

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 23 rd March 2021
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 23rd March 2021, with the following items highlighted:</p> <ul style="list-style-type: none"> • Introductions - being advised that Mr Mike Lewis is due to complete his term in office as an Independent Board Member, and that the meeting on 23rd March 2021 would be the last he attended in his capacity as Vice Chair of the Finance Committee, Members extended their thanks to Mr Lewis for his guidance, valuable contributions and support in conducting the Committee's business throughout his term in office. • Review of Annual Self-Assessment Questionnaire - Members received the Self-Assessment template to be used in the Committee's annual self-assessment exercise for 2020/21, noting that the questions included in the template have been structured in order to elicit qualitative data for analysis to determine the Committee's effectiveness during 2020/21 and to feed in to a process of continuous improvement, and would also be utilised by other Board Assurance Committees. • Finance Report and Financial Forecast Month 11 – the Month 11 (M11) 2020/21 Finance Report was received by the Committee. Members noted a M11 variance to breakeven of £11.8m (M10, £10.7m), and additional costs incurred in M11 due to the impact of COVID-19 of £12.6m. Members were advised that the main driver of the HB's year-end financial position is provisioning, noting a significant increase in pay costs in M12 of between £12m and £15m relating to the accrual of annual leave for 2020/21. Members were further advised that Field Hospital contracts in 2021/22 - in particular, those held with Bluestone Resorts Ltd and Parc y Scarlets - represent 'onerous contracts' in that the aggregate cost necessary to fulfil the agreement is higher than the economic benefit to be obtained from the same. <p>The Committee also received a presentation outlining the HB's end-of-year financial forecast position for 2020/21 as assessed at M11. Members were informed that £30.8m savings requirement included in the 2020/21 Financial Plan are not expected to deliver due to the operational focus being diverted to</p>	

respond to COVID-19, however were assured that the HB remains on course to meet its year-end deficit target of £25m, serving to maintain Welsh Government's (WG's) confidence in the organisation's planning and forecasting ability.

- **Capital Financial Management** – the Capital Financial Management report was received by the Committee, providing an update in regard to the All-Wales Capital Programme, the Capital Resource Limit for 2020/21 and the value of capital expenditure currently committed to deal with the COVID-19 pandemic for 2020/21. Members were advised that mitigations have been implemented to address the risk posed to delivery of the HB's CRL by further WG funding, including the delay of IT licence purchases and a delay in the disposal of the Cardigan Health Centre to early April 2021 in order that the capital receipts from the sale would be available in 2021/22 and could therefore be used for projects in the new financial year. Members were advised that a business case would be re-submitted to WG for the Cross Hands Health and Wellbeing Centre scheme by April 2021, and were assured that there is no risk to the scheme's progress. Members were informed that the HB is liaising with WG and Local Authorities to ensure that Integrated Care Funding is carried forward into 2021/22. Members were also informed that while WG funding allocations at this point in the financial year represent a challenge in terms of impacting the HB's capital forecast trajectory, assurance could be taken that all efforts would be made to ensure that further allocations would be spent as effectively as possible, with arrangements in place between Finance, Procurement, and Estates & IT Teams to monitor the CRL on a daily basis.
- **Corporate Risks** – the Committee received the Finance Corporate Risks report, providing a summary of principal risks which have been extracted from the Datix database and assigned to the Finance Committee for assurance purposes. Members noted the de-escalation of 2 corporate risks relating to the delivery of the Financial Plan for 2020/21 and the risk that the HB would breach its Capital Resource Limit in 2020/21, and were advised regarding the identification of an emerging risk relating to the delivery of the Financial Plan for 2021/22.
- **Healthcare Contracting Update** – the Committee received a report outlining the HB's approach to contracting in 2021/22 and providing an update regarding pan-Wales discussions intended to support the development of a common approach to contracting in the new financial year. Members were informed of a consensus among other Welsh Health Boards to remain on block contracting arrangements for Quarter 1 and Quarter 2 of 2021/22, with HDdUHB representatives advocating a firm commitment to leaving block contracting arrangements in Quarter 2, and recommending agreement that a monthly review would be undertaken throughout 2021/22, or for as long as required, to assess the appropriate approach for each forthcoming quarter. Concern was noted regarding an anticipated increase in activity associated with the start of the post-COVID-19 recovery, which would require payment of premiums once Health Boards come off block contracting arrangements; the need to explore future commissioning opportunities, utilising partnership

arrangements to best advantage in securing healthcare services for the HB's population was also highlighted.

