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Health Board



<b>Meeting Date</b>	<b>22<sup>nd</sup> November 2022</b>		<b>Agenda Item</b>	<b>2.1</b>
<b>Report Title</b>	Financial Report – Period 7 2022/23			
<b>Report Author</b>	Samantha Moss, Deputy Director of Finance Alison McLennan, Finance Business Partner			
<b>Report Sponsor</b>	Darren Griffiths, Director of Finance and Performance			
<b>Presented by</b>	Darren Griffiths, Director of Finance and Performance			
<b>Freedom of Information</b>	Open			
<b>Purpose of the Report</b>	The report advises the Performance & Finance Committee of the Health Board on the financial position for Period 7 (October 2022) 2022/23 and sets out the current forecast revenue year end outturn.			
<b>Key Issues</b>	<p>The report invites the Performance &amp; Finance Committee to note the detailed analysis of the financial position for Period 7 (October 2022) 2022/23.</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>			
<b>Specific Action Required (please choose one only)</b>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>	<b>Approval</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>NOTE</b> the agreed 2022/23 financial plan.</li> <li>• <b>CONSIDER</b> and comment upon the Board's financial performance for Period 7 2022/23.</li> <li>• <b>NOTE</b> the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: - <ul style="list-style-type: none"> <li>○ 100% delivery of savings and all schemes to be green and amber with work to finalise red schemes to be completed by 13<sup>th</sup> September, where not delivered focused meetings with Chief Executive Officer, until targets achieved. <b>All Service Group Directors and Corporate Directors</b></li> <li>○ Focused attention to ensure that 100% of the green and amber schemes are delivered in line with the plans identified. <b>All Service Group Directors and Corporate Directors</b></li> </ul> </li> <li>• <b>NOTE</b> increased cost control in respect of COVID response costs: -</li> </ul>			

	<ul style="list-style-type: none"> <li>○ Actions from the Check &amp; Challenge meetings in July 2022 followed up in November 2022 with updates required from all Services Groups in next round of meetings with Director of Finance/Chief Executive Officer in January 2023. <b>All Service Group Directors</b></li> <li>○ Director of Finance to continue engagement with Welsh Government (WG) on the risks regarding funding and updates on COVID response costs submitted WG in Month 7 Monthly Monitoring Return submission.</li> <li>○ To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.</li> <li>• <b>NOTE</b> actions to ensure the operational pressures are mitigated and areas return to financial balance. <ul style="list-style-type: none"> <li>○ Focused attention of the delivery of Financial Recovery as per the actions from the Summit meeting on 7<sup>th</sup> September. <b>All Service Group Directors and Corporate Directors</b></li> <li>○ Actions with regard to the Financial Improvement Director appointment for Morriston Service Group (SG) and the requirement for updates to future Committee meetings in Quarter 3.</li> </ul> </li> <li>• <b>AGREE</b> the risk handling for the risks noted.</li> <li>• <b>NOTE</b> all actions and updates to support the management of the 2022/23 financial position.</li> </ul>
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## FINANCIAL REPORT – PERIOD 7

### 1. INTRODUCTION

The report provides the Committee with an account of the period 7 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 31<sup>st</sup> 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 28<sup>th</sup> July 2022.

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

SBUHB Financial Plan 2022-23	Submission (inc £24.4m)
	£m
Opening deficit	24.4
FY21 savings gap	17.7
FY22 savings gap	0.0
<b>2022/23 opening position</b>	<b>42.1</b>
WG Allocation applied against sustainability	(12.4)
Additional WG allocation applied against sustainability	(24.4)
Savings required to manage FY21 Savings Gap	(5.3)
<b>2022/23 underlying position after sustainability application</b>	<b>0.0</b>
Application of core WG funding based on 2%	(9.7)
Cost pressures & Investments	31.4
Cost pressures Operational	0.0
CIPs - 4%	(21.7)
<b>Deficit/(surplus) for year 2022-23 - base plan</b>	<b>(0.0)</b>
Extraordinary cost pressures	24.1
<b>Deficit/(surplus) for year 2022-23 - after extraordinary pressures</b>	<b>24.1</b>
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)
<b>Deficit/(surplus) for year</b>	<b>(0.0)</b>

Key assumptions underpinning the plan:

- Starting with underlying deficit b/f (brought forward) = **£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 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**

