

Bundle Public Board 30 July 2020

3.8 Report of the Finance Committee / Adroddiad y Pwyllgor Cyllid

Presenter: Michael Hearty

Finance Committee Update Report from meeting on 26 May 2020

Finance Committee Update Report from meeting on 25 June 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 May 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 May 2020, with the following items highlighted:</p> <ul style="list-style-type: none"> • Finance Report Month 1 – the Month 1 2020/21 Finance Report was received by the Committee, identifying a variance to breakeven position of £6.3m and an operational variance to plan of £4.2m. Members were informed of additional costs of £6.7m incurred in Month 1 due to the impact of the COVID-19 pandemic, and were advised that the funding arrangements for the Health Board's (HB) response to the COVID-19 pandemic remain uncertain, with an associated risk that the HB's financial position may be adversely affected. Both identified and as-yet unidentified savings schemes included in the Financial Plan are also at risk of non-delivery due to operational focus being diverted to respond to COVID-19. This results in a significant risk to the delivery of the HB's Financial Plan for 2020/21 of a £25m deficit. • Draft Annual Accounts 2019/20 – the Committee received the Draft Accounts 2019/20, which are currently being scrutinised by Audit Wales, with the Final Accounts for 2019/20 to be presented to the Audit and Risk Assurance Committee (ARAC) on 23rd June 2020 prior to submission to WG by 30th June 2020. • Capital Financial Management – the Capital Financial Management report was received by the Committee, providing an update in regard to the Capital Resource Limit (CRL) for 2020/21 and the value of capital expenditure currently committed to deal with COVID-19 for 2020/21. Total capital expenditure at Month 1 was £3.946m, of which £3.223m related to COVID-19. The HB has assumed, following WG confirmation, that the COVID-19 costs incurred to date will be funded. The Discretionary Programme has currently been only partially committed, with a proposal regarding allocation of the balance being prepared for the Executive Team's consideration. 	

- **Healthcare Contracting Report** – the Committee was briefed regarding the Year End position in relation to Long Term Agreements (LTAs) and the agreed contract values for 2020/21, together with details of the HB approach to contracting for Q1 and the response to COVID-19 demands. In terms of HB expenditure on LTAs, an over-plan performance of £388k represented an improvement upon the previously anticipated over-plan expenditure of £1.3m. A significant proportion of this improvement is attributable to increased scrutiny and challenge applied by the HDdUHB Healthcare Contracting Team to LTA activity datasets, and enhanced focus upon negotiating and closing out liability associated with non-contract activity. Consideration would need to be applied to the effective management of over-performance and above-plan payments to other providers following the termination of block contracting arrangements.
- **Q1 Operational Plan** – prior to its presentation at the Public Board meeting on 28th May 2020, the Committee received HDdUHB's Q1 response to the COVID-19 NHS Wales Operating Framework issued by WG. Members recognised the innovative and creative responses to operational demands evinced by HB Managers and their teams, noting particularly the emerging benefits of increased investment in digital technology, which elicited favourable commentary from WG. Despite challenges in reinstating elective work within all HDdUHB sites, due to pre-admission pathway and theatre sterilisation requirements, Members were assured that, notwithstanding a significant reduction in surgical capacity, plans to re-start all Urgent and Cancer diagnostic and surgical treatments within HB sites are being progressed.
- **Corporate Risks** – the refreshed corporate risks assigned to the Finance Committee were received, now defined as: *Risk to delivery of the Financial Plan for 2020/21* and *Ability to achieve financial stability over the medium term*. Members noted that the 2020/21 funding envelope is as yet unspecified, leading to in-year uncertainty, and were advised of concerns regarding the lack of savings delivery, which if not funded recurrently by WG as part of the baseline, will increase the Health Board's underlying deficit for 2021/22. Members agreed that until and unless there is provision to transfer the risk to WG, the in-year risk to savings delivery will need to be tolerated by the organisation, and whilst the Committee had discussed the controls and planned actions, due to current uncertainties, it is unable to fully present its assurance to the Board.
- **Finance Operational Risks** – the Committee was assured that HDdUHB operational teams are reviewing their individual risks to ensure these are scored appropriately and are reflective of the new risks, which have emerged due to the COVID-19 pandemic. Members were reminded of the recommendations and approvals that the Board had made at its meeting in April 2020 in respect of the management of risks and audit reports during this COVID-19 pandemic, with support provided to the services by the Assurance and Risk Team to action progress updates within the Operational Risk Register.
- **Financial Governance and Value for Money Considerations** – the Committee received the Financial Governance and Value for Money Considerations – COVID-19 Report for review, prior to its presentation to the Public Board on 28th May 2020, outlining the costs for orders of goods and services required to support the COVID-19 pandemic response. Members received assurance that

Value for Money principles have been applied wherever possible to specify which ordered items can be used or re-purposed, stock-piled or disposed of, with decisions having been approved by Gold Command Group.

