

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE  
HELD ON 28<sup>th</sup> APRIL 2021  
VIRTUAL MEETING via TEAMS**

**Present:**

Dr Rhian Thomas	RT	Chair, Independent Member – Capital and Estates
Charles Janczewski	CJ	Board Chair
John Union	JU	Independent Member - Finance
Ceri Phillips	CP	Board Vice Chair
Abigail Harris	AH	Executive Director of Strategic Planning
Andrew Gough	AG	Assistant Director of Finance
Catherine Phillips	CP	Executive Director of Finance
Chris Lewis	CL	Deputy Director of Finance
Nicola Foreman	NF	Director of Corporate Governance
Rachel Gidman	RG	Executive Director of People and Culture
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 21/04/001	WELCOME AND INTRODUCTIONS	ACTION
	The Chair welcomed everyone to the meeting.	
FC 21/04/002	APOLOGIES FOR ABSENCE	ACTION
	Apologies for absence were noted.	
FC 21/04/003	DECLARATIONS OF INTEREST	ACTION
	The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	

<p><b>FC 21/04/004</b></p>	<p><b>MINUTES OF THE COMMITTEE MEETING HELD ON 24<sup>th</sup> MARCH 2021</b></p> <p>The minutes of the meeting held on 24<sup>th</sup> March 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 24<sup>th</sup>March 2021 were approved by the Committee as an accurate record.</p>	
<p><b>FC 21/04/005</b></p>	<p><b>ACTION LOG FOLLOWING THE LAST MEETING</b></p> <p>There were no outstanding actions.</p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> that there were no outstanding actions.</p>	
<p><b>FC 21/04/006</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 21/04/007</b></p>	<p><b>FINANCIAL PERFORMANCE MONTH 12</b></p> <p>The Deputy Director of Finance summarised the key points within the Month 12 Finance Report.</p> <p>The UHB’s provisional year end revenue outturn was a surplus of £0.090m which was broadly in line with the break-even position previously forecast. The UHB is also reporting that it stayed within its Capital Resource limit and achieved its creditor payment compliance target. The Finance Committee was asked to note that these are all provisional at this stage as the accounts would be subject to external audit scrutiny, though the reported year end position was not expected to materially change. Referring to table 2 of the written report, it was highlighted that despite achieving a surplus in 2020/21 and 2019/20 that the UHB had still breached its statutory break even duty by £9.724m over the three year period from 2018/19 to 2020/21 as a consequence of the deficit recorded in 2018/19.</p> <p>The UHB Chair (CJ) reflected that the relatively small operating surpluses reported by the UHB in both 2019/20 and 2020/21 represented a satisfactory financial outcome and acknowledged the support of the Finance Team in delivering this position. Looking forwards, the UHB Chair (CJ) observed that the financial result that the UHB could expect to achieve in 2021/22 was compromised by the £21.3m increase to the UHBs underlying deficit which had arisen in 2020/21 as a result of the shortfall in the delivery of recurrent savings schemes during the pandemic. Referring to this, the UHB Chair (CJ) noted that the financial position that the UHB could reasonably deliver in 2021/22 would in part be determined by the level of funding that Welsh Government provided to cover the increase in the underlying deficit.</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 in 2020/21

Moving onto financial performance in month 12 it was noted that the operational position had moved from a year to date surplus of £0.502m in month 11 to a surplus of £0.090m at year end. This was broadly in line with the forecast.

The UHB had received additional revenue funding of £176.120m in 2020/21 to manage the impact of COVID. Referring to the line by line analysis of Welsh Government COVID Funding received 2020/21, the Executive Director of Strategic Planning asked how the £4.141m of funding labelled Support for Adult Care Providers was applied and in response the Deputy Director of Finance indicated that the funding was passed onto care providers to cover the additional costs and the financial impact of voids during the pandemic. In this context, the Executive Director of Strategic Planning indicated that the UHB would need to consider the impact that the pandemic may have had on the level of care provider capacity moving into 2021/22.

