



CYFARFOD BWRDD PRIFYSGOL IECHYD UNIVERSITY HEALTH BOARD MEETING

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 November 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance – 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 this report is to outline the Health Board's financial position to date against our Annual Plan and assess the key financial projections, risks and opportunities for the financial year.

Asesiad / Assessment

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

- The Month 7 Health Board financial position is breakeven against a deficit plan of £2.1m, after utilising the required balance of WG funding for COVID-19, having offset the cost reductions recognised due to reduced operational activity levels.

Projection

- Following confirmation of additional funding from WG in Month 6, the Health Board is currently forecasting to deliver the planned deficit of £25m. However, the Health Board is managing a number of varying elements in respect of Winter Planning, reinstating elective services and any unprecedented further impact of the pandemic that pose both opportunity and risk to the planned deficit. The Health Board 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 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.
- £30.8m identified and as yet unidentified savings schemes included in the Financial Plan are also 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 needed.

Discussions are on-going for additional funding to support the non-delivery of the Health Board's savings target on a recurrent basis.

- Should the Health Board progress with all the schemes identified to deal with implementing social distancing measures and other COVID-19 needs, and no further funding is available from Welsh Government, the potential over commitment against the CRL would be £14.3m. The risk of this against the CRL 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 LTA block arrangements; as a net commissioner, the impact of this is estimated to be £15.7m compared to actual activity levels.

Savings

- In-month delivery of £0.2m, which is slightly below plan, 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

- Continue to 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.
- Deep dive into 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 Health Board 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.
- Clarity as to what current escalation measures can be safely and appropriately de-escalated/decommissioned and which ceased/deferred services/activities can be recommenced.
- Continue to work with Welsh Government to understand the level of future funding arrangements, as these remain uncertain.

Summary of key financial targets

The Health Board's key targets are as follows:

- Revenue: to contain the overspend within the Health Board's planned deficit
- Savings: to deliver savings plans to enable the revenue budget to be achieved
- Capital: to contain expenditure within the agreed limit
- PSPP: to pay 95% of Non-NHS invoices within 30 days of receipt of a valid invoice
- Cash: While there is no prescribed limit for cash held at the end of the month, WG encourages this to be minimised and a rule of thumb of 5% of monthly expenditure is used. For the Health Board, 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 Health Board is currently forecasting to deliver the planned deficit of £25m. The risk is considered to be High, recognising that the Health Board is managing a number of varying elements in respect of Winter Planning, reinstating elective services and any unprecedented further impact of the pandemic that pose both opportunity and risk to the planned deficit. The Health Board 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 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.

Should the Health Board progress with all the schemes identified to deal with implementing social distancing measures and other COVID-19 needs, and no further funding is available from Welsh Government, the potential over commitment against the CRL would be £14.3m. The risk of this against the CRL is being actively managed, however there is a more significant operational risk if these schemes do not progress.

The Non-NHS 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 Board is asked to discuss and note the financial position for Month 7.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

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
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Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	5. Timely Care 7. Staff and Resources
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Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
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Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Improve Population Health through prevention and early intervention
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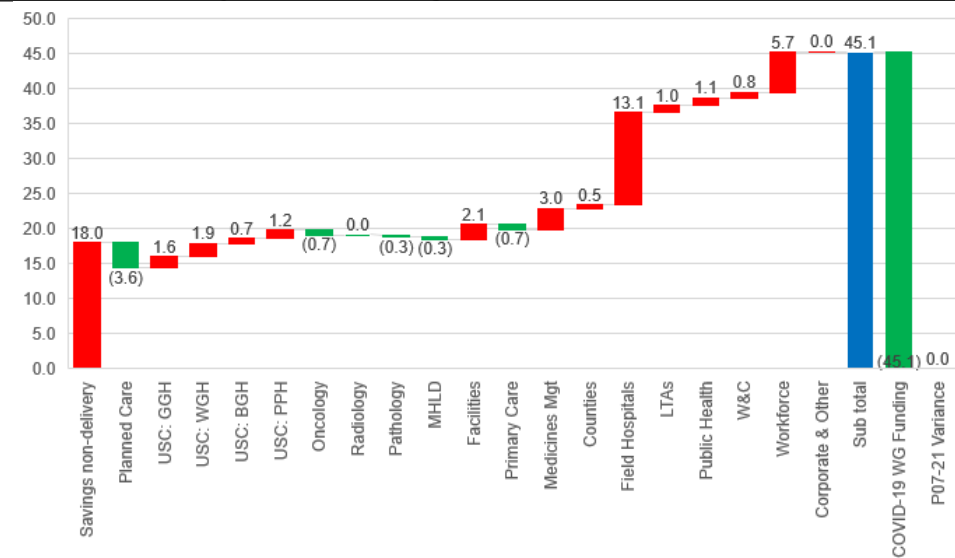
Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on the Health Board's financial reporting system.
Rhestr Termau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Healthcare CRL – Capital Resource Limit FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services LTA – Long Term Agreement MHLD – Mental Health & Learning Disabilities NICE – National Institute for Health and Care Excellence NOAC - Novel Oral Anti-Coagulant OOH – Out of Hours PPH – Prince Philip Hospital PSPP– Public Sector Payment Policy RPB – Regional Partnership Board RTT – Referral to Treatment Time TB – Tuberculosis WG – Welsh Government WGH – Withybush General Hospital WRP – Welsh Risk Pool WHSSC – Welsh Health Specialised Services Committee YTD – Year to date
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to University Health Board:	Finance Committee

