

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE
HELD ON 26th AUGUST 2020
CEFN MABLY MEETING ROOM/SKYPE , WOODLAND HOUSE**

Present:

Dr Rhian Thomas	RT	Chair, Independent Member – Capital and Estates
Charles Janczewski	CJ	Board Chair
John Union	JU	Independent Member - Finance
Abigail Harris	AH	Executive Director of Strategic Planning
Andrew Gough	AG	Assistant Director of Finance
Len Richards	LR	Chief Executive

Robert Chadwick	RC	Executive Director of Finance
Ruth Walker	RW	Executive Nurse Director
Steve Curry	SC	Chief Operating Officer

In Attendance:

Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

Chris Lewis	CL	Deputy Director of Finance
Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
Nicola Foreman	NF	Director of Corporate Governance

FC 20/071	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 20/072	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 20/073	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 20/074	MINUTES OF THE COMMITTEE MEETING HELD ON 29th JULY 2020	

	<p>The minutes of the meeting held on 29th July 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 29th July 2020 were approved by the Committee as an accurate record.</p>	
FC 20/075	<p>ACTION LOG FOLLOWING THE LAST MEETING</p> <p>The Finance Committee was advised that there were no outstanding Actions.</p> <p>Resolved – that:</p> <p>The Finance Committee noted that there were no outstanding Actions.</p>	
FC 20/076	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 20/077	<p>FINANCIAL PERFORMANCE MONTH 4</p> <p>The Assistant Director of Finance informed the Committee that at month 4, the UHB had reported an overspend of £52.656m against the 2020/21 plan. The reported position was primarily a result of net expenditure of £63.794m arising from the management of COVID 19 which was offset by Welsh Government COVID 19 funding of £11.322m and an operating deficit of £0.184m.</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>The UHB Chair (CJ) noted the additional Welsh Government COVID 19 funding which covered part of the additional costs arising from the management of COVID 19 and asked whether the UHB had any assurance as to whether the full costs of managing CoVID 19 would be met by Welsh Government. In reply and referring to the recent Welsh Government announcement of a £800m stabilisation package to help the Welsh NHS the Assistant Director of Finance indicated that at this stage it was not clear what proportion would be allocated to the UHB. The Committee was reminded that a detailed schedule of actual and forecast additional costs arising from the management of COVID 19 was submitted to Welsh Government on a monthly basis</p>	

and discussions with the Welsh Government's Finance Delivery Unit had relayed that the UHBs split of COVID and non COVID expenditure was broadly consistent with other Welsh NHS organisations. The Chief Executive indicated Welsh Government had signalled in discussion with UHB Chief Executives that it wished to expedite the allocation of the stabilisation package to Health Boards to provide the stability required to respond to the pressures faced in 2020/21.

The UHB Chair (CJ) asked how the UHB would address the £0.184m operational deficit that had emerged at month 4 and in response the Chief Operating Officer confirmed that the operational overspend was primarily a result of specific issues around nursing in the Medicine Clinical Board and continuing healthcare and prescribing in the PCIC Clinical Board. In this context the UHB was challenging and supporting the respective Clinical Boards to control the specific pressures presenting a financial concern.

Performance against the Finance Dashboard continued to be skewed by the impact of COVID 19 and six out of the eight measures remaining RAG rated red namely: staying within revenue resource limits; the 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; performance against the Non NHS creditor payments target and the forecast year end cash position. The creditor compliance payments score had improved again in month and that this was expected to meet the performance target if the current rate of improvement continued.

The UHB Chair (CJ) observed that the UHB was forecasting a cash deficit in line with the forecast deficit of circa £131m and asked what plans there were to cover this. In response the Assistant Director of Finance indicated that the forecast cash deficit was expected to fall as Welsh Government released further funding to cover the costs of COVID 19 and that historically Welsh Government had provided additional cash support to cover shortfalls in cash arising from annual operational deficits.

It was highlighted that within the additional COVID 19 expenditure of £67.623m at month 4, the sum of £40.669m related to the Dragons Heart Hospital with further net expenditure of £26.954m being incurred in Clinical Boards. The expenditure reported against the DHH include 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 £8.418m against the month 4 target of £9.624m and the shortfall in savings was expected to continue until the COVID 19 pandemic passed.

