



<b>Meeting Date</b>	<b>24<sup>th</sup> November 2022</b>	<b>Agenda Item</b>	<b>5.2</b>
<b>Report Title</b>	<b>Financial Report – Period 7 2022/23</b>		
<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 Board of the Health Board financial position for Period 7 (October) 2022 and sets out the current forecast revenue year end outturn.		
<b>Key Issues</b>	<p>The report invites the Board to note the detailed analysis of the financial position for Period 7 (October) 2022.</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>The report invites the Board to note the cash position, key balance sheet movements and the capital position.</p>		
<b>Specific Action Required (please choose one only)</b>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input checked="" 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 updated 2022/23 financial plan</li> <li>• <b>NOTE</b> that actions being undertaken to reduce the risk in the plan in terms of: - <ul style="list-style-type: none"> <li>• operational run rate</li> <li>• savings delivery</li> <li>• COVID costs</li> <li>• reserve flexibility</li> </ul> </li> <li>• <b>CONSIDER</b> and comment upon the Board’s financial performance for Period 7 2022/23 (Revenue and Capital)</li> <li>• <b>NOTE</b> the balance sheet position</li> </ul>		

## FINANCIAL REPORT – PERIOD 7

### 1. INTRODUCTION

The report advises the Board that the Period 7 (October 2022) revenue financial position is an overspend of £0.512m.

The report invites the Board to note the detailed analysis of the Period 7 (October) revenue financial position.

The report provides an analysis of the revenue impact of the COVID-19 response.

The report invites the Board to note the cash position and key balance sheet movements and the capital position for Period 7 (October).

The report also summarised the on the 2022/23 Financial Plan contained within the 3-year recovery and sustainability plan (3YP hereafter).

### 2. BACKGROUND

#### 2.1 The Health Board has two key statutory duties to achieve:

- **To submit an Integrated Medium Term Plan (IMTP) to secure compliance with breakeven over 3 years.**

2020/21 No Approved Plan  
2021/22 Annual Plan submitted  
2022/23 3-year plan approved

The Health Board has achieved this Statutory Duty.

- **To achieve financial breakeven over a rolling three-year period, which commenced on 1<sup>st</sup> April 2020 and will end on 31<sup>st</sup> March 2023.**

2020/21 £24.305m Overspend  
2021/22 £24.400m Overspend  
2022/23 Forecast breakeven position

The Health Board will fail to achieve this Statutory Duty.

#### 2.2 Summary of Performance against Key Financial Targets

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported in-month financial position – deficit/(surplus)	0.512
Reported cumulative financial position – deficit/(surplus)	3.696
<b>Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported year to date financial position – deficit/(surplus)	(1.493)
Forecast outturn financial position – deficit/(surplus)	1.800

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
<b>PSP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice</b>	<b>Value %</b>
Cumulative year to date % of invoices paid within 30 days (by number)	94.66

### 3. FINANCIAL IMPLICATIONS

#### IMTP / 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. The composition of this is set out below.

**Table 1: 2022/23 IMTP**

<b>SBUHB Financial Plan 2022-23</b>	<b>Submission (inc £24.4m)</b>
	<b>£m</b>
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 = £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

For clarity the COVID transition and extraordinary cost pressure cover is an assumed allocation as instructed by WG. There is no confirmed funding yet in WG for this and hence is accounted for with no certain funding stream at this stage.

#### 4. 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: Summary Revenue Performance**

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

#### Summary:

- **Variance Against RRL** – The actual Month 7 variance was £0.512m, with the YTD position at Month 7 showing an overspend of £3.7m against a breakeven target.
- **Additional Expenditure** – this is the value of the additional funding required to support COVID Transition and extraordinary pressures. At the end of Month 7 no funding had been received from Welsh Government (WG) and so £34.6m and £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

To support the challenging financial position reported within the Health Board since Month 3, a series of immediate actions have been undertaken starting in August. A summary of those are provided below, along with updates where applicable:

- As the Accountable Officer, the CEO has issued letters to all the Service Groups and Directors and the expectation regarding financial performance in 2022/23.
- The letters outline both the increase in savings target but also clearly outlining the target (outturn control total) each area must achieve in

2022/23 to ensure the HB delivers a balanced financial position. There is a stretch revenue outturn position in place for Morriston, in part mitigated by the additional savings.

