

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE
HELD ON 29th JULY 2020
CEFN MABLY MEETING ROOM/SKYPE , WOODLAND HOUSE**

Present:

Dr Rhian Thomas	RT	Chair, Independent Member – Capital and Estates
John Union	JU	Independent Member - Finance
Abigail Harris	AH	Executive Director of Strategic Planning
Andrew Gough	AG	Assistant Director of Finance
Chris Lewis	CL	Deputy Director of Finance
Len Richards	LR	Chief Executive
Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
Robert Chadwick	RC	Executive Director of Finance
Steve Curry	SC	Chief Operating Officer

In Attendance:

Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

Charles Janczewski	CJ	Board Chair
Nicola Foreman	NF	Director of Corporate Governance
Ruth Walker	RW	Executive Nurse Director

FC 20/059	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 20/060	APOLOGIES FOR ABSENCE	
	Apologies for absence were noted.	
FC 20/061	DECLARATIONS OF INTEREST	
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 20/062	MINUTES OF THE COMMITTEE MEETING HELD ON 24th JUNE 2020	
	The minutes of the meeting held on 24 th June 2020 were reviewed for accuracy and were agreed as a true and accurate record.	

	<p>Resolved – that:</p> <p>The minutes of the meeting held on 24th June 2020 were approved by the Committee as an accurate record.</p>	
FC 20/063	<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 20/064	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 20/065	<p>FINANCIAL PERFORMANCE MONTH 3</p> <p>The Deputy Director of Finance informed the Committee that at month 3, the UHB had reported an overspend of £45.774m against the 2020/21 plan. The reported position was primarily a result of net expenditure of £56.850m arising from the management of COVID 19 which was offset by Welsh Government COVID 19 funding of £11.016m and an operating surplus of £0.061m.</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. 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>Performance against the Finance Dashboard was skewed by the impact of COVID 19 and six out of the eight measures remained RAG rated red namely: remaining 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.</p> <p>It was highlighted that within the additional COVID 19 expenditure of £61.060m at month 3, the sum of £39.994m related to the Dragons Heart Hospital with further net expenditure of £21.066m being incurred in Clinical Boards. The expenditure reported against the DHH had fallen by £2.378m in month following the confirmation and re-evaluation of a number of key contractual liabilities and their phasing.</p>	

COVID 19 was also adversely impacting on the UHB savings programme where there was an underachievement of £6.320m against the month 3 target of £7.196m and the shortfall in savings was expected to continue until the COVID 19 pandemic passed.

Elective work had been significantly curtailed during the first 3 months of the year as part of the UHB response to COVID 19 and this was the main reason behind a £9.683m reduction in planned expenditure.

Moving onto expenditure headings the Deputy Director of Finance indicated that a surplus of £7.607m was reported against income targets at month 3 as a result of net COVID 19 expenditure of £3.314m, an operational overspend of £0.094m which were offset by additional Welsh Government funding of £11.016m for COVID 19 quarter 1 pay costs. The key COVID 19 costs were largely unchanged from the previous month and related to income reductions 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. The operational shortfall in income had marginally improved in month.

The pay position at month 3 was a deficit of £7.592m made up of a net COVID 19 expenditure of £10.208m and an operational underspend of £2.616m. The main additional COVID 19 pay costs were for medical, nursing and ancillary staff in the Medicine Clinical Board and in Facilities.

The Finance Committee Chair (RT) asked whether any of the operational underspend on pay was due to the reduction in elective cases and the Deputy Director of Finance confirmed that the reduction in elective work had led to drop in spend and this was reported as a reduction in planned expenditure due to COVID 19. The Chief Operating Officer added that the UHB had been successful in re-organizing some services e.g. in mental health to work around the constraints presented by COVID 19 and added that some staff who would normally work in an elective environment had provided additional cover in unscheduled care.

In reply to a further query from the Finance Committee Chair (RT) the Executive Director of Workforce and Organisational Development confirmed that the significant additional staff costs arising from COVID 19 were in part influenced by the significant numbers of staff who had been required to either shield or quarantine in line with Government and UHB Guidance. Where possible the UHB had endeavoured to redeploy staff where their working position was adversely affected by COVID 19 and the response from staff to this initiative had been positive.

Non pay budgets reported a deficit of £45.788m at month 3 comprising of net COVID 19 expenditure of £43.328m and an operational overspend of £2.460m.

£37.930m of the additional COVID 19 expenditure related to plant and premises costs at the Dragon's Heart Hospital, £6.663m was attributed to other non pay primarily due to slippage against savings schemes and a further £1.332m 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.

