

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE
HELD ON 23rd SEPTEMBER 2020
VIRTUAL MEETING VIA SKYPE**

Present:

John Union	JU	Chair, Independent Member - Finance
Charles Janczewski	CJ	Board Chair
Abigail Harris	AH	Executive Director of Strategic Planning
Andrew Gough	AG	Assistant Director of Finance
Caroline Bird	CB	Deputy Chief Operating Officer
Chris Lewis	CL	Interim Director of Finance
Len Richards	LR	Chief Executive
Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
Nicola Foreman	NF	Director of Corporate Governance
Ruth Walker	RW	Executive Nurse Director

In Attendance:

Catherine Floyd	CF	Consultant In Public Health
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Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

Dr Rhian Thomas	RT	Chair, Independent Member – Capital and Estates
Steve Curry	SC	Chief Operating Officer

FC 20/082	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 20/083	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 20/084	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 20/085	MINUTES OF THE COMMITTEE MEETING HELD ON 26th AUGUST 2020	

	<p>The minutes of the meeting held on 26th August 2020 were reviewed for accuracy and were agreed as a true and accurate record.</p> <p>Resolved – that:</p> <p>The minutes of the meeting held on 26th August 2020 were approved by the Committee as an accurate record.</p>	
FC 20/086	<p>ACTION LOG FOLLOWING THE LAST MEETING</p> <p>FC 20/07– FINANCIAL PERFORMANCE MONTH 4 - UHB Underlying Deficit. An outline of progress made to reduce the UHB underlying deficit over recent years would be provided with the month 5 Finance report.</p> <p>It was confirmed that an update was included in the Month 5 Finance Report on the agenda of the September 2020 Finance Committee meeting</p> <p>Action complete.</p> <p>Resolved – that:</p> <p>The Finance Committee received the Action Log.</p>	
FC 20/087	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 20/088	<p>FINANCIAL PERFORMANCE MONTH 5</p> <p>The Assistant Director of Finance informed the Committee that at month 5, the UHB had reported an overspend of £27.565m against the 2020/21 plan. The reported position was primarily a result of net expenditure of £74.014m arising from the management of COVID 19 which was offset by Welsh Government COVID 19 funding of £46.272m and an operating surplus of £0.177m.</p> <p>The Executive opinion noted that managing the impact of COVID 19, would come with a significant cost and that the financial focus would be on financial governance, justifying additional expenditure incurred in dealing with COVID 19 and assessing its impact on the reported financial position. The UHB also needed to keep in check its non COVID operational position to ensure that financial control is maintained particularly as planned care workflows come back on line. In addition the UHB needed to avoid adding recurrent expenditure to the UHB’s underlying position to support the recovery from this period.</p> <p>Five out of the eight measures on the Finance Dashboard remained RAG rated red namely: staying within revenue resource limits; the</p>	

reduction in the underlying deficit to £4m; the delivery of the recurrent £25m 3% devolved savings target; the delivery of the £4m non recurrent savings target; and the forecast year end cash position. Performance against the targets for creditor compliance payments; the maintenance of a positive cash balance; and remaining within the capital resource limit was RAG rated green.

It was highlighted that within the additional COVID 19 expenditure of £78.220m at month 5, the sum of £45.216m related to the Dragons Heart Hospital (DHH) with further expenditure of £33.004m being incurred in Clinical Boards. The expenditure reported against the DHH had moved in month following a re-evaluation of a number of key contractual liabilities and their phasing.

COVID 19 was also adversely impacting on the UHB savings programme where there was an underachievement of £10.170m against the month 5 target of £12.283m and the shortfall in savings was expected to continue until the COVID 19 pandemic passed.

Elective work had been significantly curtailed during the first 5 months of the year as part of the UHB response to COVID 19 and this was the main reason behind a £13.195m reduction in planned expenditure.

The net expenditure due to COVID 19 was £74.014m and £46.272m of additional Welsh Government funding was allocated against the additional COVID 19 costs at month 5. In addition the UHB had a small operational surplus of £0.177m at month 5 leaving a deficit of £27.565m at the end of August.

