

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 30 th November 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 30th November 2020, with the following items highlighted:</p> <ul style="list-style-type: none"> • Finance Report and Financial Forecast Month 7 – the Month 7 (M7) 2020/21 Finance Report was received by the Committee. Members were advised of a deterioration in the variance to breakeven position of £8.4m (M6: £5.5m), which is due to recognition of the year-to-date (YTD) costs of supporting Adult Social Care providers in response to the COVID-19 pandemic, additional Field Hospital set-up costs and a return to previous pay run rate following the release of an over-provision for the Welsh Government (WG) pay circular in relation to medical enhancements in M6. Members were informed that the in-month reported position reflects breakeven against a deficit plan of £2.1m, after utilising the required balance of WG funding to mitigate costs resulting from the COVID-19 pandemic, and having offset the cost reductions recognised due to reduced operational activity levels. The YTD variance to breakeven is therefore £14.6m, in line with the planned deficit. • The Committee received a presentation outlining the HB's end-of-year financial forecast position for 2020/21 as assessed at M7, and was advised that, following confirmation of additional funding from WG, the Health Board (HB) is currently forecasting to deliver the planned deficit of £25m (noting also a potential underspend against this target) while recognising risks to the position arising from winter planning, reinstating elective services, and any unprecedented further impact of the pandemic that represents both opportunity and risk to the planned deficit. Members were informed that the HB is planning to utilise available funding streams to mitigate these risks (recognising a level of variability in funding streams shared with Local Authority partners) and were cautioned that the financial forecast is dependent on assurances provided by a range of teams across the HB and across the Regional Partnership Board regarding the drivers of spend, and 	

there is a risk that these assurances do not reflect future expenditure profiles and that the financial outturn differs from the current forecast.

- **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 (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 the CRL has been reduced in M7 to accommodate in-year slippage of £1.07m on the Women and Children Phase II scheme and a transfer of £0.32m to NHS Wales Informatics Service for the All Wales Critical Care Information System, and that a further allocation of £2.1m from WG for COVID-19 capital schemes has reduced the funding gap for schemes proposed in response to COVID-19 from £14.4m to £12.3m. Members were informed that a decision has been made by WG that the HB may keep allocations from the sale of Cardigan Hospital (£0.45m) and Cardigan Health Centre (£0.3m), and that WG has issued a funding letter for the HB's Emergency Department Streaming Units, which the organisation is currently progressing using its Discretionary Capital Programme.
- **Healthcare Contracting Update** – the Committee received a report outlining the HB's approach to contracting in response to the COVID-19 pandemic and detailing areas subject to ongoing work by the Healthcare Contracting Team to ensure that robust contract management and Value for Money principles are employed throughout 2020/21. Members were advised that a volatile position in regard to the HB's healthcare contracting income and expenditure positions is driven by High-Cost Drugs, the contract held with Welsh Health Specialised Services Committee and expenditure upon Non-Contracted activity, and were informed that national discussions are ongoing regarding the continuation of block contracting arrangements for 2021/22.
- **Operational Risks** – the Committee reviewed a summary of 15 operational risks which have been extracted from the Datix database and assigned to the Finance Committee as the 'Assuring Committee'.
- **Value Based Healthcare** – the Committee received a report and presentation detailing the development and implementation of HDdUHB's Value-Based Healthcare (VBHC) Programme. Members were informed that VBHC involves a different approach to gathering patient feedback, enabling the routine capture of information relating to patient outcomes via digital systems (such as DrDoctor), as opposed to the historic 'linear' approach involving the periodic issue of surveys and questionnaires, and as such, informs thousands of decisions relating to the delivery of care and support on a daily basis. Members were also informed that HDdUHB is the first Health Board in Wales to run a dedicated education programme to support the implementation of VBHC, and were assured that regular reviews of the roll-out of VBHC within the HB are to be included in the Committee's work plan.
- **Opportunities Framework** – the Committee received a report detailing the focus of opportunity identification, which now incorporates high level strategic opportunities to address key factors contributing to the HB's deficit. Members

were advised that while the original purpose of the Opportunities Framework had been to challenge the HB to improve financial performance, and was based mainly upon the identification of technical and operational efficiencies, its scope has now widened to focus upon the allocative efficiency of the HB's resources, given that the organisation's medium-term strategy includes a step-change in the dedication of resources, based, for example, upon out-of-hospital care. Members were advised of key factors which will influence the way in which the HB operates - progression and implementation of the HB's Digital Programme, a review of patient pathways based upon value, and increased flexibility among the HB's workforce – and noted the risk that the HB will continue to accrue large deficits until such time as any large-scale transformative change is implemented.