- **Draft Financial Enabling Plan 2021/22** – the Committee received a report presenting the HB's Draft Financial Enabling Plan and accompanying Minimum Data Set for the financial year 2021/ 22, comprising the Finance component of the overall integrated HDdUHB Annual Plan. Members were advised of high levels of uncertainty in planning and funding assumptions, which has presented a significant challenge to all corporate functions within the HB and constrained the organisation's ability to assess the cost implications arising from the pandemic, resulting in a 'forced' view of the financial position which is based upon a 'non-COVID-19' baseline. The Committee was informed that the HB's starting financial position for 2021/22 stands at a deficit of £57.4m, comprising the 2020/21 deficit figure of £25m plus unachieved recurrent savings for 2020/21 of £32.4m, and advised of a savings requirement of £16.1m, which is aligned to the HB's six strategic priorities, and represents a sustainable challenge in terms of how much the HB can reasonably expect to deliver in 2021/22. Members were further advised that there is as yet no indication of any WG funding or consequential funding from Department of Health allocations available to offset against the deficit, with the size of the starting deficit, which reflects significant cost pressures in the system, clearly indicating a need to take a step-change, rather than a turnaround approach to reducing the figure, which will necessarily include re-configuration of services provided by the HB. Members were assured that detail relating to how Transformation and Cluster funding would feed into the recovery of services in 2021/22 would be included within the plan, and that spending upon Mental Health services would also be factored in to the 'Transformation' section. A requirement to factor flexibility into workforce planning was recognised in discussions, with Members noting there remains a significant amount of work to be undertaken system-wide in respect of managing patient flow through acute hospital sites and in shifting healthcare towards community services. Having discussed activity and modelling assumptions, effective use of available bed capacity, future staffing requirements and the extent to which delivery of £16m savings in 2021/22 is built into the HB's Route Map to Financial Balance, Members agreed that the Enabling Plan provided a clear summary of the planning elements involved.
- **Value from Investment in Clinical Equipment** – the Committee received a report illustrating areas where investment in medical equipment has been made and justifying the case for this investment in order that the HB may ensure compliance with statutory and audit requirements, thereby reducing the risk of potential harm to both staff and patients and enabling greater resilience in service provision through possession of sufficient equipment resources. Members were advised that the expenditure incurred during the year on medical equipment is below the capitalisation threshold, and had been approved verbally by the Executive Team, with the paper being submitted for formal confirmation of approval to Executive Team on 24th March 2021, and noted in the Financial Report to the Public Board on 25th March 2021.
- **NWSSP Performance Report** – the Committee received a report presenting summary performance data in respect of the services provided by NHS Wales

Shared Services Partnership for the quarter ended 31st December 2020 (Quarter 3 2020/21). Members expressed concerns regarding the suitability and applicability of the key performance indicators included within the report, and were advised of opportunities for the HB to engage with NWSSP in revising and changing these.

- **Financial Procedures** - Members reviewed and approved the following financial procedures:
 - Tax Status of Workers – with the inclusion of an element relating to Workforce & OD sign off in the flowchart relating to the HDdUHB Tax Status Disagreement process.
 - Custody of Safe Keys.
- **Update from Agile Digital Business Group Meeting** - the Committee received, for information, a report of discussions and outcomes from the meeting of the Agile Digital Business Group held on 5th March 2021.
- **Monitoring Returns – Month 11** – the Committee received, for information, the HB's Monitoring Returns for Month 11, as submitted to WG.

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

No issues requiring Board level consideration or approval were discussed.