Elective work had been significantly curtailed during the first 4 months of the year as part of the UHB response to COVID 19 and this was the main reason behind a £11.310m reduction in planned expenditure.

Moving onto expenditure headings the Assistant Director of Finance indicated that a surplus of £7.158m was reported against income targets at month 3 as a result of net COVID 19 expenditure of £4.050m, an operational overspend of £0.115m which were offset by additional Welsh Government funding of £11.322m for COVID 19 costs. 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 overall operational shortfall in income was £0.020m higher than the previous month.

The pay position at month 4 was a deficit of £10.153m made up of a net COVID 19 expenditure of £13.885m and an operational underspend of £3.732m. The main additional COVID 19 pay costs were for medical, nursing and ancillary staff in the Women & Children, Medicine Clinical Boards and in Facilities.

Non pay budgets reported a deficit of £49.661m at month 4 comprising of net COVID 19 expenditure of £45.859m and an operational overspend of £3.802m.

£39.604m of the additional COVID 19 expenditure related to plant and premises costs at the Dragon's Heart Hospital, £9.048m was attributed to other non pay primarily due to slippage against savings schemes and a further £1.669m overspend on general supplies and services primarily relating to PPE. There was also additional spend in other service areas on cleaning, waste management, IT, overnight accommodation and drugs.

Referring 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 £52.656 at month 4 to a deficit of £131.381m at year end. The committee was reminded that some of the the additional costs arising from plans to manage COVID 19, in particular costs relating to the Dragons Heart Hospital were front loaded into the first part of the year, however expenditure reductions arising from the reduction in elective work were also expected to reduce as planned care was re-introduced.

The month 4 operational overspend of £0.184m was expected to move towards a balanced position as the year progressed.

A year-end deficit of £131.181m was forecast and this was a fall of £8.057m when compared to month 4 as a result of the following reductions in forecast expenditure: Dragons Heart Hospital - £1.900m; Green zone COVID plan - £1.800m; Spire (WG funding to 6th September) - £1.800m; TTP net costs - £0.900m; Workforce review

improvements - £0.900m and Other reductions including PPE - £0.700m

The Finance Committee was referred to the key assumptions underpinning the forecast and the following key issues were highlighted:

- Dragons Heath Hospital (DHH) revenue costs were estimated at circa £65.9m and this included decommissioning and an estimate of consequential losses 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. However, no costs for additional potential surge capacity requirements were included in the forecast at this stage
- Costs for additional capacity commissioned from SPIRE were included up until the end of the year.
- Slippage of circa £24.8m against savings plans that the UHB was unable to progress during the pandemic was included in the forecast. Welsh Government had indicated that it expected the UHB to progress savings plans where it could and the UHB continued to identify and 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 Independent Member (Estates) the Assistant Director of Finance confirmed that the UHB had received confirmation of the following additional Welsh Government funding to in part cover the additional costs of managing the impact of COVID 19:

- Funding reflecting COVID workforce costs month 1 to 3 - £11.016m
- Test, Trace and Protect (TTP) - £8.239m
- Transformation Optimise flow and outcomes - £1.251m
- Mental Health Services - £0.503m
- GMS DES - £0.210m

Following a query from the UHB Chair (CJ) the Assistant Director of Finance also confirmed that the full year cost of CAV 24/7 were included in the forecast.

The Finance Committee Chair (RT) raised a query in respect of the forecast slippage against the savings programme and the Assistant Director of Finance confirmed that the UHB maintained a detailed list of actual and forecast performance against all schemes to facilitate performance management. The detail was also submitted to Welsh Government for scrutiny on a monthly basis. The Committee was informed that it remained important for the UHB to maximise savings in year particularly in respect of medicines management and procurement schemes.

In the context of surge capacity following the egress from the Dragons Heart Hospital the Finance Committee Chair asked whether the UHB had received approval of additional capital to proceed with plans to increase capacity on the UHW site. The Chief Executive indicated that a decision was expected from Welsh Government shortly and the UHB Chair confirmed that the UHB was not in a position to run at risk with the capital build in lieu of Welsh Government approval.