	In Mth	Year To Date	Forecast 31st March 2023
	£M	£M	£M
Variance Against RRL Deficit / (Surplus)	0.51	3.70	0
Additional Expenditure Anticipated to be Funded by WG			
- Covid (excluding National Programmes)	0.27	21.86	37.00
- Extraordinary Pressures	1.49	15.64	19.04
2022/23 Savings Delivery Target Shortfall (inc unmet b/f)	0.45	3.38	1.20

- **Variance Against Revenue Resource Limit (RRL)** – The HB should now be achieving a breakeven position following confirmation that the previously identified deficit of £24.4m would be funded by WG. The actual Month 7 variance was an overspend of £0.51m. The Year-To-Date (YTD) plan at Month 7 should be breakeven but actual variance is an overspend of £3.70m.
- **Additional Expenditure** – this is the value of the additional funding required to support COVID Transition and extraordinary pressures. At the end of Month 7 funding for COVID Transition costs of £34.6m and the extraordinary pressures £19.04m 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 and a further £2m added in Month 6, the in-month delivery is anticipated at £2.1m. For Month 7 the shortfall against this target as per the ledger was £0.45m and Year-To-Date £3.38m.

At the end of Period 7 the £3.7m is broken down by Service Group and Corporate Directorate as per the table 3 below:

**Table 3: Summary Position by Service Group/ Directorate @ Month 7**

	Target	Year-To-Date @ Month 7
	£000	£000
<b>Service Groups</b>		
Mental Health & LD	-	776
Morrison	9,000	9,988
NPT & Singleton	-	1,903
PC & Community	-	2
<b>Directorates</b>		
Board Secretary	-	-52
Chief Operating Officer	-	431
Director of Strategy (excluding COVID)	-	-208
COVID	-	0
Director of Transformation	-	-27
Finance & Estates	-	706
Digital	-	-66
Medical Director	-	-80
Nurse Director	-	-176
Workforce & OD	-	-49
Clinical Medical School	-	0
Research & Development	-	14
DSU	-	0
EMRTS	-	0
Director Insight, Communication & Engagement	-	-23
Corporate I&E	-	-21
<b>Delegated Budget Position</b>	<b>9,000</b>	<b>13,118</b>
In year deficit £24.4M		-
Opportunities Released	- 9,000	- 9,422
<b>Current Delegated Position</b>	<b>-</b>	<b>3,696</b>

**Actions/Comments in Month 7 Summary:**

- Morrison Service Group –The Chief Executive Officer had 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. A Finance Improvement Director was appointed and commenced week commencing 19<sup>th</sup> September. The Month 7 position reported by the Morrison Service Group showed a deterioration and the Group is now over the £9m target set. An urgent meeting between the independent specialise, the Director of Finance and the Deputy Director of Finance was arranged for the 9<sup>th</sup> November to assess progress, understand next steps and also triangular the run rate to the end of the financial year. This will also be supported by discussions with the Chief Executive Officer, the first of which was held on 9<sup>th</sup> November. Updates will be provided in future reports on detailed actions required and the impact of these on the run rate to March 2023.

- Mental Health/Learning Disabilities Service Group – overall this has improved since Month 5 following allocation of £3.3m of resources to support Continuing Healthcare from central reserves. There remains some overspend in this area, along with non-delivery of savings Year-To-Date.
- Finance & Estates – this is due to pressures on general Estates building and Engineering maintenance and consumables.
- NPT & Singleton Service Group – overall Pay is underspending Year-To-Date. The Month 7 overspend of £0.399m and £1.9m Year-To-Date is primarily linked to shortfalls on private patient and Macmillan income, and non-pay pressures on secondary care drugs and clinical supplies being the main contributors to the overspend, offset by pay underspends, along with non delivery of savings.
- Chief Operating Office – pressures continue on variable pay with significant progress being made during the month towards the savings shortfall.

#### 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

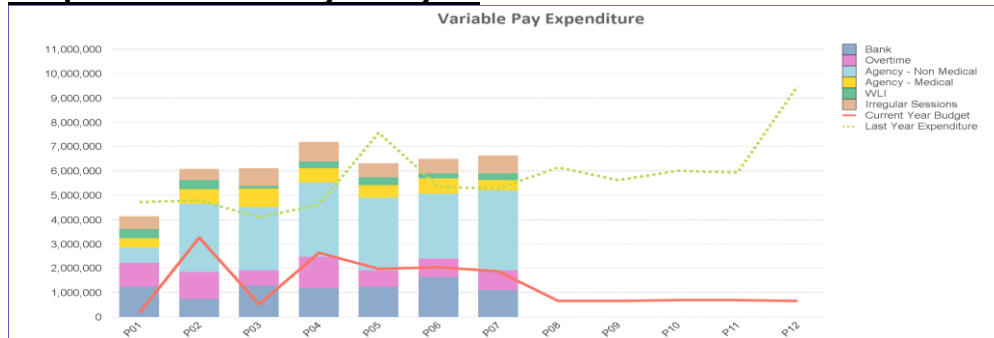
The performance against budget both in month and Year-To-Date is provided in table 4 below, with the variance spilt between Variable Pay costs and fixed staff costs. For noting the Month 6 actuals included the pay arrears associated with the 2022/23 Pay Award, with costs increasing by approximately £2.5m per month funded by an allocation from WG.

