



CYFARFOD BWRDD PRIFYSGOL IECHYD UNIVERSITY HEALTH BOARD MEETING

DYDDIAD Y CYFARFOD: DATE OF MEETING:	30 July 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Report – Month 3 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.

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 3 position

- Month 3 variance to breakeven is £1.5m (Month 2, £8.4m). The underlying in-month variance was £12.3m however one-off Quarter 1 WG funding for COVID-19 related Pay and Field Hospital set-up costs totalling £10.8m was recognised in-month.
- Month 3 position is a favourable operational variance of £0.6m to plan (Month 2, £6.4m adverse). Underlying in-month variance was £11.4m excluding WG COVID-19 funding.
- The additionality of costs incurred in Month 3 due to the impact of the COVID-19 pandemic is £12.2m (Month 2 £9.8m), with underspends repurposed of £2.0m (Month 2 £3.5m).
- No additional future funding in relation to the COVID-19 pandemic has been assumed in the reported position.

Directorate Projections

- The future funding arrangements for the Health Board's response to the COVID-19 pandemic remain uncertain, and therefore there is a risk that the Health Board'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 the

operational focus being diverted to respond to COVID-19, and where identified schemes are not supportive of the response needed. Without additional funding from WG, the Health Board will not achieve its revenue funding limit of £25m. Similarly, discussions are on-going for additional funding to support the non-delivery of the Health Board's savings target.

Savings Summary

- In-month delivery of £0.2m, which is £0.1m below plan, which is directly attributable to the COVID-19 pandemic.
- Green and Amber plans of £5.6m identified to Month 3, 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

- Alignment of strategic response to current demand modelling indicators between Welsh Government, Gold Command and operational teams.
- 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.

Asesiad / Assessment

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	6.3	16.2	
Savings	£'m	34.2	8.6	0.6	
Capital	£'m	26.3	8.1	8.1	High
Non-NHS PSPP	%	95.0	95.0	n/a	Medium
Period end cash	£'m	4.0	4.0	1.5	Medium

Without additional funding from WG, the Health Board will not achieve its revenue funding limit. Similarly, discussions are on-going for additional funding to support the non-delivery of the Health Board's savings target.

The Non-NHS PSPP risk has been rated Medium given the increase in volume of supplier payments due to the impact of COVID-19.

Argymhelliad / Recommendation

The Board is asked to discuss and note the financial position for Month 3.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	BAF S09-PR20 BAF SO10-PR33
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

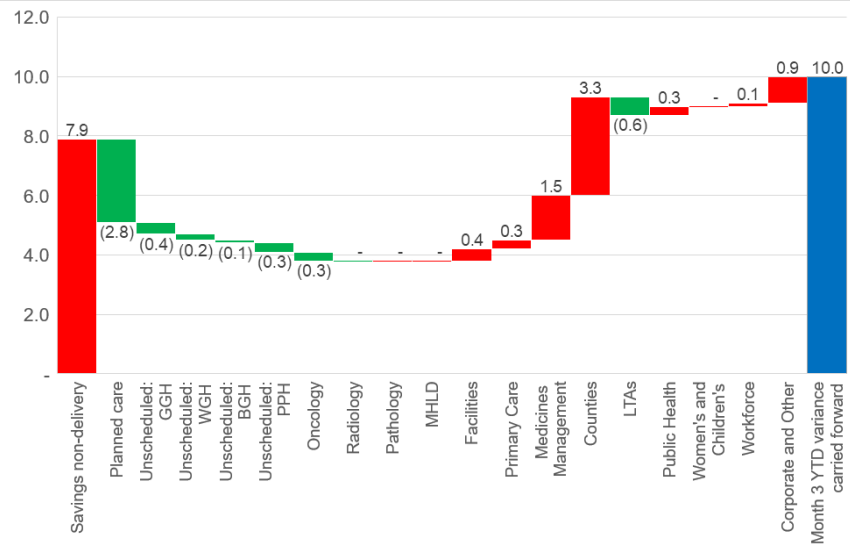
Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on the Health Board's financial reporting system.
Rhestr Termiau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Health Care DOAC – Direct Oral Anti-Coagulant FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services MHLD – Mental Health & Learning Disabilities NICE – National Institute for Health and Care Excellence NCSO – No Cheaper Stock Obtainable NOAC - Novel Oral Anti-Coagulant OOH – Out of Hours PPH – Prince Philip Hospital PSPP– Public Sector Payment Policy 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

