

Bundle Public Board 26 November 2020

4.8 Report of the Finance Committee / Adroddiad y Pwyllgor Cyllid

Presenter: Michael Hearty

Finance Committee Update Report from meeting on 29 September 2020

Finance Committee Update Report from meeting on 22 October 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 29 th September 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 29th September 2020, with the following items highlighted:</p> <ul style="list-style-type: none"> Finance Report Month 5 – the Month 5 (M5) 2020/21 Finance Report was received by the Committee. Members were advised of an operational variance to plan of £4.4m (M4: £6.9m) and a variance to breakeven position of £6.5m (M4: £9m). Additional costs incurred in M5 due to the COVID-19 pandemic stand at £10.7m (compared with £8.9m for M4), with underspends of £2.8m re-purposed and Welsh Government (WG) funding for Field Hospital (FH) set-up costs totalling £3.4m. In-month savings delivery of £0.1m, which is £0.3m below plan, is directly attributable to the COVID-19 pandemic. Green and Amber plans of £5.6m have been identified to M5, against which the forecast delivery is uncertain given the impact of COVID-19. 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. Should the HB progress all the schemes identified to mitigate the impact of the implementation of social distancing measures and other COVID-19 requirements, and should no further funding be available from WG, the potential over-commitment against the Capital Resource Limit would be £16.2m. Members were assured that this risk is being actively managed. There has been an increase in non-contracted income, linked to the increased volume of tourism within the HB area following lifting of lockdown restrictions. Forecast Position - Month 5 – Members received a presentation outlining the HB's end-of-year financial forecast position for 2020/21 as assessed at M5, being informed that the forecast represents an improvement of £13.9m, as compared with the forecast for the previous month, and were assured that the Finance Team continue to challenge HB Directorates in relation to their costs. It was noted that further development of the profiles for Months 7 to 12 is required, based upon assumptions that HB reserves are fully committed and recognising costs linked to workforce and winter period demands. It was further noted that work is ongoing to align the HB's financial position with Q3 and Q4 	

operational plans. The Committee was assured that close scrutiny of current reserves and funding streams is being undertaken by the Finance Team in order to identify any savings opportunities, and Members' attention was further drawn to notional additional WG funding (not yet confirmed) which will support a return to the HB's pre-COVID-19 deficit position of £25m. A request made in the previous Finance Committee meeting for a clear overview of financial flow within Acute and Community settings 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' attention was drawn to the Capital Funding risks appended to the main report, and assurance provided that these reflect the rigorous scrutiny and prioritisation process which is being applied to capital schemes proposed by HB Directorates. It was noted that the sum of £7m presented (under the heading of 'Capital Funding Risk') as a decrease in the Capital Funding gap reflects WG funding released to date, while further figures shown as a reduction in the gap represent additional central funding which is anticipated. The total figure of £11.2m (noted as residual risk once all funding, both delivered and assumed, is set against the overspend if all feasibility schemes are progressed and no further COVID-19 funding is received) reflects the HB's inability to progress capital schemes to this value. Members were assured that work is being undertaken to ensure delivery within the CRL.
- **Opportunities Framework** – the Committee received the Opportunities Framework report, together with a summary of the key opportunities for change identified to date, providing an overview of the areas where the Finance Value Team have worked with operational managers to identify opportunities for the realisation of financial benefit and improved service delivery. The significant role of the Transformation Programme Office (TPO) in progressing opportunities was highlighted - for example, in the re-design of patient pathways. Members noted that further detail would be included in the Locality Expenditure Analysis report to be presented to the Committee at its next meeting. It was agreed that assurance could be taken from the structured and proactive approach applied to the identification of opportunities that the HB will continue to seek to improve its financial position and its service provision.
- **Workforce Plan** – the Committee received a verbal update detailing key elements of the HB's Workforce Plan, noting that a report containing further detail would be presented to the Committee at its next meeting. Members were assured that workforce requirements and demands are reviewed and progressed through the HB's Workforce Task and Finish Group, and were apprised of significant challenges currently impacting upon workforce capacity, noting that the HB does not currently have sufficient staff to meet anticipated winter and COVID-19-related demand. Key actions developed to mitigate these challenges were summarised, and Members were advised that once all actions had been progressed, organisational decisions must be taken with regard to reviewing existing staffing ratios in order to relieve demand upon Registered Nurses (RNs), while maintaining safe patient care. Options for the redeployment of staff were also outlined. Members were informed of the establishment of