- **COVID-19 Financial Reporting and Forecasting Principles** – the Committee received the COVID-19 Financial Reporting and Forecasting Principles Report, outlining the Health Board’s approach to internal and external reporting, and forecasting of the financial implications arising from the response to the COVID-19 pandemic.
- **Value For Money Framework** – the Committee was informed that the Value for Money Framework has been introduced in order to guide the development of a creative and flexible approach to the recovery of operations, and to support post-COVID-19 decision-making, ensuring the economic, efficient and equitable use of resources to achieve best outcomes. Members were assured that whilst the Health Board is aiming to develop an approach to financial decision-making which is based upon increased flexibility and collegiate working, this will not entail the abdication of any degree of fiscal control on the part of the Finance Directorate.

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

- Annual Accounts 2019/20
- Financial Governance and Value for Money Considerations
- Q1 Operational Plan

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

- The funding arrangements for the HDdUHB’s response to the COVID-19 pandemic remain uncertain, with an associated risk that the HB’s financial position may be adversely affected.
- Lack of savings delivery, which will either need to be funded recurrently by WG as part of the baseline, or will increase the Health Board’s underlying deficit for 2021/22 (to stand at £30m).
- Potential future coinciding pressures resulting from a combination of Welsh Government (WG) expectations regarding HDdUHB’s financial position, the as-yet unquantified monetary implications of the COVID-19 response, and the development of transformative plans to shape the organisation’s financial management over the longer-term.
- Risk from Q2 onwards in managing LTA over/ under performance, once the HB moves away from block contract arrangements, particularly in relation to the LTAs held with English Trusts and Providers.
- Additional costs associated with pent-up demand manifesting with the resumption of services suspended in response to the COVID-19 pandemic are not included in the HB Q1 Operational plan.
- Challenges in reinstating elective work within all HDdUHB sites, due to pre-admission pathway and theatre sterilisation requirements, which significantly

increase the length of time required to undertake surgical procedures and lead to a reduction in surgical capacity.

**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 June 2020 Finance Committee meeting will include the Outcomes of the Committee's Self- Assessment of Performance for 2019/20.

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

25th June 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 25 th June 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 25th June 2020, with the following items highlighted:</p> <ul style="list-style-type: none"> • Finance Committee Outcome of Self-Assessment of Effectiveness 2019/20 A report detailing outcomes from its annual self-assessment exercise for 2019/20 was received by the Committee, together with proposed actions and suggestions for improvement to address Members' comments and responses. • Finance Report Month 2 – the Month 2 2020/21 Finance Report was received by the Committee, identifying a variance to breakeven position of £8.4m and an operational variance to plan of £6.4m. Members were informed of additional costs of £9.8m incurred in Month 2 due to the impact of the COVID-19 pandemic, and were advised that no additional funding in relation to the pandemic has been assumed in the reported position. Members were further advised that continuing uncertainty regarding funding arrangements for HDdUHB's response to the pandemic represents a risk to the HB's financial position, and that identified and as-yet unidentified savings schemes included in the Financial Plan are also at risk of non-delivery due to operational focus being diverted to respond to COVID-19. This results in a significant risk to the delivery of the HB's Financial Plan for 2020/21 of a £25m deficit. • Capital Financial Management – the Capital Financial Management report was received by the Committee, providing an update in regard to the Capital Resource Limit (CRL) for 2020/21 and the anticipated value of capital expenditure required for 2020/21 to respond to the COVID-19 pandemic. Members were advised of a risk to the allocation of central funding streams to progress new capital projects during 2020/21, given the possibility that WG may require the draw-back of an element of funding in order to support central capital resources, and were forewarned that if all expected capital costs materialise in 2020/21, with no further WG funding forthcoming, HDdUHB would breach its CRL by £15.075m in-year. 	