- **Route Map to Financial Balance** – the Committee reviewed a schematic representation outlining key drivers of the HB's deficit, together with related service and financial implications and proposed solutions, which summarises the organisation's plans to achieve financial balance over the medium-to-long term. Members were informed that no changes had been made to the Route Map since its previous inclusion for review in the Finance Committee In Committee meeting held on 29th September 2020, and recognised that the Route Map will be subject to ongoing development and refinement, Members agreed that it will be presented at the next Finance Committee meeting on 22nd December 2020.
- **Commissioning Group Terms of Reference** – the Committee reviewed the Terms of Reference for the Commissioning Group, which will be included in the HB's Corporate Governance structure as a sub-group of the Finance Committee, being advised that the Group also links to the Quality, Safety and Experience Assurance Committee. Members agreed the Commissioning Group's Terms of Reference, and noted that updates from the Group's monthly meetings will be included on the Finance Committee's work plan.
- **Parc Y Scarlets Barn Field Hospital Underlease** - the Committee received, for information, a paper which had been presented to the Board at its meeting on 26th November 2020 in order to seek ratification of the Underlease with Carmarthenshire County Council in the use of the Parc Y Scarlets Barn FH facility. Members were advised that, due to time constraints, HDdUHB Chair's Action had been sought and taken on Friday 6th November 2020 to request approval by the Board of the Head Lease and Underlease.
- **Monitoring Returns – Month 7** – The Committee received, for information, the HB's Monitoring Returns for Month 7 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 matters requiring Board level consideration or approval were raised.

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 costs, reinstating elective services, and any unprecedented further impact of the pandemic.
- The financial forecast is dependent on assurances provided by a range of teams across the HB and across the Regional Partnership Board regarding the drivers of spend; there is a risk that these assurances do not reflect future expenditure profiles and that the financial outturn differs from the current forecast.
- A risk that the HB may underspend against the planned deficit of £25m, noting that the indicative flexibility range at M7 stands at £4m, and that the deficit figure of £25m agreed with WG is based upon the expectation that HB resources are managed as closely as possible to meet this indicative flexibility.
- 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, and 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.
- A risk that the HB will continue to accrue large deficits until such time as any large-scale transformative change is implemented.

**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 December 2020 Finance Committee meeting will include the following item:

- Managing Year-End Forecast

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

22nd December 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 22 nd December 2020
Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor / Key Decisions and Matters Considered by the Committee:	
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- **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. The Committee was assured that the HB remains on course to meet its capital targets and was informed that, while there remain schemes which the HB would wish to progress but is unable to realise due to capital restraints, there is a possibility of further central funding for medical devices and for healthcare arrangements across Digital and Estates portfolios. Members were informed that two additional allocations have been made for Digital Eye Care (£287k) and for Energy and Decarbonisation schemes (£255k), and were assured to note that the balance of capital risk of £840k which had been reported in the M8 Monthly Monitoring Return to WG would be reduced by a further tranche of COVID-19 funding (£459k), leaving a balance of £381k. Members were further assured that any opportunities to progress schemes within the available capital resource would be progressed.
- **Corporate Risks** – the Committee reviewed a summary of 3 corporate risks which have been assigned to the Finance Committee as the ‘Assuring Committee’. Members were advised of changes in the scores allocated to these risks since they were reviewed by the Committee at its meeting held on 29th September 2020 which reflect the challenge to the delivery of savings, WG confirmation of non-recurrent funding to support the financial impact of the pandemic, cost reductions driven by lower patient activity, and a reduction in the balance of capital risk. Members were advised that the HB has developed a risk dashboard which will enable interactive interrogation of all risks and provide detail regarding how these manifest at corporate and operational levels, and were informed that the dashboard would be circulated to Committee Members.
- **Digital Planning** – the Committee received a verbal update identifying the outcomes from a meeting of the Agile Digital Business Group (ADBG) which was held during the week commencing 14th December 2020. Further updates regarding current and planned digital projects were also provided to Members, and it was agreed that further detail of the work undertaken on the integration of digital technology within Bronlais General Hospital in conjunction with Lightfoot Solutions would be included within a Digital Response Plan report to be presented at the next Finance Committee meeting on 26th January 2021. Members’ attention was directed to a material risk currently sitting with the People, Planning and Performance Assurance Committee which relates to the management of corporate and medical records, and informed that addressing this risk would incur a significant cost to the organisation. Members were advised that, given the risk of maintaining and storing hard copy records, Finance Committee must obtain a clear picture of the issues involved, and it was confirmed that a proposal to address the management of these records would be presented to the Committee at its meeting on 23rd March 2021.
- **Finance Plan 2021/22** – the Committee received a verbal update regarding the HB’s Financial Plan for 2021/22, being advised that while the budget for 2021/22 had been set by WG, detailed planning would commence following confirmation of the HB’s allocation. Members were informed that the financial uplift from WG would be in the region of £400m, although it is as yet unclear