The UHB Chair (CJ) noted the costs at the Dragons Heart Hospital (DHH) were highlighted in the reported position but queried why the costs of the Lakeside Wing were not shown in the same way. The Deputy Director of Finance stated that this was because the majority of the costs incurred in the construction of the DHH were revenue costs as they could not be capitalised because of the interim nature of the Field Hospital and were therefore reported in the revenue position. The Committee was informed that the costs incurred in the construction of the Lakeside Wing Surge Hospital which would provide additional capacity in the longer term were capitalised and supported by an additional capital allocation provided by Welsh Government. These were therefore not included in the revenue position but shown in the Appendix on capital expenditure.

The year end outturn analysed by income, pay and non pay was largely in line with forecast and it was noted that additional pay spend was reported in month 12 due to the inclusion of COVID related liabilities for the additional annual leave accrual; the additional study leave accrual for training grade doctors and the NHS bonus payment.

Picking up on the additional annual leave accrual the Independent Member – Finance (JU) asked if the accrual was in line with the forecast. In response, the Deputy Director of Finance indicated that the accrual was less than the original forecast, however the shortfall had provided cover for the training grade study leave accrual which was required in respect the UHBs liability for untaken study leave. The Finance Committee Chair (RT) asked how the additional accruals would be managed in 2021/22 and the Deputy Director indicated that the accruals were expected to be released in 2021/22 as the uptake of annual leave and study leave increased as the pandemic eased.

Turning to Clinical Board performance it was highlighted that the in month operational underspend in the PCIC Clinical Board was expected and that the

	<p>in month overspend in the Surgery Clinical Board reflected the shift in year end stock levels.</p> <p>The UHB had maintained a positive cash balance throughout 2020/21. The public sector payment compliance performance was 96.2% at the end of March and therefore the UHB achieved its statutory target in 2020/21.</p> <p>The Finance Committee Chair (RT) asked whether the increase in trade and other debtors since the start of the year which related to amounts due from the Welsh Risk Pool (WRPs) was a risk to the UHB and the Deputy Director of Finance confirmed that the debtor was the WRPs contribution to cover liabilities and that this was not a significant risk to the UHB's balance sheet.</p> <p>In conclusion, the Deputy Director of Finance reiterated that the reported position was a very satisfactory conclusion to the financial year, with the UHB having remained within its revenue and capital resource limits in year and met its creditor payment compliance target.</p> <p><b>Resolved – that:</b></p> <p>The Finance Committee <b>noted</b> the provisional draft year end revenue surplus of £0.090m against the planned breakeven position;</p> <p>The Finance Committee <b>noted</b> that the year end capital underspend of £0.104m against a CRL of £95.447m;</p> <p>The Finance Committee <b>noted</b> that the UHB achieved its creditor payment compliance target of 95%.</p> <p>The Finance Committee <b>noted</b> the month 12 financial impact of COVID 19 which assessed at £176.120m;</p> <p>The Finance Committee <b>noted</b> the additional Welsh Government COVID 19 confirmed funding of £176.120m included within the month 12 position:</p> <p>The Finance Committee <b>noted</b> the revised forecast 2020/21 carry forward Underlying Deficit of £25.3m.</p>	
<p><b>FC</b> <b>21/04/008</b></p>	<p><b>DEEP DIVE – RESOURCE ALLOCATIONS AND FUNDING</b></p> <p>The Deputy Director of Finance introduced a presentation on Resource Allocations and Funding and highlighted that the presentation would cover the following areas:</p> <ul style="list-style-type: none"> <li>• How the Welsh Government is funded</li> <li>• Funding from Welsh Government (including the new allocation formula &amp; the UHBs assessed share of NHS Funding)</li> <li>• Cross Border flows and LTAs</li> <li>• How the UHB spends its resources</li> </ul>	

The Deputy Director of Finance moved through the presentation and highlighted:

### **Welsh Government Funding**

- the majority of Welsh Government is determined by the Chancellor of the Exchequer, and is approved by the UK Parliament in Westminster.
- More than 80% of Welsh Government funding is provided via Parliament with the rest coming from taxes collected in Wales. Welsh Government has the power to apply different rates of income tax in Wales compared to other parts of the UK. To date the rates applied have been consistent with England and Northern Island.
- The share for Wales of the extra funding given to each Whitehall Department in the Spending Review is determined by the Barnett formula. The current Barnett share is circa 5.8% of the additional funding announced for each Whitehall Department where powers have been devolved to Wales.
- The shares are referred to as consequentials however Welsh Government can determine how the consequentials are allocated over each Welsh Government Expenditure group.
- The Welsh Government undertakes an Annual Budget Round and normally publishes a draft budget in October which details its spending plans for the next three years for Main Expenditure Groups (MEGs) e.g. Health and Social Services; Housing and Local Govt.; Economy and Transport; Education; Mental Health, Wellbeing and Welsh Language; Environment, Energy and Rural Affairs; and Central Services and Administration.

### **NHS Funding**

- Welsh Government normally issues annual NHS revenue allocations in December for the following financial year
- Revenue allocations are based on previous years funding uplifted for growth, and new development funding. A new allocation formula was introduced in 2020/21 and this is used to allocate annual growth funding.
- Funding is allocated to the 7 Health Boards to fund healthcare services for their resident population based on previous years funding uplifted for growth, and new development funding. The funding flows from each Health Board to: neighbouring Health Boards; Independent Contractors (GPs, Opticians, Dentists, Pharmacists); WAST & Velindre Trusts; WHSCC; Local Government; and Voluntary/Independent sector.
- The UHB's Initial Resource Limit for 2021-22 is £981.786m.
- Further allocations are made during year – some are non recurrent and some are recurrent. In part due to the Covid pandemic, 2020/21 was exceptional with a starting allocation of circa £0.950bn and a closing allocation of circa £1.2bn.
- Some health funding is held in Welsh Government central budgets and issued direct to Trusts, LHBs or other bodies

### **New Allocation Formula; Principles & Aims**

- Intended to be transparent, simple to maintain and based on readily available robust population needs and financial data.
- The formula results are expected to be mapped and robust at the following levels: 7 Local Health Boards; 22 Public Services Boards; 64 Locality Networks / Primary Care Clusters. This will enable Health Boards to match resources to needs within their boundaries.
- The formula used in Wales has been influenced by the Scottish approach which has 4 main measures of health need being: population; age sex adjustment; morbidity and Life circumstances adjustment (MLC); Unavoidable Excess Costs of Supply adjustment - remoteness and rurality
- The Welsh Formula has 4 components as follows: Acute (72.2%); Maternity (3.40%); Community (13.40%) and Prescribing (11.0%)
- New funding is allocated to LHBs based on: Population share; age sex cost index; additional Needs index for each component. In addition the Community component is weighted for an additional cost index.
- Graphical data was presented that indicated that the annual cost of Acute Care was far greater in the early (years 1-4) and later (years 60 onwards) part of life.
- Data collected to inform the latest allocation applied the following weights to Cardiff and Vale in comparison to the average for Wales:

	Acute	Maternity	Community	Prescribing	Overall
Vale of Glamorgan	0.946	0.917	0.872	0.892	0.929
Cardiff	0.792	0.906	0.829	0.807	0.802
Cardiff & Vale of Glam.	0.833	0.909	0.841	0.830	0.836
All Wales	1.000	1.000	1.000	1.000	1.000

- The formula on average allocated 92.9% and 80.2% of the overall national funding per head of population to a typical resident in the Vale of Glamorgan and Cardiff respectively.
- The application of the formula meant that the UHB received 13.3% of the £105m core cost and demand uplift for Wales in 2021-22 as against a crude (unweighted) population share of 15.9% or the current “Townsend” share of 14.4%. The latest assessment indicated that the UHB currently received 13.53% of total funding allocated across Wales.

