

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE  
HELD ON 27<sup>th</sup> 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
Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
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

<b>FC 21/01/001</b>	<b>WELCOME AND INTRODUCTIONS</b>	<b>ACTION</b>
	The Chair welcomed everyone to the meeting.	
<b>FC 21/01/002</b>	<b>APOLOGIES FOR ABSENCE</b>	
	Apologies for absence were noted.	
<b>FC 21/01/003</b>	<b>DECLARATIONS OF INTEREST</b>	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	

<p><b>FC 21/01/004</b></p>	<p><b>MINUTES OF THE COMMITTEE MEETING HELD ON 6<sup>th</sup> JANUARY 2021</b></p> <p>The minutes of the meeting held on 6<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 6<sup>th</sup> January 2021 were approved by the Committee as an accurate record.</p>	
<p><b>FC 21/01/005</b></p>	<p><b>ACTION LOG FOLLOWING THE LAST MEETING</b></p> <p><b>FC 20/126 Financial Plan 2021/22</b> - An additional Finance Committee meeting should be timetabled in March to consider the 2021/22 Financial Plan. All Board members should be invited to the meeting and the meeting should be arranged as soon as practically possible.</p> <p>The Finance Committee secretary informed the Finance Committee that it was proposed that the additional meeting would be scheduled for 1.30pm Wednesday, March 17<sup>th</sup> 2021 and that an invite would be relayed to all Board members to attend the meeting via Teams.</p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>received</b> the Action Log and noted the proposed date for the additional meeting.</p>	
<p><b>FC 21/01/006</b></p>	<p><b>CHAIRS ACTION SINCE THE LAST MEETING</b></p> <p>There had been no Chairs action taken since the last meeting.</p>	
<p><b>FC 21/01/007</b></p>	<p><b>FINANCIAL PERFORMANCE MONTH 9</b></p> <p>The Assistant Director of Finance briefly summarised the key points within the Month 9 Finance Report and highlighted material changes from the previous month. The Committee was informed that at month 9, the UHB had reported a year to date underspend of £0.303m following an in month operational overspend of £0.158m. The reported position included net expenditure of £111.315m 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. It was noted that the constraint on progress against the recurrent savings target due to the COVID pandemic, had adversely affected the underlying deficit brought forward to the 2021/22 Financial plan. The 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 moved onto performance against income, pay and non pay budgets and indicated that the position at month 9 represented a progression of the trends established in the first 8 months of the year

Turning to the financial forecast for 2020/21 the Assistant Director of Finance noted that the forecast of additional COVID expenditure for the year had increased from £155.493m at month 8 to a forecast of £162.935m at month 9. The additional expenditure was offset by an additional COVID 19 funding of £162.935m.

The forecast now included a cost estimate of the additional annual leave accrual that is expected to arise in 2020/21 due to untaken annual leave during the pandemic. The accrual which is required to comply with financial reporting standards, is assessed to be £9.713m which equates to an average of 4 annual leave days and is an increase of £8.798m on the £0.915m for untaken annual leave provision at the end of 2019/20. The annual leave accrual forecast is based upon current information and it is expected that Welsh Government will fund the UHB based on this month 9 forecast and that the UHB will need to manage any variance between the month 9 forecast and the final accrual. This in turn could lead to a funding surplus or deficit.

Picking up on the theme of additional Welsh Government COVID funding the Interim Director of Finance confirmed to the Committee that Welsh Government had indicated that it expected to fix a number of COVID Allocations (e.g. PPE & TTP) for 2020/21 on the basis of the month 9 forecasts provided by LHBs. This approach would leave the UHB with the responsibility to manage any variation from the forecast in the remainder of the year. In response to a query from the Finance Committee Chair (RT) it was confirmed that the UHB had robust forecasting in place for all elements of the COVID plans. However, some of the COVID related plans such as the COVID vaccination programme could be condensed over a shorter period of time and Welsh Government was aware of potential changes in forecast costs in these areas. The Interim Director of Finance added that Welsh Government had also now confirmed its intention to provide the additional COVID funding to support Independent Sector Provision in the final quarter of the year.

Referring to the forecast annual leave provision the UHB chair (CJ) asked whether the UHB provision was in line with the provisions made by other Health Boards. In reply, the Interim Director of Finance indicated that there was some variation in the forecasts across Wales at month 9. In this context, annual leave accrual forecasts included in the month 9 monitoring returns would be reviewed by Welsh Government to ensure that there was enough consistency in the forecasting methods applied across organisations to enable the estimates to stand up to external audit scrutiny. The Assistant Director of Finance added that the UHB planned to gather a further sample of annual leave data from the service in February and that this would be extrapolated to test and refine the annual leave accrual if required. In this context the UHB Chair (CJ) queried whether the sample would be wide enough to accurately represent all staff and in response the Interim Director of Finance confirmed that the UHB was aiming for a substantive sample

which would cover all staff groups. The calculation of the final accrual would reflect the relative level and cost of untaken annual leave for each professional group.