- 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, will be transacted through the ledger and the MMR in Month 6.

Update – Updates on saving delivery reported in Section 5.4 of this report and shows ongoing progress to achieve increased target.

- As outlined by the Chief Executive Officer the expectation is all savings (£27m+21/22 b/f+£2m) were to be identified by 9th September (and reported on 13th September 2022) before further actions will be taken by the Chief Executive Officer to ensure delivery.

Update: Following with Chief Executive Officer have been held since September with those areas not delivering, Further meeting were held in October and 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.

- On 7<sup>th</sup> September 2022 all Executive Directors, Service Group Directors and direct reports met (at a summit held by the CEO and the Director of Finance and Performance) to discuss the financial position and to address 2 key questions (1) what actions can be taken in the next 2 months to address the 2022/23 deficit and ensure delivery of control totals; and (2) what actions can be taken to deliver improvements to support a sustain financial plan for 2023/24 and beyond. The meeting agreed: -

- All 2022/23 Savings targets to be met in full by 9<sup>th</sup> September 2022
- All Savings targets for 2022/23 to be delivered through green and amber schemes by end of September 2022
- Recurrent savings requirement to be fully identified by end of September 2022

- 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.

- 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 12th September 2022.

Update: following a deteriorating Month 7 position reported by the Morriston Service Group, an urgent meeting between the independent specialise, the Director of Finance and Deputy Director of Finance was held in 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 9th November.

Based on the Weekly Savings Report dated 3<sup>rd</sup> November 2022 there remains a shortfall on the in-year delivery in Hotel Services and Workforce and OD. Work is being undertaken to analyse the key areas of underspend and action will be taken to transact the savings in Hotel Services to meet the target levels in November. Work is also underway to close the gap in the workforce and OD Directorate through a VAT recovery scheme on locum doctors.

There remains £2.4m of red schemes the Morriston plan and these are under review currently to ensure that they do not overlap with the benefits planned to be released from the Acute Medical Services Redesign plans.

The output from the above actions will form the foundations of the Financial Recovery Plan for 2022/23 and will be reported to the Performance & Finance Committee for noting and to monitor progress. Delivery against these actions will be used to inform the ongoing assessment of the financial position to Welsh Government as part of the monthly reporting requirements.

At the end of Month 7 the £3.7m overspend 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 £000	Year-To-Date @ Month 7 £000
<b>Service Groups</b>		
Mental Health & LD	-	776
Morriston	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 Linked Table 3:**

- Morriston 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 w/c 19<sup>th</sup> September. The Month 7 position reported by the Morriston 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 – in Month 7 the overspend was £0.4m and £1.9m Year-To-date. Pay remains underspend and the overspend is primarily linked to shortfalls on private patient and Macmillan income, non-pay pressures on secondary care drugs and clinical supplies and non-delivery of savings.
- Chief Operating Office – pressures continue on variable pay with significant progress being made during the month towards the savings shortfall.

## 5. KEY DRIVERS IMPACTING REVENUE

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

### 5.1 Pay / Variable Pay – Trends

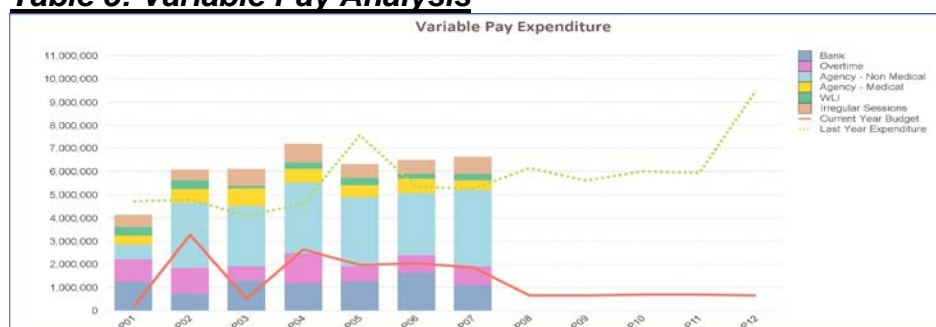
The performance against budget both in month and YTD is provided below, with the variance spilt between Variable Pay costs and fixed staff costs.

**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
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.

**Table 5: 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*

## 5.2 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 6: 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	<b>416,731</b>	<b>421,623</b>	-	<b>4,892</b>	<b>4,892</b>

The overall non pay variance can be summarised as set out in table 7 below.

