

**CONFIRMED MINUTES OF THE MEETING OF THE FINANCE COMMITTEE
HELD ON 25th NOVEMBER 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
Abigail Harris	AH	Executive Director of Strategic Planning
Andrew Gough	AG	Assistant Director of Finance
Chris Lewis	CL	Interim Director of Finance
Len Richards	LR	Chief Executive
Nicola Foreman	NF	Director of Corporate Governance
Ruth Walker	RW	Executive Nurse Director

In Attendance:

Emily Kitt	IV	Ward Manager – East 16 (shadowing the Executive Nurse Director)
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Secretariat:

Paul Emmerson	PE	Finance Manager
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Apologies:

Martin Driscoll	MD	Executive Director of Workforce and Organisational Development
Steve Curry	SC	Chief Operating Officer

FC 20/106	WELCOME AND INTRODUCTIONS The Chair welcomed everyone to the meeting.	ACTION
FC 20/107	APOLOGIES FOR ABSENCE Apologies for absence were noted.	
FC 20/108	DECLARATIONS OF INTEREST The Chair invited members to declare any interests in proceedings on the Agenda. None were declared.	
FC 20/109	MINUTES OF THE COMMITTEE MEETING HELD ON 28th OCTOBER 2020	

	<p>The minutes of the meeting held on 28th October 2020 were reviewed and confirmed to be an accurate record subject to an amendment to minute FC - 20/100 where the reference to the UHB Chair is to be amended to the Finance Committee Chair.</p> <p>Resolved – that:</p> <p>The minutes of the meeting held on 28th October 2020 were approved by the Committee as an accurate record.</p>	
FC 20/110	<p>ACTION LOG FOLLOWING THE LAST MEETING</p> <p>FC 20/101- Forecast to Break-even. A monthly forecasting graph is to be included in future finance performance reports. The graph should include any unfunded costs arising from the management of COVID 19.</p> <p>It was noted that this action had been completed and that a monthly forecasting graph was included in Month 7 Finance Report.</p> <p>The Finance Committee Chair (RT) observed that the scale required to cover the reported position in the first 5 months of the year meant that variation in performance was difficult to glean from the graph from month 6 onwards. The Director of Finance concurred and suggested that this could be overcome by amending the graph to report performance against forecast over the period from month 6 to year end. The Committee agreed with the suggested amendment.</p> <p>Resolved – that:</p> <p>The Finance Committee received the Action Log and agreed that the monthly forecasting graph would be amended to report performance against forecast from month 6 to year end for future reports.</p>	Interim Director of Finance
FC 20/111	<p>CHAIRS ACTION SINCE THE LAST MEETING</p> <p>There had been no Chairs action taken since the last meeting.</p>	
FC 20/112	<p>FINANCIAL PERFORMANCE MONTH 7</p> <p>The Assistant Director of Finance informed the Committee that at month 7, the UHB had reported an underspend of £0.362m and that the reported position included net expenditure of £88.478m 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 £0.362m.</p> <p>The Executive opinion noted that 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</p>	