**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
Mth 5	54,690	55,630	6,206	- 5,266	940
Mth 6	69,398	68,949	6,353	- 6,802	- 449
Mth 7	58,845	58,954	6,536	- 6,428	109
YTD	397,664	398,180	43,765	- 43,250	516

The performance of Variable 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 month 7 level with continued pressures in non-medical agency costs increasing in month 7.

### 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 Year-To-Date 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
Mth 5	60,888	61,216	-	328	328
Mth 6	58,898	60,154	-	1,256	1,256
Mth 7	63,894	64,429	-	536	536
YTD	416,731	421,623	-	4,892	4,892

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
Continuing Healthcare	4.928
Drugs/FP10 Drug Scripts	1.051
Clinical services/supplies	2.515
Savings	3.385
<b>Sub total</b>	<b>11.897</b>
Offset by underspends across income/losses/clinical negligence/recharges/other corporate expenditure on Z095 #1	(6.445)
<b>Total Variance Non Pay</b>	<b>5.452</b>

**Note #1 – full impact on this will not be known until closer to year end as many of these items are only finalised in March. However financial implication will be assessed as part of the Mid Year Forecast and ongoing review of Z095 (see section 4.4).**

#### 4.2.1 Continuing Healthcare

One area of the non-pay with significant variance against budget in Month 1-7 is Continuing Healthcare. 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 Mental Health expenditure in Month 3 reflects adjustment made for savings delivery and is a one off in month adjustment.*

**Table 6b – Continuing Healthcare breakdown**

Service Area	General		Mental Health		Learning Disabilities		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	1,121,814	195	1,818,387	745	5,058,314
Mth 5	359	2,206,096	187	1,230,746	195	1,822,278	741	5,259,120
Mth 6	363	2,207,998	190	1,245,448	195	1,899,799	748	5,353,246
Mth 7	378	2,316,074	194	1,275,215	196	1,603,363	768	5,194,653
Total		15,032,697		7,916,127		12,354,298		35,303,122

#### 4.2.2 Primary Care Prescribing

The latest Prescribing Audit report (PAR) showed a significant increase in costs from previous months (£0.5m in month). This is being driven by 3 issues (1) No Cheaper Stock Obtainable; (2) Category M Drugs costs; and (3) 56 Day Scripts. Further work is being done by the Pharmacy Teams on this and updates will be provided in the next report. This area has been added as a new risk from Month 7.

#### 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 7 were found in General Clinical Supplies (M&SE narrative on Ledger). Over the last 3 months the Health Board has done an additional 200 inpatient procedures per month both Planned and Trauma cases, part of which would be funded by recovery and partly by core budgets, which may be contributing to the increased variance, in addition to the ongoing pressures linked to inflation.

### 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
Mth 5	- 24,271	- 24,878	- 607
Mth 6	- 24,537	- 24,653	- 117
Mth 7	- 25,117	- 25,249	- 132
YTD	- 170,057	- 171,768	- 1,711

In Month 7 the overachievement in income is attributable to Research & Development, Long Term Agreements (LTAs) & WG income, with other income categories broadly achieving a balanced position.

#### 4.4 Central Cost Centre Z095

Centrally there has historically been a cost centre (Z095), which holds all the income from Commissioners for both Long Term Agreements and Service level Agreements, along Health Board wide issues such as Overseas Visitor Income and Road Traffic Accident income. The work on income has been completed during Quarter 2 but during Quarter 3 further work will be undertaken on the Non Pay area. However much of the non-pay will be linked to actions completed as part of year end processes, for example Losses, Clinical Negligence and Depreciation.

Any further updates will be provided separately from items 4.1-4.3 in future months, along with a proposal on how the budgets are managed from 2023/24, once the work detailed above is complete.

