

Bundle Public Board 24 September 2020

4.6 Report of the Finance Committee / Adroddiad y Pwyllgor Cyllid

Presenter: Michael Hearty

Finance Committee Update Report from meeting on 24 July 2020

Finance Committee Update Report from meeting on 26 August 2020

Enw'r Pwyllgor / Name of Committee	Finance Committee
Cadeirydd y Pwyllgor/ Chair of Committee:	Mr. Michael Hearty, Chair
Cyfnod Adrodd/ Reporting Period:	Meeting held on 24 th July 2020
Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor / Key Decisions and Matters Considered by the Committee:	
<p>The Finance Committee has been established to advise the Board on all aspects of Finance and the revenue implications of investment decisions. The primary role of Hywel Dda University Health Board's (HDdUHB's) Finance Committee is, as such, to provide assurance on financial performance and delivery against HDdUHB financial plans and objectives and, with regard to financial control, to provide early warning of potential performance issues and to make recommendations for action to continuously improve the financial position of the organisation.</p> <p>This report summarises the work of the Finance Committee at its meeting held on 24th July 2020, with the following items highlighted:</p> <ul style="list-style-type: none"> • Finance Report Month 3 – the Month 3 2020/21 Finance Report was received by the Committee, identifying a favourable operational variance to plan of £0.6m (M2: £6.4m) and a variance to breakeven position of £1.5m (M2: £8.4m), reflecting one-off Q1 Welsh Government (WG) funding for COVID-19-related pay and Field Hospital set-up costs totalling £10.8m. Members were informed of additional costs of £12.2m incurred in Month 2 due to the impact of the COVID-19 pandemic, with no future additional funding in relation to the pandemic being assumed in the reported position. Members were advised that continuing uncertainty regarding funding arrangements for the Health Board's (HB) response to the pandemic represents a risk to the organisation's financial position, and that identified and as-yet unidentified savings schemes included in the Financial Plan are at risk of non-delivery due to operational focus being diverted to respond to COVID-19. Without additional funding from WG, the HB will not achieve its revenue funding limit of £25m, and discussions are on-going with WG regarding additional funding to support the non-delivery of the HB's savings target. • Capital Financial Management – the Capital Financial Management report was received by the Committee, providing an update in regard to the All-Wales Capital Programme (AWCP), the Capital Resource Limit (CRL) for 2020/21 and the value of capital expenditure currently committed to deal with the COVID-19 pandemic for 2020/21. Members were advised of financial challenges to the HB's capital resources for 2020/21 resulting from a reduction in central funding flexibility, an increase in COVID-19-related demand, and capital to revenue transfer at WG level. A current gap in capital funding of £5.7m, will necessitate the investigation of alternative sources of funding, should WG support not be forthcoming. Members were informed of delays to Phase II of the Women and Children scheme, and financial issues relating to the Cylch Caron Integrated Care scheme which require resolution before the Full Business Case for the 	

scheme can be signed off. Members also received updates with regard to the status of Interserve Construction, which holds the contract for the HB's Women and Children Scheme, and requirements to comply with Project Bank Account national policy for all construction and infrastructure contracts valued at £2m or higher.

- **VAT Procedure** - The Committee received and approved the VAT Procedure.
- **Delivering and Funding for the Digital Programme Plan** – the Committee received a report outlining proposals to allocate existing financial resources to support the development of digital capacity and acceleration of the Digital Programme Plan within the HB, specifically through the establishment of additional recurrent and non-recurrent posts within the HB Digital Team. Members supported, in principle, the proposed commitment of expenditure to facilitate the acceleration of the Digital Programme Plan and its associated projects, noting that proposals would be submitted to the Board for approval, and requested that regular reports be provided to Finance Committee to allow scrutiny of the financial benefits realised through this proposed investment of resources.
- **Contracts Value for Money Framework** – the Committee received a report outlining a Standard Operating Procedure relating to Value for Money (VfM) reviews of the HB's Service Level Agreements (SLAs), developed as part of the HB's Contract Management Strategy which had been approved by Finance Committee at its meeting on 25th June 2019. Members were assured that the Healthcare Contracts Team is working closely with the Assistant Director of Quality and the HB Value Team to ensure that quality considerations are embedded within HB contracting processes and that patient perspectives are included in future assessments of the HB's SLAs.
- **Ministerial Directions** - Members received a report providing assurance that all NHS Non-Statutory Instruments (otherwise known as Ministerial Directions) received from WG in 2020/21 have been implemented or adopted by the HB.

Materion y mae angen Ystyriaeth neu Gymeradwyaeth Lefel y Bwrdd ar eu cyfer / Matters Requiring Board Level Consideration or Approval:

- Following Finance Committee support, in principle, for the proposed allocation of resources to facilitate acceleration of the HB's Digital Programme Plan on a recurrent and non-recurrent basis, this proposal to be presented to the Board for consideration at its meeting on 30th July 2020.

