

Bundle Finance Committee 30 November 2020

2.1.1

Finance Report and Forecast Month 7

Presenter: Huw Thomas

2.1.1 Finance Report 2020-21 Month 7 SBAR final.docx

2.1.1 Appendix 1 Financial Performance and EOY Forecast Month 7.pptx

2.1.1 Appendix 2 WG Response to M6 Review.pdf

2.1.1 Appendix 3 CEO Response - Month Six Financial Review - 26.11.2020.pdf

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	30 November 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Report – Month 7 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

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 to 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 7. 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 as Appendix 2.

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 7 position

- Without the additional WG funding confirmed in-month, the Month 7 variance to breakeven is £8.4m (Month 6, £5.5m). The deterioration is due to the recognition of the year-to-date (YTD) costs of supporting Adult Social Care Providers in response to the COVID-19 pandemic, additional Field Hospital set-up costs and a return to previous pay run rate following the release of an over-provision for the WG pay circular in relation to medical enhancements in Month 6.
- 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 £14.6m, in line with the planned deficit.
- The additional costs incurred in Month 7 due to the impact of the COVID-19 pandemic is £10.0m (Month 6, £6.9m).

Financial Projection

- Following confirmation of additional funding from WG in Month 6, the Health Board (HB) is currently forecasting to deliver the planned deficit of £25m. However, the HB is managing a number of varying elements in respect of Winter Planning, reinstating elective services, and any unprecedented further impact of the pandemic that represent both opportunity and risk to the planned deficit. The HB is planning to utilise funding streams already available to mitigate these risks; however those funding streams shared with Local Authority partners represent a level of variability. The financial forecast is dependent on assurances provided by a range of teams across the HB and across the Regional Partnership Board (RPB) regarding the drivers of spend. There is a risk that these assurances do not reflect future expenditure profiles and that the financial outturn differs from the current forecast.
- £30.8m identified and as-yet unidentified savings schemes 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 required. Discussions are on-going for additional funding to support the non-delivery of the HB's savings target on a recurrent basis.
- Should the HB progress all the schemes identified to deal with implementing social distancing measures and other COVID-19-related requirements with no further funding being available from WG, the potential over-commitment against the Capital Resource Limit (CRL) would be £14.3m. This risk is being actively managed; however there is a more significant operational risk if these schemes do not progress.
- The projection includes the cost of maintaining the Long Term Agreements block contracting arrangements; as a net commissioner, the impact of this for the HB is estimated to be £15.7m compared to actual activity levels.

Savings Summary

- In-month delivery of £0.2m, which is slightly below plan due to timing, which is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 7, 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

- Further work with Planning, Workforce and Operational colleagues to ensure alignment of the financial forecast and any changes to operational plans in response to the pandemic.
- An in-depth review of savings and cost reduction opportunities, and further review of reserves to understand potential in year slippage.
- Scrutiny of assurances provided by a range of teams across the HB and across the RPB on the drivers of spend. A formal schedule of these assurances will be shared with WG colleagues by separate cover as a matter of urgency.
- Clarification regarding what current escalation measures can be safely and appropriately de-escalated/ decommissioned and which ceased/ deferred services/activities can be recommenced.
- Further work with WG to understand the level of future funding arrangements, as these remain uncertain.

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	14.6	14.6	High
Savings	£'m	34.2	20.0	1.4	
Capital	£'m	25.2	14.0	14.0	Medium
Non-NHS PSPP	%	95.0	95.0	94.3	Medium
Period end cash	£'m	4.0	4.0	2.7	Medium

Following confirmation of additional funding from WG in Month 6, the HB is currently forecasting to deliver the planned deficit of £25m. The risk is considered to be 'High,' recognising that the HB is managing a number of varying elements in respect of Winter Planning, reinstating elective services and any unprecedented further impact of the pandemic that represents both opportunity and risk to the planned deficit.

Should the HB progress with all the schemes identified to deal with implementing social distancing measures and other COVID-19 requirements, with no further funding available from WG, the potential over-commitment against the CRL would be £14.3m.

The Non-NHS Public Sector Payment Policy (PSPP) risk has been rated 'Medium' given the increase in volume of supplier payments due to the impact of COVID-19 and due to not achieving the PSPP target in September 2020. An action plan has been developed to re-prioritise resource to clear the backlog by the end of October, however this will mean that the improvement in the PSPP target will not be evidenced until the November PSPP figures are produced.

Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the financial position and financial forecast as at Month 7.