### **Allocations – Resource Limits**

- The UHB’s funding from Welsh Government is split between the Revenue Resource Limit – funding for day-to-day services (e.g. salaries, consumables and services), and the Capital Resource Limit – funding for significant capital investment – tangibles assets costing £5,000 or more with an expected life in excess of 1 year (e.g. buildings, equipment or groups functionally inter-dependant assets (e.g. all networked IT equipment >£250)).
- Capital and Revenue are treated as two different funding streams and are accounted for separately. They have separate statutory targets and resource limits can only be swapped upon agreement by Welsh Government

### **LTA Financial Frameworks**

- LHB/ Trust LTAS are based on historic costs, inflated year on year however some are being remodelled. LTAs are supplemented for clinical developments (e.g. Robot, blood products) and delivery is measured at a specialty and patient category level
- The WHSSC LTA was established through Resource Mapping in 2010 and the UHB's provider contract was rebased in 2015-16 to better align the income to service costs individual services
- LTAs are a mixture of; Block Contracts – where there no adjustment for variation; Traditional 'Cost & Volume' Contracts – variation adjusted for at marginal rates; Cost per Case Contracts – full cost price variation; and 'Pass Through' Contracts – actual expenditure e.g. NICE and High Cost Drugs

The presentation concluded by noting that the UHBs budget in 2020/21 was circa £1.7bn and whilst the majority of the income is provided through allocations from Welsh Government, a significant level of income (circa 1 quarter) was recovered from the Welsh Health Specialist Services Committee (WHSSC), Other Local Health Boards and Commissioners of Training and Education . Against a comparison of the UHB's expenditure it was evident that in financial terms the UHB collected more income for services provided to external commissioners that it spent on services provided to Cardiff & Vale residents by external providers.

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

The Executive Director of Strategic Planning asked whether Welsh Government had discretion over the way that consequential funding was allocated between Expenditure Groups and the Deputy Director of Finance confirmed that Welsh Government had discretion to prioritise between different MEG budgets e.g. Housing and Local Government could be prioritised before Health and Social Services and vice versa.

The UHB Vice Chair (CP) noted that the UHB delivered a significant proportion of the tertiary services provided to all Welsh residents and asked what assurance could be given that the cost of providing tertiary services to patients residing outside of Cardiff and Vale was recovered through LTA agreements from external commissioners. In reply the Deputy Director of Finance indicated that Welsh Health Specialist Services (WHSSC) were responsible for commissioning specialist and tertiary services on behalf of Welsh residents and that the UHBs provider contract with WHSSC was rebased in 2015-16 to better align the income to service costs for individual services. The Deputy Director of Finance added that the UHB was presently working with Aneurin Bevan to rebase the LTA agreed by both organisations and intended to review the LTA with Cwm Taf once the Covid pandemic passed.

Referring to the measurement of population for the new revenue allocation formula the UHB Vice Chair (CP) observed that the population count for each Health Board was based on residency and noted that the absence of a large part of Cardiff's significant student population as a result of the lockdown in place during the COVID pandemic at the time of the 2021 Census may impact on the population data informing the formula. The Committee agreed that this

	<p>was a fair concern and that the UHB would need to assure itself that future population projections were adjusted for issues at the time of the 2021 census.</p> <p>The Finance Committee Chair (RT) queried whether GP registrations could provide a better basis for a measuring populations. In response, the UHB Vice Chair (CP) indicated that there could be a reluctance to use GP lists as these could be unrepresentative unless patient registrations were regularly reviewed for patients who had re-registered with other GPs. This was a particular concern in areas where there were large numbers of students who may have moved on following the completion of studies without de-registering from a GP practice.</p> <p><b>Resolved - that:</b></p> <p>The Finance Committee <b>noted</b> the presentation.</p>	
<p><b>FC 21/04/009</b></p>	<p><b>MONTH 12 FINANCIAL MONITORING RETURNS</b></p> <p>These were noted for information.</p>	
<p><b>FC 21/04/010</b></p>	<p><b>ITEMS TO BRING TO THE ATTENTION OF THE BOARD</b></p> <p>There were no items to bring to the attention of the Board.</p>	
<p><b>FC 21/04/011</b></p>	<p><b>DATE OF THE NEXT MEETING OF THE COMMITTEE</b></p> <p><b>Wednesday 26<sup>th</sup> May 2.00pm; Virtual Meeting via Teams</b></p>	