The UHB Chair (CJ) noted that there was still some uncertainty over the additional resource coverage which would be provided by Welsh Government and that changes in the level of funding provided would need to be factored into the Risk Register as the year progressed.

Moving onto expenditure headings the Assistant Director of Finance indicated that a surplus of £41.101m was reported against income targets at month 5 as a result of additional Welsh Government funding of £46.272m for COVID 19 offset by net COVID 19 expenditure of £4.990m and an operational overspend of £0.180m. The key COVID 19 costs were largely unchanged from the previous month and related to income reductions arising from reduced footfall and activity in retail and restaurant services; the Injury Cost Recovery Scheme; patient related English NHS non contracted income; dental patient charges income; laboratories and Radiopharmacy and private patients. It was noted that the Injury Cost Recovery Scheme had improved in month.

The pay position at month 5 was a deficit of £12.132m made up of a net COVID 19 expenditure of £16.798m and an operational underspend of £4.666. Additional COVID 19 pay costs had been incurred across all Clinical Boards and the main costs were for medical, nursing and ancillary staff in the Women & Children, Medicine Clinical Boards and in Facilities. The additional COVID pay

<p>costs were in part netted down by nursing staff savings in the specialist and surgical clinical boards.</p> <p>Non pay budgets reported a deficit of £56.535m at month 5 comprising of net COVID 19 expenditure of £52.226m and an operational overspend of £4.309m. The majority of additional non pay COVID 19 expenditure related to plant and premises costs at the Dragon’s Heart Hospital with slippage against savings schemes and additional expenditure relating to PPE also adding to the total.</p> <p>Turning to the financial forecast for 2020/21 outlined in table 8 the Assistant Director of Finance noted that the additional costs of managing Covid 19 were expected to continue and the financial deficit was forecast to move from £27.565 at month 5 to a deficit of £93.617m at year end.</p> <p>The non COVID operational overspend was expected to remain broadly balanced as the year progressed.</p> <p>The revised forecast year-end deficit of £93.617m was an improvement of £37.764m when compared to month 4 primarily as a result of the confirmation of £34.950m additional COVID 19 Welsh Government funding as well as some reductions in forecast COVID related expenditure.</p> <p>The month 5 forecast assumed the following additional Welsh Government COVID 19 funding:</p> <ul style="list-style-type: none"> • Dragons Heart Hospital certificated expenditure £34.905m (received month 5) • Funding reflecting COVID workforce costs month 1 to 3 - £11.016m • Test, Trace and Protect (TTP) - £7.300m (HB and LA TTP costs shown in forecast) • Transformation Optimise flow and outcomes - £1.251m • Mental Health Services - £0.503m • GMS DES - £0.210m <p>The Finance Committee was informed that the key assumptions underpinning the forecast were still subject to variation in the remainder of the year and the following key issues were highlighted:</p> <ul style="list-style-type: none"> • Dragons Hearth Hospital (DHH) revenue costs were now estimated at circa £65.9m including capital costs. • The UHB had developed alternative plans which have been shared with Welsh Government to establish a facility for surge capacity on the UHW site. • Costs for additional capacity commissioned from SPIRE were included up until the end of the year. • A further pressure had arisen in month 5 around the cost of an enhanced flu vaccination programme. This was costed at 	
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£2.330m for 2020/21 and was included in the forecast. The forecast cost of a mass COVID vaccination programme was being assessed and was excluded from the current forecast.

- Slippage against savings plans had improved by £0.4m in month to £24.3m. The UHB would continue to progress savings plans where it could to maximise all potential savings opportunities available.
- The forecast cost of COVID 19 regional Test, Trace and Protect (TTP) was included in the forecast at c £11.0m.

In response to a query from the UHB Chair (CJ) the Interim Director of Finance indicated that the UHB had received confirmation of funding to meet the capital cost of the surge hospital on the UHW site, however no additional revenue costs were included in the month 5 year end forecast.

The largest operational pressures within Clinical Boards were reported in Medicine where there were pressures spread against nursing, clinical services and supplies and other areas of non pay and in PCIC where there were pressures against GP prescribing. It was noted that the overall operational position had improved in month, however, this would still need to be monitored as there was variation across Clinical Boards.

