

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE
HELD ON 28rd OCTOBER 2020
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
Andrew Gough	AG	Assistant Director of Finance
Steve Curry	SC	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
Steve Curry	SC	Chief Operating Officer

In Attendance:

Ian Virgil	IV	Internal Audit
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Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

Abigail Harris	AH	Executive Director of Strategic Planning
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FC 20/094	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 20/095	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 20/096	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	

<p>FC 20/097</p>	<p>MINUTES OF THE COMMITTEE MEETING HELD ON 23rd SEPTEMBER 2020</p> <p>The minutes of the meeting held on 23rd September 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 23rd September 2020 were approved by the Committee as an accurate record.</p>	
<p>FC 20/098</p>	<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>	
<p>FC 20/099</p>	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
<p>FC20/100</p>	<p>PRESENTATION ON COVID 19 FINANCIAL ALLOCATIONS</p> <p>The Interim Director of Finance introduced a presentation on financial allocations and the NHS Wales Operating for Q3/Q4 2020/21.</p> <p>The Committee was informed that Welsh Government had secured an additional £800m stabilisation fund to increase NHS COVID 19 resources to £1.3bn and that this was split into two parts being (1) National Allocations and (2) Allocations to NHS Organisations.</p> <p>National allocations supported the following national priorities: Test Trace Protect; PPE above historic levels; Set-up, de-commissioning, and consequential losses of approved Field Hospital developments; extension of the flu vaccination programme; Independent sector provision (Q1 to Q3 funding confirmed. Q4 funding assumed); Funding for NHS and jointly commissioned packages of care (first 6 months of the year confirmed with consideration being given to extend to the full year); and Urgent and Emergency care fund. At month 6, the UHB was assuming the funding for planned purposes, subject to confirmation on approval of a Q3 Q4 plans. It was noted that the national allocations were ring fenced and any slippage would be returned to Welsh Government.</p> <p>In addition to the national allocations a further £371.4m of new allocations were made to NHS Organisations based on their formula share derived from the national funding model. The UHB's indicative share of the new allocations was £50.1m based on a formula share of</p>	

	<p>13.5%. The funding was non recurrent and there was an expectation that organizations would work collaboratively to ensure system stability in 2020/21.</p> <p>It was noted that the funding was not expected to cover a recovery in waiting times or Covid 19 vaccination plans and that there was still uncertainty over the provision of the £2.7m funding for Q4 Independent Sector Provision and £2.0m of costs recovery from urgent and emergency care monies to fund the UHB's winter plan.</p> <p>The following queries were raised:</p> <p>The UHB Chair (CJ) asked if the national allocations covered the running costs of Field Hospitals and the Interim Director of Finance confirmed that they did not. The Committee was informed that the running costs were generally staff costs and non pay costs not covered by national allocations. The running costs would be incurred ordinarily in providing services on main hospital sites.</p> <p>The Independent Member (Estates) (JU) asked for clarification of the funding to support the additional 400 bed surge capacity at the UHW site and it was confirmed that the capital costs were being funded through a further capital allocation of circa £33m which was in addition to the £153m COVID revenue allocation. It was confirmed that running costs which included the deployment of existing staff were included in the expenditure forecast but did not necessarily attract a specific additional allocation.</p> <p>In response to a query from the UHB Chair (CJ) the Director of Finance confirmed that the UHB was scheduled to meet with Welsh Government in the following week so that areas of uncertainty in the UHBs Q3/Q4 plan could be tested and clarified.</p> <p>Following a query from the Finance Committee Chair (RT), the Interim Director of Finance confirmed that there was no assurance of further funding from Welsh Government if the UHB did not remain with its planning assumptions. In this context the chief executive confirmed that the plan was based on Welsh Government advice and national modelling of the Covid 19 pandemic.</p> <p>The Finance Committee Chair (RT) asked whether the forecast break even position assumed savings from the curtailment of elective work during the pandemic. It was confirmed that this was case although it was highlighted that the savings were assumed to abate as elective work increased in the later part of the year. In this context the UHB Chair (CJ) indicated that where resources were available to the UHB it should maximise the safe investment in elective services so that waiting lists could be minimized.</p>	
FC 20/101	<p>FINANCIAL PERFORMANCE MONTH 7</p> <p>The Assistant Director of Finance informed the Committee that at month 6, the UHB had reported an underspend of £0.271m and that</p>	

the key reason for the improvement in the financial position in month 6 was the receipt of further additional Welsh Government funding to cover the additional costs arising from the impact of COVID 19.