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

- £32.4m unachieved recurrent savings for 2020/21, which have been added to the 2020/21 deficit figure of £25m to provide a starting financial deficit position of £57.4m in 2021/22.
- A risk of underspend against the forecast year-end deficit and potential impact upon delivery of the HB's CRL target for 2020/21 arising from late WG funding allocations, noting that a handling strategy is in place to address these risks.
- Projected significant additional costs of between £12m and £15m for M12, which are largely due to pay costs for the accrual of annual leave in 2021/22, recognising that this provision represents value for money in mitigating future requirements to utilise agency staff to cover staff leave carried over into 2021/22.
- An emerging risk to the delivery of the HB's Financial Plan for 2021/22, which will be recorded in the Corporate Risk Register, and which will be highlighted to Executives at a Seminar to be held on 17th April 2021 and presented to the next scheduled Finance Committee meeting on 29th April 2021.
- 'Onerous' Field Hospital contracts in 2021/22 - in particular, those held with Bluestone Resorts Ltd and Parc y Scarlets, with provision of upwards of £300k having been made to cover associated costs and, in the case of the Parc y Scarlets site, potential indemnity issues relating to requirements for rectification of the pitch.

Lack of pan-Wales agreement regarding the development of a common approach to healthcare contracting for 2021/22, with a recognition of value for

money concerns linked to block contracts, and a risk of impact upon HDdUHB patients requiring treatment outside the HB should other HBs (as service providers) enter their COVID-19 recovery phase later than HDdUHB.

**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 April 2021 Finance Committee meeting will include the following items:

- Finance Committee Annual Report 2020/21
- Finance Committee objectives for 2021/22
- HDdUHB Procurement Strategy for Community Wealth Building
- Strategy for Social Value Impact
- Schedule of Costs and Decisions – Bluestone and Parc y Scarlets Field Hospitals.

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

29th April 2021

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 April 2021
Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor / Key Decisions and Matters Considered by the Committee:	
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- A significant increase in non-pay costs - the corporate in-month position includes the year end provisions for carry-over of Annual Leave and Medical Study Leave carry-over.

- **Capital Financial Management** – the Capital Financial Management report was received by the Committee, providing an update in regard to the All-Wales Capital Programme, the Capital Resource Limit for 2020/21 and the value of capital expenditure committed to deal with the COVID-19 pandemic for 2020/21. Members noted an unaudited expenditure position for the year of £35.483m, representing an under-spend of £0.6m against the CRL, and were advised of a significant increase in capital spend at M12 (£12.07m), noting work undertaken by teams across the HB to ensure that the HB's capital resource is spent as effectively and usefully as possible, and recognising late allocations from WG of nearly £10m.

Members noted that the greatest area of expenditure related to the Women and Children Phase 2 Scheme, noting additional costs of £2.2m for the scheme due to the implementation of social distancing legislation, together with the HB's assumption that WG funding would be available to cover this additional cost.

Members were advised that due to the phasing of some schemes which were approved in 2020/21 and slippage on All Wales Capital schemes, there are a significant amount of pre-commitments on the HB's Discretionary Capital Programme (DCP), currently estimated to be £3.5m, leaving a balance remaining of £3.9m to be allocated within the DCP for all Estates (Statutory and Infrastructure), IT replacement, contingency funding, Business Case Development and medical/ non-medical equipment replacement costs.

Members were assured that checks would be undertaken by the Finance Team to confirm the articulation of risks relating to additional costs for the Women and Children Phase II Scheme and significant pre-commitments on the DCP in the Corporate Risk Register.

- **Financial Appraisal and Committed COVID-19 Costs** – the Committee reviewed the latest financial appraisal of the 2021/22 financial year and the key operational and clinical commitments that have been made during the COVID-19 pandemic, being advised that the 2021/22 financial view is based upon modelling which assumes COVID-19 costs within the system for the first half of the financial year, and underlying COVID-19 costs for the full year. Members were assured that, on the basis of forecasts based upon both non-COVID-19 spending and COVID-19 spending, it is anticipated that the HB will achieve its planned deficit position of £57.4m at the end of 2021/22, while recognising significant risks to the delivery of this position.

Members highlighted the need for assurance in regard to the corporate will to deliver the savings required, given that the chief proportion of the work required to achieve this would necessarily be undertaken during 2021/22, and that full Executive involvement would be required, Members were advised that if savings are recurrently not addressed, the HB's position at the end of 2022/23 would be impacted by a further £16m.

