



Meeting Date	29th September 2022	Agenda Item	5.2
Report Title	Financial Report – Period 5 2022/23		
Report Author	Samantha Moss, Deputy Director of Finance Alison McLennan, Finance Business Partner		
Report Sponsor	Darren Griffiths, Director of Finance and Performance		
Presented by	Darren Griffiths, Director of Finance and Performance		
Freedom of Information	Open		
Purpose of the Report	The report advises the Board of the Health Board financial position for Period 5 (August) 2022 and sets out the current forecast revenue year end outturn.		
Key Issues	<p>The report invites the Board to note the detailed analysis of the financial position for Period 5 (August 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>		
Specific Action Required (please choose one only)	Information	Discussion	Assurance
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recommendations	<p>Members are asked to: -</p> <ul style="list-style-type: none"> • NOTE the agreed updated 2022/23 financial plan • NOTE that actions being undertaken to reduce the risk in the plan in terms of: - <ul style="list-style-type: none"> • operational run rate • savings delivery • COVID costs • reserve flexibility • CONSIDER and comment upon the Board’s financial performance for Period 5 2022/23 (Revenue and Capital) • NOTE the balance sheet position 		

FINANCIAL REPORT – PERIOD 5

1. INTRODUCTION

The report advises the Board that the Period 5 (August 2022) revenue financial position is an overspend of £0.661m.

The report invites the Board to note the detailed analysis of the Period 5 (August) 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 5 (August).

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 1st April 2020 and will end on 31st March 2023.**

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

The Health Board will fail to achieve this Statutory Duty.

2.2 Summary of Performance against Key Financial Targets

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
Reported in-month financial position – deficit/(surplus)	0.661
Reported cumulative financial position – deficit/(surplus)	2.493
Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government	Value £000
Reported year to date financial position – deficit/(surplus)	(1.325)
Forecast outturn financial position – deficit/(surplus)	2.340

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
PSP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice	Value %
Cumulative year to date % of invoices paid within 30 days (by number)	95.66

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

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

Key assumptions underpinning the plan:

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

For clarity the COVID transition and extraordinary cost pressure cover is an assumed allocation as instructed by WG. There is not yet funding 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

	Revised Plan	In Mth	Year To Date	Forecast 31st March 2023
	£M	£M	£M	£M
Variance Against RRL Deficit / (Surplus)	0	0.66	2.49	0
Additional Expenditure Anticipated to be Funded by WG				
- Covid (excluding National Programmes)	42.9	3.68	18.22	42.14
- Extraordinary Pressures	24.1	1.63	7.71	38.68
2022/23 Savings Delivery Target Shortfall (inc unmet b/f)	31.6	2.20	10.95	29.50

Summary:

- **Variance Against RRL** – The actual Month 5 variance was £0.661m, with the YTD position at Month 5 showing an overspend of £2.49m 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 5 no funding had been received from Welsh Government (WG) and so £38.9m and £38.68m remain anticipated allocations and noted as a risk.
- **Savings Delivery** – With a 2022/23 annual target of £31.6m in month delivery is anticipated at £2.63m. For Month 5 the shortfall against this target as per the ledger was £0.43m and YTD an underachievement of £2.2m.

As reported at Month 4 there are a number of options that could materialise over the next 2-3 months on the delivery of the forecast position to 31st March 2022. To support the challenging financial position reported within the Health Board since Month 3 a series of immediate actions have been undertaken in August and early September. A summary of those are provided below:

- 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.
- As outlined by the CEO the expectation is all savings (£27m +21/22 b/f £4.6m) must be identified by 9th September (and reported on 13th September 2022).
- On 7th 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 CIP targets to be met in full by 9th September 2022
 - All CIP 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 Directorate will be clear on both their target and funding in which they will need to remain within.
- Independent, specialist financial improvement support has been identified to assist Morriston Service Group with its financial challenges. This support will start during the week commencing 20th September 2022.

At the time of writing this report there is a shortfall on the in-year delivery in the Singleton Neath Port Talbot Group and in Hotel Services. Work will be completed in week commencing 26th September to analyse the key areas of underspend in these areas and action will be taken to transact the savings in these areas to meet the target levels. Work is underway to close the gap in the workforce and OD directorate through a VAT recovery scheme on locum doctors.

