Meeting Date	**23rd August 2022**	**Agenda Item**	**2.1**
Report Title	Financial Report – Period 4 2022/23		
Report Author	Samantha Moss, Deputy Director of Finance Alison McLennan, Finance Business Partner		
Report Sponsor	Darren Griffiths, Director of Finance and Performance		
Presented by	Darren Griffiths, Director of Finance and Performance		
Freedom of Information	Open		
Purpose of the Report	The report advises the Performance & Finance Committee of the Health Board on the financial position for Period 4 (July 2022) 2022/23 and sets out the current forecast revenue year end outturn.		
Key Issues	The report invites the Performance & Finance Committee to note the detailed analysis of the financial position for Period 4 (July 2022) 2022/23. The report includes an analysis of the COVID-19 revenue impact and the forecast year-end revenue position based on current planning assumptions. Risks have been updated.		

Specific Action Required ***(please choose one only)***	**Information**	**Discussion**	**Assurance**	**Approval**
	☐	☐	☒	☐

Recommendations	Members are asked to: • NOTE the agreed 2022/23 financial plan. • **CONSIDER** and comment upon the Board's financial performance for Period 4 2022/23. • **DELIVER** the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: - o 100% delivery of savings and all schemes to be green and amber with work to finalise red schemes to be completed as a matter of urgency. **All Service Group Directors and Corporate Directors** o Focused attention to ensure the 100% of the green and amber schemes are delivered in line with the plans identified. **All Service Group Directors and Corporate Directors** o Immediate attention is required to address the shortfall in savings in quarter 2 of the financial year. This work must be completed by as a matter of urgency to avoid further risk being added to the

	financial plan for the year. **All Service Group Directors and Corporate Directors**
	• **DELIVER** increased cost control in respect of COVID response costs: -
	  o Check & Challenge meeting with CEO held in July 2022, which picked up the revised cost assessments based on new guidance and evidence based cost reductions.
	  o Actions from meetings in July 2022 to be followed up in August 2022 with updates required from all Services Groups by the end of August, to provide assurance on delivery to the Committee. **All Service Group Directors**
	  o Where necessary further meetings to be arranged to end of Q2.
	  o DoF to continue engagement with WG on the risks regarding funding and updates on COVID response costs submitted WG in Month 4 MMR submission.
	  o To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.
	• **DELIVER** actions to ensure the operational pressures are mitigated and areas return to financial balance by the end of September 2022. **All Service Group Directors and Corporate Directors**
	• **NOTE** component elements of the plan, in risks, forecasts and challenges, brought together into standard planning format (section 6).
	• **AGREE** the risk handling for the risks noted**.**
	• **NOTE** all actions and updates to support the management of the 2022/23 financial position.

FINANCIAL REPORT – PERIOD 4

1. INTRODUCTION

The report provides the Committee with an account of the period 4 2022/23 revenue position.

2. FINANCIAL PLAN 2022/23

The Health Board (HB) agreed the 3-year recovery and sustainability plan for 2022/23 at its meeting on 31st March. The plan has subsequently been revised and updated following notification from Welsh Government (WG) that the deficit of £24.4m would be funded recurrently, and was approved on 28th July 2022.

Table 1: 2022/23 Year 1 of Recovery and Sustainability Plan

SBUHB Financial Plan 2022-23	Submission (inc £24.4m)
	£m
Opening defict	24.4
FY21 savings gap	17.7
FY22 savings gap	0.0
2022/23 opening position	**42.1**
WG Allocation applied against sustainability	(12.4)
Additional WG allocation applied against sustainability	(24.4)
Savings required to manage FY21 Savings Gap	(5.3)
2022/23 underlying position after sustainability application	**0.0**
Application of core WG funding based on 2%	(9.7)
Cost pressures & Investments	31.4
Cost pressures Operational	0.0
CIPs - 4%	(21.7)
Deficit/(surplus) for year 2022-23 - base plan	**(0.0)**
Extraordinary cost pressures	24.1
Deficit/(surplus) for year 2022-23 - after extraordinary pressures	**24.1**
COVID Scheduled & Unscheduled care Sustainability Funding	(21.6)
COVID Recovery Costs	21.6
COVID Response Costs	42.9
Covid Transition & Extraordinary Pressures Funding	(67.0)
Deficit/(surplus) for year	**(0.0)**

Key assumptions underpinning the plan:

- Starting with underlying deficit b/f = **£42.1m**
- Increase in WG funding for 22/23 = **£22.1m**
- Additional Funding WG = **£24.4m**
- Savings requirement = **£27.0m**
- Recognised growth & investment = **£31.4m**
- Anticipated that COVID transition and extraordinary Pressures (Utilities / RLW / NI) funded in full by WG as per forecasts at Month 3

3. FINANCIAL PERFORMANCE

The key metrics linked to the revenue position are provided in the table below. Further details on the key drivers to this are provided in section 4 of the report.

Table 2: Key Variances

	Revised Plan	In Mth	Year To Date	Forecast 31st March 2023
	£M	£M	£M	£M
Variance Against RRL Deficit / (Surlus)	**0**	**- 5.38**	**1.83**	**0**
Additional Expenditure Anticipated to be Funded by WG				
- Covid (excluding National Programmes)	**42.9**	**3.74**	**14.54**	**41.88**
- Extraordinary Pressures	**24.1**	**1.61**	**6.08**	**32.21**
2022/23 Savings Delivery Target Shortfall (inc unmet b/f)	**31.6**	**1.73**	**8.73**	**27.40**

- **Variance Against RRL** – The HB should now be achieving a breakeven position following confirmation that the previously identified deficit of £24.4m would funded by WG. The actual Month 4 variance was an underspend of (£5.375m) following recovery of £6.102m for the previous 3 months of the deficit plan, reduced by an operational overspend of £0.726m. The YTD plan at month 4 should be breakeven but actual variance is an overspend of £1.832m.
- **Additional Expenditure** – this is the value of the additional funding required to support COVID Transition and extraordinary pressures. At the end of Month 4 funding for the Extended Flu and some Dental Loss Income had been received from Welsh Government (WG) but funding has yet to be received for remainder of COVID Transition costs of £39.5m and the extraordinary pressures £32.2m. These values remain anticipated allocations and noted as a risk.
- **Savings Delivery** – With a 2022/23 annual target of £27.0m, plus £4.6m unmet savings b/f, the in-month delivery is anticipated at £2.6m. For Month 4 the shortfall against this target as per the ledger was £0.89m and YTD £1.79m.