dedicated groups of Healthcare Support Workers (HCSWs) to cover FH operations as required, and of plans to utilise this cohort to support the HB's vaccination programme. Members were further advised of joint work between the HB and Social Services partners to develop a workforce bank which will be available as required to support Domiciliary Care services, thus reducing pressure upon Acute resources.

- **Digital Plan** – The Committee received a presentation detailing the HB's digital response to planning requirements arising from the COVID-19 pandemic, the HB's digital planning objectives, and future ambitions for the provision of digitally-enabled healthcare services. Members were advised of essential requirements for the development of a digitally skilled workforce, supported by a robust WIFI infrastructure across the HB in order to enable the roll-out of digitised services and processes. Members were assured that patient-centred care forms the central tenet of plans to develop the HB as a digitally integrated care organisation, and received a summary of key benefits, plans and considerations linked to the digital response. The Committee acknowledged the significant progress made by the Digital Team in delivering ambitions for the development of a digital Health Board, and commended the impressive work and level of achievement on the part of the team in response to the COVID-19 pandemic. Plans for a Digital Delivery Group, which will be developed in conjunction with Audit Wales with the purpose of planning and supporting the rapid testing and roll-out of digital technologies within the HB, were outlined.
- **Welsh Government Support for Continuing Healthcare (CHC)** – the Committee received a report detailing a WG allocation to the HB of £22.4m to directly support HB-commissioned care and joint packages of care within domiciliary and residential care settings, which will be allocated to HBs on a formula basis in order to support providers in their response to COVID-19. Members noted that this is a distinct and time-limited scheme to provide financial support and does not represent permanent uplift funding. Members were assured that funding will be applied to opening beds and Care Homes which had been closed as a result of the COVID-19 pandemic, and would not be allocated to providers who had been the subject of quality concerns.
- **EU Exit Risks** – the Committee received a report providing an update with regard to the potential financial implications of the UK's exit from the European Union (EU), with additional costs highlighted relating to areas where an impact in Q4 is anticipated (a cost increase of up to 5%, which equates to £2.6m for one Quarter). Members were assured that risks relating to EU exit are being actively monitored, and that NHS Wales Shared Services Partnership (NWSSP) colleagues are actively working to secure equipment supply chains. It was noted that further detail relating to potential risks will be available at the next meeting, following the EU Leaders' Summit on 15th October 2020, at which point it will be confirmed whether or not a trade deal has been reached between the UK and the EU.
- **Field Hospital Contracts Update** – the Committee received a report summarising progress made regarding the on-going FH contract (Licence to Occupy - LTO) negotiations which have arisen as a result of the original LTOs expiring in September 2020. Members expressed their appreciation for the work

undertaken by the Value-Based Contracting Team in achieving a position which enables a clearer understanding of the HB's contracts.