There remains £2.57m 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 assessment on the financial position for the Mid-Year review meeting scheduled for 24th October 2022.

The first part of the Financial Recovery Plan is the actions arising from the Summit held on the 7th September. This plan will be finalised by the end of

September 2022 taking in to consideration all of the work requiring completion set out above.

At the end of Month 5 the £2.49m 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 5

	Month 5 Performance £000
Service Groups	
Mental Health & LD	1,926
Morrison	6,282
NPT & Singleton	1,000
PC & Community	-34
Directorates	
Board Secretary	-39
Chief Operating Officer	231
Director of Strategy (excluding COVID)	-107
COVID	0
Director of Transformation	-20
Finance & Estates	482
Digital	27
Medical Director	-58
Nurse Director	-79
Workforce & OD	86
Clinical Medical School	0
Research & Development	10
DSU	0
EMRTS	0
DICE	2
Corporate I&E	-8
Delegated Budget Position	9,701
In year deficit £24.4M	-
Opportunities Released	7,242
Current Delegated Position	2,460

Actions/Comments Linked Table 3:

- Morrison – There are challenges across savings delivery, operational spend and COVID response costs within the Service Group. Initial discussions have been held with the Service Group Director to scope what support the Service Group might benefit from to meet these challenges and increase delivery. Further updates will be provided on the actions being taken and plan to mitigate the issues arising in this one section of the Health Board. A Financial Improvement Expert has been appointed to review the challenges in light of the above and will commence on 20th September.

- MH/LD – primarily CHC and the requirement to fund CHC at higher than anticipated level. This is linked to the wider issue of how the Health Board deploys its central budgets to support growth which will be resolved for September 2022 reporting.
- Finance & Estates – this is linked to the ongoing pressures with regard to Utilities, funding for extraordinary pressures (section 4.8) and what forecast will be for the year given the volatility of the Energy Markets.
- NPTS – Overall Pay is underspending YTD but over in month. The £1m pressure is primarily linked to non-pay, with secondary care drugs and clinical supplies contributing to £0.7m of the overspend YTD.

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

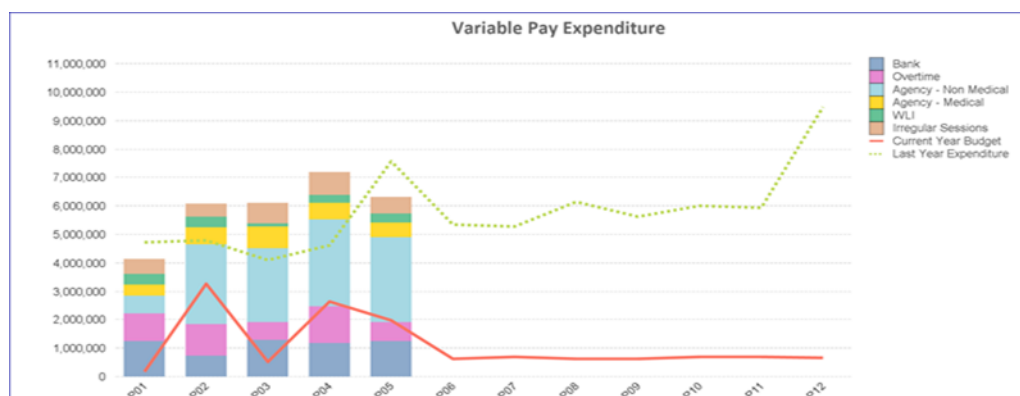
The performance against budget both in month and YTD is provided below, with the variance split between Variable Pay costs and fixed staff costs.

Table 4: Variance on Pay 2022/23

Pay	Budget	Actual	Variance	Variance	Total
	£'000	£'000	Variable Pay £'000	Fixed Costs £'000	Variance £'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
YTD	269,420	270,276	30,876	- 30,020	856

The performance of variable pay in comparison to 2021/22 is summarised in the graph below. In Month 5 Variable Pay is below the expenditure for the same period in 2021/22, but overall has been significantly higher than the previous year.

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 YTD is provided below. Previously this was split to reflect the deficit of £24.4m reported within Non Pay and general non pay pressures. From Month 5, with the removal of the deficit, non-pay variance is reported in one column.

