 2019. A comprehensive Winter Plan report was submitted for the October 2019 Finance Committee meeting, advising Members of the methodology used for winter planning 2019/20 and funds allocated by WG and HDdUHB. The Winter Preparedness 2019/20 Report to Board on 28th November 2019 was also presented to the Committee.
- **Development and Implementation of Value Based Health Care (VBCH)** - the Committee received a presentation and a report on the Intelligence and Value Strategy, outlining key components in the application of Business Intelligence within the Finance Team to support VBHC across HDdUHB. Details of the development of a Locality

Resource Tool as part of the Intelligence and Value Strategy were presented to the Committee at its meeting held 19th December 2019.

- **Executive Team Opportunities Framework** - Members were presented with an overview of the Executive Team Opportunities Framework at the Finance Committee meeting held 27th January 2020, setting out proposed workflows, responsibilities and supporting processes. Members agreed that the Opportunities Framework would provide a useful tool for the robust scrutiny of ideas within the Health Board, ensuring rigorous testing is undertaken to promote confidence and provide assurance to the Board.
- The Committee was presented with findings from Deep Dive reviews of the following areas:
 - Medicines Management and the Aseptic Unit in Glangwili General Hospital;
 - Performance challenges and work to address these in Witybush General Hospital;
 - Mental Health and Learning Disabilities (MH&LD) Commissioning. The Committee was advised of the increasing demand upon the service, both in terms of numbers and complexity of cases. An overview of savings delivery schemes and opportunities was also presented;
 - Ring-fenced Allocation within MH&LD;
 - Long-Term Care; the Committee received a presentation, including an overview of the complex policy context, the fragility of the market and work completed by the team to transform the Long-term Care pathway using a whole systems approach.

Information Items

- **Financial Efficiency Framework** - Members were presented with a report at the Committee meeting held in November 2019, identifying the ways in which the analysis provided by the Finance Delivery Unit (FDU) has been used to shape the Financial Strategy.
- **Strategic Cash Assistance** - the Committee was informed of HDdUHB's request for Strategic Cash Assistance from WG (£16m for 2019/ 20).
- **Strategic Financial Planning Group Update Report to the Strategic Integrated Enabling Group** - in June 2019, August 2019, September 2019, November 2019 and March 2020, the Committee received update reports from Strategic Financial Planning Group meetings.
- **Primary Care Prescribing** – at the Committee meeting held 13th March 2020, Members received the Primary Care Prescribing report, outlining actions planned and implemented by the Pharmacy and Medicines Management Directorate to identify priority areas and mitigate pressures. Significant savings delivered by the Pharmacy and Medicines Management Team in 2019/20 were also noted.

- **The Committee also received the following reports and presentations for information during 2019/20:**

- Welsh Government Monitoring Returns Month 1
- Scheme of Delegation
- Wales Audit Office Public Spending Trends in Wales 1999-00 to 2017-18.
- Defining Value-based Healthcare in the NHS – CEBM
- Finance Committee Assurance Report to ARAC
- Draft Annual Accounts 2018/19 (as presented to ARAC at its meeting held on 7th May 2019)

Approval Items

- The Finance Committee approved the following procedures during 2019/20:
 - Cash Imprest Account - Rehabilitation Monies (July 2019)
 - Disposal of Surplus and Obsolete Furniture, Equipment, Sale of Scrap and Other Waste Materials (July 2019)
 - Main Control Stores (July 2019)
 - Budgetary Control Procedure (August 2019)
 - Losses and Special Payments Procedure (August 2019)
 - Patient Property and Monies Procedure (September 2019)
 - FP11 Financial Management System (FMS) – System Access & General Ledger Security Procedure (October 2019)
 - Income and Cash Collection Procedure (November 2019)
- The Committee also approved the proposed increase in limits for the Executive Director of Finance under Charitable Funds from £5,000 to £25,000 in line with the current limits assigned to Executive Directors (Corporate Scheme of Delegation) and recommended the proposed change to the Board for approval (May 2019).