The reported position included net expenditure of £79.143m arising from the management of COVID 19 which was offset by an equal amount of Welsh Government COVID 19 funding leaving an operating surplus of £0.271m.

The Executive opinion noted that in managing the impact of COVID 19, the initial financial focus was on justifying additional expenditure incurred in dealing with COVID 19. Welsh Government had now set out the resources available to support the COVID 19 response and there was an expectation that NHS bodies would manage within these resources to deliver their original planned position which in the case of the UHB was a break even position by year end. . In addition the UHB needed to avoid adding recurrent expenditure to the UHB's underlying position to support the recovery from this period.

The UHB Chair (CJ) noted that Welsh Government had made a substantial commitment in supporting the UHB and that there was now an expectation that the UHB would operate within its resource allocation. The UHB Chair also supported the Executive opinion that moving forwards the UHB needed to avoid adding further recurrent commitments to its baseline position.

Three out of the eight measures on the Finance Dashboard remained RAG rated red namely: the reduction in the underlying deficit to £4m; the delivery of the recurrent £25m 3% devolved savings target; and the delivery of the £4m non recurrent savings target. Following the confirmation of further Welsh Government COVID funding in month 6 the UHB now expected to remain within both its revenue resource limit and cash limit in 2020/21 and the RAG rating had moved from Red to Green in month 6 for these measures. Performance against the targets for creditor compliance payments; the maintenance of a positive cash balance; and remaining within the capital resource limit was also RAG rated green.

The Assistant Director of Finance addressed cumulative financial performance and highlighted that within the additional COVID 19 expenditure of £86.159m at month 6, the sum of £45.125m related to the Dragons Heart Hospital (DHH) with further expenditure of £41.034m being incurred in Clinical Boards.

COVID 19 was also adversely impacting on the UHB savings programme where there was an underachievement of £8.461m against the month 6 target of £14.648m. It was noted that performance had improved by £1.709m on the shortfall at month 5 following the release of circa £3.614m of non recurrent balance sheet opportunities. The shortfall in savings was expected to continue until the COVID 19 pandemic passed.

Elective work had been significantly curtailed during the first 6 months of the year as part of the UHB response to COVID 19 and this was the main reason behind a £14.155m reduction in planned expenditure.

The net expenditure due to COVID 19 was £79.143m and this was matched by the same amount of additional Welsh Government COVID funding. In addition the UHB also had a small operating underspend of £0.271m leading to a net reported surplus at month 6.

The Assistant Director of Finance confirmed that Table 4 of the written report provided a breakdown of the £79.143m of additional Welsh government COVID 19 funding supporting the month 6 position and aligned with the Funding Headings outlined in the earlier presentation on COVID 19 Financial Allocations.

The UHB Chair (CJ) noted the shift towards a breakeven position at month 6 and requested the incorporation of a monthly forecasting graph in future reports which included any unfunded costs arising from the management of COVID 19.

ACTION POINT

Turning to expenditure headings the Assistant Director of Finance indicated that a surplus of £73.460m was reported against income targets at month 6 as a result of the additional Welsh Government funding of £79.143m for COVID 19 offset by net COVID 19 expenditure of £5.582m and an operational overspend of £0.101m. 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 income from the Injury Cost Recovery Scheme had again held up in month and showed sign of returning to pre pandemic levels.

The pay position at month 6 was a deficit of £13.076m made up of a net COVID 19 expenditure of £19.082m and an operational underspend of £6.006m. 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 Medicine Clinical Boards and in Facilities. The additional COVID pay costs were in part netted down by nursing staff savings in the specialist and surgical clinical boards.

Non pay budgets reported a deficit of £60.112m at month 6 comprising of net COVID 19 expenditure of £54.479m and an operational overspend of £5.634m. 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. It was noted that the net additional non pay costs of £54.479m arising as a

Interim
Director of
Finance

consequence of COVID 19 had been netted down by £14.105m for reductions in non pay costs mainly arising from reduced levels consumables associated with elective activity.

Turning to the financial forecast for 2020/21 outlined in table 9 of the written report the Assistant Director of Finance noted 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 £79.143m reported at month 6 to a cumulative total of £153.306 at the year end. The net expenditure arising as a result of COVID 19 was now expected to be matched by 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.

It was noted that the revised forecast year-end break even position was an improvement when compared to month 5 primarily as a result of the confirmation of further additional COVID 19 Welsh Government funding.