- **Corporate Risks** – Members were presented with the Corporate Risks report, providing a summary of 3 organisational risks assigned to the Finance Committee from the 28 currently recorded in the Corporate Risk Register. It was suggested that *Risk 956: Risk that the HB will breach its Capital Resource Limit (CRL) in 2020/21* be amended to reflect the close monitoring of capital schemes by the Finance Directorate in order to ensure that the HB does not overspend against its CRL, and to articulate the risk that that HB will be unable to deliver all the capital schemes proposed.
- **NWSSP HB Summary Performance Report Q1** – the Committee received a report containing summary performance data in respect of the services provided by NWSSP for the period from 1st January to 30th June 2020. It was noted that the report had also been reviewed at a meeting of the People, Planning & Performance Assurance Committee (PPPAC) held on 27th August 2020, where it had been agreed that the report would transfer for review to the Finance Committee.
- **Finance Delivery Unit Q2 Planning - Peer Review** – the Committee received a presentation summarising the Finance Delivery Unit's (FDU) feedback following a peer review undertaken by HDdUHB and Cardiff and Vale University Health Board (CVUHB) of their respective Quarter 2 Operational Plans in response to the COVID-19 pandemic. Having reviewed the areas for improvement identified in the review, Members requested that updates relating to each area be provided, to include comments from the Director of Finance and details of actions planned in order to address each issue, for presentation to Members as a separate briefing.
- **Financial Procedures** – the Committee reviewed and approved the following financial procedures:
 - FP02/03 Injury Costs Recovery Scheme
 - FP12/01 Retention of Financial Records
- **Medical Staff Job Planning** – Members received for information, and as requested at the previous Committee meeting, a report providing an update in relation to medical job planning processes within HDdUHB, specifically in relation to Consultants and Staff and Associate Specialist (SAS) Doctors. The significant improvement in job planning processes and increased compliance with job plan targets during 2020/21 was noted. Members were assured that the HB's progress in exercising control of job planning had been maintained over the previous and current year, while enabling the level of flexibility required in order to effectively address the demands arising from the COVID-19 pandemic. It was noted that all newly-recruited medical staff are allocated a job plan, and the HB's ambition to achieve a target level of 95% in relation to job plans completed and signed off by the end of the financial year 2020/21 was noted.

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:**

- Risk to delivery of savings for the remainder of the financial year, resulting from the impact of the COVID-19 pandemic;
- Risks relating to the financial forecast, including cost pressures arising from Acute activity demands, Primary Care prescribing, and Public Health requirements in the form of COVID-19 and influenza vaccination programmes;
- Potential over-commitment against the Capital Resource Limit of £16.2m;
- The HB's inability to progress capital schemes and financial risks associated with progressing COVID-19-related capital schemes at feasibility stage without confirmed funding;
- Risks and challenges impacting upon workforce capacity, and the gap remaining after mitigations have been progressed;
- Risks and costs relating to the UK's exit from the European Union.

**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 October 2020 Finance Committee meeting will include the following items:

- HDdUHB Procurement Strategy
- Local Expenditure Analysis
- Q3/ Q4 Plan (including Winter Planning 2020/21)
- Financial Plan Development
- EU Exit Risks

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

22nd October 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 22nd October 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 22nd October 2020, with the following items highlighted:</p> <ul style="list-style-type: none"> • Finance Report and Financial Forecast Month 6 – the Month 6 (M6) 2020/21 Finance Report was received by the Committee. Members were advised of an improved variance to breakeven position of £5.5m (M5: £6.5m), and an in-month reported position of £19.2m below breakeven after recognising additional WG funding to mitigate the Year to Date (YTD) unfunded costs resulting from the COVID-19 pandemic. The YTD variance to breakeven is therefore £12.5m, in line with the planned deficit. The Committee was advised of additional costs of £6.9m incurred in M6 due to the COVID-19 pandemic (compared with £10.7m for M5), which include Field Hospital (FH) set-up costs totalling £3.4m. <p>The Committee also received a presentation outlining the HB's end-of-year financial forecast position for 2020/21 as assessed at M6, and advised that, following confirmation of additional funding from WG, the Health Board (HB) is currently forecasting to deliver the planned deficit of £25m, while recognising risks to this position arising from additional winter planning schemes costs, additional expenditure required to support FHs, agency staff costs and risks arising from EU exit. Members were informed that the HB is planning to utilise available funding streams to mitigate risks in respect of winter planning, reinstating elective services and any further impact of the COVID-19 pandemic (recognising that those funding streams shared with Local Authority (LA) partners also represent a level of risk). Notwithstanding the risks described, the Committee welcomed the positive movement in the forecast EoY deficit from £121.5m at M1 to the planned target of £25m at M6, and advised that increasing levels of assurance regarding the organisation's ability to meet its deficit target could be anticipated over the coming months.</p>	