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 10) 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: 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 Termiau: Glossary of Terms:	Explanation of terms is included in the main body of the report.
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cyllid: Parties / Committees consulted prior to Finance Committee:	Finance 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

Financial Performance and EOY Forecast Month 7

**Health Board agreed Financial Plan to deliver deficit of £25m, after savings of £34.2m.
Impact of COVID-19 pandemic presents unprecedented significant risk to financial position.**

Financial position	Month 6 £'m	Month 7 £'m	YTD £'m	EOY £'m
Additional COVID-19 costs	6.9	10.0	65.0	117.4
Cost reductions due to reduced activity	(3.5)	(3.7)	(19.9)	(30.3)
Operational variance before WG funding COVID-19	3.4	6.3	45.1	87.1
Planned deficit	2.1	2.1	14.6	25.0
Variance to breakeven before WG funding COVID-19	5.5	8.4	59.7	112.1
WG funding COVID-19 for 'specific' costs*	(4.4)*	(2.4)	(12.8)	(26.0)
WG funding COVID-19	(20.3)*	(3.9)	(32.3)	(61.1)
Reported financial position	(19.2)	2.1	14.6	25.0

COVID-19 funding:

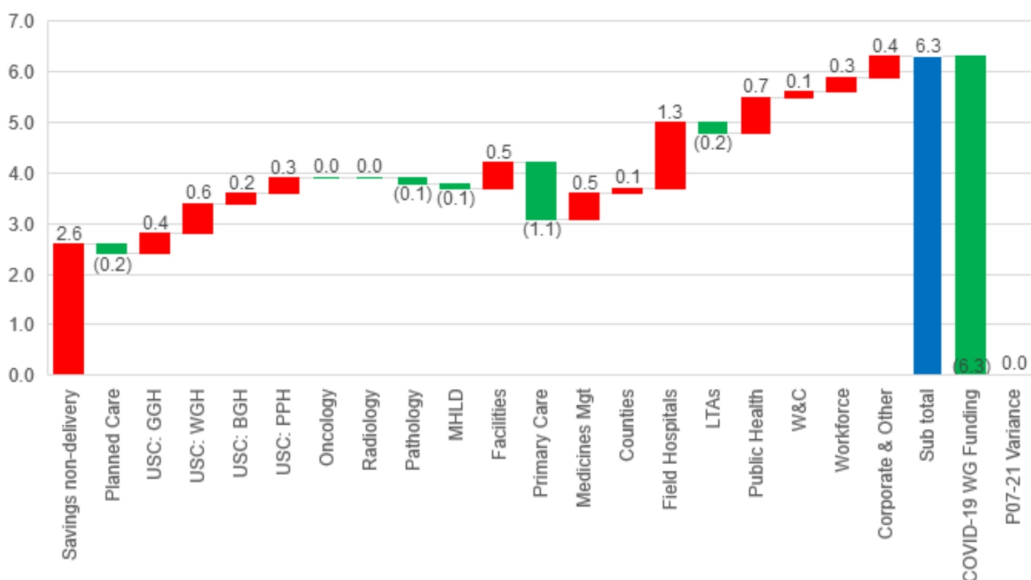
- YTD 'catch up' of funding recognised in Month 6 following confirmation of additional funds from WG;
- WG 'specific' funding will match costs incurred for PPE, Flu vaccinations, Field Hospital set-up and decommissioning costs, and consequential losses, and Test, Trace, Protect.

Significant assumptions:

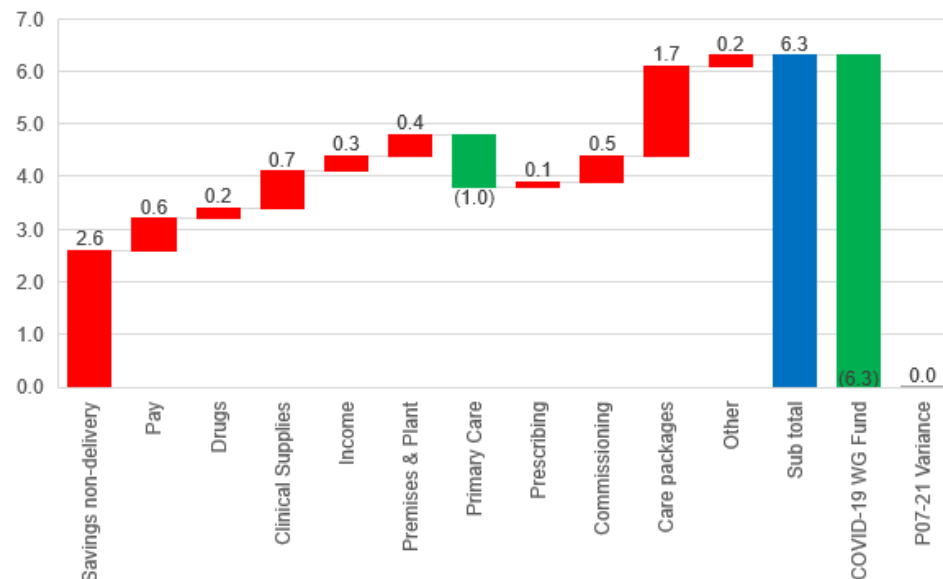
- Winter Plans are predicated on surge capacity within Field Hospitals;
- No significant cost pressures are assumed in relation to the EU exit;
- No costs or income assumptions factored in to forecast for COVID-19 vaccination programme at this stage.