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
YTD	293,939	297,039	-	3,100	3,100

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
CHC	4.241
Drugs/FP10s	0.352
Clinical services/supplies	1.579
CIP	2.215
Sub total	8.387
Offset by underspends across losses/clinical negligence/recharges/other corporate expenditure on Z095 #1	(5.287)
Total Variance Non Pay	3.100

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 CHC

One of the areas with most significant variance against budget in Month 5 within Non Pay was CHC. An analysis of actual spend and patient numbers for 2022/23 is provided in the table below on a month by month basis.

There has been some helpful work undertaken to review the CHC spend within the Health Board and it is anticipated that there will be some financial benefit as a result of this work.

Table 8: - CHC Breakdown

Service Area	General		MH		LD		Total	
	Patient No.	£	Patient No.	£	Patient No.	£	Patient No.	£
Mth 1	357	1,947,177	182	1,120,588	197	1,774,467	736	4,842,232
Mth 2	352	2,135,283	182	1,187,727	196	1,805,067	730	5,128,078
Mth 3	364	2,101,956	182	734,588	196	1,630,935	742	4,467,480
Mth 4	364	2,118,112	186	1,121,814	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
Total		10,508,625		5,395,464		8,851,135		24,755,223

5.2.2 Primary Care Prescribing

As the Primary Care prescribing data is 2 months in arrears there is limited 2022/23 data at this point that can provide any meaningful trend data. The accrual has been calculated based on historical trends. Updates will be provided in future months.

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 5 were found in general M&SE. Work continues to understand if the pressures linked to activity/demand.

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

Income	Budget		Actual		Variance	
	£'000	£'000	£'000	£'000	£'000	£'000
Mth 1	- 23,248	- 23,094	- 23,094	- 23,094	154	
Mth 2	- 23,126	- 23,356	- 23,356	- 23,356	229	
Mth 3	- 25,905	- 26,159	- 26,159	- 26,159	254	
Mth 4	- 23,854	- 24,380	- 24,380	- 24,380	526	
Mth 5	- 24,271	- 24,878	- 24,878	- 24,878	607	
YTD	- 120,404	- 121,866	- 121,866	- 121,866	1,463	

In Month 5, the overachievement in income is attributable to R&D, LTA & WG income, with other income categories broadly achieving a balanced position. Table 9 shows the movement in income in the first 5 months of this financial year.

5.4 Savings

At the end of Month 5 the 2022/23 savings target is £27m, with a further £4.6m of unmet savings brought forward from 2022/23, which takes the combined target to £31.6m. As per the weekly CIP report dated 31st August (supporting the WG Month 5 submission), the total value of schemes identified for 2022/23 is £29.5m (£24.1m recurrently) and these values are included in the table below.

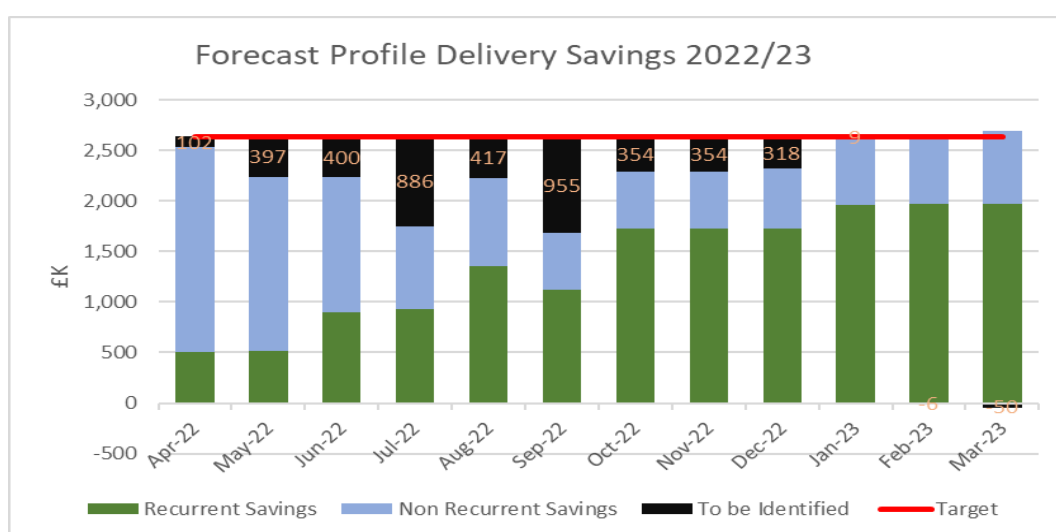
Table 10 a,b,c: Saving Overview

	Reported PFC April £m	Reported PFC May £m	Reported PFC June £m	Reported PFC July £m	Reported PFC August £m	Reported PFC September £m	Movement £m
2022/23 Identified (Planned)	20.0	22.0	23.0	27.1	27.4	29.5	2.1
2022/23 Identified Recurrently	19.6	20.8	20.7	22.5	22.2	24.1	1.9