The month 6 forecast assumed the £153.306m of additional Welsh Government COVID 19 funding which was as outlined on Table 10 of the written Report as follows:

- Dragons Heart Hospital - £60.789m
- UHB's allocation share of Allocations to NHS Organisations - £50.100m
- Funding reflecting COVID workforce costs month 1 to 3 - £11.016m
- Local Authority Test, Trace and Protect (TTP) - £7.300m
- PPE Funding - £6.632m
- UHB TTP costs - £3.081m
- NHS and Jointly commissioned packages of Care - £3.024m
- Independent Sector Provision- £2.700m
- Flu Vaccine Extension - £2.650m
- Transformation Discharge - £1.251m
- Mental Health Services - £0.503m
- GMS DES - £0.210m
- Urgent and Emergency Care Funding - £4.050m

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:

- Dragons Hearth Hospital (DHH) revenue costs were estimated at circa £65.9m including capital costs.
- The UHB had developed alternative plans which had been approved Welsh Government to establish a 400 bed facility for surge capacity on the UHW site .

- Costs and assumed funding for additional capacity commissioned from the independent sector 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 now costed at £2.650m 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 £3.8m in month to £20.5m following the release of non recurrent opportunities.
- The forecast cost of COVID 19 regional Test, Trace and Protect (TTP) was included in the forecast at c £10.6m.

Turning to performance against delegated budgets it was noted that the largest operational pressures within Clinical Boards were reported in Medicine where the main pressure was against nursing, and in Women & Children where there were pressures against medical staff and non pay. The Committee was informed that the in month improvement in PCIC reflected nursing vacancies and updated GMS enhanced services and prescribing data. The overall operational position had improved in month, however, this would still need to be monitored to ensure that the position was maintained as there was variation across Clinical Boards.

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 £25.2m which was £21.2m 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 £3.4m were not exhaustive and were set out in a table at Appendix 6.

The Committee was informed that the balance sheet was outlined at Appendix 2 of the report and that the increase in the carrying value of property, plant & equipment since the start of the year was largely due to the impact of capital spend.

The UHB cash balance at the end of August was c £9.0m and the UHB was now forecasting a positive year end cash balance in line with the financial forecast.

PSPP performance continued to exceed the 95% target.

Capital expenditure was satisfactory with net expenditure to the end of September being 39% 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. £1.043m of the funding had been confirmed and the

	<p>UHB has reprioritized its discretionary capital plan to mitigate the remaining risk.</p> <p>In conclusion, the Assistant Director of Finance highlighted that at month 6, the key revenue financial risk is managing the impact of COVID 19 within the additional resources provided. The UHB also has a capital risk to manage if further COVID 19 funding is not secured from Welsh Government.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the month 6 financial impact of COVID 19 which is assessed at £79.143m;</p> <p>The Finance Committee noted the additional Welsh Government funding of £79.143m assumed within the month 6 position;</p> <p>The Finance Committee noted the month 6 reported financial position being a surplus of £0.271m;</p> <p>The Finance Committee noted the break even position which assumes additional Welsh Government funding of £153.306m 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 £25.2m and the risks identified that, if not managed, could increase this.</p>	
<p>FC 20/102</p>	<p>FINANCE RISK REGISTER</p> <p>The Assistant Director of Finance (AG) presented the Finance Risk register.</p> <p>Following confirmation of additional non recurrent Welsh Government funding, the risk in respect of the impact of COVID-19 on the financial plan had been re-assigned from an extreme to a moderate risk in September, thus reducing the number of extreme risks by one in month.</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>In respect of the risk Fin02/20 the Finance Committee Chair (RT) asked how the UHB was facilitating the management of budget pressures by</p>	

	<p>Clinical Boards and the Chief Operating Officer (COO) confirmed that there was a weekly group meeting with Clinical Boards which was chaired by the COO where pressure points were addressed and that issues were also discussed at the monthly OPG.</p> <p>The Interim Director of Finance informed the Committee that the remaining extreme risks were not expected to change in year unless Welsh Government provided recurrent funding to cover the shortfall in recurrent savings which had arisen due to the constraints in progressing saving schemes during the pandemic.</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/Surge Capacity sub set risk register.</p>	
FC 20/103	<p>MONTH 6 FINANCIAL MONITORING RETURNS</p> <p>These were noted for information.</p>	
FC 20/104	<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 20/105	<p>DATE OF THE NEXT MEETING OF THE COMMITTEE</p> <p>Wednesday 25th November 2.00pm; Virtual Meeting via Teams</p>	