The Executive Director of Workforce and Organisational Development confirmed to the Committee that staff had continued to be encouraged to take annual leave during the pandemic and the UHB Chair confirmed his support for this in view of the positive impact on staff well-being. The Finance Committee Chair (RT) asked if the principle had been extended to staff on temporary contracts and it was confirmed that all staff had been encouraged to take annual leave through the year. In response to a further query from the Finance Committee Chair (RT), the Chief Operating Officer indicated that the operational plans to backfill shifts as leave was taken, varied across the organisation and the Executive Director of Workforce and Organisational Development indicated that the UHB did not expect a significant change to the level of payments made in lieu of leave.

Moving on, the Assistant Director of Finance confirmed that whilst the UHB had maintained an overall operational surplus, the variation in Clinical Board operational positions had continued and that further review and assurance was required to ensure that the UHB's non COVID operational position remained broadly balanced as the year progressed.

Finally, the Assistant Director of Finance confirmed that there were no significant concerns around the UHB's 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 9, 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 9 financial impact of COVID 19 which is assessed at £111.315m;

The Finance Committee **noted** the additional Welsh Government funding of £111.315m assumed within the month 9 position;

The Finance Committee **noted** the month 9 reported financial position being a surplus of £0.303m;

The Finance Committee **noted** the breakeven position which assumes additional Welsh Government funding of £162.935m to manage the impact of COVID 19 in line with quarter 3&4 planning assumptions;

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 £25.3m and the risks identified that, if not managed, could increase this.

<p><b>FC</b> <b>21/01/008</b></p>	<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.  <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 and informed the Committee that FIN12/20 – Untaken annual leave had been added to the risk register in month.</p> <p>The Committee was asked to agree to the removal of the 3 risks below where Optimum controls were in place.</p> <ul style="list-style-type: none"> <li>• FIN04/20 – Manage internal investments. Optimum controls were in place through the Business Case Approval Group (BCAG) and this was now low risk.</li> <li>• FIN07/20 – Deliver RTT within available resources. Optimum controls are in place and RTT expenditure is reported through the net COVID position and now low risk.</li> <li>• FIN11/20 – COVID-19 TTP. Optimum controls in place and now low risk. Costs are funded by Welsh Government as per resource assumptions set out in NHS Wales Operating Framework 2020/21 for Q3 and Q4.</li> </ul> <p>The UHB Chair (CJ) asked whether Welsh Government had indicated that additional support would be provided to the UHB to restore RTT in the future. In reply, the Assistant Director of Finance confirmed that this would inform the 2021/22 financial framework and would be covered in the presentation to follow.</p> <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>noted</b> the addition of risk FIN12/20 untaken annual leave to the 2020/21 risk register.</p> <p>The Finance Committee <b>agreed</b> that risks FIN04/20, FIN 07/20 and FIN11/20 could be removed from the risk register.</p>	
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	<p>The Finance Committee <b>noted</b> the risks highlighted in the Surge Capacity sub set risk register.</p>	
<p><b>FC</b> <b>21/01/009</b></p>	<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 highlighted 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>The UHB intended to base an approvable annual plan on the following four parts:</p> <ol style="list-style-type: none"> <li>1. Underlying Deficit.</li> <li>2. Delivering in-year financial balance.</li> <li>3. Continuation of non-recurrent response to COVID 19.</li> <li>4. Recovery.</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. In addition, the plan left the UHB with an underlying deficit (ULD) of £4m at the beginning of 2021/22 and would eliminate the ULD by the start of 2022/23 if the UHB delivered the recurrent cost improvement programmes included in the plan.</p> <p>The presentation noted that the £21.3m shortfall against the recurrent savings plan was treated as a cost of COVID 19 in 2020/21. 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></p> <p>As a result of the £21.3m shortfall against the 2020/21 recurrent savings target, the UHB's financial position moving into 2021/22 is £21.3m worse than originally planned and as a consequence the Finance Committee was informed that the draft 2021/22 Financial Plan includes a planned deficit of £21.3m as follows:</p>	

	<b>2021/22 Plan £m</b>
Prior Year Plan	(4.0)
Adjustment for non recurrent items in previous year (note 1)	(21.3)
<b>b/f underlying deficit</b>	<b>(25.3)</b>
Net allocation uplift (including LTA inflation) (note 2)	20.2
Draft cost pressures assessment (note 3)	(24.1)
Investments (note 4)	(4.0)
Recurrent cost improvement plans 1% (note 5)	8.0
Non Recurrent cost improvement plans 0.5% (note 6)	4.0
<b>Planned Surplus/(Deficit)</b>	<b>(21.3)</b>

The Finance Committee was advised that delivering an in year financial balance would require an additional 2.7% savings target (£21.3m), which was not considered to be achievable. 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.