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial impacts and considerations are inherent in the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	These are assessed as part of our savings planning.
Gweithlu: Workforce:	The report discusses the impact of both variable pay and substantive pay.
Risg: Risk:	Financial risks are detailed in the report.

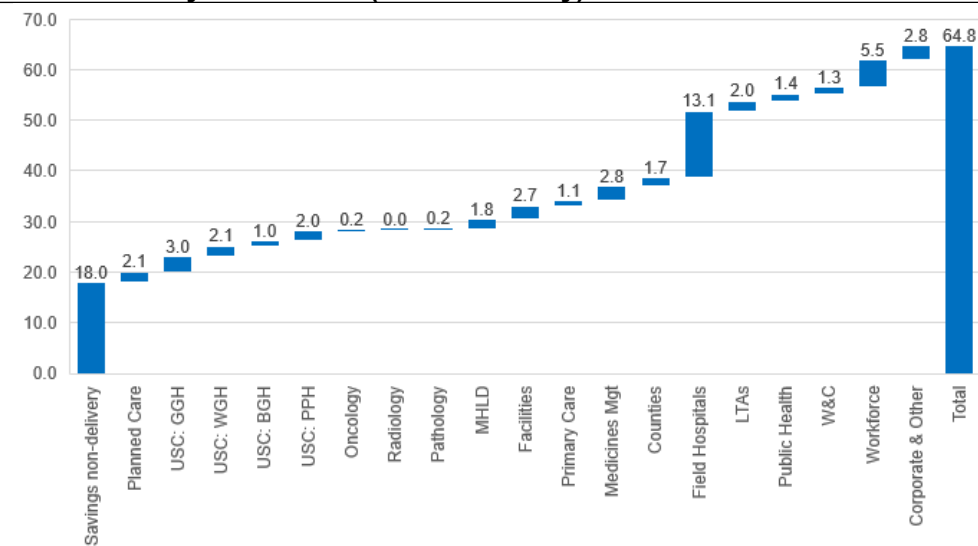
Cyfreithiol: Legal:	The Health Board has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
Enw Da: Reputational:	Adverse variance against the Health Board's financial plan will affect our reputation with Welsh Government, the Wales Audit Office, and with external stakeholders.
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable

Revenue Summary

YTD variance by Directorate (against Plan)



YTD actual by Directorate (COVID-19 only)



Key drivers of YTD position:

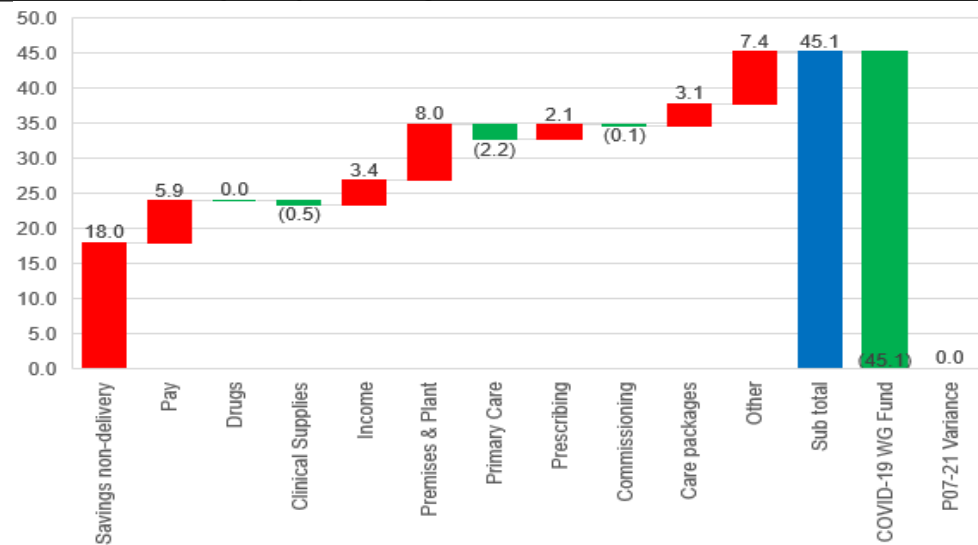
- **Savings non-delivery (£18.0m):** As a direct consequence of COVID-19, directorates have been unable to execute or identify additional savings plans as efforts are re-purposed to respond to the pandemic.
- **Planned Care (-£3.6m):** Underspend primarily driven by a reduction in non-pay due to reduced activity in elective services.
- **Medicines Management (£3.0m):** Pressures continue in Primary Care prescribing due to continued increases in the cost per item for Category M and baseline drugs. Costs have increased this month due to Flu immunisation campaigns commencing.
- **Field Hospitals (£13.1m):** The cost of setting up, de-commissioning and operating the various Field Hospitals with the Health Board's localities in response to the COVID-19 pandemic.
- **Workforce (£5.7m):** Fixed term staff recruited in response to the COVID-19 pandemic who have not yet been assigned to a directorate.
- **WG Funding (-£45.1m):** Funding has been received from WG to offset the cost of the Health Board's response to the COVID-19 pandemic.

Key drivers of COVID-19 YTD position over and above what is reported above:

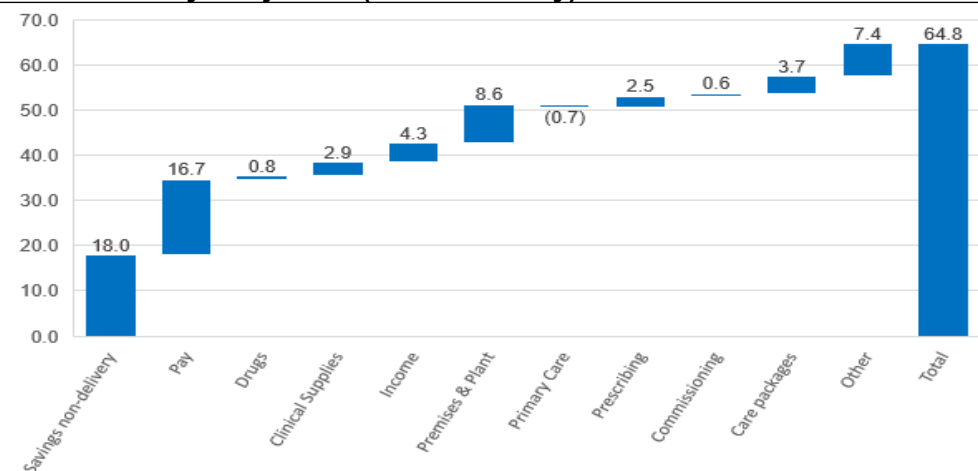
- **LTA's (£2.0m):** Loss in Non Contract Activity (NCA) income as lockdown restrictions have impacted the tourism industry which in turn has reduced visitors outside of Hywel Dda accessing services.
- **Facilities (£2.7m):** Additional Porters and Domestics recruited in response to the pandemic. Work and maintenance carried out to adapt sites, additional laundry costs and lost revenue.
- **Unscheduled Care (All sites) (£8.1m):** Increase in variable pay for Medical, Nursing and HCA staff, Medical pay enhancements, PPE expenditure and issue of home care drugs to avoid unnecessary Hospital contacts.