Executive Summary: Key Drivers of In-Month Position

In-month variance by Directorate



In-month variance by Subjective



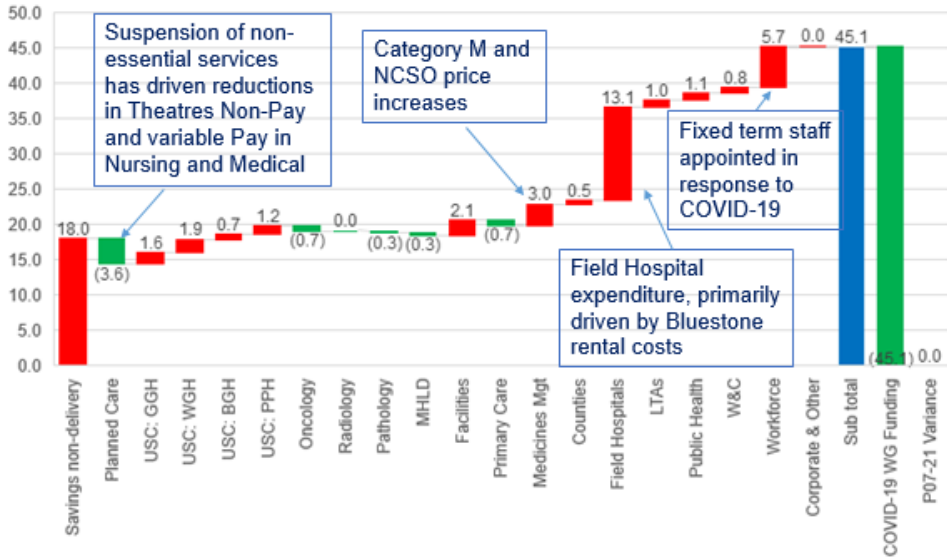
Over-spends were driven by:

- Non delivery and unidentified savings, £2.6m;
- Field Hospital costs, largely being consequential losses, set-up costs, rent, equipment rental, utilities and security costs, £1.3m;
- Unscheduled Care due to roster pressures impacting variable pay, increased PPE prices and homecare drug expenditure, £1.5m;
- Public Health, primarily due to the increased Local Authority TTP expenditure of £0.6m;
- Medicines Management, primarily due to the impact of COVID-19 on Primary Care Prescribing expenditure (£0.4m); and
- Facilities additional staffing (predominantly domestic and portering) costs in response to COVID-19, £0.5m.

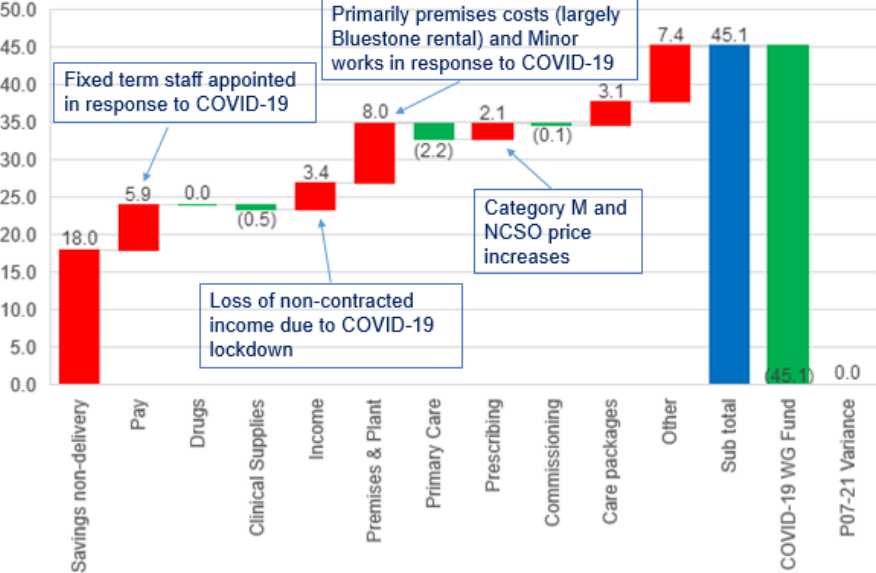
These are offset by:

- Primary Care Dental Contract performance and prior year creditor, other primary care investment slippage and GMS enhanced services (£1.1m);
- Reduced non pay expenditure in Planned Care due to reduced activity (£0.2m); and
- Reduced trend in recharges of high cost drugs from Swansea Bay UHB and financial benefit of delayed WHSSC investments (£0.2m).

