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Health Board



<b>Meeting Date</b>	<b>22<sup>nd</sup> June 2021</b>	<b>Agenda Item</b>	<b>3.1</b>
<b>Report Title</b>	Financial Report – Period 2 2021/22		
<b>Report Author</b>	Samantha Lewis, Deputy Director of Finance		
<b>Report Sponsor</b>	Darren Griffiths, Director of Finance and Performance (interim)		
<b>Presented by</b>	Darren Griffiths, Director of Finance and Performance (interim)		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	The report advises the Performance and Finance Committee of the Health Board financial position for Period 2 (May) 2021/22 and sets out the current forecast revenue year end outturn.		
<b>Key Issues</b>	<p>The report invites the Performance and Finance Committee to note the detailed analysis of the financial position for Period 2 (May) 2021/22.</p> <p>The report includes an analysis of the COVID-19 revenue impact and the forecast year end revenue position based on current planning assumptions.</p>		
<b>Specific Action Required (please choose one only)</b>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>NOTE</b> the agreed 2021/22 financial plan.</li> <li>• <b>CONSIDER</b> and comment upon the Board’s financial performance for Period 2 (May) 2021/22, in particular: <ul style="list-style-type: none"> <li>▪ the revenue outturn position of £4.105m deficit; and</li> <li>▪ the adjusted year-end forecast deficit of £24.405m.</li> </ul> </li> <li>• <b>NOTE</b> the actions to ensure delivery of the financial forecast.</li> </ul>		

## FINANCIAL REPORT – PERIOD 2

### 1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 2 revenue position

The report informs the Performance and Finance Committee that the Period 2 (May 2021) revenue financial position is an overspend of £4.105m and invites the committee to note the detailed analysis of the Period 2 (May 2021) revenue financial position.

### 2. BACKGROUND

The Health Board agreed the Draft Annual Plan for 2021/22 at its meeting on 30<sup>th</sup> March 2021. This included a financial plan which indicated a £42.08m year-end deficit for 2021/22 as summarised in the table below.

	<b>2021-22 Plan Update £m</b>
20/21 Underlying Position	42.08
Cost pressures	25.60
WG Allocation	-15.10
Investment Commitments	8.50
Planned Savings	-27.70
Investments to enable Savings	8.70
<b>Forecast Position</b>	<b>42.08</b>

The financial plan underlying position comprises of the £24.4m 2020/21 forecast deficit plus £17.7m of 2020/21 savings requirement unable to be delivered due to the impact of the pandemic.

The savings requirement for 2021/22 of £27.7m is a gross saving position, which recognises and allows for the investments to support the delivery of efficiency opportunities.

The Health Board has forecast £93m of COVID costs for 2021/22 using the WG planning assumptions. These costs are expected to be matched with funding. The Health Board has also been advised to anticipate non-recurrent funding to support the impact of the 2020/21 savings £17.672m. This reduces the Health Board forecast for 2021/22 to £24.405m.

	2021-22 Plan Update £m
<b>Forecast Position pre-COVID</b>	<b>42.077</b>
Forecast COVID expenditure	93.710
Forecast COVID income	-111.382
<b>Forecast Position post-COVID</b>	<b>24.405</b>

### 3. FINANCIAL IMPLICATIONS

#### 3.1 Revenue Position

##### 3.1.1 Summary Revenue Position

The Health Board deficit plan is being held within the Corporate Plan. Based on the adjusted forecast deficit, there would be a planned £2.034m overspend each month.

The unmet savings targets from 2020/21 have been removed from the Service Group and Corporate Directorates. COVID funding has been allocated to meet COVID costs. All Service Groups and Corporate Directorates are therefore being managed against an expectation of breakeven.

The period 2 reported in-month position was an overspend of £0.528m and £4.105m cumulatively. The in-month position reflects 2/12ths of the £17.672m assumed funding to support 2020/21 savings impact. The cumulative position should be compared with the planned deficit of £4.068. The cumulative position is £0.037m above the forecast position.

Type	In Month Budget	In Month Actual (£)	In Month Variance (£)	YTD Budget (£)	YTD Actual (£)	YTD Variance (£)
Income	(22,606,221)	(22,385,016)	221,205	(46,046,024)	(45,468,728)	577,297
Pay	51,087,144	50,773,802	(313,343)	100,841,897	101,167,029	325,132
Non Pay	53,165,373	53,785,061	619,687	103,284,669	106,487,670	3,203,001
<b>Total</b>	<b>81,646,296</b>	<b>82,173,846</b>	<b>527,549</b>	<b>158,080,542</b>	<b>162,185,972</b>	<b>4,105,430</b>

##### 3.1.2 Income

Income budgets have reported an under-achievement of £0.577m. The most significant element of this under-achievement relates to dental income recovery, which is £0.274m after two months. This loss of income is partially offset by reduced dental charges, however there is a net adverse financial impact of £0.079m per month. This net financial impact has been funded however for the purpose of reporting, this has been reflected within non-pay.

The other £0.3m is across a number of areas and these are being further examined to allow any mitigating actions to be identified.

Around £0.5m of COVID funding support was provided to meet the ongoing impact of the pandemic. This support will be reviewed through monthly performance meetings to consider the recovery mechanisms and potential longer term impacts.