- **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. The Committee was advised that progression of all the HB's schemes to implement COVID-19-related requirements without further funding from WG would result in a potential over-commitment against the Capital Resource Limit (CRL) of £14.7m, however was assured that this risk is being actively managed, although recognising significant operational risk if these schemes are *not* progressed. Members were informed that although WG has advised there is no funding for the majority of these schemes, it is in the process of considering the HB's bid for £0.72m of funding for Emergency Department (ED) Streaming Units, which the organisation is currently progressing using its Discretionary Capital Programme (DCP), in anticipation of receiving central funding.
- **Digital Delivery - Governance** – the Committee received a report detailing a proposal for the establishment of an Agile Digital Business Group (ADBG) as a Sub-Group of the Finance Committee, to take forward the digital response to the HB's Strategic and Planning Objectives, and reviewed draft Terms of Reference for the Group. The Committee was advised that while the Group will be in a position to apply the appropriate level of scrutiny to digital projects, and to provide an agile response in identifying which initiatives to progress and which to withdraw, Finance Committee will monitor any financial risk to the HB arising from the implementation of digital projects.
- **HDdUHB Procurement Strategy** – the Committee received a report outlining proposals to increase the efficiency of the HB's procurement function, and to develop a local focus in the procurement of goods, equipment and services, in accordance with WG policies relating to the Foundational Economy. Members were informed that the Centre for Local Economic Studies has been engaged to work with the HB to review the organisation's non-pay spend breakdown in order to identify where there may be opportunities to extend local supply, and were advised that a report of findings will be shared with Finance Committee to enable Members to take a view on the development of a longer-term procurement strategy for the HB.
- **Locality Expenditure Analysis** – the Committee received a report and presentation detailing analysis of expenditure at GP cluster population level, and viewed a live demonstration of a data visualisation tool which enables analysis of locality-based expenditure, utilising a weighted allocation methodology for population data, bringing benefits for the HB in terms of investigating differences in cost activity over time. The Committee was advised that the granularity of analysis results will increase over time, and recognised that HB Directorates will wish to explore how the tool can be used to support financial and service planning, given opportunities to feed activity analysis into longer-term planning, particularly in relation to a 'shift left' in terms of the increased use of community services.
- **Q3/ Q4 Plan, including Winter Planning 2020/21-** The Committee received the HB's Response to the COVID-19 NHS Wales Operating Framework for

Quarters 3 and 4, together with a report detailing the development of the HB's Regional Winter Protection Plan, being advised that there is alignment between the two plans, and being assured that while there is some risk to the HB's forecast deficit position relating to spend for winter planning, it is considered that this risk can be managed, based upon the implementation of winter planning schemes in previous years. The Committee was advised that the HB's workforce capacity represents the greatest risk to delivery of the plans, but was assured that work undertaken by the Workforce Directorate and Acute and Community Bronze command groups to address a shortfall in staffing capacity within hospital and community services is intrinsically linked to planning processes.

- **Workforce Plan** – the Committee received a verbal update detailing key elements of the most recent iteration of the HB's Workforce Plan, being advised that the plan seeks to address workforce requirements to meet COVID-19 demand, to support the delivery of essential services (as per the National Framework), and to manage anticipated additional demand linked to winter pressures. The Committee took assurance from a reduction in projected workforce requirements as a result of mitigations implemented within the HB, while recognising remaining variables, such as sickness absence, FH surge demand, and requirements to support vaccination programmes. Members were advised that a meeting between Finance and Workforce planning teams would be held on 27th October 2020, in order to link financial planning and workforce assumptions with regard to additional cost, scaling and phasing of the plan. The Committee supported a proposal that the plan receive Finance Committee's approval via Chair's Action for onward submission to the November 2020 Public Board for ratification.
- **Digital Plan** – the Committee received a report providing an update in relation to Digital Delivery for 2020-2024, building upon information provided at the previous Finance Committee meeting on 26th September 2020 regarding the progression of digital capability within the HB and the community, and the incorporation of digital projects within the organisation's infrastructure. Members were informed that the adoption of an agile approach to project management, supported by the establishment of the ABDG, will be linked with the HB's financial and strategic ambitions.
- **EU Exit Risks** – the Committee received an update regarding the potential financial implications of the UK's exit from the European Union (EU), which had also been discussed by Members in their In Committee session. The Committee was assured that certain contingency plans to address the impact of a no-deal EU Exit have already been developed and implemented in response to the COVID-19 pandemic, and that risks relating to EU Exit are tracked via the HB's Corporate Risk Register, which will be further reviewed in the event that the UK leaves the EU on World Trade Organisation (WTO) terms at the end of the calendar year. The Committee recognised that the financial impact of costs associated with EU exit will represent a significant element in the HB's budget for 2021/22.
- **Financial Plan Development** – The Committee received a report outlining the current status of the HB's Financial Plan for 2021/22 within the context of