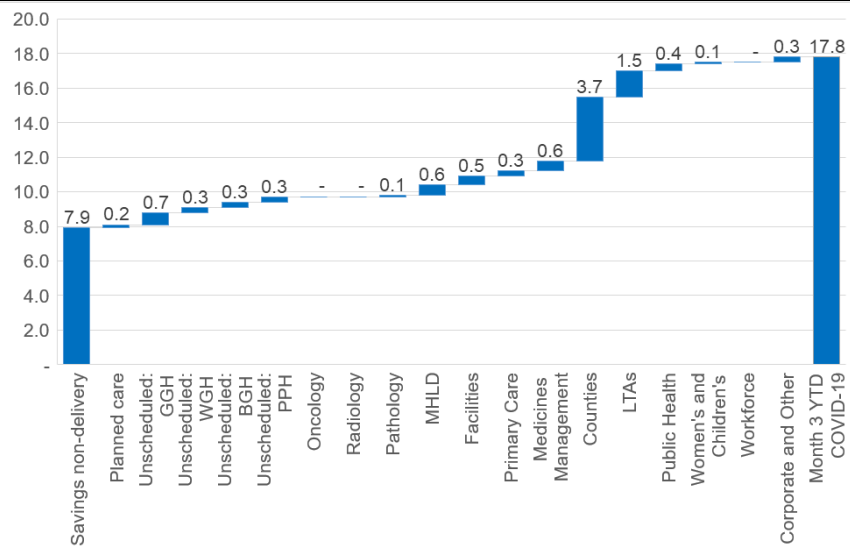
YTD variance by Directorate (against Plan)



Key drivers of YTD position:

- **Savings non-delivery (£7.9m):** 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
- **Counties (£3.3m):** The cost of setting up and operating the various Field Hospitals with the Health Board's localities are contained within this directorate
- **Medicines Management (£1.5m):** Pressures continue in the Category M where price increases are being seen nationally. Cost pressures are also being identified in the issue of NOACs and NCSOs
- **Planned Care (-£2.8m):** Underspend primarily driven by a reduction in non-pay due to reduced activity in elective services

YTD variance by Directorate (COVID-19 only)

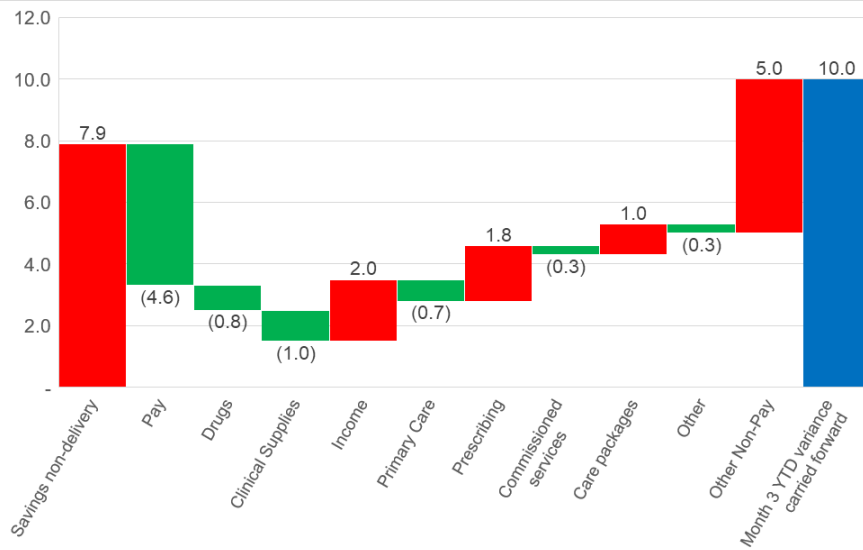


Key drivers of COVID-19 YTD position over and above what is reported above:

- **LTAs (£1.5m):** 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

Revenue Summary

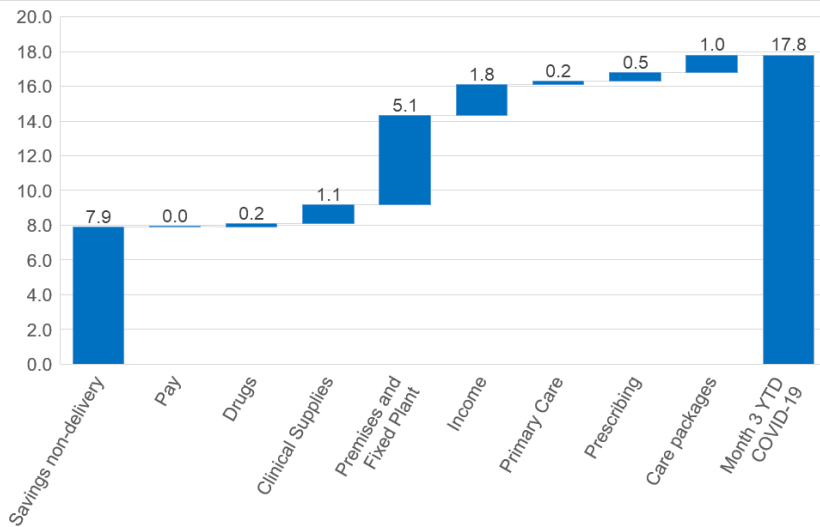
YTD variance by Subjective (against Plan)



Key drivers of YTD position:

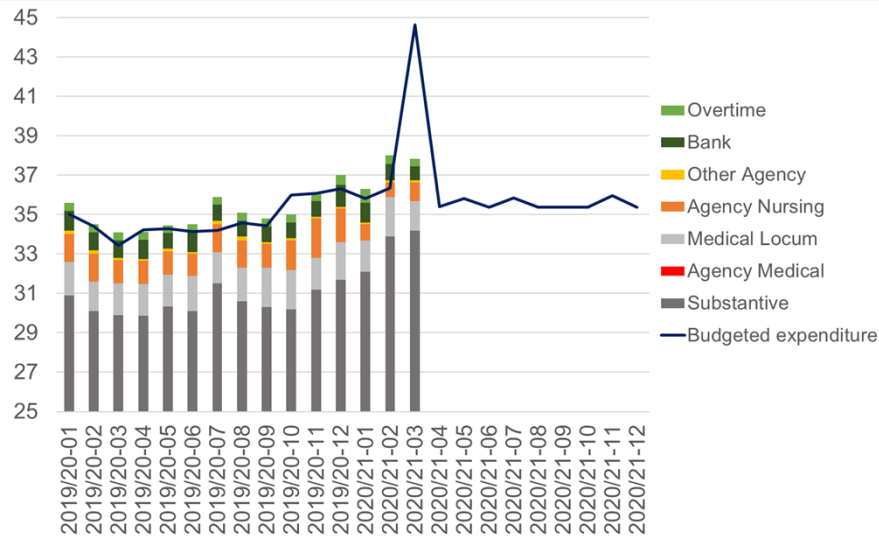
- **Savings non-delivery (£7.9m):** As a direct consequence of COVID-19, directorates have been unable to execute or identify additional savings plans as efforts are re-purposed to respond to the pandemic
- **Other non-pay (£5.0m):** Primarily driven by Premises costs (£5.1m) which are directly attributable to COVID-19 response (with particular reference to the Field Hospital sites)
- **Income (£2m):** As referenced above, income generated from NCA activity has been impacted by the lockdown restrictions (£1.5m); we have also seen a deterioration in income within Hospital sites, due to lower patient numbers accessing commercial and hospitality facilities
- **Prescribing (£1.8m):** See detailed analysis in key subjective summary slides
- **Care packages (£1m):** Additional costs have been incurred due to the expedited discharge of CHC Patients and patients being placed in out of area accommodation
- **Pay (-£4.6m):** See detailed analysis in key subjective summary slides. The month 3 result has seen a significant reduction in pay variance as this is distorted by the full Quarter 1 allocation for COVID-19 additional pay costs (£8.1m)
- **Drugs & Clinical supplies (-£1.8m):** Underspend primarily driven by reduced activity in elective services within Planned Care (-£2.8m) offset by increased spends as a result of COVID-19 (£1.3m)

YTD variance by Subjective (COVID-19 only)