**Table 7 – 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 on only finalised in March. However financial implication will be assessed as part of the Mid-Year Forecast and review being undertaken over cost centre Z095..*

### 5.2.1 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 8: - 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

### 5.2.2 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 Mth 7 to section 6.

### 5.2.3 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 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.

## 5.3 Income

**Table 9: Variance on Income 2022/23**

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 & WG income, with other income categories broadly achieving a balanced position.

## 5.4 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 10b is £32.4m (which assumed delivery of all Red Schemes).

**Table 10 a: Saving Overview #1**

	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
<b>2022/23 Identified (Planned)</b>	22.0	23.0	27.1	27.4	29.5	32.0	34.1	2.1
<b>2022/23 Identified Recurrently</b>	20.8	20.7	22.5	22.2	24.1	26.4	27.1	0.7

To date, slippage on the savings plan is contributing to a non-pay overspend of £3.38m

**Table 10b: Savings Overview #2**

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
Morriston	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
	<b>33,642</b>	<b>32,361</b>	<b>1,281</b>	<b>27,181</b>	<b>4,461</b>

**Table 10c: Savings Overview #3**

	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	3,180	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
	<b>32,361</b>	<b>27,181</b>	<b>10,124</b>	<b>8,626</b>	<b>6,961</b>	<b>5,402</b>	<b>4,148</b>	<b>3,859</b>	<b>3,975</b>	<b>3,354</b>	<b>7,153</b>	<b>5,940</b>
% 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%

**Table 10d: Savings Overview #4**



The Services Group and Corporate Directorates will be using 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 savings 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.

### 5.5 Long Term Agreements (inc Welsh Health Specialised Services Committee) Performance

Historically Long Term Agreements 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 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 Swansea Bay University HB.

Table 11 is the performance of Swansea Bay HB at the end of Mth 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.

#### **Table 11: Performance SB as Provider**

<b>SBU Provider</b>	LTA Value	Old LTA Rules		Mitigated	
<b>£m</b>		Variance M5	F/C	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
WHSC ( 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 12 is the performance of contracts provided by other Health Boards at Mth 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.

**Table 12: Performance SB as Commissioner**

<b>SBU Commissioner</b>	LTA Value	Old LTA Rules		Mitigated	
<b>£m</b>		Variance M5	F/C	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.

## 5.6 COVID Transition (Response)

The national COVID programmes of Trace Test Protect, 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.

In 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 7 is included in the table below and has been reported in detail to WG as part of the MMR submissions:

**Table 13: RRL COVID Anticipated Allocation 2022/23**

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	
COVID Transition Funding Received: 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	34,663
COVID Transition: Dental Income Shortfall (Balance)	287	
COVID Transition: Other	32,470	
<b>Total Table B3</b>	<b>58,180</b>	<b>58,180</b>

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 COVID Check & Challenge meetings, chaired by the Chief Executive Officer and held 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 scheduled for 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.**

#### **5.7 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 14: COVID Recovery Fund 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>

## 5.8 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 15: Anticipated Allocations Extraordinary Items***

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.

## 5.9 Capital Resource Limit (CRL)

The approved CRL value issued on 9<sup>th</sup> November is £33.630m. The approved CRL value includes Discretionary Capital and schemes under the All-Wales Capital Programme. During October additional funding was received from Welsh Government for;

- Morryston Hospital Infrastructure Modernisation - New Sub Station 6, Morryston Hospital £3.120m.

- Ring-Fenced Orthopaedic Beds, Morriston Hospital £1.452m.
- Relocation of Services from Bay Field Hospital £0.400m.
- Emergency Department Waiting Area Improvements £0.265m.

Also during October, £2.370m funding was returned to Welsh Government for re-provision next year on all the schemes below, except Linear Accelerator D which is planned for completion this year;

- Singleton Hospital Cladding £0.720m.
- National Programme - Imaging Phase 2 £0.600m.
- Linear Accelerator D replacement, Singleton Hospital £0.550m.
- Anti-Ligature, Mental Health sites £0.225m.
- Regional Pathology business case fees £0.200m.
- PET CT Scanner business case fees £0.075m.

### **Outturn Performance**

The forecast outturn shows a reduced overspend position of £1.8m. Allocations are anticipated on the schemes shown below which will provide a balanced position. This position reflects the return of the £2.370m above to Welsh Government on 27 October to fix our 2022/23 CRL - excluding any subsequent new scheme approvals.