Members were further advised that the full impact of COVID-19 upon Mental Health (MH) services is beginning to manifest, particularly upon Children and Young People's MH services. Given the likelihood of significant future demand upon MH services, and being advised that the challenge to MH service provision lies not so much with finance as in securing the staff required to deliver these services, Members agreed that this should be raised as a concern at Board, particularly the potential demand for Children's MH services.

- **Risk to the Delivery of the Draft Interim Financial Plan 2021/21** – the Committee received a report detailing the rationale for the current and target risk scores assigned to an emerging risk to the delivery of the HB's Financial Plan for 2021/22 and providing an assessment of the relevant controls, including the issue on behalf of the Chief Executive of an Accountability Letter to Budget Managers. Members were informed that the current risk score of 12 which has been assigned reflects the fact that the identified trajectory to achieve the planned M12 position would place further pressure on the HB's underlying deficit, and that the target risk score of 8 recognises that while further work is required to refine the forecast, there is a pathway to delivering the position. Members were assured that further key controls relating to this risk would be developed.
- **Healthcare Contracting and Contract Values** – the Committee received a report detailing arrangements for NHS contracting and payment during 2021/22, being advised that following all-Wales negotiations and discussion relating to the approach to contracting to be adopted, it is now envisaged that the HB's Long Term Agreements would be likely to remain on a block arrangement for the whole year. Members were advised that this represents a simplified approach which provides opportunities to explore qualitative issues, including the development of an understanding of patient flow and access in order to reduce treatment waiting lists wherever possible, and to improve data-sets and data-sharing processes.

Members were assured that a quarterly review of waiting lists for Hywel Dda patients receiving treatment in other Welsh Health Boards, and the outcomes of treatments commissioned by the HB, would be provided to the Committee, and took further assurance from the focus upon contracts by all Wales DoFs, which would serve to maintain an impetus within the system to develop a contracting approach which best supports the HB's needs.

Members noted that the Board would be asked to provide its approval for 'sign-off' of the contract values presented in the report at its meeting on 27th May 2021.

- **SMART Medical Equipment Investment** – the Committee received a report describing the improvements in patient outcomes and operational and financial performance arising from investment in SMART medical devices, which offer solutions for operational health challenges within the HB and support the development of proactive, digitally enabled care models which deliver better care and value for patients. Members were advised that opportunities to use non-recurrent funding to stimulate investment in SMART equipment would be explored. The Committee commended the HB's exemplary work in promoting the adoption of technology enabled healthcare and confirmed its support, both for the initiatives described and for the HB's ambitions to develop the use of networked medical devices.

- **Strategy for Social Value Impact** – The Committee received a report summarising the various elements comprising the HB’s Social Value strategy, which is currently being finalised, and which articulates the HB’s ambition to target its nearly £1bn of annual expenditure to improve wider social impacts and to support the foundational economy. Members were informed that the HB has commissioned the Social Value Portal to support improvements through undertaking a detailed needs analysis of the HB’s three localities, including assessment of the socio-economic features of the wards in each of the three LA areas, which will inform targeting of the HB’s recruitment and apprenticeship schemes, and through engaging with a range of colleagues in order to identify current policies and working practices that have the greatest impact upon driving social value.

Members were informed of discussions currently being held with Aberystwyth University regarding the establishment of a Professorial Chair in Rural Health Economics and plans to set up joint funding with Betsi Cadwaladr and Powys Teaching Health Boards to support in-depth studies into aspects of economic analysis to better understand the ways in which the HB can deliver improved social and economic value.

- **Schedule of Costs – Bluestone and Parc Y Scarlets** – As requested by Members at the Finance Committee In Committee session on 23rd March 2021, the Committee received a report providing a Schedule of Costs relating to both Bluestone and Parc-Y-Scarlets Field Hospitals which have attracted the most significant and notable financial liabilities. Costs were grouped under the main headings of construction/ commissioning costs, rental payments, decommissioning costs and ‘other material costs’, with direct costs to the site providers being presented separately. Members were advised that this schedule of costs had been brought into the public domain in the interests of transparency, recognising that costs relating to Bluestone and Parc-Y-Scarlets have been the subject of recent enquiry.
- **Balance Sheet** - the Committee received, for information, a report detailing the HB’s Balance Sheet position at the end of the financial year 2020/21, together with a Power BI analysis of the M12 position. Members were advised that there is increased assurance on the part of WG regarding the HB’s control of its reserve position, as compared with its assurance 18 months previously, based upon the letters received in response to the HB’s monitoring returns.
- **Ministerial Directions** – the Committee received, for information, a status update and assurance that all NHS Non-Statutory Instruments (Ministerial Directions) received from WG in 2020/21 have been implemented or adopted by the HB.
- **Post Brexit VAT and Customs Duty Accounting** - the Committee received a report outlining the implications of the UK’s withdrawal from the EU for import VAT purposes, and describing how changes relating to new special arrangements that Her Majesty’s Revenue & Customs (HMRC) has put in place to ease the potential administrative burden on UK organisations would impact the HB and its VAT accounting processes. Members were assured that the HB has arrangements in place to address VAT issues and that the inclusion within the