	<p>UHB needed to avoid adding recurrent expenditure to the UHB's underlying position to support the recovery from this period.</p> <p>The Committee was informed that the UHB had discussed and agreed all key assumptions underlying the forecast year end breakeven position with the Welsh Government Finance Delivery Unit (FDU).</p> <p>Two 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. The delivery of the £4m non recurrent savings target had progressed to Green status in October. In addition, performance against the targets to remain within the revenue resource limit; to remain within the cash limit; to meet creditor compliance payments targets ; to maintain a positive cash balance; and to remain within the capital resource limit continued to be RAG rated green.</p> <p>The Assistant Director of Finance reported the cumulative financial performance and highlighted that the additional COVID 19 related expenditure was £94.720m at month 7.</p> <p>COVID 19 was also adversely impacting on the UHB savings programme where there was an underachievement of £10.426m against the month 7 target of £17.044m. The shortfall in savings was expected to continue until the COVID 19 pandemic passed.</p> <p>Elective work had been significantly curtailed during the first 7 months of the year as part of the UHB response to COVID 19 resulting in a fall in non pay costs and this was the main reason behind a £15.390m reduction in planned expenditure. In addition there had been slippage of £1.278m against planned investments including WHSCC.</p> <p>The net expenditure due to COVID 19 was £88.478m 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 £0.362m leading to a net reported surplus at month 7.</p> <p>The UHB Chair (CJ) noted the reduction in costs of c £16.7m at month 7 arising from the reduction in elective work and slippage investments and asked if the UHB would need to re-apply for the associated funding. In reply the Assistant Director of Finance indicated that the reduction in elective costs and investments was primarily profiled in the first part of the year and was forecast to taper off in the later part of the year when elective activity was expected to increase. This was factored into the UHB's quarter 3/quarter 4 plan and the breakeven forecast and acknowledged by Welsh Government. Picking up on the resources required to catch up on the backlog of non Covid related healthcare, the UHB Chair (CJ) asked if the UHB had the staff and theatre capacity to catch up on the backlog of non Covid related healthcare that had built up during the pandemic. The Interim Director of Finance indicated that the additional funding provided in year was intended to stabilise the service in 2020/21. In</p>	
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	<p>respect of the backlog, the UHB expected that the guidance from Welsh Government for 2021/22 would require a bold and ambitious plan which would address the additional capacity and resources required to recover access times for non Covid related healthcare services.</p> <p>The Committee was directed towards Table 4 of the written report which provided a breakdown of the £88.478m of additional Welsh Government COVID 19 funding supporting the month 7 position.</p> <p>A query was raised by the UHB Chair (CJ) in respect of the nil values ascribed to the additional Welsh Government Covid funding supporting independent sector provision and mental health services at month 7 and the Assistant Director of Finance confirmed that the UHB's plan assumed that the funding would be accessed in the later part of the year. In this context the UHB Chair indicated that continuing support to the UHB's mental health services was necessary in recognition of the demands on services during the pandemic.</p> <p>The Assistant Director of Finance moved onto performance against income, pay and non pay budgets.</p> <p>A surplus of £82.552m was reported against income targets at month 7 as a result of the additional Welsh Government funding of £88.478m for COVID 19 offset by net COVID 19 expenditure of £6.026m and an operational underspend of £0.100m. The key COVID 19 costs were largely unchanged 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; Radiopharmacy and private patients. It was noted that income from the Injury Cost Recovery Scheme had again held up and improved in month and that the level of other operating income being recovered was also improving.</p> <p>The Finance Committee Chair (RT) asked for confirmation that the loss of income arising from measures to manage Covid 19 was recognized by Welsh Government and the Assistant Director of Finance confirmed that the loss of income was reported to Welsh Government through the monthly monitoring returns and included in the table of additional costs arising as a result of Covid 19.</p> <p>The pay position at month 7 was a deficit of £14.671m made up of a net COVID 19 expenditure of £21.433m and an operational underspend of £6.762m. 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.</p>	
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	<p>Picking up on pay pressures the UHB Chair (CJ) asked if the additional resources required to staff the 400 bed surge capacity would place pressure on pay budgets and in relation to this the Finance Committee Chair (RT) asked if existing budgets could absorb the cost of providing the surge capacity. The Director of Finance confirmed that the UHBs quarter 3 and quarter 4 plan did not assume that the full 400 beds would be used in 2020/21 and that the financial forecast included costs to support the partial usage of the surge capacity. The plan also recognised that the availability of qualified nursing was a constraining factor on the UHB's plans. The Executive Nurse Director indicated that the UHB had developed plans to safely staff the surge capacity and this included the consideration of processes in neighbouring health boards. The UHB had increased its workforce capacity using flexible options such as bank staff and costs could be reduced where necessary in line with service requirements. In respect of the Surge Hospital the Executive Nurse Director added that the UHB had managed to salvage a significant amount of the equipment and fittings from the Dragons Heart Hospital to use in the Lakeside Surge facility and the Committee recognised the additional value in this action.</p> <p>Non pay budgets reported a deficit of £67.520m at month 7 comprising of net COVID 19 expenditure of £61.020m and an operational overspend of £6.500m. 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 £61.020m arising as a consequence of COVID 19 had been netted down by £15.121m for reductions in non pay costs mainly arising from reduced levels consumables associated with elective activity.</p> <p>Turning to the financial forecast for 2020/21 the Assistant Director of Finance referred to table 9 of the written report which outlined 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 £88.478m reported at month 7 to a cumulative total of £151.726 at the year end and this was expected to be matched by the same amount of 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.</p> <p>The month 7 forecast assumed the £151.726m of additional Welsh Government COVID 19 funding which was as outlined in Table 10 of the written Report as follows:</p> <ul style="list-style-type: none"> • Dragons Heart Hospital - £60.284m • UHB's allocation share of Allocations to NHS Organisations - £50.100m 	
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- Funding reflecting COVID workforce costs month 1 to 3 - £11.016m
- Local Authority Test, Trace and Protect (TTP) - £6.654m
- PPE Funding - £6.884m
- UHB TTP costs - £3.147m
- NHS and Jointly commissioned packages of Care - £3.024m
- Independent Sector Provision- £2.700m
- Flu Vaccine Extension - £1.903m
- 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 Heath Hospital (DHH) costs were estimated at circa £65.4m including £2.7m 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 and it was expected that 50 of the beds would be used to meet initial demand with the remainder being commissioned if there was further significant demand.
- Costs and assumed funding for additional capacity commissioned from the independent sector were included up until the end of the year.
- The cost of the enhanced flu vaccination programme was now estimated at £1.903m for 2020/21 and was included in the forecast and assumed to be funded.
The forecast cost of a mass COVID vaccination programme was estimated to be £4.9m in 2020/21 and £11.8m in 2021/22 based on the current assumption of delivery of the vaccine within mass vaccination centres. The forecast assumed that Welsh Government would provide resource coverage for any additional costs arising from a COVID vaccination programme in 2020/21.
- Slippage against savings plans was estimated at £19.9m.
- The forecast cost of COVID 19 regional Test, Trace and Protect (TTP) was included in the forecast at c £9.8m. This excluded the cost of additional surge capacity which was expected to be included at month 8 together with the notified allocation.

