

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE  
HELD ON 24<sup>th</sup> FEBRUARY 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
Steve Curry	SC	Chief Operating Officer

**In Attendance:**

**Secretariat:**

Paul Emmerson	PE	Finance Manager
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**Apologies:**

Len Richards	LR	Chief Executive
Ruth Walker	RW	Executive Nurse Director

FC 21/02/001	<b>WELCOME AND INTRODUCTIONS</b>  The Chair welcomed everyone to the meeting.	<b>ACTION</b>
FC 21/02/002	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were noted.	
FC 21/02/003	<b>DECLARATIONS OF INTEREST</b>  The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 21/02/004	<b>MINUTES OF THE COMMITTEE MEETING HELD ON 27<sup>th</sup> JANUARY 2021</b>	

	<p>The minutes of the meeting held on 27<sup>th</sup> January 2021 were reviewed and confirmed to be an accurate record.</p> <p><b>Resolved – that:</b></p> <p>The minutes of the meeting held on 27<sup>th</sup> January 2021 were approved by the Committee as an accurate record.</p>	
<b>FC 21/02/005</b>	<p><b>ACTION LOG FOLLOWING THE LAST MEETING</b></p> <p><b>There were no outstanding actions.</b></p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> that there were no outstanding actions.</p>	
<b>FC 21/02/006</b>	<p><b>CHAIRS ACTION SINCE THE LAST MEETING</b></p> <p>There had been no Chairs action taken since the last meeting.</p>	
<b>FC 21/02/007</b>	<p><b>FINANCIAL PERFORMANCE MONTH 10</b></p> <p>The Assistant Director of Finance summarised the key points within the Month 10 Finance Report and highlighted material changes from the previous month. The Committee was informed that at month 10, the UHB had reported a year to date underspend of £0.208m following an in month operational overspend of £0.095m. The reported position included net expenditure of £124.492m arising from the management of COVID 19 which was offset by an equal amount of Welsh Government COVID 19 funding.</p> <p>Six of the eight measures on the Finance Dashboard were RAG rated green. Two measures remained RAG rated red namely: the reduction in the underlying deficit to £4m and the delivery of the recurrent £25m 3% devolved savings target. Progress against the 2 measures had been impeded by the COVID pandemic and this had adversely affected the underlying deficit brought forward to the 2021/22 Financial plan.</p> <p>Moving onto performance against income, pay and non pay budgets the Committee was informed that the position at month 10 represented a progression of the trends established in the first 9 months of the year.</p> <p>At month 10 the year end forecast of net expenditure due to COVID 19 in 2020/21 was £161.947m and this was offset by confirmed additional COVID 19 funding of £161.947m.</p> <p>With the exception of the COVID allocations to cover the cost of vaccination and TTP, all additional COVID related allocations were now assumed to be fixed. Allocations for TTP and Vaccinations were expected to be finalised at month 11 based on spend to date and the forecast for the remaining month of the year. In reply to a query from the Finance Committee Chair (RT) the Interim Director of Finance confirmed that the UHB was expecting Welsh Government to recover any over funding of Tracing costs at month 11.</p>	

The UHB Chair (CJ) asked whether Welsh Government would provide cover for the TTP and vaccination costs which were programmed to roll into 2021/22 and the Interim Director of Finance indicated that this had not yet been confirmed as it was subject to a further budget round within Welsh Government.

It was noted that the forecast of net expenditure due to COVID 19 in 2020/21 included the cost estimate of the additional annual leave accrual that was expected to arise in 2020/21 which was estimated at £8.798m. **The actual additional annual leave provision would not be known until the sample data, upon which the accrual will be based, is collected and costed at month 12.**

Turning to Clinical Board performance it was highlighted that there were material operational overspends in the Women & Children and in the Medicine Clinical Board.

The UHB Chair noted that the Clinical Boards which were reporting significant operational overspends in year had also reported similar overspends in previous years. The Chief Operating Officer informed the committee that performance within the Medicine Clinical Board was sensitive to pressures associated with the provision of unscheduled care and that there was also a challenge in separately identifying COVID and non COVID service costs in year. The Interim Director of Finance added that in 2020/21 the UHB had focussed on overall financial performance and that the emphasis on performance at Clinical Board level was expected to increase as the UHB moved into the new year. The Finance Committee Chair (RT) indicated that Clinical Board Financial Performance would be reviewed by the Committee in 2021/22 with an expectation that remedial action would be taken where there was a reported material overspend. In this context the UHB Chair (CJ) indicated that the Finance Committee would also need assurance that the UHB was allocating appropriate budgets and supporting the Clinical Boards to deliver within the established budgets. The Chair added that the UHB also needed to understand why some Clinical Boards were able to operate within delegated budgets whilst some could not.