### **3.1.3 Pay**

Pay budgets have reported a £0.313m underspend in-month. The three key overspending staff groups; Medical and Dental, Nursing and Estates and Ancillary have continued to overspend, however the rate of overspend has reduced.

In all three areas the overspend is being driven by the use of variable pay. Actions are in place to support the management of these costs.

Around £2.5m of COVID funding has been issued each month, excluding funding for vaccination, TTP and cleaning standards. This significant cost is supporting changed service models and requirements, surge capacity and other additional support. The management of ongoing legacy of costs will be crucial in the development of a sustainable financial model going forward.

### **3.1.4 Non Pay**

Non-pay budgets have reported an overspend of £3.203m, however £4.068 of that overspend relates to the planned deficit. This results in a net non-pay underspend of £0.865m.

The key driver of this underspend is clinical consumables due to reduced activity levels.

There are growing pressures on ChC budgets particularly in Mental Health and Learning Difficulties due to growing case numbers and complexity. These have continued, however mitigating actions and opportunities have been identified to offset the current financial pressure, whilst longer term plans are developed to support this significant growth.

### **3.1.5 Savings and Recovery Challenge**

The Health Board financial plan identified a £27.7m savings requirement for 2021/22 to support the delivery of the financial plan.

The Health Board has identified £23.7m of savings that have been assessed as green and amber. In addition to the green and amber savings a further £4.1m of red schemes have been identified and these are being further assessed and developed.

Month 2 has reported cumulative savings delivery of £4.441m against a planned saving of £4.481m. This minor slippage is being investigated to ensure recovery or mitigation.

Further work is underway to ensure all savings opportunities presented by KPMG and those identified previously have been considered and plans developed where appropriate.

#### **4. COVID-19**

The Health Board is assuming £93.7m of additional funding to support COVID response and recovery plus £17.672m to support 2020/21 savings impact. This is based on high level planning assumptions and will be refined during the forthcoming months. The table below provides a summary of the additional funding anticipated.

The system of financial management for 2021/22 will be to allocate COVID response and recovery funding to meet the areas where expenditure is incurred. This will allow for more transparent management of budget variance and will support the required levels of accountability required as the Health Board continues its response and recovery activities.

It is expected that the any COVID funding provided will be fully deployed or funding requirements reduced.

#### **5. FORECAST POSITION**

The Health Board has revised its year-end forecast to £24.4m. This reduction reflects the inclusion of funding to support the 2020/21 savings impact. This reflects the positive progress made on the savings to date and also the early stage in the financial year. This will be reviewed on a monthly basis to ensure the necessary actions to manage and mitigate any variation from plan.

#### **6. OPPORTUNITIES AND RISKS**

Through the regular review of opportunities and risks and continuing discussions with WG and following the revision of the forecast, the Health Board is endeavouring to manage opportunities and risks that may arise within the overall forecast position.

Any significant changes to income or expenditure assumptions will be highlighted to the Performance and Finance Committee.

#### **7. RISK ASSESSMENT**

There are currently two Board level financial risks: -

- Residual Cost Base (risk 73): There is 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.
- Resource required lower than health board recovery plan ambition (risk number to be assigned): 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. The risk has been submitted as severe impact (5) but moderate likelihood. Since drafting the risk the Health Board has been notified of a first tranche of funding of £16.243m to address this. The risk will be reviewed in light of this new information.

## 8. ACTIONS AND NEXT STEPS

The new financial year will see the following actions:

- Broader monthly performance reviews to replace financial reviews, this will enable greater triangulation of service, workforce and financial performance.
- Increased focus on compliance with key control measures.
- Implementation of the Performance Framework for escalation.
- Implementation of Business Case Assurance Group to support the scrutiny of business cases.
- Enhanced PMO function to support service model changes and realisation of benefits.
- Development of Savings Delivery team to support monitoring, identification and implementation of savings.

Following the Month 2 position, a number of actions have also been identified to focus on the key cost pressure areas.

## 10. RECOMMENDATION

Members are asked to: -

- **NOTE** the agreed 2021/22 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 2 (May) 2021/22, in particular:
  - the revenue outturn position of £4.105m deficit; and
  - the year-end forecast deficit of £24.405m.
- **NOTE** the actions to manage the financial position within the forecast.

<b>Governance and Assurance</b>		
<b>Link to Enabling Objectives</b> <i>(please choose)</i>	<b>Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities</b>	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	<b>Deliver better care through excellent health and care services achieving the outcomes that matter most to people</b>	
	Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
	Partnerships for Care	<input checked="" type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
<b>Health and Care Standards</b>		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input checked="" type="checkbox"/>
<b>Quality, Safety and Patient Experience</b>		
Financial Governance supports quality, safety and patient experience.		
<b>Financial Implications</b>		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
<b>Legal Implications (including equality and diversity assessment)</b>		
No implications for the Committee to be aware of.		
<b>Staffing Implications</b>		
No implications for the Committee to be aware of.		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
No implications for the Committee to be aware of.		
<b>Report History</b>	The Committee receives an update on the financial position at every meeting	
<b>Appendices</b>	Appendix 1 – Month 2 Financial Report	