To date, slippage on the savings plan is causing a non-pay overspend of £2.215m

Summary Breakdown	Target 2022/23 £k	Actual Identified 2022/23 £k	Shortfall £k	Actual Recurrently Identified £k	Recurrent Shortfall £k
Corporate	5,746	5,097	649	3,821	1,924
Morrison	10,447	8,528	1,919	7,895	2,552
NPTS	6,388	5,725	663	5,107	1,282
MHLD	3,738	3,841	-103	3,825	-87
PCC	3,505	3,546	-41	2,580	925
IMM and Health Board Wide	1,819	900	919	900	919
	31,642	27,637	4,005	24,128	7,515

	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	3,124	6,690	2,544	4,712	540	1,410	-	488	-	-	40	80
Amber	4,743	6,227	374	365	2,206	3,053	947	1,530	114	635	1,103	644
Green	19,770	11,211	5,610	2,818	2,979	644	2,895	1,807	3,432	1,945	4,854	3,998
	27,637	24,128	8,528	7,895	5,725	5,107	3,841	3,825	3,546	2,580	5,997	4,721
% of CIPS Green	71.53%	46.46%	65.79%	35.69%	52.03%	12.60%	75.36%	47.24%	96.79%	75.38%	80.95%	84.67%



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 report is produced by the PMO and issued to Executive and Service Group Directors to ensure there is a constant focus. Within the weekly report are detailed actions that will be taken and updates provided on progress against these.
- CEO set target for 100% delivery of savings and all schemes to be green and amber by the end of June 2022 revised to 9th September 2022. A verbal update will be provided to the Board.
- 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 LTA (Inc. WHSSC) Performance

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

This information will be shared on a quarterly basis. The position for Quarter 1 is provided in the tables below.

Table 1 is the performance of Swansea Bay HB as a provider, for services commissioned by other Health Boards. Under the previous LTA arrangement due the full year forecast for underperformance would be £12.0m, under the interim arrangements that risk has reduced to £4.2m.

Commissioners	LTA Value	Old LTA Rules		Interim LTA Approach	
		Variance to Mth 3	Full Year Forecast	Variance to Mth 3	Full Year Forecast
	£m	£m	£m	£m	£m
Hywel Dda (Exc NICE)	37.494	-0.472	-1.886	-0.219	-0.876
AB	0.916	0.004	0.015	0.014	0.058
C&V	4.215	-0.033	-0.134	0.01	0.041
CTM Bridgend	17.028	-0.26	-1.041	0.159	0.634
CMT - Former CT	1.114	-0.015	-0.06	0.008	0.046
CTM - CCSLA (NPTH)	7.674	-0.265	-1.058	-0.135	-0.81
Powys	8.501	-0.173	-0.691	-0.031	-0.123
WHSSC	112.402	-1.799	-7.196	-0.791	-3.164
Total	189.344	-3.013	-12.051	-0.985	-4.194

Table 2 is the performance of contracts provided by other Health Boards but commissioned by Swansea Bay. Here under the previous LTA arrangements we

would see a benefit of £5.6m but under the interim arrangement that has reduced to £3.8m.

Providers	LTA Value £m	Old LTA Rules		Interim LTA Approach	
		Variance to Mth 3 £m	Full Year Forecast £m	Variance to Mth 3 £m	Full Year Forecast £m
Hywel Dda (Exc NICE)	4.755	-0.348	-1.392	-0.254	-1.017
AB	0.204	0.007	0.029	0.028	0.11
C&V (Exc NICE/Robot pass-through)	3.685	-0.155	-0.622	-0.159	-0.636
CTM Bridgend	24.327	-0.689	-2.757	-0.499	-1.996
CTM - Former CT	3.001	0.006	0.023	0.023	0.091
CTM - CCSLA (POWH)	1.814	-0.103	-0.412	-0.045	-0.182
Powys	1.122	-0.119	-0.474	-0.026	-0.104
Velindre (Exc NICE)	0.301	-0.01	-0.04	-0.006	-0.026
Total	39.209	-1.411	-5.645	-0.94	-3.758

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 Q1 information indicated underperformance as a provider will be offset by underperformance as a commissioner.