Key Subjective Summary

Pay

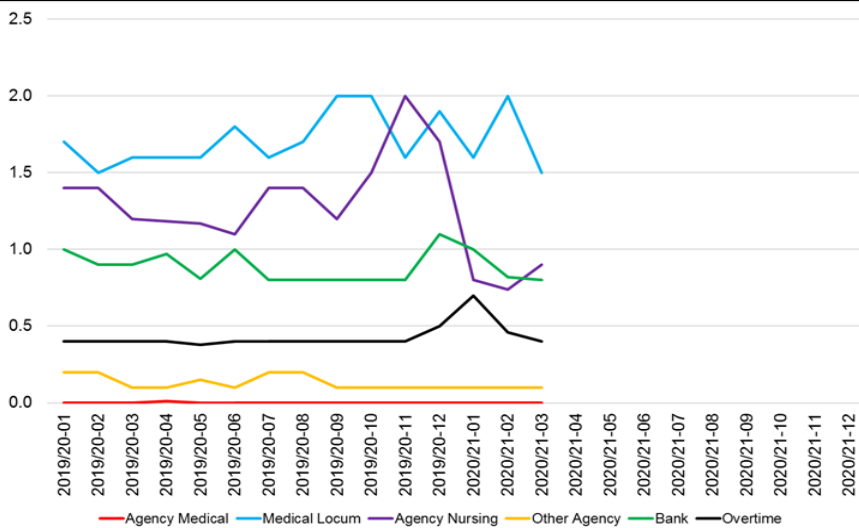


Budgeted expenditure for pay is an outlier compared to all other months in period three 2020/21 due to the WG allocation to retrospectively fund staff related COVID-19 costs incurred during Q1 of this financial year (£8.1m). Actual pay costs have remained relatively static (albeit a slight reduction overall) from period two.

The significant increase in substantive staff costs during 2020/21 is largely driven by the fixed term cohort recruited in response to the COVID-19 pandemic (YTD £3.4m) and by the partial recognition of the Medical and Dental enhancements Pay Circular in response to COVID-19 (YTD £2.0m); the full impact is yet to be quantified based on finalised rosters.

Nurse Agency expenditure continues to be significantly lower than pre-COVID-19 levels (-£0.6m) although this has risen slightly in-month as Nurses deployed to other departments to meet COVID-19 demand are now returning to substantive roles as activity re-commences in some directorates.

Medical locum costs have reduced in month (-£0.5m) due to reduced usage of high cost locums.

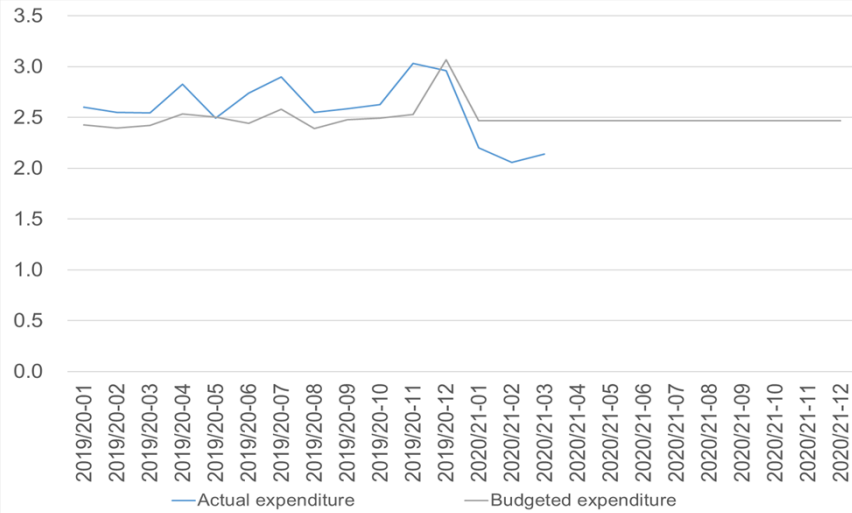


Key Subjective Summary

CHC	The total number of cases decreased in month, mainly due to reduced admissions within Pembrokeshire facilities.
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	<p>A number of expedited discharges from acute settings in response to COVID-19 have resulted in the need to utilise packages of care at a premium rate.</p>
Secondary Care Drugs	Drug spend has increased in period three due to activity re-commencing in a number of directorates, with the main directorates being Oncology (£170k) and Planned Care (£97k).
<p>Actual expenditure</p> <p>Budgeted expenditure</p>	