At the end of Period 4 the £1.832m is broken down by Service Group and Corporate Directorate as per the table 3 below:

Table 3: Summary Position by Service Group/ Directorate @ Month 4

`	Month 4 Performance £000
Service Groups	
Mental Health & LD	1,420
Morriston	4,669
NPT & Singleton	692
PC & Community	-38
Directorates	
Board Secretary	-31
Chief Operating Officer	129
Director of Strategy (excluding COVID)	-61
COVID	0
Director of Transformation	-20
Finance & Estates	642
Digital	3
Medical Director	-30
Nurse Director	-38
Workforce & OD	69
Clinical Medical School	0
Research & Development	8
DSU	0
EMRTS	0
Corporate I&E	0
Delegated Budget Position	**7,414**
In year deficit £24.4M	-
Opportunities Released	- 5,582
Current Delegated Position	**1,832**

Actions/Comments in Month 4 Summary:

- Morriston – The CEO has requested enhanced support/escalation to focus on both assurance regarding financial control, clarity on why actual spend is increasing and actions to return spend to pre-pandemic levels, along with a continued focus on savings as Morriston has 84% of the total red schemes. Further updates will be provided on the actions being taken and plan to mitigate the issues arising in this one section of the Health Board.
- MH/LD – primarily CHC and the requirement to fund CHC at higher than anticipated level. This is linked to the wider issue of how the HB deploys its central budgets to support growth, given as per Month 2 report these central budgets are potentially overcommitted. However following discussions with the CEO we are in the process of deploying the resources to support CHC as part of the larger review of Central Budgets.
- Finance & Estates – this is linked to the ongoing pressures with regard to Utilities, funding for extraordinary pressures (section 4.9) and what the forecast will be for the year given the volatility of the Energy Markets.
- The CEO has asked the Director of Finance to prepare a financial improvement plan to enable the forecast balances position to be achieved.

4. KEY DRIVERS IMPACTING REVENUE

This section will provide the reader with the key aspects within the Health Board position that is influencing the financial performance against the Revenue Resource Limit.

4.1 Pay / Variable Pay – Trends

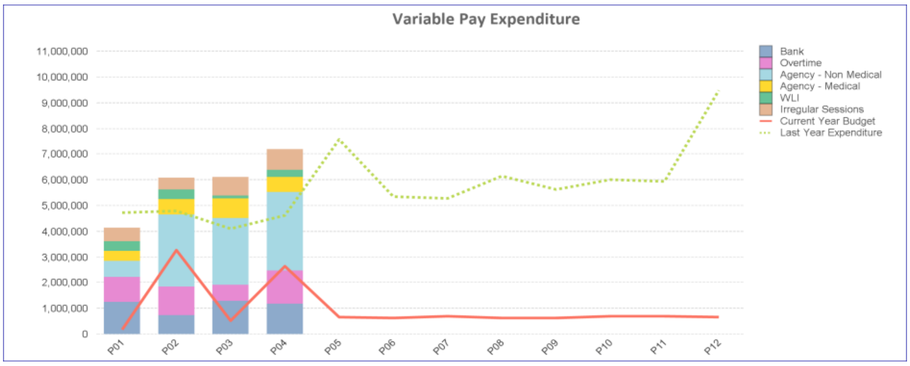
The performance against budget both in month and YTD is provided in table 4 below, with the variance spilt between Variable Pay costs and fixed staff costs.

Table 4: Variance on Pay 2022/23

Pay	Budget	Actual	Variance Variable Pay	Variance Fixed Costs	Total Variance
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Mth 1	49,837	49,556	5,401	- 5,682	- 281
Mth 2	55,348	55,298	6,177	- 6,227	- 50
Mth 3	53,589	53,819	6,015	- 5,786	230
Mth 4	55,956	55,973	7,076	- 7,059	17
YTD	**214,731**	**214,646**	**24,669**	**- 24,754**	**- 84**

The performance of variance pay in comparison to 2021/22 is summarised in graph 1 below. At this point in the year, Variable Pay is above last year's level with continued pressures in non-medical and medical agency costs in month 4. Overtime has also increased during the month due to payments in lieu of annual leave which is anticipated WG will fund.

Graph 1: Variable Pay Analysis



Note: The Agency Non-Medical for Month 1 reflects an error in the system generating the report, this has been corrected in the Month 2 reporting. The error did not impact on overall position, only this analysis, making comparisons between Month 1 and Month 2 difficult from this chart.

4.2 Non Pay

The performance against budget both in month and YTD is provided below. The variance linked to the deficit is now negated.

Table 5: Variance on Non-Pay

Non Pay	Budget	Actual	Variance Linked Deficit	Variance Non Pay Pressure	Total Variance
	£'000	£'000	£'000	£'000	£'000
Mth 1	51,733	54,108	2,034	341	2,375
Mth 2	58,231	60,897	2,034	632	2,666
Mth 3	58,977	61,574	2,034	563	2,597
Mth 4	64,111	59,244	- 6,102	1,235	- 4,867
YTD	233,052	235,823	-	2,771	2,771

The overall non pay variance can be summarised as set out in table 6a below.

