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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	28th September 2021	Agenda Item	3.1
Report Title	Financial Report – Period 5 2021/22		
Report Author	Samantha Lewis, Deputy Director of Finance		
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 and Finance Committee of the Health Board financial position for Period 5 (August) 2021/22 and sets out the current forecast revenue year end outturn.		
Key Issues	<p>The report invites the Performance and Finance Committee to note the detailed analysis of the financial position for Period 5 (August) 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> <p>Risks have been updated.</p>		
Specific Action Required (please choose one only)	Information	Discussion	Assurance
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • NOTE the agreed 2021/22 financial plan. • CONSIDER and comment upon the Board's financial performance for Period 5 (August) 2021/22, in particular: <ul style="list-style-type: none"> ▪ the revenue outturn position of £10.185m deficit; and ▪ the adjusted year-end forecast deficit of £24.405m. • NOTE the actions to ensure delivery of the financial forecast. • AGREE the risk scores for risks 72, 73 and 79 		

FINANCIAL REPORT – PERIOD 5

1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 5 revenue position

The report informs the Performance and Finance Committee that the Period 5 (August 2021) revenue financial position is an overspend of £10.185m and invites the committee to note the detailed analysis of the Period 5 (August 2021) revenue financial position.

2. BACKGROUND

The Health Board agreed the Annual Plan for 2021/22 at its meeting on 23rd June 2021, having approved the draft annual plan in March 2021. This included a financial plan which reflected a £42.077m opening underlying deficit and indicated that in-year cost pressures and investment commitments could be met by WG allocation uplift and planned savings. The Health Board plan therefore produces a £42.077m forecast deficit.

	2021-22 Plan Update £m
20/21 Core Underlying Position	24.405
20/21 Savings COVID impact	17.672
20/21 Underlying Position	42.077
Cost pressures	25.600
WG Allocation	-15.100
Investment Commitments	8.500
Planned Savings	-27.700
Investments to enable Savings	8.700
Forecast Position	42.077

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 is also anticipating around £120m of COVID funding for this financial year, this is based on assumed costs for 12 months. This £120m includes non-recurrent funding to mitigate the COVID impact on 2020/21 savings. **This reduces the forecast deficit to £24.405m.**

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 5 reported in-month position was an overspend of £2.131m and £10.185m cumulatively. The cumulative position should be compared with the planned deficit of £10.169m. The cumulative position is £0.016m above the forecast position.

	Budget	Actual	Variance		Budget	Actual	Variance
	In Month	In Month	In Month		Cumulative	Cumulative	Cumulative
	£000	£000	£000		£000	£000	£000
Income	- 22,881	- 22,767	114		- 117,917	- 116,812	1,105
Pay	52,755	51,993	- 762		257,362	254,433	- 2,929
Non-Pay	57,128	57,973	845		276,728	278,669	1,941
Delegated Position	87,002	87,199	197		416,173	416,290	117
Corporate Plan	- 1,934	-	1,934		- 10,068	-	10,068
Total Position	85,068	87,199	2,131		406,105	416,290	10,185

3.1.2 Income

Income budgets have reported an under-achievement of £1.105m.

The key areas of under-achievement are dental, catering, rental and other patient related charges. The LTA and SLA block arrangements are expected to remain in place for the rest of this financial year, however this is not yet formally agreed. The inflationary and pre-pandemic performance impacts continue to be reviewed to ensure all are appropriately reflected.

The current income position is being supported by around £0.6m per month of COVID sustainability response funding. 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 £2.929m underspend for the first five months of the financial year.

There underspend on workforce budgets has continued in-month, however the level of underspend has reduced. This reduction reflects increases in both substantive and variable costs. Sickness levels have been increasing with higher numbers of staff absent for both COVID and non-COVID related sickness.

The table on slide 5 highlights the continuing overspend against medical staff budget. The most significant overspend relates to Morriston Service Group, which is £150k of the £199k in-month overspend and £592k of the £935k cumulative overspend. Meetings to discuss medical pay management between the CEO, Medical Director, Director of Finance and Service Group leads commence on 21st September 2021. These meetings

will focus on potential actions available to reduce the current level of medical staff expenditure.

During August arrears were paid in respect of the Overtime Annual Leave National settlement. These arrears payments of £2.8m are reflected as overtime costs and are fully funded by Welsh Government. This significant increase overtime can be seen in the graph on slide 5.

Around £13m of COVID funding has been issued to support increased pay costs in the first four months, 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

The non-pay budgets have over-spent in month. The key drivers of the overspend continue to be ChC costs within MH and LD, which are partially offset by workforce underspends and reducing levels of underspend being reported particularly within clinical consumables budgets. This reduction in clinical consumables underspend reflects increasing levels of activity, particularly emergency activity, more specialist work, which require high cost clinical consumables, along with increasing prices. The Health Board's Head of Procurement is undertaking an exercise to analyse price changes in consumables.