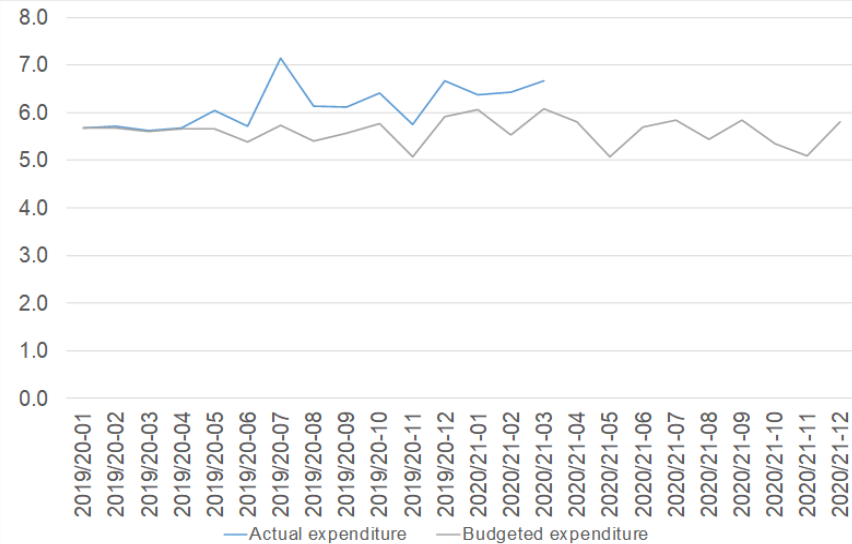
Key Subjective Summary

Clinical Supplies and Services



An in-month increase in Medical and Surgical equipment spend has occurred as activity has re-commenced in a number of directorates across all Acute sites.

Primary Care Prescribing

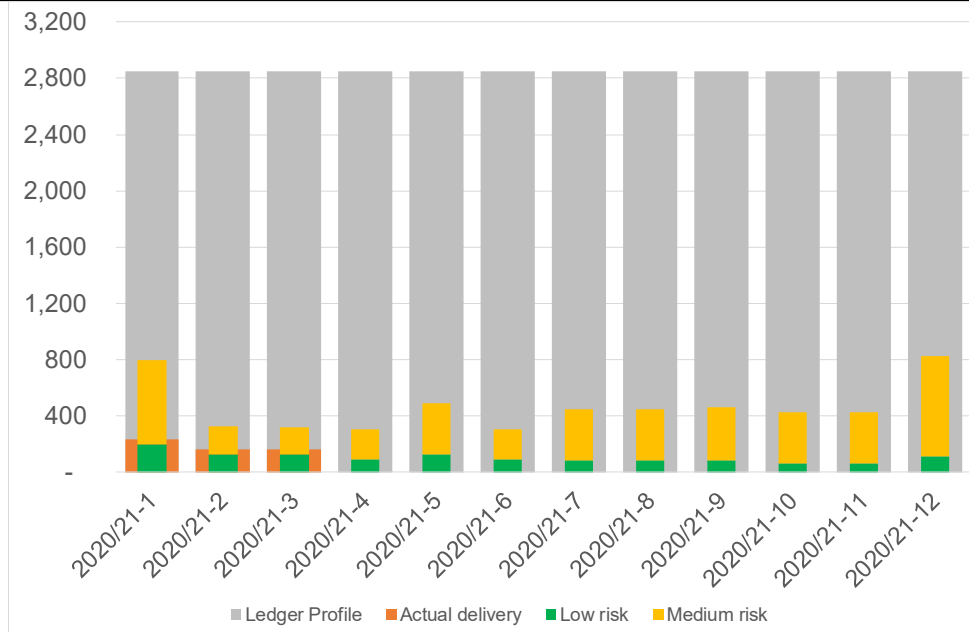


Pressures continue in the Category M outturn following the price increase from August 2019, despite an increase in budget during the 2020/21 financial planning process. The Health Board continues to see an increase in the use of NOACs as a result of the operation of the new NOAC Enhanced Service in GMS.

A further cost pressure has been recognised in Month 3 for the impact of higher levels of NCSO drugs incurred since March 2020.

There is circumstantial evidence indicating that there will be increased costs with DOACs replacing Warfarin in response to COVID-19, however the data to quantify this will not be available until the Month 4 submission.

Risk-assessed directorate savings profile, delivery and forecast



Assurance

- Green and Amber plans of £5.6m identified to Month 3, 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 £0.1m below plan, which is directly attributable to the COVID-19 pandemic.

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.

Next Steps

- 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.
- 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.