The UHB Chair (CJ) queried the level of additional COVID expenditure levied against Central budgets and the Assistant Director of Finance indicated that this principally related to PPE which had been purchased centrally and subsequently distributed to clinical teams.

It was noted that the narrative under table 9 contained a numerical transcription error and should have stated that “Delegated budgets are £73.837m overspent for the 5 months to the end of August 2020”.

Moving on to the UHBs underlying deficit the Assistant Director Of Finance reported that as a result of the savings slippage the forecast year end underlying deficit was £25.4m which was £21.4m more than the planned £4m identified in the submitted IMTP.

In addition, the UHB had identified a number of further areas where expenditure could impact upon the underlying position. The risks totalling £4.2m were not exhaustive and were set out in a table at Appendix 5.

The UHB Chair (CJ) asked what the UHB was doing to mitigate the risks and in response the Interim Director of Finance indicated that the IMTP had identified a £5m investment reserve for 2021/22 which would be used if the risks could not be mitigated or covered off through the release of other costs. The Chief Executive noted that whilst initiatives such as CAV 24/7 incurred a revenue cost, there were potential efficiencies arising from the consequent change in patient flows which could release costs.

In relation to the underlying deficit the UHB Chair (CJ) indicated that the year on year reduction in the underlying deficit shown at appendix 6 was helpful in understanding the progress made by the UHB in improving its financial position since the beginning of 2017/18.

The UHB cash balance at the end of August was c £4.1m and the UHB was forecasting a year end cash deficit in line with the financial forecast.

PSPP performance had improved from 94.8% to 95.3% in July and was now exceeding the 95% target.

Capital expenditure was satisfactory with net expenditure to the end of August being 45% of the UHB's approved Capital Resource Limit (CRL). The Committee was informed that the UHB has requested a further 2.5m COVID 19 capital funding to support the provision of elective and routine services through the creation of green zones and that without this support the containment of capital costs within the CRL was at risk. The UHB had reprioritized its capital plan to mitigate the risk.

In conclusion, the Assistant Director of Finance highlighted that at month 5, the key financial risk facing the UHB continued to be managing the impact of COVID 19 without confirmation of the total amount of further funding available to cover the additional costs. The UHB also had a capital risk to manage if further COVID 19 funding was not secured from Welsh Government

Resolved – that:

The Finance Committee **noted** the month 5 financial impact of COVID 19 which is assessed at £74.014m;

The Finance Committee **noted** the additional Welsh Government funding of £46.272m assumed within the month 5 position;

The Finance Committee **noted** the month 5 reported financial position being a deficit of £27.565m;

The Finance Committee **noted** the forecast deficit of £93.617m arising from managing the impact of COVID 19;

The Finance Committee **noted** that the UHB does not yet know what funding may be available from Welsh Government to help support the financial costs of managing COVID 19.

The Finance Committee **noted** the risks that are being managed on the capital programme

The Finance Committee **noted** the revised forecast 2020/21 carry forward Underlying Deficit is £25.4m due to the impact of COVID 19;

The Assistant Director of Finance (AG) presented the Finance Risk register. It was noted that risks identified and the scoring of the Risk Register was a reflection of the issues contained within the Month 5 Finance report

The number of extreme risks had been reduced by one in month and were noted as being:

Fin01/20 – Reducing underlying deficit from £11.5m to £4.0m in line with IMTP submission.

Fin03/20 – Delivery of £29.0m (3.5%) CIP

Fin10/20 – COVID-19 impact on financial plan

The risk around the management of budget pressures had been reviewed and re-assigned from an extreme to high risk in August. An additional risk in respect of the costs of COVID-19 Test, Trace, and Protect (TTP) had been added to the Register in month and this was assigned a moderate risk. Referring to the remaining red (extreme) risks the Interim Director of Finance indicated that the UHB would expect the number of these to fall further if Welsh Government was in a position to provide further funding to provide full coverage of the costs arising from COVID 19.