Finally, the Committee was advised of the timetable and process for the submission of the IMTP/Financial Plan. Following discussion at Management Executive Meetings the financial plan would be brought back for discussion at Finance Committee Meetings on the 24<sup>th</sup> February 2021 and the 17<sup>th</sup> March 2021 so that Financial Plan recommendations could be agreed for Board approval at meeting on the 17<sup>th</sup> March. 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.

It was noted that the UHB would also be discussing the direction of the plan at Welsh Government / Financial Delivery Unit (FDU) engagement meetings in February & March.

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

- The Finance Committee Chair (RT) queried whether the UHB would be able to fix its financial plan before the start of the year given the inherent uncertainty during the pandemic. In response the interim Director of Finance acknowledged the uncertainty that the plan would need to consider and confirmed that the UHB's plan would focus on the underlying deficit and the delivery of in year financial balance in the first instance. The actions and plans to manage the ongoing impact of and recovery from COVID 19 would need to respond to service demands and additional planning assumptions as the year unfolded.
- The Executive Director of Strategic Planning asked whether the Underlying Deficit (ULD) was informed by evolving cost pressures which were expected to materialise in 2021/22 e.g. the new Cleaning

	<p>standards. In response the Interim Director of Finance indicated that Welsh Government was holding central funding to cover national initiatives such as the revised Cleaning Standards. However, Welsh Government was not expecting the UHB's ULD to increase and the UHB would need to manage local cost pressures and investments within existing resources.</p> <ul style="list-style-type: none"> <li>• The UHB Chair (CJ) recognised the need to deliver a 1% recurrent and 0.5% non recurrent savings programme which together totalled £12m in order to deliver an in year financial balance in 2021/22. The UHB Chair (CJ) also acknowledged that the UHB would need to address and eliminate its Underlying Deficit as it moved forwards and recovered performance levels when the impact of COVID had passed.</li> <li>• In response to queries from the Independent Member – Finance (JU) it was confirmed that the UHBs Underlying Deficit would be visible to Welsh Government as it would be over-layed on top of the 2021/22 Financial Framework. It was also reported that any savings from services which are curtailed in 2021/22 as a consequence of the response to COVID 19 would continue to be netted off additional COVID costs.</li> </ul> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> the presentation.</p>	
<p><b>FC 21/01/010</b></p>	<p><b>2021/22 Finance Workplan - Finance Deep Dives</b></p> <p>The Finance Committee Chair (RT) informed the Committee that following discussion with the Director of Corporate Governance it was proposed to include a detailed consideration of a number of topics within the 2021/22 Finance Committee Workplan. Subjects to be considered for discussion included:</p> <ul style="list-style-type: none"> <li>• Next Year Financial Plan (including building blocks and underpinning assumptions)</li> <li>• National Capitation formulae and funding</li> <li>• Contracting and Commissioning</li> <li>• WHSCC</li> <li>• Costing and Benchmarking</li> </ul> <p>The Committee supported the initiative subject to capacity within the Finance Team and in welcoming the proposal, the UHB Chair (CJ) suggested that Value Based Healthcare should either be added to the subject list or considered alongside costing and benchmarking.</p> <p>The proposals would be included in the 2021/22 Finance Committee Workplan which is scheduled to be presented to the next meeting of the Finance Committee.</p> <p><b>Resolved – that:</b></p>	



	The Finance Committee <b>noted</b> the proposals to extend the range of subjects to be considered in detail as part of the 2021/22 Finance Committee Workplan.	
<b>FC 21/01/011</b>	<b>MONTH 9 FINANCIAL MONITORING RETURNS</b>  These were noted for information.	
<b>FC 21/01/012</b>	<b>ITEMS TO BRING TO THE ATTENTION OF THE BOARD</b>  There were no items to bring to the attention of the Board.	
<b>FC 21/01/013</b>	<b>DATE OF THE NEXT MEETING OF THE COMMITTEE</b>  <b>Wednesday 24<sup>th</sup> February 2.00pm; Virtual Meeting via Teams</b>	