HB's Finance Team of a Tax Accounting expert has greatly assisted in terms of improving the organisation's relationship with HMRC, and in precluding requirements to engage with external consultants in relation to tax accounting matters.

- **Mutual Aid** – The Committee was informed under 'Any Other Business' that in response to a request for Mutual Aid to support the response to the COVID-19 crisis in India made via the NWSSP, HB Executives have agreed to provide - subject to Gold Command approval - 450 Oxygen Concentrators (to the value of £592k), with the possibility that CPAP (Continuous Positive Airway Pressure) machines would also be made available by the HB.

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

- Board approval requested for 'sign-off' of the contract values for 2021/22, as presented to the Finance Committee.

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

- A significant increase in non-pay costs. The corporate in-month position includes the year-end provisions for carry-over of Annual Leave and Medical Study Leave carry-over, both of which may result in requirements for increased use of agency staff, and leave taken in 2021/22, resulting in a level of challenge to the delivery of services. Members recognised the benefits of this leave provision in terms supporting staff morale and wellbeing, and were assured that allowing staff to take payment of up to 5 days in lieu of leave (funded by WG) would provide a level of mitigation against staff leave absence and increased agency costs. Members were further assured regarding the working assumption that the leave allowance of 20 days would be split evenly between the 2 years allocated to take this leave, which would level out any associated impact.
- A significant amount of pre-commitments on the HB's Discretionary Capital Programme (DCP), currently estimated to be £3.5m, leaving a balance remaining of £3.9m to be allocated within the DCP for all Estates, IT replacement, contingency funding, Business Case Development and medical/ non-medical equipment replacement costs. The articulation of these risks in the Corporate Risk Register will be followed up by members of the Finance Team.
- Additional costs of £2.2m for the Women and Children Phase 2 Scheme, due to the implementation of social distancing legislation, recognising a degree of certainty in the HB's assumption that WG funding will be available for additional costs.
- The impact of COVID-19 upon the HB's ability to deliver required savings, given the non-recurrent status of all COVID-19 funding in 2020/21, recognising that the HB is not recurrently addressing its savings requirements, and that if savings are not addressed, the HB's position at the end of 2022/23 will be impacted by a further £16m. Members were assured that, on the basis of forecasts based upon both non-COVID-19 spending and COVID-19 spending, it is anticipated that the HB will achieve its planned deficit position of £57.4m at the end of 2021/22.

- The likelihood of significant future demand upon MH services, which is beginning to manifest - particularly upon Children and Young People's MH services, recognising that the challenge to MH service provision lies not so much with finance as in securing the staff required to deliver these services. This is reflected in a more general risk to the HB's service development arising from its capacity to recruit staff, in addition to financial constraints. Members agreed that the potential demand upon MH services should be highlighted to the Board.
- A new Corporate Risk to the delivery of the HB's Draft Interim Financial Plan for 2021/22, which will be recorded upon the Corporate Risk Register. While the assigned risk score of 12 reflects the fact that the identified trajectory to achieve the planned M12 position will place further pressure on the HB's underlying deficit, the target risk score of 8 recognises that while further work is required to refine the forecast, there is a pathway to delivering the position. Members were assured that further key controls will be developed to manage this risk.

**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 April 2021 Finance Committee meeting will include the following items:

- Finance Committee Self-Assessment 2020/21 Outcomes
- Finance Committee Tracking Dashboard
- Draft Annual Accounts 2020/21

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

25th May 2021