The impact of the reductions to the discretionary capital funding this year continue to emerge. The pressure to retain a balanced capital position remains fragile as there is very little remaining flexibility in the programme to manage emerging service and infrastructure risks. The risk of the plan shifting from balance to imbalance is now material with little mitigating options available to the Health Board to avoid this. Additional funding bids of £8.482m for urgent backlog equipment and estates replacement were submitted to Welsh Government on 27 October.

**Table 16: Capital funding risks**

<b>Scheme</b>	<b>£m / Risk Level</b>	<b>Narrative</b>
Business Case Fees	0.712 / Medium	Funding anticipated from WG.
Sapphire Suite SA1 (SARC)	0.030 / Medium	Funding anticipated from Regional Capital.
WICIS	0.027 / Medium	Funding anticipated from WG.
City Deal – Morriston Access Road Design	0.970 / Medium	Funding anticipated from City Deal.
Eye Care - Open Eyes Ophthalmology System	0.061 / Medium	Funding anticipated from WG.

No Capital schemes are highlighted as high or medium risk this month. All other schemes on the Capital Programme are categorised as low risk and any variances are linked to planned contributions from discretionary.

## **5.10 Balance Sheet**

As at the end of October 2022 there has been an increase of £39.196m in net assets employed compared to the balances as at 31st March (11.9%). Total assets increased by £36.616m, and total liabilities reduced by £2.581m. The main movement in assets and liabilities is detailed in the following paragraphs.

There has been a reduction of £3.181m in fixed assets with asset additions for the year to date being lower than the depreciation.

The inventory value has increased from £9.372m at the end of March 2022 to £10.770m at the end of October 2022. The increase mainly relates to drugs stocks across all hospital sites of £0.966m, blood products stocks of £0.235m and theatre stocks of £0.196m.

There has been an increase in trade receivables of £42.393m from March 2022 to October 2022. This comprises an increase of £24.184m in the Welsh Risk Pool debtor relating to the Welsh Risk Pool funded element of the clinical negligence, personal injury, redress and GP indemnity scheme provisions. The information used to calculate the provision and the corresponding Welsh Risk Pool debtors is based on quantum reports provided by NWSSP Legal and Risk Services, with the values advised for the second quarter of 2022/23 showing a large increase against the reports provided at the end of March 2022. The remaining increases are due to NHS Debtors, which amount to £13.142m, and non NHS income accruals, which amount to £2,722m.

The closing October 2022 cash balance was £1.709m, well below the Welsh Government best practice cash target for the Health Board of £6m and in line with the cash balance held at the end of March 2022 of £4.398m.

In respect of liabilities, there has been a reduction of £35.530m in trade and other payables. This comprises a reduction of £3.437m in capital payables and a reduction of £23.577m in revenue payables. The reduction in revenue payables mainly relates to reductions in goods received not invoiced, outstanding invoices with Accounts Payable, the payment of clinical negligence settlements treated as creditors at year end and a reduction in both NHS and non-NHS creditors with payments made to staff who opted to sell back their untaken annual leave from 2021/22 which was accrued for at year end.

The reduction in capital payables reflects the clearance of the large number of capital items received and not invoiced at the end of March 2022 and the payment of invoices received at the very end of March 2022 after the final supplier payment runs had been processed.

The reduction in trade and other payables is largely offset by the increase of £32.949m in provisions linked to the increase in provisions for clinical negligence, personal injury, redress and GP indemnity scheme claims as advised by NWSSP Legal and Risk Services.

## **5.11 Cash**

The closing October 2022 cash balance was £1.709m, well below the Welsh Government best practice cash target for the Health Board of £6m and in line with the cash balance held at the end of March 2022 of £4.398m.

The current cash forecast of a deficit of £35.924m in the top section of the table below is predicated on the forecast year end break even position, receipt of all anticipated allocations from WG and the current assessment of the impact of movement in working capital balances on the cash position. The detailed breakdown of this cash deficit is shown in the table below.

There are two main components to the forecast cash deficit. Firstly, there is the significant forecast reduction in capital creditors of £20.619m. Whilst the health board has received an initial temporary increase of £15m to the CRL in respect of this movement, conversations with WG have indicated that this cash cannot be included in the cash forecast until confirmation of the availability of this cash is made following the supplementary budget in February. This cash has therefore been removed from the cash flow forecast as agreed with WG, contributing £20.619m to the cash forecast deficit (the £15m identified plus the remaining capital creditors forecast reduction of £5.619m).