how this funding would be allocated, and were advised of WG approval of funding of £1m over a 3-year period to support the development and implementation of Value-Based Healthcare (VBHC) schemes within the HB, recognising that HDdUHB is currently leading in this area. Members were further advised of WG's intention to separate baseline funding from funds allocated to support the HB's response to the COVID-19 pandemic, with the latter funding stream specifically designated for the vaccination programme, COVID-19 testing, a sites cleaning programme, and Quarter 1 and Quarter 2 recovery plans.

- **Route Map to Financial Balance** – the Committee received a presentation summarising the latest iteration of the HB's plans to achieve financial balance over the medium-to-long term, and were informed that external support had been received by the Finance Team in order to consolidate learning points from transformational, workforce, digital and VBHC planning in order to add further detail to the outline structure of the Route Map. Members were advised that a further iteration would be presented to the Committee at its next meeting on 26th January 2021, focusing upon value-based, digital and workforce components. Members' attention was drawn to the development of the HB's long-term financial and workforce models, which will address the historical disconnect between workforce, financial and operational planning, and noted that the workforce model would be linked to work undertaken by Lightfoot Solutions in order to better understand and model the impact of healthcare demands upon workforce capacity, recognising that the HB's financial deficit has historically been largely driven by a workforce deficit which has in turn been actuated by operational decisions.
- **NWSSP HB Summary Performance Report Q2** – the Committee received a report containing summary performance data in respect of the services provided by NHS Wales Shared Services Partnership (NWSSP) for Quarter 2 2020/21. Members were informed that the performance scores against many key indicators for services provided to HDdUHB, as shown in the report, do not reflect normal working processes and behaviour across the organisation, being driven by the HB's response to the COVID-19 pandemic. The Committee noted that 96% of the HB's spending is directed via shared services, and was advised that challenges in capturing the outcomes of this spending would be addressed through work planned with Board Secretaries to establish an Assurance Steering Group which will explore a means of gaining assurance from the work undertaken by shared services.

Finance Team Transformation – Internal Audit Report - the Committee received a report detailing the findings of a review undertaken by NWSSP evaluating the progress made in the restructure and transformation of HDdUHB Finance Directorate. Members were advised that the audit report had been reviewed by the Audit and Risk Assurance Committee at its meeting on 15th December 2020, where it had been agreed that the report be presented to Finance Committee in order to provide assurance to Members regarding the progress achieved in transforming the Finance Directorate.

- **Update from Commissioning Group Meeting** - the Committee received an update regarding outcomes and discussions arising from the inaugural meeting of the Commissioning Group held on 14th December 2020. Members were advised that discussion had been held around the level of support

required for the proposed Vanguard solution at Prince Phillip Hospital and the management of the fees structure for Continuing Healthcare (CHC), recognising the need to commission CHC with clear outcomes, particularly given that the HB spends in the region of £59m upon these services. Members were also informed of the Group's agreement to review Long Term Agreements, with an initial focus upon the quality of commissioned services and a specific focus upon specialities where there is greatest concern regarding patient experience and fragility, for example the Spinal Surgery pathway agreed with Swansea Bay University Health Board.