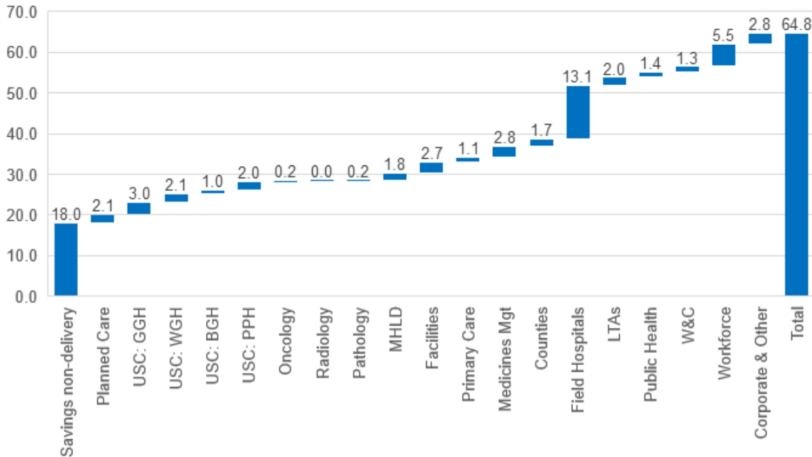
YTD variance by Directorate (against Plan)



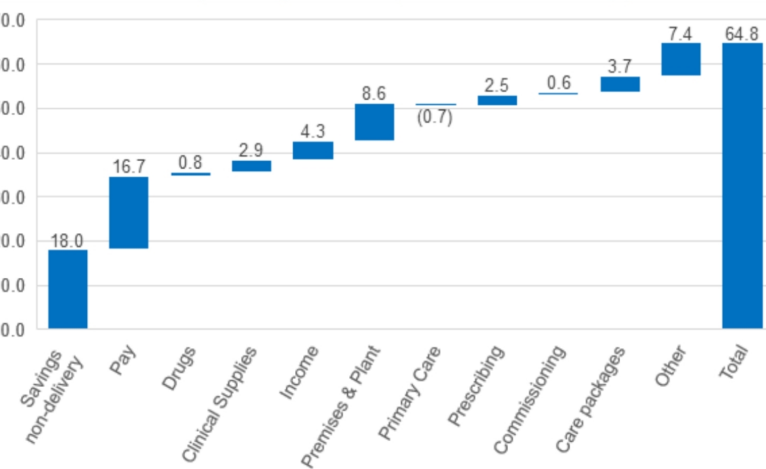
YTD variance by Subjective (against Plan)