Table 6a – Key variances driving non pay overspend

	Variance £m
CHC	3.161
Drugs/FP10s	0.264
Clinical services/supplies	1.196
CIP	1.786
Sub total	**6.407**
Offset by underspends across other non-pay categories	(3.636)
Total Variance Non Pay	**2.707**

4.2.1 CHC

One areas of the non-pay areas with significant variance against budget in Month 1-4 is CHC. An analysis of actual spend and patient numbers for 2022/23 is provided in table 6 below on a month by month basis. *The reduction in MH expenditure in Month 3 reflects adjustment made for savings delivery and is a one off in month adjustment.*

Table 6b – CHC breakdown

Servcie Area	General		MH		LD		Total	
	Patient No.	£	Patient No.	£	Patient No.	£	Patient No.	£
Mth 1	357	1,947,177	182	1,120,588	197	1,774,467	736	4,842,232
Mth 2	352	2,135,283	182	1,187,727	196	1,805,067	730	5,128,078
Mth 3	364	2,101,956	182	734,588	196	1,630,935	742	4,467,480
Mth 4	364	2,118,112	186	1,121,815	195	1,818,387	745	5,058,314
Total		8,302,529		4,164,719		7,028,857		19,496,104

4.2.2 Primary Care Prescribing

As the Primary Care prescribing data is 2 months in arrears there is only 2 months 2022/23 data at this point. The accrual has been calculated based on historical trends. Updates will be provided in future months, when a number of months' data is available.

4.2.3 Other key issues arising In Year

In most months, there are numerous under and over spends against the various non-pay subjective codes. This section will be used to identify any material issues that impact on the financial performance in each month.

Whilst there were variances across various areas of clinical consumables the most significant pressures in Month 4 were the same as those identified in Month 3 in drugs and general M&SE. Work is ongoing to understand if the pressures linked to activity/demand.

4.3 Income

Table 7 – income by month

Income	Budget	Actual	Variance
	£'000	£'000	£'000
Mth 1	- 23,248	- 23,094	154
Mth 2	- 23,126	- 23,356	- 229
Mth 3	- 25,905	- 26,159	- 254
Mth 4	- 23,854	- 24,380	- 526
YTD	**- 96,133**	**- 96,988**	**- 855**

In Month 4 the overachievement in income is attributable to R&D, LTA & WG income, with other income categories broadly achieving a balanced position. Table 7 shows the movement in income in the first 4 months of this financial year.

4.4 Central Cost Centre Z095

Centrally there has historically been a cost centre (Z095), which holds all the income from Commissioners for both LTA and SLAs, along Health Board wide issues such as Overseas Visitor Income and RTA income. Whilst performance on LTAs will be picked up separately within this report in section 4.6, during August a significant amount of corporate finance resource will be deployed to investigate whether this central area contains any risk above that already reported.

An update will be provided separately from items 4.1-4.3 in future months, along with a proposal on how these budgets are managed and reported on going forward.

4.5 Savings

The 2022/23 savings target is £27m, with a further £4.6m of unmet savings brought forward from 2022/23, which takes the combined target to £31.6m. As per the weekly CIP report dated 27th July (supporting the WG Month 4 submission), the total value of schemes identified for 2022/23 is £27.4m (£22.2m recurrently) and these values are included in the table below. A further report issued post completion of the Month 4 MMR (11th August) has schemes identified totalling £28.5m and £22.9m recurrently.

Tables 8a – Savings Overview (as at W/C 1st August)

	Reported PFC April £m	Reported PFC May £m	Reported PFC June £m	Reported PFC July £m	Reported PFC August £m	Movement £m
2022/23 Identified	20.0	22.0	23.0	27.1	27.4	0.3

2022/23 Identified Recurrently	19.6	20.8	20.7	22.5	22.2	(0.3)

To date, slippage on the savings plan is causing a non-pay overspend of £1.786m as noted in Section 3.

Tables 8b – Savings Overview (as at 27/07/22)

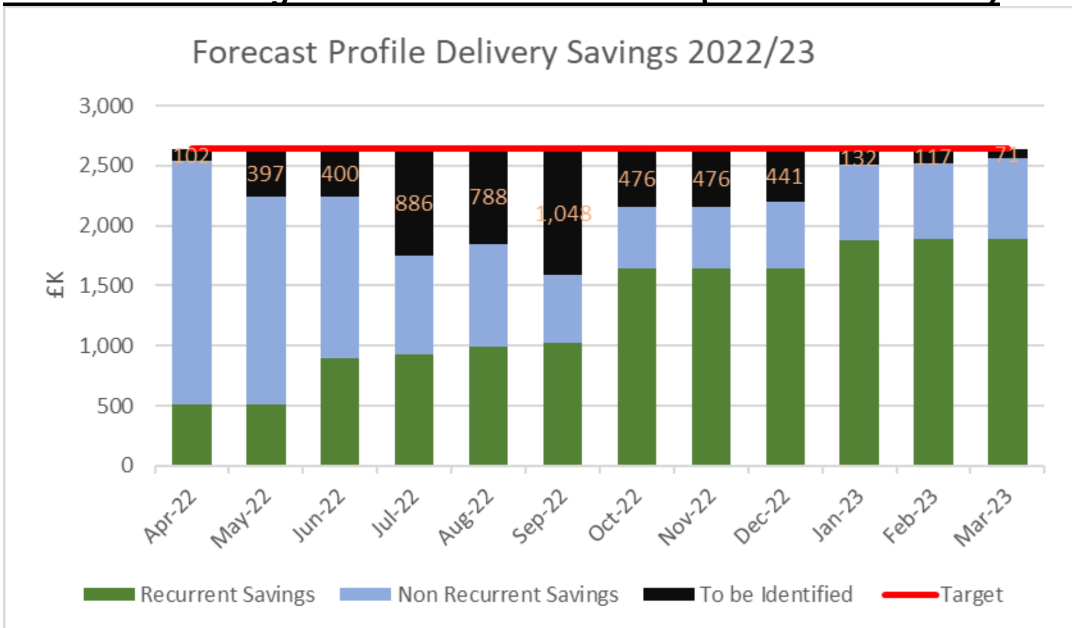
Summary Breakdown	Target 2022/23 £k	Identified 2022/23 £k	Shortfall £k	Recurrently Identified £k	Recurrent Shortfall £k
Corporate	5,746	5,195	551	3,000	2,745
Morriston	10,447	8,509	1,938	8,069	2,378
NPTS	6,388	5,178	1,211	4,887	1,501
MHLD	3,738	3,098	640	2,922	816
PCC	3,505	3,534	-29	2,325	1,180
IMM and Health Board Wide	1,819	1,000	819	1,000	819
	31,642	**26,513**	**5,129**	**22,203**	**9,439**

Note: Identified column in table 8b reflects forecast delivery whereas identified in Table 8a is total value of identified schemes. The difference reflects that in-year not all planned schemes are reporting as deliverable in full.