The second factor is the forecast reduction in revenue creditors which impacts on the movement in overall revenue working capital balances, these being forecast to deteriorate by £19.703m. An element of this deterioration relates to payments to staff who have sold back annual leave in 2022/23 and backfill costs associated with covering the additional leave that staff carried over at the end of 2021/22, the allocations in 2021/22 for this being resource only with no cash. There are also forecast reductions in all other creditor areas.

Another factor at play and impacting on revenue cash is the fact that revenue cash is owed £6.477m from capital cash as the capital cash payments made in 2021/22 exceeded the cash drawn down via the CRL. Therefore, £6.477m capital cash is also required in addition to the £20.619m capital cash requirement for movement on working capital balances. Receipt of this £6.477m together with the opening cash balance as at 1st April 2022 would therefore leave a cash requirement of £9.6m for movement in revenue working capital balances, leaving a small cash surplus of £0.772 as in the table below.

**Table 17: Cash forecast**

	£000
<b>Opening Balance as at 01/04/2022</b>	4,398
Reduction in Capital Creditors	-20,619
Forecast deterioration in revenue working balances	-19,703
<b>Forecast Closing Cash Balance</b>	<b>-35,924</b>
<b>Cash Support Required:</b>	
Movement in working capital – Capital cash	20,619
Capital Cash to repay revenue	6,477
Cash required for revenue working capital balances	9,600
<b>Total</b>	<b>36,696</b>
<b>Revised Cash Balance as at 31/03/2022</b>	<b>772</b>

Therefore current cash forecast following the receipt of the £24.4m recurrent funding from Welsh Government is that of a small surplus of £0.772m. This forecast is predicated on receipt of £103.479m of anticipated revenue allocations, of which £53.251m relates to COVID response and mass vaccination and £2.341m of anticipated capital allocations.

In the event that any of these anticipated allocations are not received then the cash position will move into a forecast deficit position.

### **5.12 Public Sector Payment Policy (PSPP)**

Up until September 2022 (Quarter 2), the Health Board had achieved the 95% PSPP target in each month of the 2022/23 financial year to date.

The Health Board missed the 95% PSPP target for Quarter 2 with compliance being 94.83% for non NHS and 89.2% for NHS for the Quarter. The issue in Quarter 2 were the delays in nurse agency invoices being paid due to the increase in the number of invoices for shifts worked.

The October in month performance being 91.14%. The cumulative performance for the year to date stood at 94.66% at the end of October.

## **6. RISKS (I&E)**

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 18 – Risk rating per formal Monitoring Return reporting**

RISKS		
AREA	£'000	Risk Score C 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>	<b>- 27,906</b>	
<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>	<b>- 53,705</b>	
<b>TOTAL RISKS</b>	<b>- 81,611</b>	

Further details on the RED risks:

- Service Group Pressures – refer to section 4 and the actions set by Chief Executive Officer
- Continuing Healthcare – refer to section 5.2.1.
- COVID Funding (Transition) – refer to section 5.6.
- Extraordinary Funding – refer to section 5.8.

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.

## 7. ACTIONS

Detailed actions have been reported to the Board this month to provide assurance on actions to manage the financial position. Whilst there is a £3.7m variance from plan at the end of period 7, there is sufficient risk in the plan to warrant immediate action to correct the position as early as possible. Whilst the detail of actions underway is included above, the key areas of focus are: -

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

## 8. RECOMMENDATION

Members are asked to: -

- **NOTE** the agreed updated 2022/23 financial plan
- **NOTE** that actions are being undertaken to reduce the risk in the plan in terms of: -
  - operational run rate
  - savings delivery
  - COVID costs
  - reserve flexibility
- **CONSIDER** and comment upon the Board's financial performance for Period 7 2022/23 (Revenue and Capital)
- **NOTE** the balance sheet position

<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 type="checkbox"/>
	Partnerships for Care	<input 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 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 Board to be aware of.		
<b>Staffing Implications</b>		
No implications for the Board 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 Board to be aware of.		
<b>Report History</b>	Board receives an update on the financial position at every meeting	
<b>Appendices</b>	none	