There were no significant concerns around the UHBs balance sheet and 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 10, 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 10 financial impact of COVID 19 which is assessed at £124.492m;

The Finance Committee **noted** the additional Welsh Government funding of £124.492m assumed within the month 10 position;

	<p>The Finance Committee <b>noted</b> the month 10 reported financial position being a surplus of £0.208m;</p> <p>The Finance Committee <b>noted</b> the breakeven position which assumes additional Welsh Government funding of £161.947m to manage the impact of COVID 19 in line with quarter 3&amp;4 planning assumptions;</p> <p>The Finance Committee <b>noted</b> the risks that are being managed on the capital programme;</p> <p>The Finance Committee <b>noted</b> the revised forecast 2020/21 carry forward Underlying Deficit is £25.3m and the risks identified that, if not managed, could increase this.</p>	
<b>FC 21/02/008</b>	<p><b>FINANCE RISK REGISTER</b></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><b>Fin01/20</b> – Reducing underlying deficit from £11.5m to £4.0m in line with IMTP submission.</p> <p><b>Fin03/20</b> – 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 all risks had been reviewed in month.</p> <p>The Committee was asked to agree to the removal of the 2 risks below where Optimum controls were in place.</p> <ul style="list-style-type: none"> <li>• FIN04/20 – Winter Pressures. Optimum controls were in place and there was an expenditure plan in place against the approved Urgent and Emergency Care funding. This was now a low risk.</li> <li>• FIN09/20 – Cardiac Outsourcing. Optimum controls are in place and this was now unlikely to have an impact on the 2020/21 financial plan and was now a low risk.</li> </ul> <p><b>Resolved - that:</b></p> <p>The Finance Committee <b>noted</b> the risks highlighted in the 2020/21 risk register.</p> <p>The Finance Committee <b>agreed</b> that risks FIN08/20 and FIN09/20 could be removed from the risk register.</p>	

	<p>The Finance Committee <b>noted</b> the risks highlighted in the Surge Capacity subset risk register.</p>	
FC 21/02/009	<p><b>FINANCIAL PLAN 2021/22</b></p> <p>The Assistant Director of Finance introduced a presentation on the 2021/22 Annual Plan – Draft Financial Framework and re-emphasised the following points:</p> <ul style="list-style-type: none"> <li>• The UHB received the initial allocation letter for 2021/22 on the 22<sup>nd</sup> December 2020 and this is to be used to develop plans to deliver against the priorities set out in the NHS Planning Framework.</li> <li>• <b>The initial allocation does not include funding to address the increase in planned underlying deficit due to Covid-19.</b></li> <li>• At this stage, the allocation letter does not include funding to cover the ongoing response to Covid-19.</li> <li>• Resource planning assumptions for Covid-19 will be issued separately.</li> <li>• Subject to further Covid-19 funding, there is an expectation that the UHB will operate within the funds set out in this allocation.</li> <li>• Additional funding for key priorities will be allocated as appropriate when costs are identified.</li> </ul> <p>It was highlighted that the UHB intended to base an approvable annual plan on the following three parts:</p> <ol style="list-style-type: none"> <li>1. <b>Core Financial Plan : Delivering in-year financial balance and maintaining the current level of underlying deficit</b></li> <li>2. Continuation of non-recurrent response to COVID 19.</li> <li>3. Covid-19 recovery (service)</li> </ol> <p>The Committee was reminded of the UHBs 2020/23 3 year plan which was submitted to Welsh Government before the pandemic. This plan delivered a break even position each year over the 3 year period based on the delivery of £25m of recurrent savings in 2020/21. Delivery of the plan would have left the UHB with an underlying deficit (ULD) of £4m at the beginning of 2021/22 and would have eliminated the ULD by the start of 2022/23</p> <p>The presentation noted there was a projected £21.3m shortfall against the recurrent savings plan in 2020/21 and this was treated as a cost of COVID 19. However, the UHB <b>has not yet received confirmation of how the £21.3m increase in the underlying deficit due to Covid-19 is to be treated in the 2021/22 financial plan.</b> Consequently the UHB's financial position moving into 2021/22 is £21.3m worse than originally planned and as a result of this the Finance Committee was informed that the draft 2021/22 Financial Plan includes a planned deficit of £21.3m as follows:</p>	