#### 4.5 Savings

At the end of Month 7 the 2022/23 savings target is £27m, with a further £4.6m of unmet savings brought forward from 2021/22, which takes the combined target to £31.6m. A further £2m was added to the savings target in month 6 to allow for a recognised year end targeted overspend for the Morriston Service Group taking the combined target to £33.6m. As per the weekly Savings report dated 3<sup>rd</sup> November (supporting the WG Month 7 submission), the total value of schemes identified for 2022/23 is £34m (£27.1m recurrently) and these values are included in the tables below. However, the actual likely delivery for 2022/23 as per Table 8b is £32.4m (which assumed delivery of Red Schemes).

***Tables 8a – Savings Overview (as at 03/11/22)***

	Reported PFC May £m	Reported PFC June £m	Reported PFC July £m	Reported PFC August £m	Reported PFC September £m	Reported PFC October £m	Reported PFC November £m	Movement £m
2022/23 Identified (Planned)	22.0	23.0	27.1	27.4	29.5	32.0	34.1	2.1
2022/23 Identified Recurrently	20.8	20.7	22.5	22.2	24.1	26.4	27.1	0.7

To date, slippage on the savings plan is causing a non-pay overspend of £3.38m as noted in Section 3.

***Table 8b – Savings Overview (as at 03/11/22)***

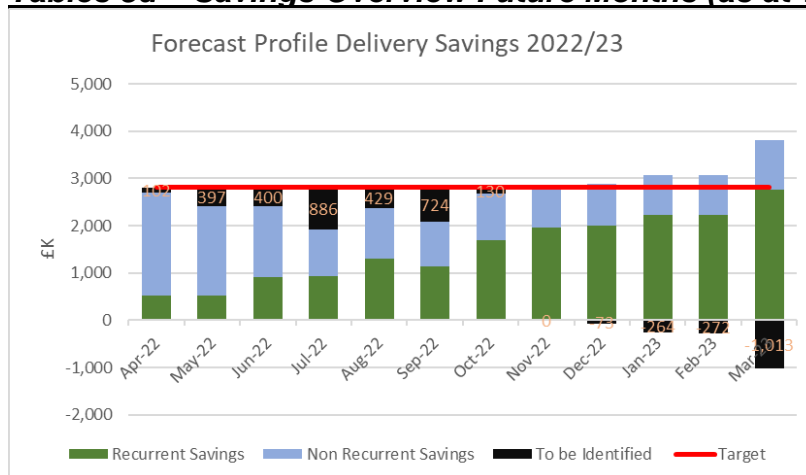
Summary Breakdown	Target 2022/23 £k	Actual Identified 2022/23 £k	Shortfall £k	Actual Recurrently Identified £k	Recurrent Shortfall £k
Corporate	6,125	5,983	142	4,941	805
Morrison	10,447	10,124	323	8,626	1,821
NPTS	7,089	6,961	128	5,402	987
MHLD	4,188	4,148	40	3,859	-122
PCC	3,975	3,975	0	3,354	151
IMM and Health Board Wide	1,819	1,170	649	1,000	819
	33,642	32,361	1,281	27,181	4,461

**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 03/11/22)**

	Total		Morrison		NPTS		MHLD		PCC		Corp/Other	
	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE
Red	3,180	5,902	2,377	4,512	593	670	-	-	-	640	210	80
Amber	1,754	3,359	1,054	1,246	160	210	83	690	115	635	342	578
Green	27,427	17,920	6,693	2,868	6,208	4,522	4,065	3,169	3,860	2,079	6,601	5,283
	32,361	27,181	10,124	8,626	6,961	5,402	4,148	3,859	3,975	3,354	7,153	5,940
% of CIPS Green	84.75%	65.93%	66.11%	33.25%	89.19%	83.71%	97.99%	82.12%	97.11%	61.97%	92.28%	88.93%

**Tables 8d – Savings Overview Future Months (as at W/C 03/11/22)**



**Note: included latest version of Table 8d to allow Committee to see where challenges will arise if savings not identified in full, against £33.6m 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 Programme Management Office (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.
- Chief Executive Officer set target for 100% delivery of savings and all schemes to be green and amber by the end of June 2022 revised to 13<sup>th</sup> September 2022. Where service areas have not identified 100% by the deadline, meetings with the Chief Executive Officer have been held, with follow ups taking place in October and November.
- Immediate attention is required to address the shortfall in savings in Quarter 3 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 Long Term Agreements (inc Welsh Health Specialised Services Committee) Performance

Historically Long Term Agreements (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 Long Term 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 1<sup>st</sup> 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 Swansea Bay University HB.