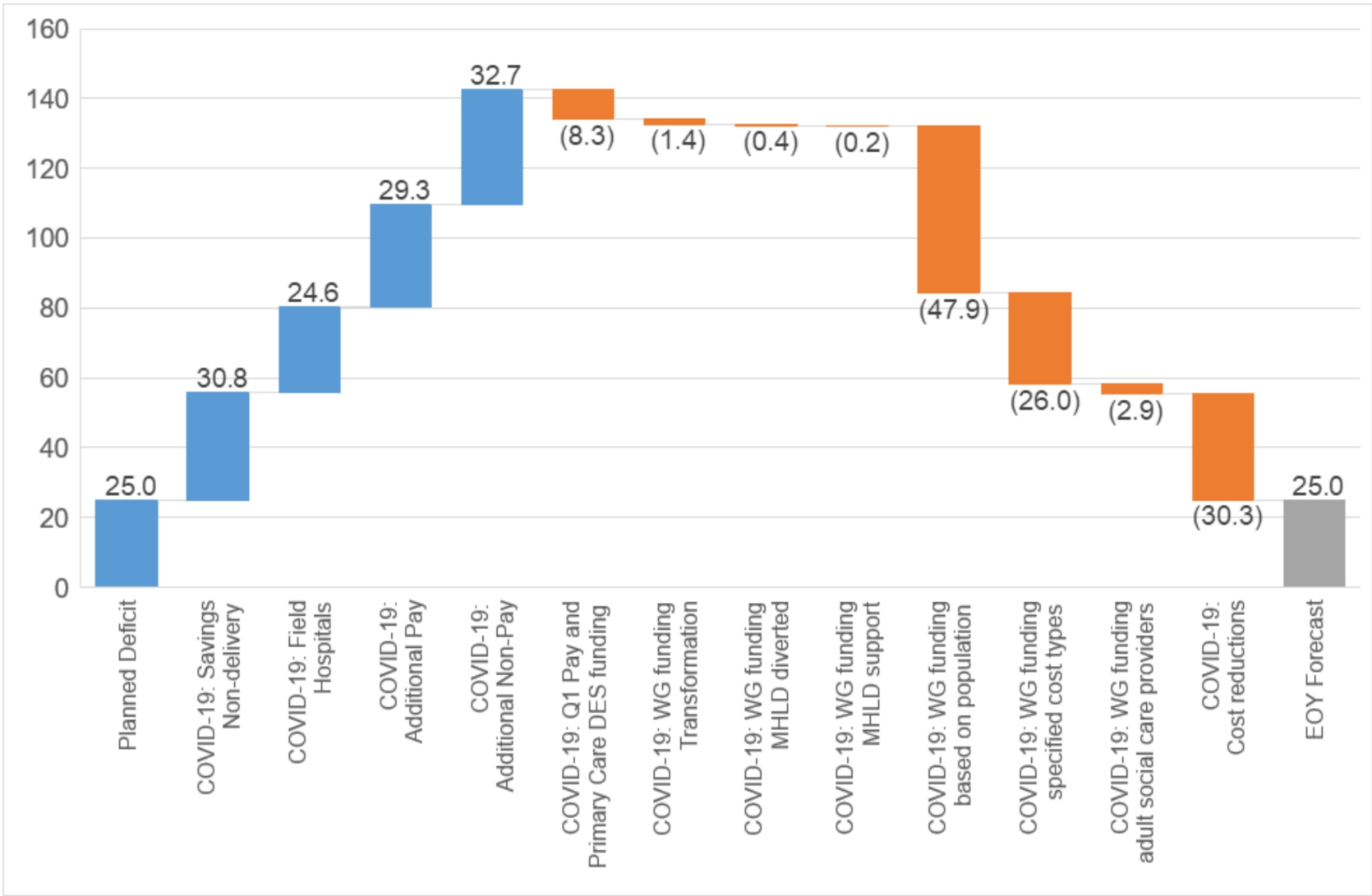


YTD actual by Directorate (COVID-19 only)



YTD actual by Subjective (COVID-19 only)





The financial forecast is dependent on assurances provided by a range of teams across the Health Board and across the RPB on the drivers of spend. There is a risk that these assurances do not reflect future expenditure profiles and that the financial outturn differs from our current forecast.

EOY Financial Forecast 2020/21: WG Review, Expenditure Trends

Actual Expenditure Forecast £'m	Actual Months 1 - 6	Actual Months 7 - 12	Comments
Total (Table B MMR)	506.8	547.4	Average M1-6 is £84.5m. Average in M7-12 is £91.2m
Committed and pass through costs	(14.8)	(23.4)	DEL/AME, CHC inflation/YTD Adult Soc. Care, M&D Pay Award
WG match funded expenditure	(9.3)	(20.7)	ICF, TTP, Flu Imms, CHC Adult Social Care, Field Hospitals
Normalised Total	482.7	503.3	
Other committed reserves		1.2	Winter surge and variable pay fill rate, Prevention, Clusters, Informatics recruitment, Estates Health and Safety, Microsoft 365 contract
Other material committed reserves		5.6	
RPB D2RA pathways		1.3	Winter Plan schemes all phased in H2 as part of regional plan
Planned Care		3.5	Elective activity step up – split on next slide
Medicines Management		1.4	Normal seasonal flu, +½ prescribing day, return to normal in H2
Oncology		1.7	Activity return after take-up dropped to 72% in H1
Primary Care		(2.4)	Contractual performance across all contracts
Pathology		0.9	Testing activity increase; Sept. to 99% of FY20, Q1 was 61%
Facilities		0.5	Cyclical utility price increases for winter period
Public Health		0.2	Consultant return and Health Visitor appointments
Director of Operations		0.5	WAST contract extension and medical records
Other Directorate		2.0	Activity increases
Winter schemes		3.6	Health Board related schemes, after internal realism view
Step-Up Total		(20.0)	
Grand Total	482.7	483.3	Normalised & step-up avg. M1-6 is £80.4m v M7-12 is £80.5m

EOY Financial Forecast 2020/21: Risks and Opportunities

2020/21 Impact

2021/22 Impact

Asylum seeker health needs – Home Office directive utilising Penally army base

Carried forward Savings Gap and future requirements

Benefit-in-Kind liability for staff accommodation during COVID-19 covered by the HB (decision)

Costs of COVID-19 mass vaccination programme – anticipating a minimum of 100,000 patients; confirmed WG match funding to recognise

Continuation of costs of COVID-19 mass vaccination programme, WG funding not confirmed

Increased elective activity if capacity allows – no significant increase included in forecast to address RTT

EU Exit

GMS and Dental contractual 'true-up'

Centrally held Reserves may not be fully utilised for planned investments

Further cost reductions may occur as a result of reduced activity should less services than planned be re-instated

Regional spending plans and likelihood for full delivery

Adding value. Today. Tomorrow. Together.
Creu gwerth gyda'n gilydd. Heddiw ac i'r dyfodol.

	Total	Central	Pay	Non-Pay
Plan	25.0	25.0		
Field Hospitals	24.6		3.6	21.0
Savings	30.8	30.8		
COVID-19 Existing sites	62.0		29.3	32.7
WG funding	(87.1)	(87.1)		
Cost reductions	(30.3)	(30.3)		
	25.0	(61.6)	32.9	53.7

- Consequential losses* £6.5m;
- Set up costs £6.5m;
- Restoration costs £4.3m;
- Security, site management, equipment and bed hire £1.7m;
- Other running costs £1.3m;
- Rent*, rates and utilities £0.7m.