Tables 8c – Savings Overview (as at 27/07/22)

	Total		*Morriston*		*NPTS*		*MHLD*		*PCC*		*Corp/Other*	
	22-23	**FYE**	**22-23**	**FYE**	**22-23**	**FYE**	**22-23**	**FYE**	**22-23**	**FYE**	**22-23**	**FYE**
Red	3,162	6,787	2,718	5,009	340	1,210	64	488	-	-	40	80
Amber	5,971	6,040	314	244	2,592	3,053	1,535	1,530	374	635	1,156	578
Green	17,381	9,376	5,478	2,816	2,246	624	1,499	904	3,159	1,690	4,999	3,343
	26,513	**22,203**	**8,509**	**8,069**	**5,178**	**4,887**	**3,098**	**2,922**	**3,534**	**2,325**	**6,195**	**4,000**
% of CIPS Green	**65.56%**	**42.23%**	**64.38%**	**34.90%**	**43.38%**	**12.77%**	**48.39%**	**30.94%**	**89.40%**	**72.68%**	**80.69%**	**83.56%**

Tables 8d – Savings Overview Future Months (as at W/C 11/08/22)



Note: included latest version of Table 8d to allow Committee to see where challenges will arise if savings not identified in full, against £31.6m target.

The Services Group and Corporate Directorates will be using, where possible, Non-recurrent opportunities to ensure that the gap of ‘to be identified’ is addressed in 2022/23 but the recurrent delivery is equally as important to deliver.

Actions:

- Each Wednesday a weekly report is produced by the PMO and issued to Executive and Service Group Directors to ensure there is a constant focus. Within the weekly report are detailed actions that will be taken and updates provided on progress against these.
- CEO set target for 100% delivery of savings and all schemes to be green and amber by the end of June 2022, with further work required on remaining Red Schemes in Q2.
- Further work is required on mitigating the b/f unmet savings delivery from 2021/22 and this will need to be part of the review in assessing the utilisation on central budgets. However, for MH/LD some of the unmet value will be offset by recurrent reduction in variable pay, where there is no budgetary adjustments.
- Immediate attention is required to address the shortfall in savings in Quarter 2 of the financial year.
- Focused attention to ensure the 100% of the green and amber schemes are delivered in line with the plans identified. Thus ensuring plan and actual align.

NOTE: failure to deliver savings will result in slippage, and/or cessation, of investment plans to develop services to maintain financial balance.

4.6 LTA (inc WHSSC) Performance

Historically LTA contracts have been based on a Cost and Volume approach, which reflects adjustments for under and over performance. From the start of the COVID pandemic in April 2020 all LTA agreements in both England and Wales transferred to a block arrangement, whereby commissioners funded providers on 2019/20 levels uplifted by nationally agreed rates with no adjustment for performance. From 1st April 2022 the previous block arrangements have ceased and a hybrid model adopted where under or over performance adjustments will become applicable above a tolerance level. This will be relevant to both services we commission from other Health Boards and services commissioned from SBU HB.

Information on commissioning will provided as part of a Board Briefing on 25th August. Further information and updates will follow in the September PFC paper.

Action:

- Update to be provided during Q2 and quarterly from that point.

4.7 COVID Transition (Response)

The national COVID programmes of TTP, Mass Vaccinations and PPE are confirmed as funded by WG. Whilst the COVID Transition costs are recognised by WG, there is no confirmed funding at this point. However, within the financial position and plan is it assumed this will be funded via an anticipated allocation.

Within the 3 Year Recovery and Sustainability Plan submitted at 31st March 2022, the Health Board included anticipated costs of £25m (excluding the national programmes), however the first full assessment reported to WG in mid-April included costs of circa £40m and the figure in the updated 3 Year Recovery and Sustainability Plan was £42.9m.

The forecast position for 2022/23 at the end of Month 4 is included table 9 below and has been reported in detail to WG as part of the MMR submissions:

<u>Table 9 – COVID Allocations and Anticipated Allocations</u>

RRL COVID Allocations	2022/23 Forecast @ mth 4	Total By Type
	£'000	£'000
National Programmes: Tracing	5,600	
National Programmes: Testing	2,218	
National Programmes: Mass Vaccinations	7,616	21,388
National Programmes: PPE (Exc Stores Staff)	4,868	
National Programmes: Long COVID	578	
National Programmes: Nonsocomial	508	
COVID Transition Funding Recevied: Extended Flu Funded to Date	918	2,336
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418	
COVID Transition: Cleaning Standards	1,906	
COVID Transition: Dental Income Shortfall (Balance)	419	39,545
COVID Transition: Other	37,220	
Total Table B3	**63,269**	**63,269**

Actions:
- Forecast continue to be refined and updated based on discussions with Service Groups.
- Linked to above given the latest de-escalation guidance service areas need to review requirements and update forecast with support of the Finance Business Partners (FBPs).
- Check & Challenge meetings with CEO were held in July 2022, which picked up the actions from the point above.
- Actions from meetings in July 2022 to be followed up in August 2022 with updates required from all Services Groups by the end of August 2022, to provide assurance on delivery to the Committee.
- Continued discussion with WG on the risks regarding funding.

There is no certainty that the COVID Transition element will be funded by WG or that WG will agree with the Health Board's assessments of COVID costs. This is reflected in the risk section later. The actual expenditure must be materially managed downwards as funding is uncertain in 2022/23 and likely to cease for all transition costs in 2023/24

4.8 COVID Recovery

The Health Board has received £21.6M recurrently to support COVID recovery. The funding is held in a central budget and issued out based on the cost of the work undertaken called down by the Service groups each month. There will close monitoring of the financial performance against this budget and an update of the spend by recovery areas is provided below. The budget column is an indicative estimate of costs by area, but the Health Board needs to ensure that whilst one area may require more investment this is offset but under commitments in other areas of the Recovery Plan. The Table below is a summary reconciled to the headings the Service Group have called the funding down against.