Revenue Summary

YTD variance by Subjective (against Plan)



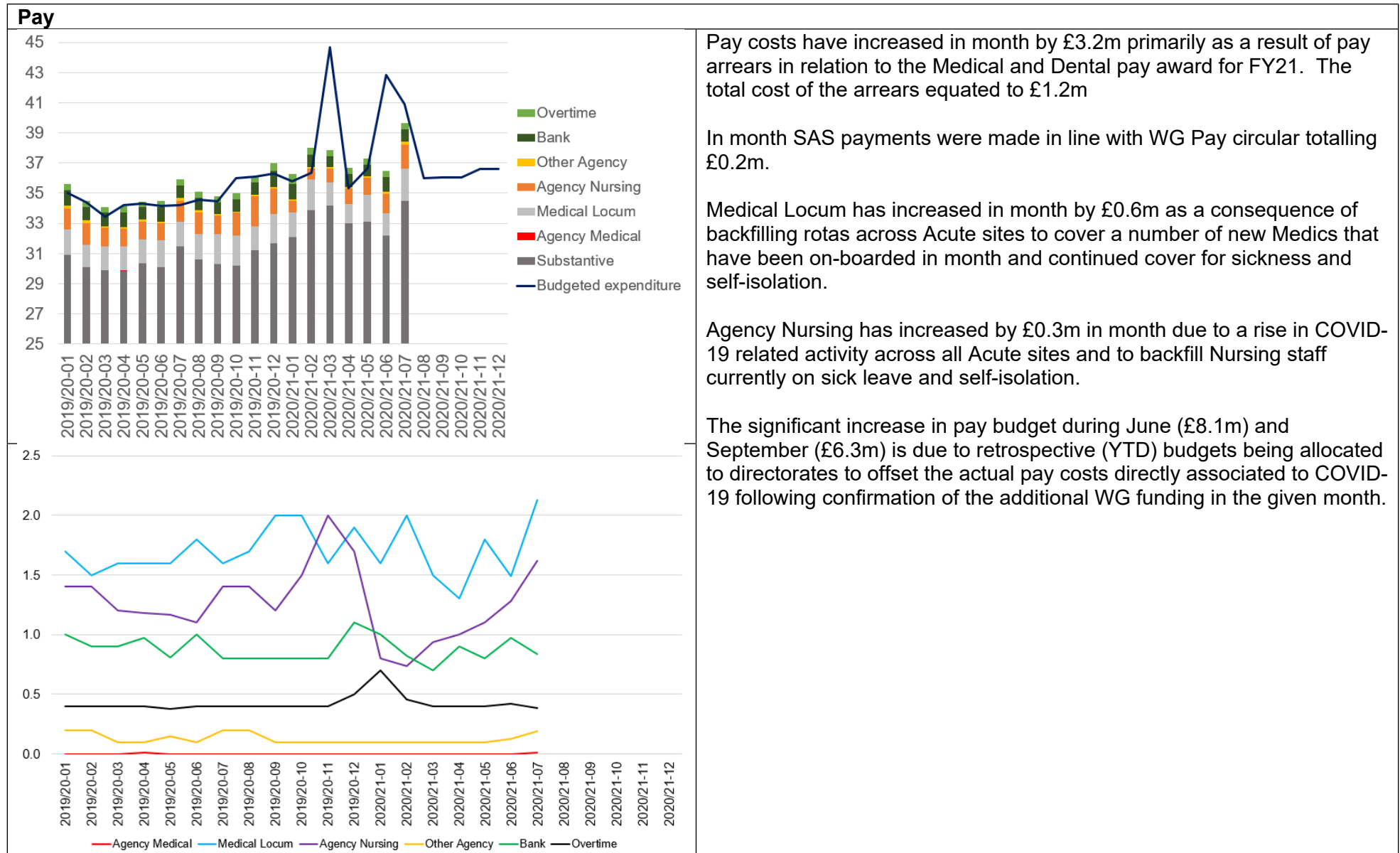
YTD actual by Subjective (COVID-19 only)



Key drivers of YTD position:

- **Savings non-delivery (£18.0m):** As a direct consequence of COVID-19, directorates have been unable to execute or identify additional savings plans as efforts are re-purposed to respond to the pandemic.
- **Pay (£5.9m):** See detailed analysis in key subjective summary slides.
- **Drugs & Clinical supplies (-£0.5m):** The net underspend is primarily driven by reduced activity in elective services within Planned Care and Podiatry offsetting COVID-19 related costs totalling £3.7m.
- **Income (£3.4m):** As referenced in the previous slide, income generated from NCA activity has been impacted by the lockdown restrictions; there has also been a deterioration in income within Hospital sites due to lower patient numbers accessing commercial and hospitality facilities.
- **Premises costs (£8.0m):** Primarily driven by the cost of setting up, de-commissioning and operating the various Field Hospitals with the Health Board's localities.
- **Prescribing (£2.1m):** See detailed analysis in key subjective summary slides.
- **Care packages (£3.1m):** Additional costs have been incurred due to the expedited discharge of CHC Patients and patients being placed in out of area accommodation.
- **WG Funding (-£45.1m):** Funding has been received from WG to offset the cost of the Health Board's response to the COVID-19 pandemic.

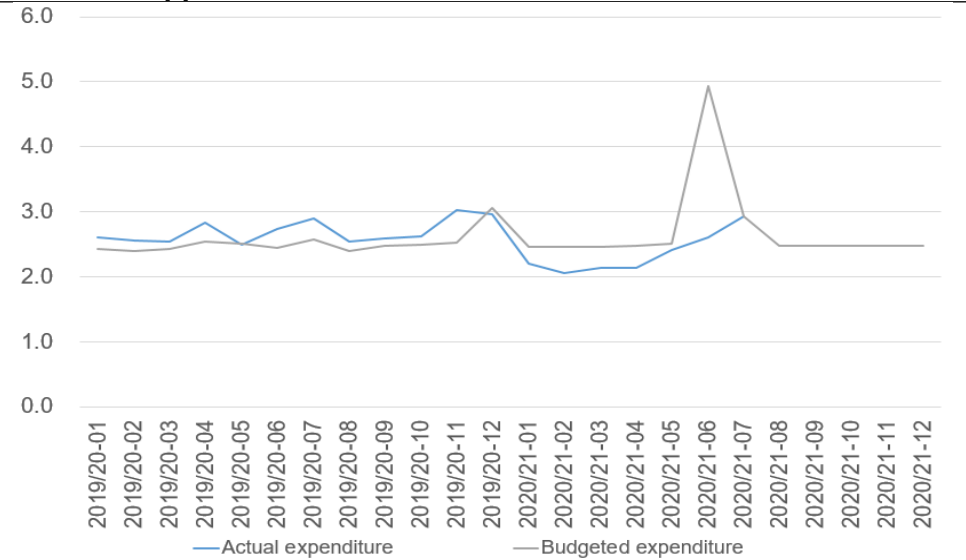
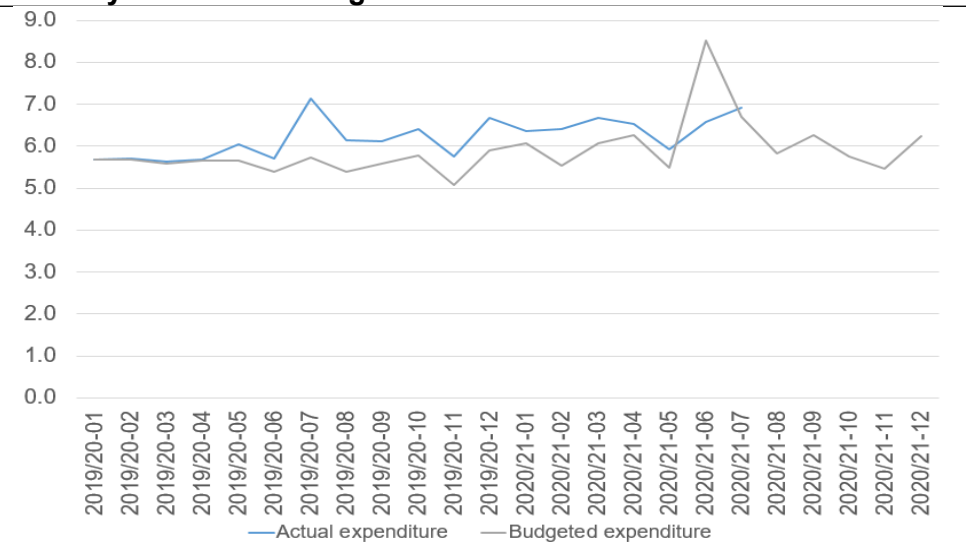
Subjective Summary