- **Bluestone Field Hospital – Contract Extension** – the Committee received a report proposing that Board and WG approval be sought for an extension to the current Licence to Occupy contract held between HDdUHB and Bluestone Resorts Ltd with regard to the established Field Hospital (FH) site. Members were advised of indications that operational requirements for FH sites will continue into the Winter 2020/21 period, and were informed that, while financial costs associated with the Bluestone site are high, it represents a secure site from an operational perspective. Members were also apprised of potential risks in extending the contract, given that, while the site’s area of tourism is currently limited to self-contained accommodation, with no increased financial risk to the HB, should the company take a decision to revert to a leisure facility, additional cost liabilities could be incurred by the HB if its occupation of the Adventure Centre impacts on Bluestone’s business. The Committee confirmed its support of the recommendation to seek Board and WG approval for an extension of the Bluestone contract until 31st December 2020, in line with HDdUHB Standing Financial Instructions.
- **Workforce Plan** - the Committee received a report detailing the HB’s response to increased organisational demand for additional staff during the COVID-19 pandemic, summarising appointments of Full Time Equivalent (FTE) HB staff in response to increased organisational demand during the COVID-19 pandemic. Members were advised of a deficit in the number of Healthcare Support Workers (HCSWs) within the HB given the imminent loss of medical and nursing students who are currently supplementing any shortfall in HCSW capacity, and the added requirements for staffing resulting from implementation of a social distancing policy necessitating the transfer of beds from Acute wards to FH sites. Members were assured that this shortfall will be mitigated to a degree with the commencement in post of a cohort of newly appointed staff, and that discussions are underway relating to the potential extension of short-term staffing contracts. Members were also assured of controls in place within the organisation to ensure robust financial governance of all aspects of staff recruitment, payment and contract management.
- **Delivering and Financing the Programme Business Case** – the Committee received a report outlining proposals for the allocation of internal funding of £1.5m to support the development and costs of the Programme Business Case (PBC) for ‘A Healthier Mid & West Wales’ healthcare strategy, given the current reduction in WG central funding flexibility. Recognising that the PBC will support the HB in effectively capturing and analysing all aspects of its response to the COVID-19 pandemic in order to determine which elements to retain to provide the best possible healthcare service to HDdUHB’s population, and being assured that the sum proposed will be sufficient to ensure a quality product, the Committee confirmed its support for the proposed allocation of internal funds to resource the PBC, prior to Board approval being sought.
- **Utilising the Local Supply Chain** – a report outlining local procurement opportunities and the HB’s approach to progressing the re-direction of HB spend to new local providers was received by the Committee. Members discussed benefits to this approach in terms of enabling the leverage of HDdUHB’s financial power to stimulate local economies, support ‘green’ policies, and promote local procurement opportunities to replace those lost following exit from the EU, and

commended initiatives progressed to date in identifying local products and suppliers.

- **Finance Committee Assurance Paper to ARAC** - Members received the Finance Committee Assurance Report to the Audit and Risk Assurance Committee (ARAC) noting the evidence included to support confirmation of the effective discharge by the Finance Committee of its duties during 2019/20, as specified in its Terms of Reference.

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

- Board approval sought for an extension to the current contract held with Bluestone Resorts Ltd with regard to the established Field Hospital site.
- Proposed allocation of £1.5m internal funding in support of the Programme Business Case for 'A Healthier Mid & West Wales' healthcare strategy, prior to Board approval being sought.

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

- The funding arrangements for the HDdUHB's response to the COVID-19 pandemic remain uncertain, with an associated risk that the HB's financial position may be adversely affected.
- Risk of non-delivery of identified and as-yet unidentified savings schemes included in the Financial Plan, resulting in a significant risk to the delivery of the HB's Financial Plan for 2020/21 of a £25m deficit.
- Uncertainty regarding allocation of central funding to progress new capital projects during 2020/21; risk that HDdUHB will breach its CRL by £15.075m in-year if all expected capital costs materialise in 2020/21, with no further WG funding forthcoming. All risks to the HB's funding and financial position continue to be closely monitored and reported at the monthly Finance Committee meetings.
- Impact of exit from the European Union, expected to manifest within increased Primary Care prescribing and drugs costs. Early indications will be discussed at the next Finance Committee meeting.
- Current shortfall in HCSW capacity, given added requirements for staffing resulting from implementation of social distancing policy in wards and the associated transfer of beds from Acute to Field Hospital sites. Some mitigation is afforded by the appointment of 81 new HCSWs, and the reversion to duties of a cohort of HCSWs who had been temporarily re-assigned to roles within the HB which are no longer required.

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 July 2020 Finance Committee meeting will include the following items:

- Financial Plan 2021/22 Development

- Health Board Investments
- EU Exit Costs – Initial Indications and Risks
- HDdUHB Q2 Response to WG Operation Framework

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

24th July 2020