Table 10 – COVID Recovery Allocation

COVID Recovery Areas	Indicative Budget 2022/23	YTD Funding Committed	Balance Funding Remaining 2022/23
	£'000	£'000	£'000
National Endoscopy Programme	2,876,653	1,150,672	1,725,981
Regional Cataract Services	1,398,337	255,307	1,143,030
Regional Orthopaedics	3,419,104	-	3,419,104
Strengthened Diagnostic & Imaging services	4,499,529	2,272,562	2,226,967
Implementation of the Critical Care Plan	-	-	-
Cancer	1,280,070	750,075	529,995
Other Capacity	4,139,711	2,476,775	1,662,936
Other Eyes	318,825	93,917	224,908
Primary Care Pathway Redesign	26,448	62,936	- 36,488
Other - Pre Committed	3,221,803	1,165,566	2,056,237
Therapies	121,543	46,610	74,933
Other (WHSSC)	297,978	344,260	- 46,282
TOTAL	**21,600,000**	**8,618,680**	**12,981,320**

Actions:

- To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.
- Plan is required by the end of September 2022 to balance the allocation.

4.9 Extraordinary Pressures

As per the 3 Year Recovery and Sustainability Plan submission, there are three areas of extraordinary pressures within 2022/23. For planning purposes and within the Month 4 position it is assumed these costs, above 2021/22 levels, will be funded by WG. A breakdown of the estimated costs above 2021/22 levels, as per the WG reporting requirements, for the three areas is provided below:

Table 11 – Extraordinary item cost assessment

Extraordinary Items	2022/23 Forecast @ mth 4
	£'000
NI Health & Social Care Levy	6,929
RLW (Care Homes Only)	1,581
Energy Costs (inc Non BG items)	23,701
TOTAL ALLOCATION	**32,211**

Actions:

- Continual review of each area and refinement of forecast.
- Continued discussions with WG on the risks regarding funding and the methodology assessing the '2021/22 levels'.

5. SUMMARY ALL RISKS – REVENUE

As per Table A2 of the MMR returns the risks reported are as follows:

Table 12 – Risk rating per formal Monitoring Return reporting

RISKS			
AREA		£'000	Risk Score C x L
LTA 'Go Live' with 10% tolerance	-	7,200	12
Savings Delivery above current identified Schemes (inc red)	-	3,600	8
WAST Transition Plan Full Year Impact	-	200	6
CTM SLA disag	-	1,000	8
Net Impact ALN	-	300	9
Service Group Cost Pressures excluding Covid Response	-	5,000	16
Digital Service cost pressures linked to SLA	-	605	12
ICF / RIF	-	500	6
Childrens Services response	-	400	6
COVID Recovery not able to be constrained within funding	-	3,100	8
CHC growth volume and cost	-	2,000	16
Energy Funding Assumption variance to IMTP	-	119	6
Covid Funding WG (Transition)	-	39,545	16
Extraodinary Funding WG	-	32,211	16
TOTAL RISKS	-	95,780	

Further details on the RED risks:

- Service Group Pressures - increasing pressures materialising as seen in Table 3 which are currently being offset by non-recurrent opportunities. If these non-recurrent opportunities end the HB would be significantly further away from its breakeven target. Service Group and Directorate forecasts being completed, which will be refined over the next 2-3 months, to establish whether the pressures are likely to remain for the remainder of 2022/23. To achieve a balanced plan all areas must remain within their funding envelope. This is in addition to the actions outlined in Section 3 under Table 3.
- CHC – refer to section 4.2.1.
- COVID Funding (Transition) – refer to section 4.7.
- Extraordinary Funding – refer to section 4.9.

Action:

- Review of the operational forecast to continue through August-September to inform updated position for 2022/23 and the anticipated Mid-Year review with WG.

6. SUMMARY RISKS, OPPORTUNITIES AND FORECASTS ON 2022/23 PLAN

As reported in Month 3, this section re-provides the plan signed off by the Board on at the end of July based on the risks, opportunities and forecasts included within this paper and in previous Committee papers. The aim is to bring together the challenges for 2022/23 in one table. **It is <u>not</u> intended to give a forecast to 31st March 2023 as a significant amount of work is required between now and September to establish a position that would be shared with the Board**

and WG in the Mid-Year Review meeting. The table represents the potential "do nothing" position.

Note: *for Month 4, Table 12 and the narrative below have only been updated to reflect current savings position reported in Section 4.5 and the Month 4 MMR, along with the updated COVID and Extraordinary pressures discussed in sections 4.7 and 4.9.*

The keys areas of note are:

- **Savings Target:**
  - A further £4.6m now been added to the plan for 2021/22 schemes where there was a shortfall in the recurrent delivery.
  - Mitigation actions – delivery is key part of the focus of the CEO to ensure 100% delivery, all of which need to be green and amber schemes.
- **Savings Delivery (in line with the Month 4 MMR submission):**
  - The total value of schemes identified is £27.4m, however of this as per table 8b only £26.5m is identified as deliverable.
  - Of note is that within the £26.5m is the assumption that Red Schemes will deliver in full. However, there remains a clear risk that the not all red schemes will be delivered, which has the potential increase non delivery by £3.1m (see table in section 4.5).
  - Mitigation actions – delivery is part of the focus of the CEO and to ensure 100% delivery, all of which need to be green and amber schemes.
- **Cost Pressures & Investments:**
  - As per the Month 2 PFC paper there is currently a gap between the central budgets and the investment proposed. The figure included is an indicative value at Month 4.
  - Further work is required to ensure all funding requirements have been captured, full review of central budgets and assumptions and then aligning this to what is assumed within the Service Group/Directorate forecasts on funding required.
  - Mitigating Actions – decisions held with DOF and CEO in early August, further update to be provided to DOF and CEO in mid-August.
- **Operational Pressures:**
  - Following Month 2 closedown each operational area, using the data at that point commenced work on outturn assumptions for 2022/23. Working on this at such an early point in the year presents risks but is starting point for building on over the next 2-3 months.
  - Mitigating Actions – further work on the reviews is required both in terms of the next 2 months of actual information along with alignment to the assumptions in terms of funding (as per the section above).
  - Please refer to actions linked to Section 3 Table 3.
- **COVID Response & Extraordinary Pressures:**
  - Original forecast has been updated based on the latest information (refer section 4.7 and 4.9) this has increased since 31/3/22. However, funding is assumed to offset these costs.
  - Detailed COVID workings continue to be shared with FDU, with the outcome being some aspects of costs classified as COVID may not

be recognised by WG and will need to be managed with existing HB resources.