Table below is the performance of Swansea Bay HB at the end of month 5 as a provider, for services commissioned by other Health Boards. Under the previous Long Term Agreements the full year forecast for underperformance would be £9.8m, under the interim arrangements that risk has reduced to £3.3m.

<b>SBU Provider</b> <b>£m</b>	LTA Value	Old LTA Rules Variance M5	F/C	Mitigated Variance M5	F/C
Hywel Dda (Excluding NICE)	37.494	-1.057	-2.537	-0.527	-1.265
AB	0.916	-0.006	-0.014	0.009	0.022
C&V	4.215	-0.056	-0.135	0.007	0.016
CTM Bridgend	17.028	-0.435	-1.045	0.116	0.278
CTM former CT	1.114	-0.014	-0.033	0.025	0.059
Powys	8.501	-0.184	-0.443	-0.008	-0.019
WHSSC ( Exc Pass Through)	112.402	-2.353	-5.648	-1.000	-2.401
<b>LTA Sub Total</b>	<b>181.668</b>	<b>-4.106</b>	<b>-9.854</b>	<b>-1.379</b>	<b>-3.310</b>

Table below is the performance of contracts provided by other Health Boards at Month 5 but commissioned by Swansea Bay. Here under the previous Long Term Agreements arrangements we would have seen a benefit of £5.6m but under the interim arrangement that has reduced to £3.8m.

<b>SBU Commissioner</b> <b>£m</b>	LTA Value	Old LTA Rules Variance M5	F/C	Mitigated Variance M5	F/C
Hywel Dda (Excluding NICE)	4.755	-0.546	-1.310	-0.392	-0.940
AB	0.204	0.011	0.026	0.053	0.127
C&V	3.685	-0.194	-0.466	-0.291	-0.699
CTM Bridgend	24.327	-1.314	-3.152	-0.894	-2.145
CTM former CT	3.001	0.010	0.023	0.039	0.095
CTM - CCSLA (NPTH)	1.814	-0.168	-0.403	-0.064	-0.153
Powys	1.122	-0.103	-0.248	-0.041	-0.098
Velindre (Excluding NICE)	0.301	-0.013	-0.032	-0.007	-0.017
<b>LTA Sub Total</b>	<b>39.209</b>	<b>-2.317</b>	<b>-5.561</b>	<b>-1.596</b>	<b>-3.830</b>

Therefore, at this point in the financial year we are assuming nil impact on the overall financial position of the HB on the basis that the information indicated underperformance as a provider will be offset by underperformance as a commissioner.

#### 4.7 COVID Transition (Response)

The national COVID programmes of Trace Test Protect (TTP), Mass Vaccinations and Personal Protective Equipment (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 31<sup>st</sup> 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 7 is included table 9 below and has been reported in detail to WG as part of the Monthly Monitoring Return submissions:

**Table 9 – COVID Allocations and Anticipated Allocations**

RRL COVID Allocations	2022/23 Forecast @ mth 7	Total By Type
	£'000	£'000
National Programmes: Tracing	5,600	21,182
National Programmes: Testing	2,268	
National Programmes: Mass Vaccinations	7,886	
National Programmes: PPE (Exc Stores Staff)	4,518	
National Programmes: Long COVID	402	
National Programmes: Nonsocomial	508	2,336
COVID Transition Funding Received: Extended Flu Funded to Date	918	
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418	34,663
COVID Transition: Cleaning Standards	1,906	
COVID Transition: Dental Income Shortfall (Balance)	287	
COVID Transition: Other	32,470	
Total Table B3	58,180	58,180

As noted within the Month 6 report the Transition Costs of £5.6m linked to prescribing were challenged by WG and it was agreed at the Mid Year Review meeting that these would be removed for COVID. The Health Board will use additional opportunities to support this change in funding flows. As a result of this change the overall costs of COVID has reduced from £63m to £58m.

Confirmation of funding linked to COVID is anticipated in the next 2-3 weeks.

#### **Actions:**

- Forecast continues to be refined and updated based on discussions with Service Groups.
- Actions from meetings on 3<sup>rd</sup> and 4<sup>th</sup> November 2022 were issued in 7<sup>th</sup> November and will be followed up in the next round of meeting in January 2023.
- Continued discussion with WG on the risks regarding funding as part of the weekly Check In Sessions with Finance Delivery Unit.