The level of COVID support to general non-pay is around £5m for the first five months, excluding PPE costs. In addition, around £2.5m funding support has been provided to Primary Care Prescribing to support the increased costs being experienced.

3.1.5 Savings and Recovery Challenge

The Health Board plan includes a gross savings requirement £27.7m, this supports the investment to enable efficiency opportunities to be released.

To date the Health Board has identified £26.1m of green and amber savings, with a further £3.3m of red schemes which are being developed.

There has been no movement in the number, value or RAG status of schemes during the past month.

To date no significant slippage has been reported. It must be highlighted that the profile of Amber scheme delivery increases in Quarter 3 and further in Quarter 4. These amber schemes are being further tested to provide assurance of delivery or clear articulation of the level of risk to the delivery of the financial position. Around £1m of the £2.2m amber schemes relate to bed utilisation efficiency, which given the current level of operational pressures must be considered a significant risk and mitigating actions identified.

A full review of in-year savings assurance and recurrent implications will be provided by the end of September.

An initial update on the progress in identifying 2022/23 savings will be provided in October.

4. COVID-19

The Health Board is assuming around £118m of additional funding to support COVID response and recovery. This is based on current experience and planning assumptions and will be refined during the forthcoming months as guidance and further modelling is amended. The table below provides a summary of the additional funding anticipated.

	Anticipated Funding
	£000
Testing	2,709
Contact Tracing	13,568
Vaccination	12,520
Extended Flu	1,160
Enhanced Cleaning Standards	2,304
PPE	5,073
Care Homes	3,060
Sustainability	44,419
Long COVID	635
COVID Response	85,448
Recovery	16,243
20/21 Savings Impact	17,672
Total Allocation	119,363

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.

The COVID recovery funding included reflects the first tranche of resource anticipated which was allocated by Welsh Government in May 2021. The primary focus of this first wave of funding is on increasing capacity to improve access for patients across cancer services, outpatients, diagnostics and surgical treatment. Costs will be incurred in line with agreed funding.

Further proposals are being developed to further enhance and support recovery. These costs will only be incurred in line with agreed funding.

5. FORECAST POSITION

The Health Board submitted its final annual plan on 30th June, following Board approval on 23rd June. The final plan produces a £42m deficit, which has been reduced to £24.4m following the application of anticipated non-recurrent funding to support the COVID impact on 2020/21 savings delivery.

The Health Board is currently on target to deliver the £24.4m forecast. This is being monitored closely to reflect risks and opportunities as they arise. At this stage there are no further recurrent pressures or opportunities identified which would impact on the £42m recurrent deficit.

A full review of investments, savings, risks and opportunities will be undertaken for the end of Quarter 2 to support the assurance of the forecast.

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 three 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. It is proposed that this risk remains unchanged
- 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. 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. Unchanged until the outcome of the Health Board's further tranche of recovery bids to Welsh Government is known.
- Availability of capital. Risk 72 was closed towards the end of 2020/21 as it became clear that the Health Board's immediate capital demands would be met within a balanced Capital Resource Limit. Following agreement at the Performance and Finance Committee, this risk has been reopened and is currently scored 15. Further discussions with Welsh Government are ongoing and a bid has been made to support the ambition within our discretionary programme.

8. ACTIONS AND NEXT STEPS

The new financial year will see the following actions:

In relation to month 5 position

- Urgent review of medical cost pressures and mitigating actions, CEO Led meetings commence 21st September (Service Group Medical Directors)
- Nurse Director and Medical Director to update on variable pay reduction plans by 31st August 2021.
- Review COVID response cost, exit strategies and assess potential ongoing impacts – month 5 and 6 finance review meetings
- The preparation of a CHC plan for Mental Health and Learning Disabilities services for consideration by Management Board by end of September.
- Ongoing identification of savings pipeline and delivery of planned savings, including 50% of 2022/23 anticipated savings target by end of September (All).
- Full review of investments, savings, risks and opportunities to be completed for end of Quarter 2.

In-year 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.
- Implementation of a revised system of internal financial control
- 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.

9. RECOMMENDATION

Members are asked to: -

- **NOTE** the agreed 2021/22 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 5 (August) 2021/22, in particular:
 - the revenue outturn position of £10.185m deficit; and
 - the year-end forecast deficit of £24.405m.
- **NOTE** the actions to manage the financial position within the forecast.
- **AGREE** the risk scores for risks 72, 73 and 79

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	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
	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"/>
Health and Care Standards		
(please choose)	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"/>
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
Legal Implications (including equality and diversity assessment)		
No implications for the Committee to be aware of.		
Staffing Implications		
No implications for the Committee to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Committee to be aware of.		
Report History	The Committee receives an update on the financial position at every meeting	
Appendices	Appendix 1 – Month 5 Finance Position for PFC	