- **Risks:**
    - Risks detailed in section 5 of the report are currently excluded from table 12 below.

<u>Table 12: Plan Updated with Risks and Challenges @ Month 4 in line with MMR</u>

SBUHB Financial Plan 2022-23	Submission (inc £24.4m)	Updated Plan Presented Mth 4 PFC	Movement
	£m	£m	£m
Opening defict	24.4	24.4	0.0
FY21 savings gap	17.7	17.7	0.0
FY22 savings gap	0.0	4.6	4.6
2022/23 opening position	**42.1**	**46.7**	**4.6**
WG Allocation applied against sustainability	(12.4)	(12.4)	0.0
Additional WG allocation applied against sustainability	(24.4)	(24.4)	0.0
Savings required to manage FY21 Savings Gap	(5.3)	(5.3)	0.0
2022/23 underlying position after sustainability application	**0.0**	**4.6**	**4.6**
Application of core WG funding based on 2%	(9.7)	(9.7)	0.0
Cost pressures & Investments	31.4	43.9	12.5
Cost pressures Operational	0.0	18.8	18.8
CIPs - 4%	(21.7)	(21.2)	0.5
Deficit/(surplus) for year 2022-23 - base plan	**(0.0)**	**36.4**	**36.4**
Extraordinary cost pressures	24.1	32.2	8.1
Deficit/(surplus) for year 2022-23 - after extraordinary pressures	**24.1**	**68.6**	**44.5**
COVID Scheduled & Unscheduled care Sustainability Funding	(21.6)	(21.6)	0.0
COVID Recovery Costs	21.6	21.6	0.0
COVID Response Costs	42.9	41.9	(1.0)
Covid Transition & Extraordinary Pressures Funding	(67.0)	(74.1)	(7.1)
Deficit/(surplus) for year	**(0.0)**	**36.4**	**36.4**

The table clearly shows that a "do nothing" approach will not result in rebalancing the plan. Urgent attention is therefore required to: -

- **Re-balance the operational positon**
- **Re-cast reserves and investment plans to balance**
- **Further assure savings delivery**

7. RISK ASSESSMENT

There are five Board level financial risks: -

- **Residual Cost Base (risk 73):** There remains a potential for a residual cost base increase post COVID-19 as a result of changes to service delivery models and ways of working - **Risk Rated 20**. A detailed submission has been shared with Finance Delivery Unit and discussions have commenced at a National Welsh level on handling of the impact of COVID on underlying pressures from 2022/23**. It is proposed that this risk remains unchanged whilst this work is undertaken.**

- **Resource required lower than health board recovery plan ambition (risk 79):** The Performance and Finance Committee agreed that this risk be established for 2021/22. During 2020/21 the COVID-19 pandemic impacted services in many different ways. Of particular concern has been the impact on access to services, particularly outpatients, diagnostic tests, elective surgery and therapy services. The recovery of access times to pre-pandemic levels will require a significant amount of human, estates and financial resource to support it. There is potential for the scale of ambition that the Health Board has in terms of access recovery will be unaffordable in context of the current financial plan and funding of £21.6m. **The risk is reported as severe impact (5) but moderate likelihood (3) score 15.**

- **Availability of capital (risk 72)**. This risk has been re-opened for 2022/23 as the initial draft financial plan is not balanced given a 24% reduction in discretionary capital allocation. Work is underway to manage schemes to recue commitments in 2022/23 and to produce a balanced plan. This risk varies during the year as more details on schemes emerge and potential slippage funding is made available by Welsh Government. **A score of 20 is suggested at this stage as the whilst plan is now balanced a number of schemes are on hold and the flexibility within the plan is extremely limited given the reduction in the allocation.**

- The September 2021 Committee also agreed to add an additional risk regarding the **savings schemes related to bed release**. A significant amount of work is underway on this area at the moment with changes planned in the Emergency Department itself, GP services in support of this, length of stay reduction plans and the purchase of care home beds to increase patient flow. These developments are intended to reduce admission and occupancy and will ultimately release bed capacity. In the first instance this released capacity will be used to reduce risk in the delivery of care, but then will be further used to reduce cost. It is therefore proposed that **a current score of 15 be maintained this month** with a high impact but medium likelihood. The mitigation of the risk will come through the actions of the Urgent Emergency Care (UEC) Programme.

- The April 2022 Committee also recognised the overarching risk in the delivery of the overall savings requirement for 2022/23. Performance against target is detailed within Section 4.5 of this report. Whilst a significant amount of work is being undertaken, under the direction of the PMO, there remain a shortfall in savings identified by in year and recurrent as well as a significant number of schemes identified as red. Work will continue through the CEO Check and Challenge sessions and the monthly Unit Performance & Finance meetings chaired by the DOF. However, whilst gaps in delivery remains it proposed that a **risk score of 15 be maintained with a high impact but medium likelihood**.

8. FINANCIAL MATURITY

The Health Board undertook a governance maturity assessment in the autumn of 2021. This was undertaken as a self-reflection to help to inform, drive and enhance improvements in the Health Board's governance processes and ways of working.

Whilst the maturity element is titled "Money/Value for Money" the essence of the aspects of maturity is based on good financial discipline and control, transparency of process and robust, effective decision making.

The assessment of this maturity element was undertaken against the following assessment matrix and the assessment placed the Health Board at Early Progress level with 66% of the assessments being at that level with 16% Basic and 16% Results. This was considered a fair reflection.

