



**AGENDA ITEM**

6.2

**CTM BOARD**

**COVID-19 FINANCIAL IMPACT AND ITS MANAGEMENT**

<b>Date of meeting</b>	28/05/2020
<b>FOI Status</b>	Open/Public
<b>If closed please indicate reason</b>	Not Applicable - Public Report
<b>Prepared by</b>	Steve Webster, Director of Finance & Procurement
<b>Presented by</b>	Steve Webster, Director of Finance & Procurement
<b>Approving Executive Sponsor</b>	Executive Director of Finance & Procurement
<b>Report purpose</b>	FOR APPROVAL

**Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/group)**

<b>Committee/Group/Individuals</b>	<b>Date</b>	<b>Outcome</b>
Planning, Performance & Finance Committee	(19/05/2020)	SUPPORTED

**ACRONYMS**

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## 1. SITUATION/BACKGROUND

- 1.1 The Health Board has committed very significant financial resources directly resulting from Covid-19 and resulting from its response to Covid-19. The presentation attached as Appendix 1 sets out the context and the drivers for the additional expenditure incurred as well as the latest estimates of the level and type of expenditure. It also outlines the arrangements for decision-making and governance. The costs in the Appendix relate to the first full forecasts provided to the Welsh Government in April. The total additional revenue cost projected over the first 6 months of the financial year 2020/21 was £51m and the total capital cost was £13.0m.
- 1.2 More recent forecasting is provided in the separate finance report to the Board. This projects a revenue cost impact of £50.7m over the full 12 months of the financial year. The capital cost estimate remains at £13m.
- 1.3 Due to the inherent uncertainties in the level of future Covid-19 infections and also in the provision of healthcare in a Covid-19 environment, these forecasts of the financial impact will inevitably be subject to a very wide margin of error.
- 1.4 While the Welsh Government is very supportive of the measures all Health Boards have taken to respond to Covid-19, and has indicated that it will provide financial support for this (both capital and revenue), the costs across Wales are very significant and it cannot confirm that all forecast costs will be able to be funded.
- 1.5 There is therefore a risk that the organisation's operational revenue costs of addressing the pandemic cannot be contained within available revenue funding resulting in an unplanned I&E deficit in 2020/21, and a parallel risk of unfunded additional capital costs resulting in the Capital Resource Limit being exceeded in 2020/21. There is also a risk to the recurrent financial position which is then taken into 2021/22. This risk may apply even if 2020/21 costs are funded by Welsh Government, is that funding is non-recurrent.

Appendix 2 is the entry on the risk register relating to this risk, including the actions being taken to mitigate the risk. The same risk applies to capital expenditure and funding, but the risk is considered much smaller in relation to capital. All the actions identified in the paper around reviewing and refining costs will be taken.



## 2. SPECIFIC MATTERS FOR CONSIDERATION BY THIS MEETING (ASSESSMENT)

- 2.1 The Performance, Planning and Finance Committee, together with both External and Internal Audit, have received the presentation in Appendix 1.
- 2.2 Commitments of cost have also been approved by Bronze, Silver or Gold as appropriate under the Health Board approved Covid-19 scheme of delegation through the process. Where there is any doubt as to whether approvals were properly given, retrospective approvals are being sought through Gold Command on 21 May 2020.
- 2.3 Further review of governance arrangements will be undertaken through Internal Audit, and reported to the Audit Committee. A paper on this will be taken to the forthcoming Audit Committee.
- 2.4 With regard to Board capital expenditure approvals, Chairman's action has already been agreed to approve £4.4m of equipment to support the capacity expansion put in place, with Board endorsement of that action covered separately on the agenda. Of the remaining £8.6m, £3.95m relates to delays unavoidably caused by Covid as opposed to new commitments. The balance of £4.65m relates to schemes under £1m approved by Gold/Silver/Bronze which do not individually require Board approval.

However, in the context of the material overall total, the Board will be asked to endorse the collective total of £13.0m. This represents unavoidable costs arising from the need to put into place the additional capacity indicated by the Welsh Government as necessary. The Welsh Government is aware of this expenditure commitment related to Covid and there has been an indication it will fund all reasonable Covid capital costs.

It should be noted that £3.1m of the delay costs of £3.95m relate to the PCH Phase 2 scheme which has not yet been approved by Welsh Government. The costs will obviously only materialise when the scheme is approved, but will increase the previously reported cost of the scheme. The balance of the £13.0m (i.e. £9.9m) relates to increased capital costs of committed capital schemes.



### 3. KEY RISKS/MATTERS FOR ESCALATION TO BOARD/COMMITTEE

3.1 The key risk for the Board is the risk of expenditure relating to Covid-19 exceeding additional Welsh Government funding, as outlined in 2.5 above.

### 4. IMPACT ASSESSMENT

<b>Quality/Safety/Patient Experience implications</b>	There are no specific quality and safety implications related to the activity outlined in this report.
<b>Related Health and Care standard(s)</b>	Governance, Leadership and Accountability If more than one Healthcare Standard applies please list below:
<b>Equality impact assessment completed</b>	Not required
<b>Legal implications / impact</b>	There are no specific legal implications related to the activity outlined in this report.
<b>Resource (Capital/Revenue £/Workforce) implications / Impact</b>	Yes (Include further detail below) To approve expenditure committed as a consequence of Covid-19
<b>Link to Main Strategic Objective</b>	To provide strong governance and assurance
<b>Link to Main WBFG Act Objective</b>	Provide high quality care as locally as possible wherever it is safe and sustainable

### 5. RECOMMENDATION

5.1 Capital expenditure

The Board is asked to retrospectively **APPROVE** the commitment of an additional £9.9m capital expenditure. This is expected to be supported

by additional capital resource limit from Welsh Government, but this cannot be guaranteed.

The Board is asked to **APPROVE** that amendments are made to the proposed cost of the PCH Phase 2 scheme to reflect the costs of a delayed start. These costs are currently estimated at £3.1m, but this will be subject to the timing of re-start and also to potential additional costs resulting from social distancing measures on site.

## 5.2 Revenue expenditure

The Board is asked to **ENDORSE** the Health Board continuing to incur costs without guarantee of full WG funding, at the same time as raising the formal financial risk in the risk register relating to the risk of revenue (and capital) costs being greater than WG funding provided. The total is currently uncertain but will be lower than the £51m initially forecast. Due consideration will be given to value for money.