The operational overspend on non pay was mainly concentrated in medicines, additional IT spend, continuing healthcare and non COVID related underperformance against savings schemes.

Referring to the Financial Forecast for 2020/21 outlined in table 8 the Deputy Director of Finance noted 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. Overall the additional costs of managing Covid 19 were expected to continue and the financial deficit was forecast to move from £45.774 at month 3 to a deficit of £139.438m at year end. The month 3 operational underspend of £0.061m was expected to move towards a balanced position as the year progressed.

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

- Dragons Hearth Hospital (DHH) revenue costs were estimated at circa £68m and this included decommissioning and compensation costs.
- No costs for additional potential surge capacity requirements were included in the forecast.
- Costs for additional capacity commissioned from SPIRE were included up until the end of the year.
- Slippage of circa £24.9m 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 testing was included in the forecast at c £3.5m.

It was noted 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 and that this was included with the Finance Committee papers. The Deputy Director of Finance confirmed that the forecast was not fixed and would be subject to further refinement as the year unfolded.

The largest operational pressures within Clinical Boards were reported in PCIC where there were pressures against GP prescribing

	<p>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 improved in month and would continue to be monitored.</p> <p>Moving on to the UHBs underlying deficit the Deputy Director Of Finance reported that £21.7m of the £25.0m forecast slippage against 2020/21 savings targets was recurrent. As a result of the savings slippage the forecast year end underlying deficit was £25.7m which was £21.7m more than the planned £4m identified in the submitted IMTP.</p> <p>The UHB cash balance at the end of April was c £4.1m and the UHB was forecasting a year end cash deficit in line with the financial forecast.</p> <p>PSPP performance had improved from 93.0% to 94.1% in June but was still below the 95% target. Performance in future months was expected to continue to improve.</p> <p>Capital expenditure was broadly in line with plans.</p> <p>In conclusion, the Deputy Director of Finance flagged that at month 3, 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.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the pausing of the IMTP process for 2020/21.</p> <p>The Finance Committee noted the month 3 financial impact of COVID 19 which is assessed at £56.850m;</p> <p>The Finance Committee noted the additional Welsh Government funding of £11.016m received in respect of COVID 19 additional pay costs - Quarter 1;</p> <p>The Finance Committee noted the revised forecast 2020/21 carry forward Underlying Deficit is £25.7m due to 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>FC 20/066</p>	<p>FINANCE RISK REGISTER</p> <p>The Assistant Director of Finance (AG) presented the Finance Risk register.</p> <p>The key risks remained unchanged and 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>The COVID-19 financial plan risk (FIN10/20) was shown at appendix 2 as a sub-set to the main risk register</p> <p>The Finance Committee was asked to note that the UHB had been in discussion with the Welsh Government’s Finance Delivery Unit (FDU) over the forecast shortfall against 2020/21 savings targets and that it was accepted that some of the UHB’s high impact schemes would not deliver as expected in the current environment. However the UHB was expected to maximise savings opportunities where possible with particular emphasis on procurement and medicines management schemes.</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>	
<p>FC 20/067</p>	<p>NHS WALES ORGANISATIONS £470M DEBT WRITTEN-OFF TO HELP PREPARE FOR COVID-19 RECOVERY</p> <p>The Deputy Director of Finance presented a paper which considered the impact on the UHB of the Welsh Government press release which announced “NHS Wales organisations £470m debt written-off to help prepare for COVID-19 recovery”.</p> <p>The Committee was informed that the press release indicated that the historic cumulative deficit which the UHB had reported since the beginning of 2014 will not be required to be repaid once the UHB achieves its three-year break-even duty. This provided clarity and it was noted that the UHB had incurred net deficits totalling £87.206m in the 6 years since the beginning of 2014/15.</p> <p>In response to a query from the Finance Committee Chair (RT) the Deputy Director of Finance indicated that the announcement did not change the UHB plans , however it was noted that the UHB historic debt would be written off at the end 2021/22 if it achieved a break even position over the course of 2020/21 and 2021/22.</p> <p>Resolved - that:</p> <p>The Finance Committee noted the proposals to write off historic debt once the UHB meets its three-year break-even duty.</p>	

FC 20/068	MONTH 3 FINANCIAL MONITORING RETURNS These were noted for information.	
FC 20/069	ITEMS TO BRING TO THE ATTENTION OF THE BOARD There were no items to bring to the attention of the Board.	
FC 20/070	DATE OF THE NEXT MEETING OF THE COMMITTEE Wednesday 26th August 2.00pm; Skype / Cefn Mably Meeting Room, Ground Floor, HQ, Woodland House	