Table 13 – Financial maturity table

Progress Levels → Key Elements ↓	BASIC LEVEL Principle accepted and commitment to action	EARLY PROGRESS Early progress in development	RESULTS Initial achievements achieved	MATURITY Results consistently achieved	EXEMPLAR Others learning from our consistent achievements
MONEY/VALUE FOR MONEY	Budget, cost pressures and efficiency targets are clearly identified and understood by the Board.	All in-year plans are costed and trajectory of spend / savings have been established to achieve breakeven / target. Quality implications are robustly tested.	The organisation has a record of meeting planned cost reductions / CIPs and agreed investments, whilst rejecting proposals with an unacceptable impact on quality. Unexpected in year pressures are identified and the Board show timely reprioritisation of deliverables.	Our services consistently run under benchmark cost. Headroom is created for developments / improvements. The Board is demonstrably reinvesting whole budget, rather than being limited by 'affordability' at margins.	We successfully leverage wider community resources to improve service delivery and outcomes.

The System of Financial Control which was developed early 2020/21 will assist in further maturing the financial domain. The assessment scored as early progress, but further work was done in 2021/22, particularly on the system of financial control, which has been focussed on a move to "results" and "maturity". The progress and next steps being worked on within the System of Financial Control is set out below across 8 key areas of financial control.

- **Planning – Integrated approach to service, workforce and financial planning.**
  - Progress – greater alignment of planning through Integrated Planning Group allowing service prioritisation within available resources. This is supported by clear business case scrutiny process.
  - Next Steps – expand focus to reallocation of resources not just investments.
- **Budget Planning – Revenue and Capital budgets set in line with organisation's plan and allocation.**
  - Progress – revenue budgets aligned to 19/20 baseline
  - Next Steps – refresh of baseline budgets post COVID to ensure clear understanding of delivery expectations. Capital budget prioritisation and planning based on service priorities.
- **Budget Delegation – Clear and formal procedure for the delegation of budgets from the Board cascaded throughout the organisation.**
  - Progress – delegation letters issued to Service Groups but no response collated.
  - Next Steps – ensure delegation letters are issued to all Corporate Directorates as well as Service Groups and ensure appropriate recognition is returned. Reporting to Audit Committee
- **Budgetary Control – Clear and robust control process with accountability through the Performance Management Framework**
  - Progress – Performance Management Framework established and implemented

    - Next Steps – 12-month review of Performance Management Framework in readiness for 2022/23, aligned to clear budgetary, workforce and service performance trajectories.
- **Reserves – Agreed process for managing and reporting reserves**
    - Progress – reporting of reserves and allocations periodically through PFC
    - Next Steps – Agreed reporting on Quarterly basis including forecast.
- **Accountability and Performance Management – Linked to Performance Management Framework**
    - Progress – Service group recognition of budgetary and performance delivery based on 19/20. COVID impact has been significant
    - Next Steps – re-establish clear baseline and cascade throughout the organisation. Identify development needs for service and clinical managers to enable them to deliver effectively.
- **Board Reporting – Clear and concise Board Reporting, articulating risks and opportunities and providing insight to allow informed decisions**
- **Business Cases – Clear process for the development and approval of business cases, supported by post implementation benefits realisation monitoring.**
    - Progress – Establishment of Business Case Assurance Group and reporting to Management Board
    - Next Steps – Develop clear timeline and pre-scrutiny process for Business Cases to avoid unproductive work. Support training and development for managers in developing business cases including clear performance metrics.

It is worth noting that some of the aspects of higher maturity, whilst reflected under the financial maturity assessment are broader than just finance. It is recognised that whilst progress has been made, further actions are required to progress the organisation's financial maturity. A summary of the key areas of focus for the Finance Function linked to the Maturity Assessment that will commence in 2022/23 are summarised in the table below, this will be expanded upon as the year progresses:

<u>Table 14 – financial control actions</u>

Areas of Financial Control	Area	Actions & Outcome	Next Steps
Budget Planning	Assess robustness and effectiveness of the current budget allocation process and comment changes.	Current budgets are based on 2019/20 outturn uplifted to growth and inflation where necessary. Question is whether this approach in now fit for purpose and what approach should be adopted.	Task and Finish Group established in June 2022, with provisional meeting held in June. Next steps to be agreed at meeting on 30th August. This is a long term programme which may lead to incremental annual

Areas of Financial Control	Area	Actions & Outcome	Next Steps
			developments to improve budget setting and also improve the integration between Budget Setting and the IMTP Financial Plan.
Budget Delegation	Building on from Internal Audit recommendation from the Financial Reporting & Monitoring Audit it is recognised that the HB needs to re-establish what support budget holders require and how we deliver regular engagement	This will require the Finance function to re-evaluate who is a Budget Holder, how do we direct the resources available in the most efficient and effective manner, how we share financial information and the manner within which we engage i.e. virtual or face to face.	First meeting of the programme met on 28th July, to discuss the scope of the programme and representatives.
Budgetary Control	Revised Closedown Process (In Year and Year End)	Explore options on closing ledger quicker but also improving quality data to support budgetary control and decision-making earlier in the month.	The Ledger Closedown Group has been established which meets bi-weekly and has a clear work plan/action plan. The Governance around agreeing changes is being developed and in the longer term this will be supported by the new Finance Structure once all appointment have been made.
Reserves	Transparency of reserve positon	Refer to section 6 or Month 1 and Month 2 reports	
Reporting	Improve Financial Reporting to Board/PFC/WG	This will be an ongoing process to ensure all risks and opportunities are identified and providing insight into key drivers of the position, including improved understanding of the Reserves	The first revised reported issued to PFC in Month 1. This is a journey of continued improvement to ensure reports are transparent and of use to the reader. There are no timescales for completion as ongoing progress.