Although there continues to be a significant amount of work in this area there is no certainty that the COVID Transition element will be funded by WG in full or that WG will agree with the Health Board's assessments of COVID costs. This is reflected in the risk section later. Therefore, 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 continues to be 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	2,327,788	548,865
Regional Cataract Services	1,398,337	475,819	922,518
Regional Orthopaedics	3,419,104	19,121	3,399,983
Strengthened Diagnostic & Imaging services	4,499,529	3,158,120	1,341,409
Implementation of the Critical Care Plan	-	-	-
Cancer	1,280,070	969,737	310,333
Other Capacity	4,139,711	4,618,190	- 478,479
Other Eyes	318,825	189,334	129,491
Primary Care Pathway Redesign	26,448	90,878	- 64,430
Other - Pre Committed	3,221,803	1,372,687	1,849,116
Therapies	121,543	96,469	25,074
Other (WHSSC)	297,978	344,260	- 46,282
<b>TOTAL</b>	<b>21,600,000</b>	<b>13,662,403</b>	<b>7,937,597</b>

#### **Actions:**

- To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.
- At end August the plan against the funding was £0.4m over committed. This has increased to £1.2m at the end of October and so options to deliver breakeven must be finalised in Quarter 3.

#### 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 7 position it is assumed these costs, above the £8.1m budget, will be funded by WG. A breakdown of the estimated costs above budget, 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 7
	£'000
National Insurance Health & Social Care Levy #	4,042
Real Living Wage (Care Homes Only)	2,433
Energy Costs (inc Non British Gas items)	12,568
<b>TOTAL ALLOCATION</b>	<b>19,043</b>

These forecast costs have reduced significantly from the £38.6m reported in Month 5 linked to Central Government decisions:

- National Insurance Health & Social Care Levy will not only be for 7 months as opposed to the full year
- Energy figure in Table 11 is after the Central Government support, which has seen the British Gas forecast reduce by 47%.

**Actions:**

- Continual review of each area and refinement of forecast.

**5. SUMMARY ALL RISKS – REVENUE**

Within the Monthly Monitoring Return submission to WG is a list of the risks that could impact on the I&E position, which we have been reporting each month. For Month reporting we have developed the Risks further by grouping the issues into two headings:

- Breakeven
- COVID Response

Within these headings are the sub categories of :

- Operational / Corporate Pressures
- Savings
- Investments
- Balance Sheet.

**Table 12 – Risk rating per formal Monitoring Return reporting**

RISKS		
AREA	£'000	Risk Score C x I x L
<b>Risk 1: Breakeven Revenue</b>		
<b>Operations Pressures</b>		
- 'LTA 'Go Live' with 10% tolerance	- 3,310	12
- WAST Transition Plan Full Year Impact	- 200	6
- CTM SLA disag	- 417	8
- Net Impact ALN	- 200	9
- Service Group Cost Pressures excluding Covid Response	- 5,000	16
- Digital Service cost pressures linked to SLA	- 605	12
- Childrens Services response	- 213	6
- CHC growth volume and cost	- 1,250	12
- Prescribing	- 3,000	16
- COVID Recovery not able to be constrained within funding	- 1,211	8
<b>Savings</b>		
- Savings Delivery above current identified Schemes	-	
<b>Investments</b>		
- Maintain Investment within Financial Plan	- 12,500	8
<b>Balance Sheet</b>		
- Assumptions Regarding Annual Leave Release	-	
<b>SUB TOTAL</b>	- 27,906	
<b>Risk 2: COVID Response &amp; Extra-ordinary Costs</b>		
- Energy Funding Assumption variance to IMTP	-	
- Extraordinary Funding WG	- 19,043	16
- Covid Funding WG (Transition)	- 34,663	16
<b>SUB TOTAL</b>	- 53,705	
<b>TOTAL RISKS</b>	- 81,611	

Further details on the RED risks:

- Service Group Pressures – refer to section 6 and the actions set by Chief Executive Officer
- Prescribing – refer to section 4.2.2.
- COVID Funding (Transition) – refer to section 4.7.
- Extraordinary Funding – refer to section 4.9.

Action:

- Continued focus and review of the operational forecast to support the reported forecasted breakeven end of year position.
- Continued review and refinement of all Risks each month.

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

Within the Month 5 report were the full details of the actions being taken by the Health Board to support the position and the challenges, which were updated in Month 6. The information below only reflects updates to the actions previously reported and is not the full list: -

- Action: To mitigate the increased operational pressures all areas (excluding Morriston Service Group) will be required to deliver, a further £2m of savings on a non-recurrent basis. This additional £2m, on top of the £27m, to be transacted through the ledger and the Monthly Monitoring Return in Month 6.  
Update – Updates on saving delivery reported in Section 4.5 of this report and shows ongoing progress to achieve increased target.
- Action: As outlined by the Chief Executive Officer the expectation is all savings (£27m+21/22 b/f+£2m) must be identified by 9<sup>th</sup> September (and reported on 13<sup>th</sup> September 2022) before further actions will be taken by the Chief Executive Officer to ensure delivery.