- **Strategic Cash Request** - the Committee received a report outlining the process for requesting Strategic Cash Support for 2020/21 and the rationale for the request. Being advised that the HB's request for cash assistance of £16m for 2020/21 assumes the delivery of the current forecast deficit of £25m, Finance Committee supported the HB's request for Strategic Cash Support for 2020/21.
- **Financial Procedures** – the Committee reviewed and approved the following financial procedures:
 - FP084: Oracle E Business Suite System Access and General Ledger Security
 - FP420: Charitable Funds Financial Governance and Administrative Procedure 2020

Members discussed the governance of the Charitable Funds Committee (CFC) and its remit to approve its own procedures, and it was agreed to seek clarification of certain elements of current arrangements between the HB and the CFC from the Board Secretary.

- **Monitoring Returns – Month 8** – the Committee received, for information, the HB's Monitoring Returns for Month 8 as submitted to WG.
- **Contract with Bluestone Resorts Ltd (Any Other Business)** – the Committee's views were sought in regard to the organisational response to a request from Bluestone Resorts Ltd that the HB pay an advance element of the £3.5m re-instatement funds agreed in order to cover their costs, including the purchase of equipment. Members were advised that further discussions relating to this request would be held with Bluestone Resorts Ltd, and that an options and risk appraisal paper to support the HB's decision would be presented to a Finance Committee In Committee session to be held on 26th January 2021.
- **EU Exit Impact upon Supply and Costs (Any Other Business)** – the Committee was advised of potential restrictions in the supply of medical devices and other equipment arising from EU-exit trade deal negotiations and from recent border controls imposed in response to the COVID-19 pandemic. Members were assured that robust measures have been put in place by the HB with NWSSP and through mutual aid arrangements with other Health Boards to mitigate any impact to the supply chain, and were informed that the greatest impact of EU exit would be upon costs after 31st March 2021, which could increase significantly in the event of a no-deal exit.

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

No matters requiring Board level consideration or approval were raised.

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

- A £30.8m savings requirement included in the Financial Plan is not expected to be delivered due to the diversion of operational focus in response to COVID-19. Discussions are on-going regarding the implications of this for funding in 2021/22, and for the HB's underlying deficit.
- A significant increase in the HB's expenditure profile is forecast for future months, relating to a delay in Local Authority invoicing for Test Trace Protect and Integrated Care Fund schemes, the HB's required contribution to the Welsh Risk Pool, Field Hospital decommissioning costs, required HMRC provisions, bed and equipment replacement costs and the HB's investment in Delta Wellbeing services. Additional PPE costs, arising from increased prices, are also anticipated to continue for some months.
- There is no further funding available from WG for specific investment in COVID-19, should additional capital cost be incurred to deal with the HB's response to the pandemic and social distancing requirements.
- A material risk relating to the management of corporate and medical records, recognising that addressing the risk inherent in maintaining and storing hard copy records will incur a significant cost to the organisation. A proposal to address the management of these records will be presented to Finance Committee at its meeting on 23rd March 2021.
- Potential restrictions in the supply of medical devices and other equipment arising from EU-exit trade deal negotiations and from recent border controls imposed in response to the COVID-19 pandemic, and the impact of EU exit upon device and equipment costs after 31st March 2021, which could increase significantly in the event of a no-deal exit.

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 January 2021 Finance Committee meeting will include the following items:

- Procurement Analysis – Centre for Local Economic Strategies Report
- Long Term Financial and Workforce Models
- Procurement of Haematology and Coagulation Managed Service Agreement, seeking Finance Committee's support to proceed with the procurement of Haematology and Coagulation equipment, reagent and consumables via a Managed Service Agreement. The recommendation will require Board approval, and further sign-off at Welsh Government level due to the total contract value being greater than the £1,000,000 threshold.

Dyddiad y Cyfarfod Nesaf / Date of Next Meeting:

26th January 2021