9. SUMMARY OF ACTIONS AND UPDATES

Table 15 – Action Summary

Area	Ref	Action	Update- July Report
Financial Performance	M03.1	Morriston – The CEO has requested enhanced support/escalation to focus on both assurance regarding financial control, clarity on why actual spend is increasing and actions to return spend to pre-pandemic levels, along with a continued focus on savings as Morriston has 84% of the total HB red schemes..	**Work is underway to procure this support for commencement in September**
	M04.1	CEO has asked the Director of Finance to prepare a financial improvement plan to enable the forecast balances position to be achieved.	**Following meeting between CEO and DOF on 1st August a number of actions to support plan were agreed and will be actioned during August.**
	M04.3	Review of corporate cost centre Z095 to ensure no additional risks regarding Corporate Income associated with SLA/LTA/RTA and Oversea visitors	**Work undertaken in August and update included in September PFC paper.**
Savings	M01.1	Each Wednesday a weekly report is produced by the PMO and issued to Executive and Service Group Directors to ensure there is a constant focus. Within the weekly report are detailed actions that will be taken and updates provided on progress against these within the report.	**Weekly report continues to be updated and shared widely.** **ACTION: CLOSED**
	M02.1	CEO set target for 100% delivery of savings and all schemes to be green and amber by the end of June.	**Update of Performance included in Section 4.5.**
	M02.2	Further work is required on mitigating the b/f unmet savings delivery from 2021/22 and this will need to be part of the review in assessing the utilisation on central budgets.	**Update of Performance included in Section 4.5.**
	M03.2	Focused attention to ensure the 100% of the green and amber schemes are deliver in line with the plans identified. Thus ensuring plan and actual align.	**Ongoing Review linked updates provided in section 4.5**
LTA Performance (Providers & Commissioner	M01.2	Update to be provided during Q2 and quarterly from that point.	**Summary will be presented to Board Brief on 25th August and further updates on Quarterly basis of PFC**
COVID Transition	M01.3a	Forecast continue to be refined and updated based on most relevant information from the Service Groups.	**Continually being reviewed and updated**
	M01.3b	Following the latest de-escalation guidance service need to continually review requirements	**Revised forecasts to be brought to discussions with**

Area	Ref	Action	Update- July Report
		and update forecast with support of the FBP.	**CEO and Director of Finance and Performance during July.** **ACTION: COMPLETE**
	M01.4	Check & Challenge meeting with CEO were held in July 2022, which picked up the actions from the point above.	**Actions from May meetings were reviewed and updated actions following July meetings to be issued with responses required by end August 2022.** **Further updates to be presented to PFC.**
	M02.3	Linked to M01.3 above given the latest de-escalation guidance service areas need to review requirements and update forecast with support of the FBP.	**Completed for CEO meetings in July.** **ACTION: CLOSED**
	M01.5	Continued discussion with WG on the risks regarding funding.	**Discussions are taking place regularly**
COVID Recovery	M03.3	To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.	**Allocations are updated and revised monthly**
	M04.2	Continual review to ensure plan is balance by the end of September.	**Updates provided each month to WG and PFC.** **Enhanced monitoring will be issued in Q2 to link activity and finances.**
Extraordinary Pressures	M01.8	Continued discussions with WG on the risks regarding funding and the methodology assessing the '2021/22 levels'.	**Part of regular discussions with Finance Delivery Unit**
	M01.7	Continual review of each area and refinement of forecast.	**Updates provided each month to WG and PFC.**
Risks	M02.4	Review of the operational forecast to continue through August-September to inform updated position for 2022/23 and the anticipated Mid-Year review with WG.	
Opportunities (Central Budgets)	M02.5	Look at options for sharing the Main Central Budget in a format that assists the reader of the report.	**By end of Quarter 2**
	M01.9	Continue to development of the process for reporting of central budgets that is helpful to the reader to improve the transparency of the financial position. With updates provided on a quarterly basis.	**Further information was provided to the PFC in the Month 2 Finance Report to support a move towards a more transparent approach, with updates to be provided each quarter as a minimum.**
Financial Maturity	M01.10	Various developments	**Refer to Section 8 of the report**

10. RECOMMENDATIONS

Members are asked to:

- NOTE the agreed 2022/23 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 4 2022/23.
- **DELIVER** the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: -
  - 100% delivery of savings and all schemes to be green and amber with work to finalise red schemes to be completed as a matter of urgency. **All Service Group Directors and Corporate Directors**
  - Focused attention to ensure the 100% of the green and amber schemes are delivered in line with the plans identified. **All Service Group Directors and Corporate Directors**
  - Immediate attention is required to address the shortfall in savings in quarter 2 of the financial year. This work must be completed by as a matter of urgency to avoid further risk being added to the financial plan for the year. **All Service Group Directors and Corporate Directors**
- **DELIVER** increased cost control in respect of COVID response costs: -
  - Check & Challenge meeting with CEO held in July 2022, which picked up the revised cost assessments based on new guidance and evidence based cost reductions.
  - Actions from meetings in July 2022 to be followed up in August 2022 with updates required from all Services Groups by the end of August, to provide assurance on delivery to the Committee. **All Service Group Directors**
  - Where necessary further meetings to be arranged to end of Q2.
  - DoF to continue engagement with WG on the risks regarding funding and updates on COVID response costs submitted WG in Month 4 MMR submission.
  - To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.
- **DELIVER** actions to ensure the operational pressures are mitigated and areas return to financial balance by the end of September 2022. **All Service Group Directors and Corporate Directors**
- **NOTE** component elements of the plan, in risks, forecasts and challenges, brought together into standard planning format (section 6).
- **AGREE** the risk handling for the risks noted**.**

  NOTE all actions and updates to support the management of the 2022/23 financial position.

Governance and Assurance		
Link to Enabling Objectives *(please choose)*	**Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities**	
	Partnerships for Improving Health and Wellbeing	☐
	Co-Production and Health Literacy	☐
	Digitally Enabled Health and Wellbeing	☐
	Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
	Best Value Outcomes and High Quality Care	☒
	Partnerships for Care	☒
	Excellent Staff	☐
	Digitally Enabled Care	☐
	Outstanding Research, Innovation, Education and Learning	☐
Health and Care Standards		
(please choose)	Staying Healthy	☐
	Safe Care	☐
	Effective Care	☐
	Dignified Care	☐
	Timely Care	☐
	Individual Care	☐
	Staff and Resources	☒
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a balanced forecast year-end deficit financial outturn prior to the impact of COVID-19.		
Legal Implications (including equality and diversity assessment)		
No implications		
Staffing Implications		
No implications		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications		
Report History	Updates on the financial position are provided at every meeting	
Appendices	none	