Key Risks and Issues/ Matters of Concern raised by the Committee to the Board during 2019/20 included:

- **Draft Financial Plan 2020/21** – In March 2020, the Finance Committee received the Draft Financial Plan 2020/21. Recognising shortfalls in the delivery of savings required, it was confirmed that the Committee was unable to approve the content of the plan as it stood for submission to the Board, with it agreed that the Chair of the Finance Committee would take Chair's Action on the Committee's behalf to work through the Draft Financial Plan with the Executive Director of Finance and Lead Director for the Committee, and confirm approval of the plan, or otherwise, on the Committee's behalf.
- **Cost Pressures Associated with Workforce Management** - Increased cost pressures relating to workforce pay controls and the use of agency staff (as identified in the KPMG and Establishment Control Project reviews) were highlighted as areas of concern by Finance Committee, and the Health Board's responses to recommended actions from the reviews were monitored through Workforce Pay Controls update reports received at each meeting.
- **Challenges to Delivery of Savings Schemes** – A risk to HDdUHB's revenue and savings position for 2019/20 was identified by the Finance Committee in its meeting held 5th April 2019, and updates regarding adverse variances to plan and measures to

address the savings gap were accordingly requested, and reported, at each subsequent meeting in order that progress in relation to delivery, and identification of savings, could be tracked.

- **Risk to £10m additional WG Funding** – Significant risks relating to the organisation’s ability to deliver the required Control Total for 2019/20, and associated risk to £10m additional WG funding which had been predicated on delivery of the required £15m Control Total, were highlighted by Finance Committee to the Board. Recognising risks to the additional £10m funding, Finance Committee was advised in its meeting held 26th November 2019 of a recommendation to the Board to change the forecast deficit position from £15m to £25m, and subsequently advised the Board in March 2020 of a revised position of £35m, following drawback of the additional funding.
- **Risk to Delivery of Planned Care Referral to Treatment (RTT) targets** – Having received the 2019/20 RTT Plan at its meeting held 25th April 2020, Finance Committee was first advised of challenges to delivery of RTT targets resulting from un-forecast Unscheduled Care pressures in its meeting held 22nd July 2019, while subsequent reports presented to the Committee advised of further challenges, necessitating upward expenditure projections to support the delivery of RTT, Diagnostic and Therapy waiting time targets. At its meeting held 27th January 2022, Finance Committee was advised of a significant risk to the activity delivery plan within the Orthopaedic pathway, and apprised of remedial plans involving outsourcing activity, which would potentially involve delivery costs likely to exceed the value of the 2019/20 Delivery Plan. At its meeting held 13th March 2020, the Committee was reassured that additional funding of £1.5m had been secured from WG to support the cost of planned outsourced Orthopaedic activity.
- **Contracts and Long Term Agreements (LTAs)** – Recognising overspend in respect of HDdUHB patients receiving treatment by external Health Boards, Finance Committee requested that Members be sighted upon all contracts and LTAs exceeding £0.5m in value and advised that the effectiveness and value-for-money of contracts be assessed in order to provide assurance to the Board regarding the level of scrutiny applied to HDdUHB contracting arrangements.

Other risks and matters of concern identified by Finance Committee during 2019/20 included:

- Potential risk should HDdUHB’s request for WG Strategic Cash Support (£16m for 2019/20) not be met.
- Significant YTD pressure in Unscheduled Care and Medicines Management.
- Significant financial pressures on drugs manifesting in both Secondary and Primary Care.
- Issues relating to the individual units across all hospital sites, particularly in relation to the Aseptic Unit in Glangwili General Hospital, and to 12-hour treatment target breaches and increased patient length of stay in Wthybush General Hospital, representing an overall risk to HDdUHB’s Financial Plan.
- Financial impact resulting from delays to the proposed centralised Nurse Rostering System, pending implementation of an All-Wales system.

Argymhelliad / Recommendation

The Board is asked to endorse the Finance Committee Annual Report for 2019/20.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

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): Hyperlink to NHS Wales Health & Care Standards	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Not Applicable

Gwybodaeth Ychwanegol:

Further Information:

Ar sail tystiolaeth: Evidence Base:	Agendas, papers and minutes of the Committee meetings 2019/20
Rhestr Termau: Glossary of Terms:	Included within the body of the report.
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	Finance Committee

Effaith: (rhaid cwblhau)

Impact: (must be completed)

Ariannol / Gwerth am Arian: Financial / Service:	A sound system of internal control, as evidenced in the Committee's Annual Report, will assist with ensuring financial control, and the safeguard of public funds.
Ansawdd / Gofal Claf: Quality / Patient Care:	SBAR template in use for all relevant papers and reports.
Gweithlu: Workforce:	SBAR template in use for all relevant papers and reports.
Risg: Risk:	SBAR template in use for all relevant papers and reports.

Cyfreithiol: Legal:	<p>A sound system of internal control, as evidenced in the Committee's Annual Report, ensures that any risks to the achievement of the Health Board's objectives are identified, assessed and managed.</p> <p>Compliance with the Health Board's Standing Orders, and Committee's Terms of Reference, requires the submission of an Annual Report to the Finance Committee.</p>
Enw Da: Reputational:	Not Applicable
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	SBAR template in use for all relevant papers and reports