Risgiau Allweddol a Materion Pryder / Key Risks and Issues/ Matters of Concern:

- Uncertainty regarding future WG funding arrangements for the HB's response to the COVID-19 pandemic constitutes a risk to the organisation's ability to achieve its revenue funding limit of £25m, and to deliver its savings target. Members were advised of work being undertaken with WG to understand the level of future funding arrangements, and assured that fiscal control of HB Directorate and Service spend has been reinforced through the re-establishment of System Engagement Meetings.

- Challenges to the HB's capital resources for 2020/21, with a current gap in capital funding of £5.7m and financial risk associated with progressing capital schemes at feasibility stage without confirmed funding. The Operational Team will prioritise the schedule of schemes through Bronze Acute Group, and efforts will be made to identify alternative sources of funding, should WG funding not be forthcoming.
- A delay to the projected completion date for the Women and Children scheme, taking into account the impact of social distancing legislation and COVID-19 response measures. This delay impacts upon the total resource required for the scheme, with current estimated additional COVID-19-related costs for the whole scheme amounting to £2.744m. Ongoing profiling of resource usage is being undertaken with the cost advisors for the scheme, and regular progress updates are provided to WG and NHS Wales Shared Services Partnership.

**Busnes Cynlluniedig y Pwyllgor ar gyfer y Cyfnod Adrodd Nesaf /
Planned Committee Business for the Next Reporting Period:**

Adrodd yn y Dyfodol / Future Reporting:

In addition to the standing agenda items, the August 2020 Finance Committee meeting will include the following items:

- Financial Plan 2021/22 Development

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

26th August 2020

Enw'r Pwyllgor / Name of Committee	Finance Committee
Cadeirydd y Pwyllgor/ Chair of Committee:	Mr. Michael Hearty, Chair
Cyfnod Adrodd/ Reporting Period:	Meeting held on 26 th August 2020
Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor / Key Decisions and Matters Considered by the Committee:	
<p>The Finance Committee has been established to advise the Board on all aspects of Finance and the revenue implications of investment decisions. The primary role of Hywel Dda University Health Board's (HDdUHB's) Finance Committee is, as such, to provide assurance on financial performance and delivery against HDdUHB financial plans and objectives and, with regard to financial control, to provide early warning of potential performance issues and to make recommendations for action to continuously improve the financial position of the organisation.</p> <p>This report summarises the work of the Finance Committee at its meeting held on 26th August 2020, with the following items highlighted:</p> <ul style="list-style-type: none"> • Finance Report Month 4 – the Month 4 (M4) 2020/21 Finance Report was received by the Committee, reflecting a complex and challenging financial position for the Health Board (HB) given current uncertainty regarding Welsh Government (WG) funding arrangements. Members were advised of an operational variance to plan of £6.9m (M3: £0.6m) and a variance to breakeven position of £9m (M3: £1.5m), with the M4 deterioration attributable to WG funding being recognised in M3 and therefore not assumed in the M4 position. Members were informed of additional costs of £8.9m incurred in M4 due to the impact of the COVID-19 pandemic, with operational plans indicating a continuation of the significant costs incurred to date. Members were further informed that there is currently a significant over-commitment of capital, and that while WG has funded additional staff and Field Hospital (FH) costs for Quarter 1 (Q1) 2020/21, there is as yet no confirmation that Q2 costs will be similarly covered. • Forecast Position – Month 4 – the Committee received a presentation outlining the HB's end-of-year financial forecast position for 2020/21 as assessed at M4, being advised that this position represents a move away from the planning assumptions included within the HB's Q2 Operational Plan, providing a more realistic presentation of current and predicted future demand. Members requested that information regarding the impact and expenditure relating to community funding streams be included in future financial forecasts, and sought a clearer indication of the HB's position with regard to individual financial targets through the provision of a high-level financial summary, which will be achieved through the circulation to Committee Members of Working Day 2 finance data. • Financial Plan 2021/22 Development – the Committee received a verbal update with regard to the development of the HB's Financial Plan for 2021/22. Members were advised that at this stage of planning, the provision of details 	

in report form was challenging, given that while customary processes are being followed in the development of the plan, there is as yet no clarity regarding the financial environment against which it will be set. The challenging nature of savings delivery and service re-start, given the scale of current un-met demand, was reiterated.