It was also noted that risks around the Dragons Heart Hospital (DHH) COVID-19 were reported as a sub-set to the main risk register and that two additional risks had been added in respect of the exit from the Principality stadium and the development of surge capacity on the Heath site. The Chair of the meeting (JU) observed that the sub set of risks around the Dragons Heart Hospital was now effectively a register of the financial risks around the additional surge capacity at both the DHH and the UHW site.

In respect of the risk around the delivery of the £29m savings plan the UHB Chair (CJ) asked how this impacted on the UHB's year end forecast. In response the Interim Director of Finance indicated that Welsh Government had accepted that the estimated shortfall in delivery was a consequence of COVID 19 and that this would be considered if additional funding was provided to cover all additional COVID costs in the current year. It was noted however that any recurrent shortfall in savings delivery would impact on the UHB's underlying deficit carried forward to 2021/22 and that the availability of additional Welsh Government funding to cover the shortfall beyond the present year was uncertain.

Resolved - that:

The Finance Committee **noted** the risks highlighted in the 2020/21 risk register.

The Finance Committee **noted** the risks highlighted in the Dragon's Heart Hospital/Surge Capacity sub set risk register.

VALUE BASED HEALTHCARE AND ITS USE IN DECISION MAKING AT CARDIFF & VALE UHB

The Assistant Director Of Finance introduced Catherine Floyd (Consultant in Public Health) to the Committee. Both Catherine and the Assistant Director of Finance presented a number of slides to the Committee and outlined the following:

- Value based healthcare related health outcomes & experiences achieved to the resources used & the population served.
- Value based decisions rely on timely data. The use of resources and provision of healthcare service is determined by reference to the equity, fairness and sustainability of healthcare provision through a transparent framework which considers the health outcomes that matter most to the people in Wales
- The local Cardiff and Vale approach embedded the principles of value based decision making into systems (e.g. procurement), clinical practice and enablers.
- A 2017 OECD report on “Wasteful Spending in Health” had challenged the current status quo in healthcare practice and identified that up to 34% of healthcare expenditure could be deemed inappropriate.
- The reinvestment from low to high value care is essential for a sustainable and resilient healthcare system
- The best financial informatics and health economics were required to determine the best possible value.
- The relationship between healthcare provision, health benefits and costs of provision was key to determining the optimality point of highest value (i.e. health benefits minus provision costs)
- The Value Based Healthcare equation i.e. Value = Outcomes/Resources (Value is maximised by maximizing the outcomes produced from any given resource)
- Costing and costing care pathways is a key element of the value equation
- The UHB’s financial plan aimed to support the delivery of service priorities and maximise patient outcomes whilst maintaining the sustainability of services
- The following examples of values based commissioning in practice within the UHB were outlined:

	<ul style="list-style-type: none"> • Ward East 2 bed capacity reduction – Leading to improved patient experience / outcomes due to reduced patient length of stay and cash releasing savings • General Surgery Service Redesign – leading to reduced waiting times; reduction in emergency surgical admissions; reduced length of stay & cash releasing savings. <p>A discussion on the presentation followed and the following points were raised:</p> <ul style="list-style-type: none"> • A number of specific value based healthcare work streams were being progressed at a national level and the UHB would need to consider any recommendations which might follow. • The value based healthcare approach identified finance as an enabler for improving patient safety and outcomes. • All UHB service provision should be either evidence based or contributing to an evidence base (i.e. an approved R & D Study). • There was evidence that business cases presented to the Business Case Approval Group (BCAG) were increasingly considering the value derived from existing resource investment and strengthening the link between investments and outcomes. • The principles of value based healthcare needed to be applied across the whole health and social care system. <p>Resolved – that:</p> <p>The Finance Committee noted the presentation.</p>	
<p>FC 20/091</p>	<p>MONTH 5 FINANCIAL MONITORING RETURNS</p> <p>These were noted for information.</p>	
<p>FC 20/092</p>	<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>	
<p>FC 20/093</p>	<p>DATE OF THE NEXT MEETING OF THE COMMITTEE</p> <p>Wednesday 28th October 2.00pm; Virtual Meeting via Teams</p>	