The Assistant Director of Finance turned to performance within Clinical Boards and noted that the largest operational pressures were reported in Women & Children where there were pressures against medical staff and non pay and in Medicine where the main pressure was against nursing. The Committee was informed that the in month improvement in Medicine reflected the recognition of funding in support of NICE Drugs. The overall performance against delegated

	<p>budgets was a reported operational surplus of £0.163m, however this would still need to be monitored to ensure that the position was maintained as there was variation across Clinical Boards. In this context the UHB Chair (CJ) asked what assurance could be provided to the Committee that Clinical Board positions continued to be performance managed. In reply the Interim Director of Finance indicated that whilst the primary focus in the financial year had been on managing the UHB bottom line, the Chief Operating Officer continued to monitor operational pressures with Clinical Boards and significant concerns were addressed at monthly OPG meetings.</p> <p>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 £25.3m which was £21.3m more than the planned £4m identified in the submitted IMTP. It was noted that the UHB has identified a number of areas where expenditure could impact upon the underlying position and these were outlined at appendix 6 of the written report. The list totalled £3.1m and further work was required to identify the recurrent impact. The Committee was informed that it was not clear at this stage whether Welsh Government would provide coverage for the underlying deficit arising from savings slippage in 2021/22. The Interim Director of Finance added that with the exception of the items outlined in appendix 6 the UHB was planning on the principle that all COVID costs were non recurrent.</p> <p>Referring to the savings slippage, the Finance Committee Chair (RT) noted that progress against the UHB's initial savings plan which was in part based on a reduction in beds had been abated by the change in plans required to manage the impact of Covid 19 and asked whether the UHB had scope to flex the savings plan to include savings realised in year which were not included in initial plans. The Assistant Director of Finance confirmed that the UHB did recognise and report opportunities as they arose in year. The Interim Director of Finance added that the UHB had not yet driven out all of the benefits around the changes in operational practice in response to the pandemic and that any costs which could be released would need to feature strongly in future plans. Turning back to the UHBs bed capacity the Chief Executive confirmed that the UHB's Shaping Our Future Well Being Strategy included the commitment to enable people to maintain and recover their health as close to home as possible and that the UHB's bed capacity would need to be continually reviewed in light of this objective.</p> <p>The Committee was informed that the balance sheet was outlined at Appendix 2 of the report.</p> <p>The UHB cash balance at the end of October was c £12.9m and the UHB was forecasting a positive year end cash balance in line with the financial forecast.</p> <p>PSPP performance continued to exceed the 95% target.</p>	
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	<p>Capital expenditure was satisfactory with net expenditure to the end of October being 57% 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 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 7, the key revenue financial risk is managing the impact of COVID 19 within the additional resources provided.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the month 7 financial impact of COVID 19 which is assessed at £88.478m;</p> <p>The Finance Committee noted the additional Welsh Government funding of £88.478m assumed within the month 7 position;</p> <p>The Finance Committee noted the month 7 reported financial position being a surplus of £0.362m;</p> <p>The Finance Committee noted the breakeven position which assumes additional Welsh Government funding of £151.726m 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 £25.3m and the risks identified that, if not managed, could increase this.</p>	
FC 20/113	<p>FINANCE RISK REGISTER</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>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>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 Finance Committee Chair (RT) referred to Risk Fin05/20 DHH which identified that in some instances a letter of intent was in place</p>	

	<p>with contractors in lieu of a formal contract and asked whether final contracts had been agreed. The Interim Director of Finance indicated that progress had been made through respective legal teams and that the UHB was ensuring that strong governance was maintained in closing down contractual discussions.</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 Surge Capacity sub set risk register.</p>	
FC 20/114	<p>MONTH 7 FINANCIAL MONITORING RETURNS</p> <p>These were noted for information.</p>	
FC 20/115	<p>COMMITTEE EFFECTIVENESS REVIEW 2019-20 RESULTS AND ACTIONS</p> <p>The Director of Corporate Governance highlighted the results for the Committee Effectiveness review undertaken by Finance Committee Members and the Executive Director Lead for the Committee.</p> <p>The Committee was directed to a proposed action plan attached at appendix 2 to improve the areas in which the results had either an 'adequate', 'needs improvement' or 'no' response to the questions asked.</p> <p>Resolved – that:</p> <p>The Finance Committee noted the results of the Committee's self-Assessment Effectiveness Review for 2019-20.</p> <p>The Finance Committee approved the action plan for improvement to be completed by March 2021 in preparation for the next annual self-assessment which will feed into the 2020-21 Annual Governance Statement.</p>	
FC 20/116	<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 20/117	<p>DATE OF THE NEXT MEETING OF THE COMMITTEE</p> <p>Wednesday 6th January 2.00pm; Virtual Meeting via Teams</p>	