- Planned Care Non-Pay £5.4m and Pay £1.0m;
- Unscheduled Care £3.3m
- Reduced activity in other acute services £2.8m;
- Nursing Agency £2.4m;
- Travel £1.7m;
- Dental GDS contract £1.7m;
- Reserve slippage £6.7m;
- LTA drugs recharges £1.0m;
- Deployment of staff to resource Field Hospitals £3.6m;
- WHSSC LTA £0.7m.

- Fixed term cohort extended to March 2021 £10.4m;
- Establishment additionality £11.0m (Nursing £2.0m, Medical £2.0m, HCSW £3.7m, Estates £2.1m);
- Agency £5.3m (Nursing £3.4m, Medical £1.5m);
- Student Nurses early on-board £2.3m, other Students £0.3m.

- Prescribing £4.5m;
- TTP, including antigen and antibody testing (LA pass through £4.1m) £5.1m;
- M&SE consumables £3.7m;
- Dental contract loss of income £2.9m;
- Loss of NCA income £2.0m;
- CHC (accelerated discharge premium) £1.1m and Adult Social Care Provider Support £2.9m;
- Drugs and Medical Gases 2.4m;
- Flu Immunisation £1.4m.

* The spilt 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.



Llywodraeth Cymru
Welsh Government

Cyfarwyddwr Cyllid
Y Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director of Finance
Health and Social Services Group

To: Huw Thomas, Interim Director of Finance, Hywel Dda University Health Board

9th November 2020

Dear Huw,

Hywel Dda Month Six Financial Review

Thank you for your time on Monday 2nd of November and the preparation that you and the team undertook in advance of the session. The purpose of the review was to assess the certainty and robustness of the Hywel Dda University Health Board ('Hywel Dda') financial plan to ensure a clear financial forecast for the remainder of this financial year and key underlying assumptions.

As we discussed, Welsh Government has secured significant additional funding to stabilise the financial position for NHS Wales and support COVID-19 national and local priorities. This allowed early notification of funding allocations to organisations to give certainty of the funding envelope to finalise Quarter 3 and 4 plans. This has enabled organisations to finalise their service and workforce plans for the rest of the year to meet population need and continue to respond to the COVID-19 pandemic within a clear resource envelope. Following the submission of quarter 3 and 4 plans, it is vital that organisations now reflect the level of funding that is required to deliver these plans. This will enable Welsh Government to make further choices on other emerging issues over future months.

You outlined that the forecast outturn position reported at month 6 was to deliver a deficit position of £25 million, which included managing current risk areas, and based on an assumption that key COVID expenditure was funded through the indicative allocations.

You presented a detailed assessment of the forecast and key assumptions, and our discussion focused on the key matters outlined below:

Planning Assumptions

You outlined at the meeting that you are confident that the organisation's plans are now in a position where material components of the plan are aligned. The organisation has been challenged in developing clear integrated plans balancing the

reasonable worst-case scenario, aspirational plans, and realistic plans based on current service and workforce constraints. You advised that you were confident these were now alignment but following very recent material amendments to the workforce and activity plans after the submission of the plan to Welsh Government.

Workforce

The Q3/4 plan outlined that the organisation was anticipating an increase of nearly 1,000 whole time equivalents from September to December, and sustained at an increased level through to March 2021. You confirmed that this had not been reflected in the accompanying financial plan. Subsequent to the submission of the Q3/4 plan, you advised that further work had been undertaken in this area resulting in a significant reduction in the workforce assumptions that you considered to be a more realistic and deliverable plan as an organisation.

Elective Activity

The financial plan suggests that the Health Board is anticipating an increased level of elective activity in the second half of this year with a reducing operational underspend given the return of routine activity levels. This assumption contrasts with the service plan projection that activity will remain broadly consistent for the remainder of the year. You acknowledged this variation and outlined that you considered the financial position was a true reflection of the organisation's plans but recognised the potential impact of this variability on your financial forecast.

Reserves and Forecast Assessment

The month 6 financial position and plans for the remainder of the year outline a significant increase in expenditure in the second half of the financial year, including over £70 million of contingencies and reserves forecast to be spent during this period. You provided detail on the intended use of this funding, and gave some assurance that a significant component of this will be incurred. The Finance Delivery Unit assessment was that you would not be able to commit this level of increased expenditure in totality. You acknowledged that assessment and outlined the challenges within workforce and elective plans, the number of plans being committed at this time of year, variability in other areas such as Integrated Care Funding, and cluster funding. The combination of these variables resulted in the Health Board, in your assessment, not requiring the full level of indicative funding outlined. The level of flexibility needs to be confirmed but you reflected this could potentially be up to £8m - £10m.

You agreed that there is a need to finalise outstanding variables urgently, reflected as part of your month 7 reported position, and notified to Welsh Government through the accountable officer process as soon as possible.

Savings

We discussed and acknowledged the difficulty in delivering a traditional level of savings in this financial year given the pandemic and the organisation's focus on the pandemic response and maintaining essential service provision. In light of the non-recurrent nature of the COVID funding and the contribution this has made to mitigate the shortfall on savings delivery, we agreed going forward that clarity on the delivery of recurrent savings in the current year was of utmost importance for a clear

recurrent position. This will mitigate the impact of the current challenges on the underlying deficit position of the organisation.