- **Capital Financial Management** – the Capital Financial Management report was received by the Committee, providing an update in regard to the All-Wales Capital Programme (AWCP), the Capital Resource Limit (CRL) for 2020/21 and the value of capital expenditure currently committed to deal with the COVID-19 pandemic for 2020/21. Members were advised of significant capital constraints, representing an unprecedented challenge to the HB - particularly given patient and service demands, and lack of central flexibility to allow the movement of capital between financial years, which has been captured and articulated through the addition of a new Corporate Risk (*'A risk that based on the current capital funding issued to date from Welsh Government for COVID-19 that the Health Board may spend in excess of the capital resource it has available'*), details of which were presented to the Committee.
- **Healthcare Contracting Report** - The Committee received the Healthcare Contracting report, providing details of the M4 position, specifically in relation to the HB's Long Term Commissioned Agreements. Members were advised that 'Block' contracting arrangements will remain in place between the HB and other providers until the end of September 2020, and were informed of a significant risk to income derived from Non-Contracted-Activity, with this lost income badged as a cost of COVID-19 of approximately £450k per month. However, the increased focus upon the qualitative elements of contracting through the integration of the work of the Healthcare Contracting Team with that of the Quality, Safety and Experience Assurance Committee (QSEAC) in reviewing patient pathways within individual contracts, was highlighted to the Committee. It was noted that an enhanced financial understanding of contract areas in which there is likely to be a variation in performance would support future decision-making regarding future contracting arrangements and pathways for HDdUHB patients.
- **Q2 Operational Plan Update** – the Committee received a verbal update covering progress to date against the key elements of the HB's Q2 Operational Plan, advising that whilst good progress is being made with regard to the provision of treatment for Cancer and urgent patients, the re-start of elective services is proving more challenging due to capacity issues which are impacting upon the HB's plans to reduce patient waiting lists, and the need to manage public expectation relating to service re-start. Members were provided with information relating to the scope of the COVID-19 and non COVID-19 modelling programmes currently used within the HB to provide demand and capacity forecasts. Members were assured that close monitoring will take place to understand the extent to which a re-start of elective services, combined with requirements to maintain COVID-19 operational contingency measures, would impact upon the HB's financial position.
- **Finance Operational Risks** – the Committee received the Finance Operational Risks report, providing a summary of 7 operational risks extracted

from the *Datix* database and assigned to the Finance Committee, which continue to be reviewed and updated.

Materion y mae angen Ystyriaeth neu Gymeradwyaeth Lefel y Bwrdd ar eu cyfer / Matters Requiring Board Level Consideration or Approval:

None.

Risgiau Allweddol a Materion Pryder / Key Risks and Issues/ Matters of Concern:

- A complex and challenging financial position for the HB noted at M4 - given current uncertainty regarding WG funding arrangements, with a significant over-commitment of capital; while WG has funded additional staff and Field Hospital costs for Quarter 1, there is as yet no assurance forthcoming that the impact of Quarter 2 costs will be similarly covered. It is anticipated that WG will be able to provide a more measured response in determining which cost elements to fund once the HB's forecasts have been further refined to provide a more realistic position.
- A lack of clarity regarding the financial environment against which financial plans will be set. Members were advised that this organisational challenge will be raised with the Finance Directors of other Welsh HBs in order to compare plans and responses.
- Significant capital constraints, particularly given patient and service demands, and lack of central flexibility to allow the movement of capital between financial years, which has been captured and articulated through the addition of a new Corporate Risk. Members welcomed the formal recognition of this risk, and received assurance that it will be actively managed through the scrutiny and prioritisation of Capital Plans by other HB Committees and operational groups.
- Healthcare contracts held by the HB remain below plan in terms of activity, resulting in a reduction in income obtained from the provision of HDdUHB services to patients from other HB areas. There is a significant risk to income from Non-Contracted-Activity (a cost attributed to COVID-19) of approximately £450k per month. However, an increased focus upon the qualitative aspects of the HB's contracting arrangements provides assurance regarding enhanced benefits in terms of patient experience, while improvements in the reporting of the HB's contracting position provide positive indications regarding robust contract management and application of value for money principles.
- Challenges to the re-start of elective services, due to capacity issues which are impacting upon the HB's plans to reduce patient waiting lists, and significant costs associated with the recovery of services, A dedicated Task and Finish Group has been established to plan how best to maximise elective capacity and productivity within the HB, and Members were assured that costs associated with service re-start are closely monitored.
- Public expectation that health services will return to pre-COVID-19 levels in line with the general 'return to normal' in other aspects of daily life, and the need to

manage this expectation through effective communication of the degree to which the HB's ability to resume elective services remains compromised.

- Capacity issues and the HB's underlying staff deficit and challenges in recruiting the additional staff required to respond to COVID-19 demand. Assurance was provided that work is underway to address this deficit, with increased levels of national interest evident in responses to the advertisement of HB vacancies.

**Busnes Cynlluniedig y Pwyllgor ar gyfer y Cyfnod Adrodd Nesaf /
Planned Committee Business for the Next Reporting Period:**

Adrodd yn y Dyfodol / Future Reporting:

In addition to the standing agenda items, the August 2020 Finance Committee meeting will include the following items:

- HB Investment and Opportunities
- Planning 2021/22 (to be added as a standing agenda item to include workforce and digital planning updates)
- Field Hospital Contracts

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

29th September 2020