

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE
HELD ON 6th JANUARY 2021
VIRTUAL MEETING via TEAMS**

Present:

Dr Rhian Thomas	RT	Chair, Independent Member – Capital and Estates
John Union	JU	Independent Member - Finance
Charles Janczewski	CJ	Board Chair
Abigail Harris	AH	Executive Director of Strategic Planning
Andrew Gough	AG	Assistant Director of Finance
Chris Lewis	CL	Interim Director of Finance
Nicola Foreman	NF	Director of Corporate Governance
Ruth Walker	RW	Executive Nurse Director

In Attendance:

Secretariat:

Paul Emmerson	PE	Finance Manager
---------------	----	-----------------

Apologies:

Len Richards	LR	Chief Executive
Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
Steve Curry	SC	Chief Operating Officer

FC 20/118	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 20/119	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 20/120	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 20/121	MINUTES OF THE COMMITTEE MEETING HELD ON 25th NOVEMBER 2020	

	<p>The minutes of the meeting held on 25th November 2020 were reviewed and confirmed to be an accurate record.</p> <p>Resolved – that:</p> <p>The minutes of the meeting held on 25th November 2020 were approved by the Committee as an accurate record.</p>	
FC 20/122	<p>ACTION LOG FOLLOWING THE LAST MEETING</p> <p>FC 20/101& FC/110 - Forecast to Break-even. A monthly forecasting graph is to be included in future finance performance reports. The graph should include any unfunded costs arising from the management of COVID 19. For the month 8 report, the monthly forecasting graph would be amended to report performance against forecast from month 6 to year end for future months.</p> <p>It was noted that this action had been completed and that an amended monthly forecasting graph which showed the position from month 6 onwards was included in Month 8 Finance Report.</p> <p>Resolved – that:</p> <p>The Finance Committee received the Action Log and noted that the monthly forecasting graph included in Month 8 Finance Report had been amended to report performance against forecast from month 6 to year end for future reports.</p>	
FC 20/123	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 20/124	<p>FINANCIAL PERFORMANCE MONTH 8</p> <p>The Assistant Director of Finance briefly summarised the key points within the Month 8 Finance Report and informed the Committee that at month 8, the UHB had reported a year to date underspend of £0.461m following an in month operational surplus of £0.099m and that the reported position included net expenditure of £99.759m arising from the management of COVID 19 which was offset by an equal amount of Welsh Government COVID 19 funding.</p> <p>Two of the eight measures on the Finance Dashboard remained RAG rated red namely: the reduction in the underlying deficit to £4m and the delivery of the recurrent £25m 3% devolved savings target. Performance against the targets to remain within the revenue resource limit; to deliver the £4m non recurrent savings target; to remain with the cash limit; to meet the creditor compliance payment target; to maintain a positive cash balance; and to remain within the capital resource limit continued to be RAG rated green.</p>	

The Assistant Director of Finance reported the cumulative financial performance and highlighted that the additional COVID 19 related expenditure was £103.496m at month 8.

COVID 19 was also adversely impacting on the UHB savings programme where there was an underachievement of £12.372m against the month 8 target of £19.417m. The shortfall in savings was expected to continue until the COVID 19 pandemic passed.

Elective work had been significantly curtailed during the first 8 months of the year as part of the UHB response to COVID 19 resulting in a fall in non pay costs and this was the main reason behind a £15.689m reduction in planned expenditure. In addition there had been slippage of £1.420m against planned investments including WHSCC. It was noted that given the curtailment of non-urgent operating and outpatient appointments during the 2nd wave that the slippage was expected to continue into the final quarter of the year.

The Assistant Director of Finance moved onto performance against income, pay and non pay budgets and indicated that the position at month 8 represented a progression of the trends established in the first 7 months of the year

Turning to the financial forecast for 2020/21 the Assistant Director of Finance referred to table 9 of the written report which outlined that the additional costs of managing Covid 19 were expected to continue and that the net expenditure arising as a result of COVID 19 was expected to increase from the £98.759m reported at month 8 to a cumulative total of £155.493m at the year end and this was expected to be matched by the same amount of additional Welsh Government funding based upon the resource assumptions set out in the NHS Wales Operating Framework 2020/21 for Q3 and Q4. The UHB's non COVID operational position was expected to remain broadly balanced as the year progressed and the UHB expected to meet its break even duty in 2020/21. Further detail of the £155.493m additional Welsh Government funding was provided at table 10 of the written report.

The UHB Chair (CJ) noted that the year end forecast assumed that Welsh Government would provide funding of £2.7m to support the continuing provision of services from the Independent Sector and asked what assurance the UHB had that this funding would be confirmed. In response the Interim Director of Finance indicated that the assumption of the further £2.7m of funding had been highlighted in the UHBs Quarter 3/4 plan which had been submitted to Welsh Government and also through the UHBs monthly monitoring return submissions to Welsh Government. At this stage, feedback from Welsh Government supported the assumption of the additional funding.