Governance

Given the position outlined above, we noted the requirement and significance of a clear financial forecast as part of the Health Board's month 7 monitoring returns. In addition, given the discussion indicated likely slippage on agreed funding, it is important that plans and forecasts be reviewed by the Board to ensure all identified pressures can be met. If funding cannot be successfully deployed, this needs to be highlighted by the Chief Executive as Accountable Officer to Andrew Goodall as part of standard Accountable Officer arrangements.

I will look forward to receiving the updates agreed and anticipate that a revised forecast position reflecting your assessment outlined in our sessions will be incorporated into the month 7 financial report and monitoring return subject to existing Board and accountability arrangements.

If there is anything further you want to discuss please contact me or one of the team.

Yours sincerely



Alan Brace

Cyfarwyddwr Cyllid
Director of Finance

Copy:

Hywel Jones, Director, Finance Delivery Unit
Steve Elliot, Deputy Director of Finance, Health & Social Services Group
Ian Gunney, Interim Deputy Director, Capital, Estates & Facilities, Health & Social Services
Andrew Spratt, Assistant Director of Finance, Hywel Dda University Health Board
Steve Moore, Chief Executive, Hywel Dda University Health Board
Dr Andrew Goodall, Chief Executive, NHS Wales



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Hywel Dda
University Health Board

Ein cyf/Our ref: CEO4609
Gofynnwch am/Please ask for: Steve Moore
Rhif Ffôn /Telephone: 01267 239569
Dyddiad/Date: 26 November 2020

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

Corporate Offices, Ystwyth Building
Hafan Derwen, St Davids Park, Job's Well
Road, Carmarthen, Carmarthenshire, SA31
3BB

Andrew Goodall
Director General Health & Social Services /
NHS Wales Chief Executive
Health and Social Services Group
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

By email: Andrew.Goodall@gov.wales

Dear Andrew,

Financial forecast position

I am writing, following discussions with Huw Thomas and his team as a result of the Month 6 assessment of our financial forecast facilitated by Welsh Government (WG) and the Finance Delivery Unit (FDU), to outline the updated assessment of the level of assurance that can be provided regarding the Health Board's end of year forecast of a £25m deficit.

I write to assure you that notwithstanding the risks which are currently actively being managed, we remain confident that the Health Board will deliver a forecast position in line with that £25m deficit expectation.

Reserves and Forecast Assessment

Our initial assessment of the financial flexibilities which were outlined to the FDU included the following areas of potential flexibility. The level of potential flexibility has been scrutinised, with further assurance sought from the relevant accountable party.

Area of potential flexibility	Future forecast at Month 6 £'m	Financial flexibility range discussed in the Month 6 review meeting with WG £'m	Revised indicative flexibility range
ICF	9.2	4.0	1.0
Variable pay	10.0	2.0-4.0	2.0
Clusters	2.0	1.0	1.0
Adult Social Care Provider Support	1.2	1.0	0.0
Total	22.4	8.0-10.0	4.0

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

Corporate Offices, Ystwyth Building,
Hafan Derwen, St Davids Park, Job's Well Road,
Carmarthen, Carmarthenshire, SA31 3BB

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

The assurances relating to these elements are included in Appendix 1 to this letter.

Savings

Whilst it is clear that the ability of all Health Boards in Wales to deliver and identify savings schemes in FY21 has been significantly impacted due to the impact of COVID-19, we are engaging with the FDU and colleagues across Wales to understand if any schemes or areas could be transferable. Our focus remains on identifying recurrent schemes to reduce the impact to our underlying deficit position as far as possible whilst accelerating the delivery of the Healthier Mid and West Wales strategy.

Year-end position

Following the financial review meeting, an assessment has been conducted to provide assurance that the identified flexibility outlined above does not change the forecast outturn of a £25m deficit.

The areas of potential flexibility and content of this letter will be shared with the Finance Committee and discussed at the November Finance Committee and Board meetings.

Financial challenges	£'m
Revised indicative flexibility	4.0
Urgent equipment replacement issues (beds, mattresses and medical equipment)	(1.0)
Workforce legal challenges	(0.4)
Delta Well-being winter plan	(1.0)
Asylum seeker health needs	(0.3)
Taxation issues arising in year	(0.8)
Other	(0.5)
Total	(4.0)
Forecast variation from £25m	0.0

Appendix 2 provides further detail on these issues.

All-Wales issues

Not included within the financial forecast, is the impact of anticipated annual leave carry-over due to the prioritisation of the operational pressures to fulfil COVID-19 rosters and corporate planning and support capacity. Further work to refine these estimates is currently underway. I have been advised that there are separate discussions arising across NHS organisations on the implications of this anticipated issue.

We will continue to provide updates as further clarity is secured, and please do not hesitate to contact me if there are any concerns.