Update: Following the meetings with Chief Executive Officer for those areas not delivering the target in October further meetings were held in November to review the position. Progress continues to be made and updates will be provided to the Chief Executive Officer via the weekly Savings report.

- Action: A further letter will be issued late Sep/Oct 2022 confirming the final elements of budget linked to the 2022/23 investment programme as part of the 3-year recovery and sustainability plan. At this point, with the exception of any in year WG funding, the Service Groups and Corporate Directorates will be clear on both their target and funding in which they will need to remain within.

Update: Work is being finalised on the investment programme in the next 2-3 weeks before funding and final letters issued.

- Action: Independent, specialist financial improvement support has been identified to assist Morriston Service Group with its financial challenges. This support will commence during the week commencing 12<sup>th</sup> September 2022.

Update: following a disappointing Month 7 position reported by the Morriston Service Group on Day 5, an urgent meeting between the independent specialise, the Director of Finance and Deputy Director of Finance is being arranged in w/c 7<sup>th</sup> to assess progress, understand next steps and also triangular the run rate to the end of the financial year. This will also be supported by discussions with the Chief Executive Officer, the first of which was held on 9<sup>th</sup> November. Updates will be provided to the Committee.

As per the Mid Year review presentation to WG, held at the end of October, the Health Board is still maintaining a balanced financial forecast to the 31<sup>st</sup> March 2023 but this is predicated on delivery of the targets set for Service Groups and Corporate Directorates and the management of all Risk detailed in section 5 and 7 of this report.

## 7. RISK ASSESSMENT

As outlined in the Performance and Finance Committee in August 2022 it was agreed there would be two Board level financial risks: -

- **Achieving financial balance**, which replaces the risks previously reported and referenced as 73, 79 and savings, with the key elements as follows: -
  - Risk of delivery of savings quantum
  - Risk of operational overspend being in excess of slippage to cover in year
  - Risk of residual COVID costs becoming part of base expenditure for the Board
  - Risk of WG funding not being forthcoming to cover extraordinary cost pressures and COVID response costs
  - Risk of commitment of reserves being above reserves available.

**A score of 20 is suggested at this stage as whilst the financial forecast for 2022/23 is reporting balanced, a number of risks remain and the detailed elements of these risks are noted in Section 5 of this report.**

- **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



reduce 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.**

## 8. FINANCIAL MATURITY

There are no items of exception to be reported to the Committee in Month 7.

## 9. SUMMARY OF ACTIONS AND UPDATES

Items that have been completed and closed are now removed from the list below and moved to Appendix 1

**Table 15 – Action Summary**

Area	Ref	Action	Update- September Report
Financial Performance	M04.1	Chief Executive Officer has asked the Director of Finance to prepare a financial improvement plan to enable the forecast balances position to be achieved.	Following meeting between Chief Executive Officer and Director Of Finance on 1 <sup>st</sup> August a number of actions to support plan were agreed and updates provided in Section 6.
Financial Performance	M05.2	Following the Summit meeting on 7 <sup>th</sup> September a list of agreed actions have been developed, which will form the basis of the Financial Recovery Plan.	Updates on progress will be provided to the committee each month. Update in Section 6.
Savings	M02.1	Chief Executive Officer 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.
Savings	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.
Savings	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
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
COVID Transition	M01.4	Check & Challenge meeting with Chief Executive Officer were held in July 2022, which picked up the actions from the point above.	Actions from July meetings were reviewed and updated actions from 3 <sup>rd</sup> and 4 <sup>th</sup> November meetings were issued to Service Groups. Next set of meetings scheduled for January 2023.