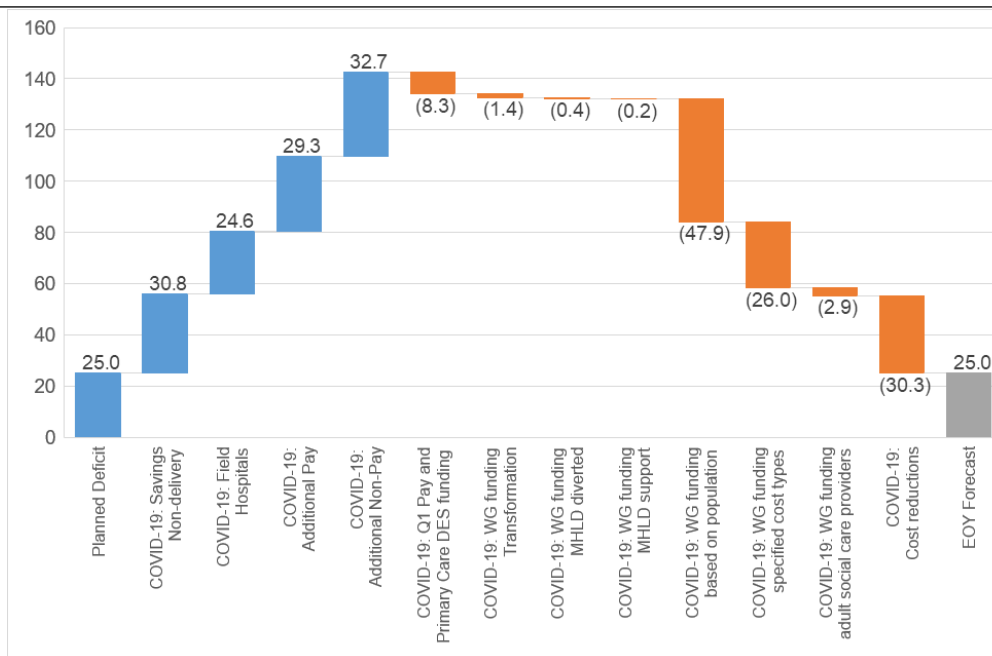
Subjective Summary

CHC	
<p>2019/20-01 2019/20-02 2019/20-03 2019/20-04 2019/20-05 2019/20-06 2019/20-07 2019/20-08 2019/20-09 2019/20-10 2019/20-11 2019/20-12 2020/21-01 2020/21-02 2020/21-03 2020/21-04 2020/21-05 2020/21-06 2020/21-07 2020/21-08 2020/21-09 2020/21-10 2020/21-11 2020/21-12</p> <p>— Actual expenditure — Budgeted expenditure</p>	<p>Continuing Health Care expenditure has increased by £2.3m in month which is largely driven by the recognition of the YTD costs of supporting Adult Social Care Providers following agreement between the Health Board and Local Authority colleagues (£1.6m).</p> <p>Inflationary fee uplifts have also been applied in Month 7 totalling £0.8m.</p> <p>Budgets were released from Reserves in-month to match the above costs incurred.</p>
Secondary Care Drugs	
<p>2019/20-01 2019/20-02 2019/20-03 2019/20-04 2019/20-05 2019/20-06 2019/20-07 2019/20-08 2019/20-09 2019/20-10 2019/20-11 2019/20-12 2020/21-01 2020/21-02 2020/21-03 2020/21-04 2020/21-05 2020/21-06 2020/21-07 2020/21-08 2020/21-09 2020/21-10 2020/21-11 2020/21-12</p> <p>— Actual expenditure — Budgeted expenditure</p>	<p>Drug expenditure has decreased in month by £0.2m as Outpatient clinics have been suspended following the increase in COVID-19 activity and in preparation for Winter.</p>

Subjective Summary

Clinical Supplies and Services	
 <p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>Clinical supply costs have increased by £0.3m during Month 7 following an increase in the unit costs of PPE sourced through NWSSP.</p>
Primary Care Prescribing	
 <p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>Prescribing costs have increased by £0.4m in Month 7 following the recognition of Flu vaccination expenditure.</p>

Financial Projection



Key Assumptions

- Funding for the balance of the additional WG allocation of £47.9m is assumed to be fully utilised in future months to offset the impact of COVID-19; funding to match the forecast cost of specific items (as defined by WG) has also been assumed in future months;
- Field Hospital profiling is based on local modelling as a most 'realistic' assessment;
- Field Hospital staffing has been modelled on a substantive costs basis – no premium for Agency workers is included;
- Any increased demand modelling for staffing within Field Hospitals is assumed to be fulfilled through deployment of existing staff, predominately without the ability to backfill due to supply constraints;
- Existing Services modelling is profiled to March 2021 and assumes some level of reinstated elective services.