Moving on, the underperformance against the savings target was highlighted and the Assistant Director of Finance highlighted that the forecast underperformance of £21.3m against the recurrent savings

target was a key issue for the UHB moving forwards as this increased the underlying deficit moving into 2021/22 from the planning figure of £4m to £25.3m.

With reference to the underlying deficit the Finance Committee Chair (RT) expressed some unease and referred to Appendix 6 of the written report and asked whether the new potential recurrent commitments where costs were still to be confirmed were likely to significantly worsen the next year position. In response the Interim Director of Finance indicated that any further additional costs would need to be considered as the first call on the UHB's Investment Reserve.

The UHB Chair (CJ) referred to previous meetings of the Finance Committee, where it had been stated that Welsh Government had set out the resources available to support the COVID 19 response and there was an expectation that the UHB would manage within these resources to deliver a break even position by year end. In this context and in the light of the additional pressures arising from the new wave of COVID infections the UHB Chair (CJ) asked whether the UHB now expected further funding to be provided by Welsh Government to meet the additional pressures. In response, the Interim Director of Finance indicated that some of the additional funding streams for national priorities (e.g. PPE) would be provided in line with actual additional costs incurred. Other allocations such as the UHBs new additional allocation of £50.1m based on a formula share of 13.5% were now fixed. In this situation, there was an expectation that the UHB would flexibly manage its staff and non staff resources to best meet the additional pressures arising from the second wave. There was also a recognition that the availability of appropriate staff regulated the UHBs response and the range of services that it was able to provide in response to the additional pressures. In response to a further query from the Finance Committee Chair (RT) the Executive Nurse Director confirmed that the UHB was using off contract agency nursing staff to cover gaps where appropriate and the Interim Director of Finance confirmed that the UHB was planning to manage services towards year end so that a break even position could be delivered.

Finally, the Assistant Director of Finance confirmed that there were no significant concerns around the UHBs balance sheet and reiterated that the UHB remained on track to meet its PSPP, Cash and Capital Expenditure targets.

In conclusion, the Assistant Director of Finance highlighted that at month 8, the key revenue financial risk is managing the impact of COVID 19 within the additional resources provided.

Resolved – that:

The Finance Committee **noted** the month 8 financial impact of COVID 19 which is assessed at £98.579m;

	<p>The Finance Committee noted the additional Welsh Government funding of £98.579m assumed within the month 8 position;</p> <p>The Finance Committee noted the month 8 reported financial position being a surplus of £0.461m;</p> <p>The Finance Committee noted the breakeven position which assumes additional Welsh Government funding of £155.493m to manage the impact of COVID 19 in line with quarter 3&4 planning assumptions;</p> <p>The Finance Committee noted the risks that are being managed on the capital programme;</p> <p>The Finance Committee noted the revised forecast 2020/21 carry forward Underlying Deficit is £25.3m and the risks identified that, if not managed, could increase this.</p>	
<p>FC 20/125</p>	<p>FINANCE RISK REGISTER</p> <p>The Assistant Director of Finance (AG) presented the Finance Risk register.</p> <p>The two remaining extreme risks were noted as being:</p> <p>Fin01/20 – Reducing underlying deficit from £11.5m to £4.0m in line with IMTP submission.</p> <p>Fin03/20 – Delivery of £29.0m (3.5%) CIP</p> <p>The Finance Committee noted that the COVID-19 financial plan risk (FIN10/20) including Surge capacity was shown in an appendix as a sub-set to the main risk register.</p> <p>The Assistant Director of Finance indicated that the level of risk rating was now falling for a number of risks. The Committee was informed that Optimum controls were in place in respect of FIN05/20 – Commissioning Risks as signed LTAs were in place, there were no contract disputes, regular LTA meetings were ongoing and block arrangements were to continue through Q3 and Q4. Therefore this was now considered a low risk.</p> <p>The Finance Committee Chair (RT) indicated that the UHB would need to continue to reassess the risks associated with the surge capacity particularly in light of the increasing number of COVID infections.</p> <p>The UHB Chair (CJ) added that the continual re-assessment and re-scoring of risks was helpful in enabling the UHB to focus on the key financial issues to be managed.</p> <p>Resolved - that:</p>	