	2021/22 Plan £m	2022/23 Plan £m
Prior Year Plan	(4.0)	(21.3)
Adjustment for non recurrent items in previous year (note 1)	(21.3)	(4.0)
<b>b/f underlying deficit</b>	<b>(25.3)</b>	<b>(25.3)</b>
Net Allocation Uplift (including LTA inflation) (note 2)	19.4	
Draft Cost Pressures Assessment (note 3)	(27.4)	
Investments	(4.0)	
Recurrent Cost Improvement Plans 1.5% (note 4)	12.0	
Non Recurrent Cost Improvement Plans 0.5% (note 5)	4.0	
<b>Planned Surplus/(Deficit) 2021/22</b>	<b>(21.3)</b>	

**Notes**

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|---|
| 1. Non delivery of recurrent CIP due to Covid-19                                  |
| 2. Core 2% uplift less top-slice for paramedic banding and 111 service            |
| 3. Capped approach to cost pressures - further refinement required                |
| 4. assumes 1.5% recurrent CIP target 2021/22 (1.25% devolved/0.25% corporate)     |
| 5. assumes 0.5% non recurrent CIP target 2021/22 (0.25% devolved/0.25% corporate) |

The Finance Committee was advised that the **Savings requirement had increased from 1.5% to 2% (1.5% recurrent / 0.5% non recurrent) in order to deliver in year financial balance. The key driver for the increase was a more granular assessment of cost pressures and it was noted that cost pressures had been capped in order to produce an approvable plan.**

The delivery of an in year financial balance would require an additional 2.7% savings target (£21.3m), which was not considered to be achievable during a pandemic. In addition, an increase in assessed cost pressures or planned investments would require an additional savings requirement. The Plan also assumed that Clinical Boards would manage brought forward / in year operational pressures and it was noted that if additional funding was allocated to Clinical Boards to cover the 2020/21 operational position that this would require an increase in the savings target applied to all Clinical Boards.

The £19.4m 2021/22 Core Allocation uplift was detailed as follows: Allocation Uplift 2% ( includes first 1% of wage award) £13.9m; Mental Health Uplift £2.1m: Top sliced allocations (£1.1m); Invest to Save repayments (£0.6m); and LTA income uplift £5.1m

The plan included £27.4m of funding for cost pressures in 2020/21 as follows: Cost Growth £9.4m (including pay inflation, non pay inflation & CHC/FNC inflation); Demand/Service growth £15.9m (including NICE & New High Cost Drugs, Continuing Heath Care, Prescribing, Velindre Cancer Centre, Specialist Services, Ring Fenced Services, EASC & LTA inflation; Other Cost Pressures £2.1m (including Welsh Risk Pool & Local Cost Pressures).

In response to a query from the Finance Committee Chair (RT) it was confirmed that the Core plan assumed that income recovery in respect of services provided to neighbouring Health Boards and other income streams would be maintained in 2021/22.

The presentation noted that Welsh Government had requested a financial assessment of the UHB's continuing Covid-19 response so that both the core financial plan and net Covid 19 impact could be quantified. Specific cost information is required around TTP; Mass Vaccination; Surge capacity / Field Hospitals; Cleaning Standards ;Other Covid-19 related expenditure; Non delivery of 21/22 planned savings; Planned operational Expenditure reductions; and Slippage on planned investments. No financial assessment of the cost of Covid -19 recovery was required at this stage.

The risks and opportunities identified alongside the Financial Plan were outlined as

- Risks
  - Deficit plan (awaiting clarification from WG as to how this is handled)
  - Commitments against proposed £4.0m investment reserve
  - Cost pressure assessment
  - Clinical Board CIP delivery
  - Management of operational position
  - Cost of continued Covid-19 response
  - Continuation of Block Contracts
- Opportunities
  - Covid-19 response funding
  - Covid-19 impact on cost growth
  - Covid-19 recovery funding

Finally, the Committee was advised of the timetable and process for the submission of the IMTP/Financial Plan. Following further discussion at Management Executive Meetings and engagement meetings with Welsh Government and the Finance Delivery Unit on March 3<sup>rd</sup>, the financial plan would be brought back for discussion at the Finance Committee Meeting on the 17<sup>th</sup> March 2021 so that Financial Plan recommendations could be agreed for Board approval. This would enable formal sign off by the Board at its meeting on the 25<sup>th</sup> March 2021 before formal submission of the plan to Welsh Government by the 31<sup>st</sup> March 2021.