the organisation's wider integrated Operational and Financial Plan, being advised that the financial planning process for 2021/22 has not followed the 'regular' framework in terms of WG formal guidance and submission deadlines and Finance Directorate's engagement with HB colleagues, given the background of unprecedented demands resulting from the COVID-19 pandemic. Members were nevertheless assured that financial planning discussions have been on-going with WG and the Finance Delivery Unit (FDU), and noted the integration of financial and transformational planning. The Committee was advised of the principles upon which a draft financial assessment has been completed, being informed that the assessment is based upon the financial forecast at M5 2020/21 in order to base scenario modelling upon a position which is understood, and which will be further refined and aligned to operational priorities.

- **Balance Sheet** - The Committee received a report outlining the HB's balance sheet position as at Month 6, including an explanation of key movement, and outlining the monthly scrutiny of the balance sheet. Members were advised that the HB is looking to procure a balance sheet closedown system which will eliminate non value-added activities and ensure that balance sheet reconciliations can be undertaken with greater transparency, efficiency and completeness, providing increased assurance that all controls and approvals are in place.
- **Continuing Healthcare Fee Uplift** – the Committee received a report setting out 2 options relating to proposed fee uplifts in 2020/21 for clients who are in receipt of externally commissioned care within HDdUHB for Long Term Care services, Mental Health and Learning Disabilities services and Children's services. Members noted the complexities in the current fee structure, and were advised that the issue of support for Domiciliary Care services and care homes is being considered through Regional Partnership Boards, based upon an expectation that support will be required for the winter period, and recognising that Health Boards will aim to be in a position to purchase care homes. Members were assured that the HB will not support failing providers in its purchase of care homes, and were advised of work underway with the Workforce Directorate to ascertain whether HB staff may be deployed to assist in providing care within homes. Having reviewed the options proposed in the report, the Committee supported the allocation of budget for Option 2 (*Calculation of fees by applying a percentage uplift to the Base Rate in line with LAs, and adding FNC and LA Elements*), noting that the total sum required is within the financial allocation held in the HB's reserves, as approved by the Board.
- **Financial Procedures** – the Committee reviewed and approved the FPO 03: Stock Procedure FP12/01 Retention of Financial Records.
- **Monitoring Returns – Month 6** – The Committee received, for information, the HB's Monitoring Returns for Month 6 as submitted to WG, noting a requirement from WG that the HB provide the monthly returns to a Board Sub-Committee for review. Acknowledging governance requirements to include the Monitoring Returns as a standing item for information on the Committee's agenda, it was agreed that if the monthly return indicates good financial

governance on the part of the organisation Members would formally note the return at future Finance Committee meetings.

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

- HDdUHB Workforce Plan – following Finance Committee’s approval via Chair’s Action for onward submission to the November 2020 Public Board.

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

- Potential risks to the projected delivery of the HB’s deficit position of £25m arising from additional winter planning schemes costs, additional expenditure required to support FHs, agency staff costs and risks arising from EU exit.
- The HB’s inability to progress capital schemes and financial risks associated with progressing COVID-19 related capital schemes at feasibility stage without confirmed funding;
- Significant operational risk if feasibility schemes to implement COVID-19-related requirements and to support the delivery of healthcare services are not progressed;
- The financial impact of costs associated with EU exit will represent a significant element in the HB’s budget for 2021/22.

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 November 2020 Finance Committee meeting will include the following item:

- Route Map to Financial Balance

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

30th November 2020