	<p>The Finance Committee noted the risks highlighted in the 2020/21 risk register.</p> <p>The Finance Committee agreed that risk FIN05/20 could be removed from the risk register.</p> <p>The Finance Committee noted the risks highlighted in the Surge Capacity sub set risk register.</p>	
<p>FC 20/126</p>	<p>FINANCIAL PLAN 2021/22 - UPDATE ON 2021/22 REVENUE ALLOCATIONS</p> <p>The Interim Director of Finance introduced a presentation on the 2021/22 Revenue allocation and the process to establish the 2021/22 Financial Plan and highlighted the following points:</p> <ul style="list-style-type: none"> • The UHB received the initial Allocation letter for 2021/22 on 22nd December 2020 and this is to be used to develop plans to deliver against the priorities set out in the NHS Planning Framework. • At this stage, the allocation letter does not include funding to cover the ongoing response to Covid-19. • Resource planning assumptions for Covid-19 will be issued separately. • Subject to further Covid-19 funding, there is an expectation that the UHB will operate within the funds set out in this allocation. • Additional funding for key priorities will be allocated as appropriate when costs are identified. <p>The following allocation adjustments were outlined for the Hospital and Community Health Services and Prescribing Allocation:</p> <ul style="list-style-type: none"> • There was an additional £14m core uplift (approx. 2%) less £1.1m for top sliced services (paramedic bandings and 111 service) • A further £2.1m uplift for Mental Health services (approx. 2%) • The core and mental health uplift included the first 1% of the 2021/22 wage award with an expectation that Welsh Government would provide further funding to cover any further award above 1%. • The UHB's calculated weighted capitation share of All Wales funding had reduced from 13.50% to 13.31% (£0.2m) – The UHB had requested further detail of the calculation. • Funding is being held centrally for NICE mandated Advanced Therapeutic Medicinal Products. • An additional £20m is being held centrally for Mental Health (UHB share £3.2m). <p>Primary care allocations are currently based on 2020/21 levels as contract negotiations are still ongoing.</p>	

In respect of the **Health and Social Services (HSS) Budget 2021/22** the following was outlined:

- The draft Welsh Government budget included a 5%+ increase for Health and Social Services which represented additional growth funding of £430m which was initially allocated as below:
 - £10m contract tracing
 - £35m social care and child care
 - £140m allocated in core uplift
 - £245m held centrally for wage awards, ATMPs, education and training, digital, new digital health authority, primary care contractor services.
- A further £9m was allocated to Mental Health, Wellbeing and Welsh Language for support in schools and CAMHs services
- Discussions were ongoing to secure Covid-19 funding to support Health (TTP, mass vaccination, on-going response costs) from the £766m WG allocation for Covid-19.

Moving onto the Financial Plan Process the Interim Director of Finance outlined the following:

- Further resource planning assumptions are expected in February / March.
- The HSS Dept. intends to secure Covid-19 funding by the end of March however this could slip to May / June.
- At this stage, it is uncertain what further funding will be available to the UHB to support the ongoing Covid-19 response and Welsh Government priorities or whether the additional Covid-19 funding is recurrent or is available to support the UHB underlying deficit. Clarification of this is required to shape the UHB financial plan.
- As clarity is gained, the financial framework to support the UHB 2021/22 operational plan will be brought back to be considered at future Finance Committee meetings.
- In lieu of further clarification the UHB expects to develop a baseline financial plan to secure financial sustainability, with Covid-19 response costs and recovery plans layered on top of this baseline plan.

The following comments were made:

The UHB Chair (CJ) and the Finance Committee Chair (RT) raised the potential of an additional meeting in March to consider progress towards a final financial plan. In respect of this the Finance Committee agreed that an additional meeting should be timetabled in March to consider the plan and that all Board members should be invited to the meeting. It was further agreed that the meeting should be arranged as soon as practically possible.

The Finance Committee Chair asked for confirmation of the UHB approach if additional funding for COVID 19 was not confirmed at the start of 2021/22. In response the Interim Director of Finance

Secretariat

	<p>confirmed that the UHB expected to continue to report additional COVID 19 costs separately in 2020/21. Confirmation of funding to support the underlying deficit resulting from the curtailed progress on recurrent savings during the pandemic would determine whether or not the UHB started 2021/22 with a balanced plan.</p> <p>The Independent Member for Finance (JU) asked whether the three layered approach to the financial plan would provide Welsh Government with clear sight of the cost of recovering waiting times and the Interim Director of Finance confirmed that this was the intention.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the presentation.</p>	
FC 20/127	<p>MONTH 8 FINANCIAL MONITORING RETURNS</p> <p>These were noted for information.</p>	
FC 20/128	<p>ITEMS TO BRING TO THE ATTENTION OF THE BOARD</p> <p>There were no items to bring to the attention of the Board.</p>	
FC 20/129	<p>DATE OF THE NEXT MEETING OF THE COMMITTEE</p> <p>Wednesday 27th January 2.00pm; Virtual Meeting via Teams</p>	