#### **Comments and queries were received as follows:**

- The UHB Chair (CJ) asked for clarification of the plan to deliver in-year financial balance whilst maintaining the current level of underlying deficit and whether this would lead to a break-even position in 2021/22. In reply the Interim Director of Finance confirmed that the current underlying deficit (ULD) would not deteriorate if the plan was delivered and the ULD would be held at circa £25.3m. However in the absence of additional Welsh Government funding to cover the £21.3m increase in the planned underlying deficit brought forward to 2021/22 it was noted that the UHB would report a deficit of £21.3m at the end of 2021/22 if the plan was delivered. There was still uncertainty around the provision of additional funding to cover the increase in the planned deficit and in response to a further query from the Finance Committee Chair the Interim Director of Finance confirmed that the increase in the planned level of ULD moving

	<p>onto 2021/22 had arisen as a result of constraints on the progress of recurrent savings schemes during the pandemic.</p> <ul style="list-style-type: none"> <li>• The Independent Member – Finance (JU) asked whether the impact of the increase in the underlying deficit carried forward to 2021/22 would extend beyond 2021/22 and the Interim Director of Finance confirmed that if additional coverage was not provided by Welsh Government that this would be the case.</li> <li>• The Executive Director of Strategic Planning confirmed that the formal IMTP process had not been reinstated and that the UHB would again be subject to a 1 year operational plan in 2021/22.</li> <li>• The Finance Committee Chair (RT) asked whether the UHB could go beyond the 1.5% recurrent savings target proposed for 2021/22 in light of initial plans to deliver a 3% recurrent savings in 2020/21. In response the Chief Operating Officer indicated that the UHB faced a considerable challenge to reinstate pre Covid levels of service as the pandemic passed and that the delivery of savings in excess of the planned 1.5% recurrent target would be difficult and may dis-engage the service. The Interim Director of Finance added that the UHB's capacity to deliver savings schemes was still expected to be limited in the early part of 2021/22 as a result of the continuing impact of the pandemic.</li> <li>• The Interim Director of Finance indicated that the forecast of net COVID costs in 2021/22 was dependent on a number of variables and it was expected that Welsh Government would initially focus on the forecast for the first quarter of 2021/22.</li> </ul> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> the presentation.</p>	
FC 21/02/010	<p><b>FINANCE COMMITTEE – TERMS OF REFERENCE</b></p> <p>The Director of Corporate Governance indicated that the Finance Committee Terms of Reference (TOR) were last reviewed in February 2020 and approved by the Board in March 2020. The Committee was asked to review the TOR and consider any changes to the TOR.</p> <p><b><u>Comments were received as follows:</u></b></p> <p>The UHB Board Chair (CJ) advised that all references to Chairman should be changed to Chair. In addition the UHB Board Chair (CJ) indicated that the section on Members should read as follows:</p> <p style="padding-left: 40px;">Chair: Independent member of the Board</p> <p style="padding-left: 40px;">Members: A minimum of <b>2</b> other Independent members of the Board.</p> <p>Further to this it was noted that under the section on Member Appointments the reference to the Committee being chaired by the Independent Member for</p>	

	<p>Finance should be amended to “The Committee will be chaired by an Independent Member and supported by a Vice Chair who shall also be an Independent Member.”</p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>approved</b> the Terms of Reference for the Finance Committee subject to the amendments for the comments received.</p> <p>The Finance Committee <b>recommended</b> the amended Terms of Reference to the Board for approval.</p>	
	<p><b>FINANCE COMMITTEE – ANNUAL WORKPLAN</b></p> <p>The 2020/21 Workplan for the Finance Committee was introduced by the Director of Corporate Governance to provide members of the Finance Committee with the opportunity to review the Work Plan for 2021/22 prior to presentation to the Board for approval.</p> <p>The Finance Committee considered the draft workplan and agreed that the future scheduling of some of the development areas could be switched with agreement of the Finance Committee.</p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>reviewed</b> and <b>approved</b> the 2020/21 Work Plan;</p> <p>The Finance Committee <b>recommended</b> approval of the workplan to the Board.</p>	
<b>FC 21/02/011</b>	<p><b>MONTH 10 FINANCIAL MONITORING RETURNS</b></p> <p>These were noted for information.</p>	
<b>FC 21/02/012</b>	<p><b>ITEMS TO BRING TO THE ATTENTION OF THE BOARD</b></p> <p>There were no items to being to the attention of the Board.</p>	
<b>FC 21/01/013</b>	<p><b>DATE OF THE NEXT MEETING OF THE COMMITTEE</b></p> <p><b>Wednesday 17<sup>th</sup> March 1.30pm; Virtual Meeting via Teams</b></p>	