Yours sincerely



Steve Moore
Prif Weithredwr / Chief Executive

Copy:

Huw Thomas, Director of Finance, Hywel Dda University Health Board
Alan Brace, Director of Finance, Health and Social Services Group
Hywel Jones, Director, Finance Delivery Unit

Appendix 1, assurances on expenditure plans and forecast flexibility

ICF

The Head of Regional Collaboration has confirmed that there is up to £1m of slippage anticipated across several ICF programmes, particularly with the Dementia programme. The remainder of the fund is fully committed in line with expenditure plans. This will be reviewed as additional projects come on stream in the remaining quarters. Work is also ongoing to further challenge the underlying assumptions and quickly bring invoicing up to date, which should provide a clearer and more accurate indication for our next monitoring return submission.

Workforce Plans

During Month 7, 160 WTE Facilities bank staff have been recruited to fulfil the additional cleaning rosters in response to COVID-19, which is forecast at an additional £1.7m for the remainder of the year. After excluding the Medical and Dental Pay Award arrears paid in Month 7, there is a step change in the levels of expenditure, which is expected to continue, and further increase, over future months in line with the Health Board's submitted Winter Plans.

As discussed during the financial review meeting, the workforce WTE plan is aligned with the financial forecast and represents a realistic assessment of organisation's ability to recruit and deploy existing staffing to meet operational requirements over the remainder of the year, especially in respect of Registered Nursing resource.

Field Hospital and Winter Pressures resource planning continues, with close monitoring of actual recruitment and deployment readiness preparation. With the Selwyn Samuel field hospital opening this week and Bluestone ready to open, implementation is following the plans submitted at this point.

Further to the alignment of forecast plans with Workforce colleagues, work is continuing to embed the process from Month 8 onwards. Finance Business Partnering teams will provide WTE at staff group level for the Month 8 reporting and forecasting cycle using the same format as the Q3/4 Plan templates, and using actual WTE as the baseline. This process will facilitate a holistic review and robust challenge of any significant additional WTEs forecast against the Establishment Control Tool and pipeline information in partnership with Workforce colleagues, and allow triangulation of the associated costs of any additional WTEs included in the forecast.

Clusters

Full expenditure plans have been ratified, and the Director of Primary Care is confident that these will be fully realised. However, based on historical expenditure trends, the level of YTD expenditure and the additional level of funding provided in the current financial year, there is a likelihood that these plans will not materialise in full. In addition, there is a risk to the FY22 financial position if funding for any slippage against plans in FY21 is required to be re-provided in FY22.

Adult Social Care Provider Support

The YTD expenditure of £1.7m has been distributed based on the guidance provided by WG. The Health Board is awaiting further guidance from WG to define the distribution criteria for the remaining balance; if the guidance were to distribute on the same basis as Q1-2 then this would equate to a value greater than the remaining reserve.

Elective Activity

Although the MDS suggests that the elective activity levels are stable in future months, the current increase in activity compared to the first half of the year is 173% for Outpatient first appointments and 183% for Outpatient follow up appointments. Furthermore, Operating activity has gradually increased as the organisation has learnt to deal better with COVID-19 and reinstate elective pathways for Urgent and cancer work. This activity is expected to increase further in the second

half of the year with the re-introduction of Orthopaedic activity with circa 200 joints included in the operational plan.

We acknowledge that this continued increase in activity would be adversely impacted should the acuity and prevalence of the pandemic significantly worsen, as this would reduce the acute capacity to deliver elective services.

Appendix 2, key issues leading to the utilisation of financial flexibility

- Bed replacement costs based on beds over five years old in community and acute sites and additional Bariatric beds and Anti-ligature beds. Mattress replacement costs based on an assessment of those nearing end of life. Replacement of medical equipment below capital threshold nearing end of life.
- A significant on-going Workforce tribunal is expected to result in a settlement liability; and permanent Injury provision based on new case.
- Part of the Health Board's response to address the impact of the pandemic on the population's well-being is to engage support from Delta Wellbeing to support enhanced telehealth and telecare. This is in line with our work with our partners in West Wales through the Regional Partnership Board. This is in addition to the schemes within our Winter Plan and will enhance our resilience into future years.
- As a result of the Home Office directive of utilising the Penally army base as a site for the placement of asylum seekers, the Health Board is anticipating a range of health costs associated with this. A number of costs will be committed, including the cost of primary care (particularly within dental), translation and immunisations; it is also anticipated that in addition there will be other imminent health interactions around the condition of the patients. Costs are materialising in November and estimates of the impact for FY21 will be further refined. Discussions with the Home Office have not led to any assurance that the costs will be funded.
- Home Technology scheme output tax is likely to be incurred following external advisor's assessment of the terms and conditions of an historical scheme. HMRC's VAT COS Heading 14 ruling is likely to result in an additional charge. Finally, the Health Board will need to compensate staff members incurring a Benefit-in-Kind liability as a result of the accommodation provided to them in response to COVID-19 in line with other organisations in Wales.