Area	Ref	Action	Update- September Report
<b>COVID Transition</b>	M01.5	Continued discussion with WG on the risks regarding funding.	<b>Discussions are taking place regularly. See update in section 4.7 on discussions and presentation to Finance Delivery Unit.</b>
<b>COVID Recovery</b>	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.	<b>Allocations are updated and revised monthly</b>
<b>COVID Recovery</b>	M04.2	Continual review to ensure plan is balance by the end of September.	<b>Updates provided each month to WG and Performance &amp; Finance Committee.</b>  <b>Enhanced monitoring commenced in Quarter 2 to link activity and finances.</b>
<b>Extraordinary Pressures</b>	M01.8	Continued discussions with WG on the risks regarding funding and the methodology assessing the '2021/22 levels'.	<b>Part of regular discussions with Finance Delivery Unit</b>
<b>Extraordinary Pressures</b>	M01.7	Continual review of each area and refinement of forecast.	<b>Updates provided each month to WG and Performance &amp; Finance Committee.</b>
<b>Risks</b>	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.	<b>Data used to support Mid Year Review presentation to WG. Update will provided to In Committee section of December meeting.</b>
<b>Opportunities (Central Budgets)</b>	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.	<b>Further information was provided to the Performance &amp; Finance Committee in the Month 2 Finance Report to support a move towards a more transparent approach, with updates to be provided each quarter.</b>  <b>Work is continuing to refine the Reserves and allocation in 2022/23. This will be nearing completion in the next month.</b>

## 10. RECOMMENDATIONS

Members are asked to:

- **NOTE** the agreed 2022/23 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 7 2022/23.
- **NOTE** 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 by 13<sup>th</sup> September, where not delivered

focused meetings with Chief Executive Officer, until targets achieved. **All Service Group Directors and Corporate Directors**

- Focused attention to ensure that 100% of the green and amber schemes are delivered in line with the plans identified. **All Service Group Directors and Corporate Directors**
- **NOTE** increased cost control in respect of COVID response costs: -
  - Actions from the Check & Challenge meetings in July 2022 followed up in November 2022 with updates required from all Services Groups in next round of meetings with Director of Finance/Chief Executive Officer in January 2023. **All Service Group Directors**
  - Director of Finance to continue engagement with WG on the risks regarding funding and updates on COVID response costs submitted WG in Month 7 Monthly Monitoring Return submission.
  - To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.
- **NOTE** actions to ensure the operational pressures are mitigated and areas return to financial balance.
  - Focused attention of the delivery of Financial Recovery as per the actions from the Summit meeting on 7<sup>th</sup> September. **All Service Group Directors and Corporate Directors**
  - Actions with regard to the Financial Improvement Director appointment for Morriston SG and the requirement for updates to future Committee meetings in Quarter 3.
- **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	<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 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	

**LIST OF CLOSED ITEMS:**

Area	Ref	Action	Update- September Report
<b>Savings</b>	M01.1	Each Wednesday a weekly report is produced by the Programme Management Office (Savings) 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.	<b>Weekly report continues to be updated and shared widely.</b>  <b>ACTION: CLOSED</b>
<b>COVID Transition</b>	M01.3b	Following the latest de-escalation guidance service need to continually review requirements and update forecast with support of the Finance Business Partner.	<b>Revised forecasts to be brought to discussions with Chief Executive Officer and Director of Finance and Performance during July.</b>  <b>ACTION: CLOSED</b>
<b>COVID Transition</b>	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 Finance Business Partner .	<b>Completed for Chief Executive Officer meetings in July.</b>  <b>ACTION: CLOSED</b>
<b>LONG TERM AGREEMENTS Performance (Providers &amp; Commissioner</b>	M01.2	Update to be provided during Q2 and quarterly from that point.	<b>Q1 update included in September report with further updates on Quarterly basis of PFC</b>  <b>ACTION: CLOSED</b>
<b>Financial Performance</b>	M03.1	Morrison – The Chief Executive Officer 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 Morrison has 84% of the total HB red schemes..	<b>Work is underway to procure this support for commencement in September</b>  <b>ACTION: CLOSED</b>
<b>Opportunities (Central Budgets)</b>	M02.5	Look at options for sharing the Main Central Budget in a format that assists the reader of the report.	<b>By end of Quarter 2</b>  <b>ACTION: CLOSED</b>
<b>Financial Maturity</b>	M01.10	Various developments	<b>Refer to Section 8 of the report</b>  <b>ACTION: CLOSED</b>
<b>Financial Performance</b>	M04.3	Review of corporate cost centre Z095 to ensure no additional risks regarding Corporate Income associated with Service Level Agreements/Long Term Agreements/Road Traffic Accidents and Oversea visitors	<b>Work commenced in August and continues into Q3 with updates to be included future PFC papers as necessary.</b>  <b>ACTION: CLOSED</b>
<b>Financial Maturity</b>	M05.01	All aspects	<b>Going forward it is proposed that items under this section</b>

Area	Ref	Action	Update- September Report
			<p>are reported to the Committed by exception and that the standard information is removed.</p> <p><b>ACTION: CLOSED</b></p>