In response to further queries from the Finance Committee Chair the Assistant Director of Finance confirmed that considerable progress had been made in agreement of consequential losses arising from the Dragons Heart Hospital and that all significant contentious issues had now been resolved. It was confirmed that estimates of both consequential losses and reparations for stadium damages were included in the UHB's forecast year end deficit.

The largest operational pressures within Clinical Boards were reported in PCIC where there were pressures against GP prescribing and CHC and Medicine where there were pressures spread against nursing, clinical services and supplies and other areas of non pay. It was noted that the overall operational position had deteriorated in month and as discussed earlier in the meeting this would continue to be monitored.

Moving on to the UHBs underlying deficit the Deputy Director Of Finance reported that £21.5m of the £24.8m forecast slippage against 2020/21 savings targets was recurrent. As a result of the savings slippage the forecast year end underlying deficit was £25.5m which was £21.5m more than the planned £4m identified in the submitted IMTP.

Picking up on the underlying deficit the UHB Chair (CJ) suggested that it would be helpful for the UHB to consider and reflect on progress made to reduce the underlying deficit over recent years and it was agreed that an outline of progress would be provided with the month 5 Finance report.

ACTION POINT

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 94.1% to 94.8% in July but was still below the 95% target. Performance in future months was expected to continue to improve.

Capital expenditure was satisfactory with net expenditure to the end of July being 40% 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

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	<p>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.</p> <p>In conclusion, the Deputy Director of Finance highlighted that at month 4, the key financial risk facing the UHB continued to be managing the impact of COVID 19 without confirmation of further funding available to cover the additional costs. The UHB also has a capital risk to manage if further COVID 19 funding was not secured from Welsh Government</p> <p>Resolved – that:</p> <p>The Finance Committee noted the month 4 financial impact of COVID 19 which is assessed at £63.794m;</p> <p>The Finance Committee noted the additional Welsh Government funding of £11.322m received in respect of COVID 19 additional costs;</p> <p>The Finance Committee noted the month 4 reported financial position being a deficit of £52.656m;</p> <p>The Finance Committee noted the forecast deficit of £131.381m arising from managing the impact of COVID 19;</p> <p>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.</p> <p>The Finance Committee noted the revised forecast 2020/21 carry forward Underlying Deficit is £25.5m due to the impact of COVID 19;</p>	
<p>FC 20/078</p>	<p>FINANCE RISK REGISTER</p> <p>The Assistant Director of Finance (AG) presented the Finance Risk register.</p> <p>The extreme risks were noted as being:</p> <p>Fin01/20 – Reducing underlying deficit from £11.5m to £4.0m in line with IMTP submission. Fin02/20 – Management of budget pressures. Fin03/20 – Delivery of £29.0m (3.5%) CIP Fin10/20 – COVID-19 impact on financial plan</p> <p>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. The Finance Committee Chair observed that there had been little progress in the risk categorisation since the start of the year and the Assistant Director of Finance agreed and indicated that progress in the reduction of risk had been obstructed by the management of COVID</p>	

	<p>19. This was unlikely to change until there was confirmation of the level additional to meet the current cost of COVID 19 and the impact on recurrent saving plans.</p> <p>Resolved - that:</p> <p>The Finance Committee noted the risks highlighted in the 2020/21 risk register.</p> <p>The Finance Committee noted the risks highlighted in the Dragon's Heart Hospital sub set risk register.</p>	
FC 20/079	<p>MONTH 4 FINANCIAL MONITORING RETURNS</p> <p>These were noted for information.</p>	
FC 20/080	<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 20/081	<p>DATE OF THE NEXT MEETING OF THE COMMITTEE</p> <p>The Finance Committee Chair (RT) relayed apologies for absence at the next planned meeting and it was agreed that the Independent Member (Estates) (JU) would chair the next meeting.</p> <p>Wednesday 23rd September 2.00pm; Skype / Cefn Mably Meeting Room, Ground Floor, HQ, Woodland House</p>	