Assurance

- The Health Board's Accountability statements in relation to the Budget for 2020/21 were replaced with a Delegations and Finance Delivery letter, issued in May 2020. These clarify the continuation of existing financial control principles and the importance of existing governance processes and frameworks, and state the significance of decision-making in response to, and the accurate recording of the financial impact of, COVID-19.
- Performance monitored monthly through System Engagement meetings for the highest risk Directorates.

Concerns

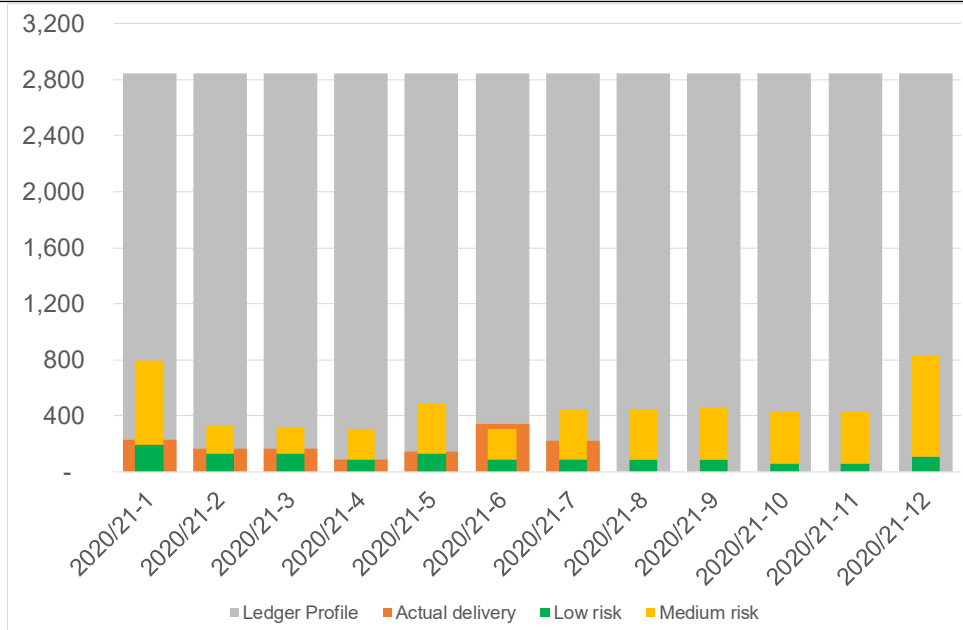
- Following confirmation of additional funding from WG in Month 6, the Health Board is currently forecasting to deliver the planned deficit of £25m. However, the Health Board is managing a number of varying elements in respect of Winter Planning, reinstating elective services and any unprecedented further impact of the pandemic that pose both opportunity and risk to the planned deficit. The Health Board 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 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.

Next Steps

- Clarity as to what current escalation measures can be safely and appropriately de-escalated/decommissioned and which ceased/deferred services/activities can be recommenced.
- Continue to work with Welsh Government to understand the level of additional revenue and capital funding available.
- Deep dive into savings and cost reduction opportunities.

Savings and turnaround actions

Risk-assessed directorate savings profile, delivery and forecast



Assurance

- 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.
- In-month delivery of £0.2m, which is below plan, which is directly attributable to the COVID-19 pandemic.
- The Opportunities Framework is being refreshed to identify alternative ways of working in response to COVID-19 that may result in cost reductions/formal savings schemes identified.

Concerns

- The unprecedented circumstances mean that operational focus is diverted to the organisation's response to COVID-19, and therefore not on the delivery or identification of further savings schemes that are not supportive of the response to the pandemic. Both identified and as yet unidentified savings schemes included in the Financial Plan are therefore at risk of non-delivery.
- Discussions are on-going for additional funding to support the non-delivery of the Health Board's savings target on a recurrent basis.

Next Steps

- The Value for Money Framework, alongside existing financial governance arrangements, is to be further developed and embedded into the organisation's decision-making processes.
- Deep dive assessment of identified schemes not delivering.