5.6 COVID Transition

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

Within the IMTP, the HB included anticipated costs of £25m, however the first full assessment reported to WG in mid-April included costs of circa £40m.

The forecast position for 2022/23 at the end of Month 5 is included in the table below and has been reported in detail to WG as part of the MMR submissions:

Table 11: RRL COVID Anticipated Allocation 2022/23

RRL COVID Allocations	2022/23 Forecast @ mth 5 £'000	Total By Type £'000
National Programmes: Tracing	5,600	21,211
National Programmes: Testing	2,240	
National Programmes: Mass Vaccinations	7,616	
National Programmes: PPE (Exc Stores Staff)	4,669	
National Programmes: Long COVID	578	
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	39,808
COVID Transition: Dental Income Shortfall (Balance)	421	
COVID Transition: Other	37,481	
Total Table B3	63,355	63,355

To support WG with the request for additional funding for NHS Wales, there have been a number of discussions with the FDU on the challenging position regarding the Transition COVID costs and the funding required. As a result of these

discussions the HB provided a summary of the forecast (based month 4) linked to the ongoing impact of the COVID on areas such as Clinically Optimised Patient, bed pressures and sickness, which were provided to the FDU on 6th September. In summary the key points are detailed below.

- At Month 4 the COVID forecast spend, excluding national programmes, dental income and cleaning standards = £37.2m
- On analysing the £37.2m of forecast costs, these can be attributed to 2 key areas (1) surge beds above pre-pandemic levels in part linked to the legacy of COVID on Clinical Optimised Patient levels; and (2) Sickness rates/absences that is COVID specific.
- In assessing the additional costs as a result of ongoing impact of COVID on beds and coverage for sickness from a top down approach using average costs per day the total value was circa £37.998m.

This work has helped to clarify why the HB forecast as a result of the COVID Impact remains higher than WG were anticipating.

Actions:

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

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 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 reserve and issued out based on the cost of the work undertaken called down by the Service groups each month. There will 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 by under commitments in other areas of the Recovery Plan.

Table 12: 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	1,508,370	1,368,283
Regional Cataract Services	1,398,337	274,366	1,123,971
Regional Orthopaedics	3,419,104	-	3,419,104
Strengthened Diagnostic & Imaging services	4,499,529	2,686,655	1,812,874
Implementation of the Critical Care Plan	-	-	-
Cancer	1,280,070	750,075	529,995
Other Capacity	4,139,711	3,130,180	1,009,531
Other Eyes	318,825	140,065	178,760
Primary Care Pathway Redesign	26,448	66,767	- 40,319
Other - Pre Committed	3,221,803	1,239,396	1,982,407
Therapies	121,543	68,271	53,272
Other (WHSSC)	297,978	344,260	- 46,282
TOTAL	21,600,000	10,208,405	11,391,595

5.8 Extraordinary Pressures

As per the IMTP submission, there are three areas of extraordinary pressures within 2022/23. For planning purposes and within the Month 5 position it is assumed these costs will be funded above any recently budget by WG. A breakdown of the estimated costs above budget for these three areas is provided below:

Table 13: Anticipated Allocations Extraordinary Items

Extraordinary Items	2022/23 Forecast @ Mth 5
	£'000
NI Health & Social Care Levy	6,929
RLW (Care Homes Only)	1,694
Energy Costs (inc Non BG items)	30,061
TOTAL ALLOCATION	38,684

Actions:

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

5.9 Capital Resource Limit (CRL)

The approved CRL value, issued on 29/07/22, is £28.774m. The approved CRL value includes Discretionary Capital and the schemes under the All Wales Capital Programme.

Outturn Performance

The forecast outturn shows an overspend position of £2.340m. Although allocations are anticipated on the following schemes which will provide a balanced position, the impact of the reductions to the discretionary capital funding this year are now starting to emerge. The pressure to retain a balanced capital position is becoming fragile as there is very little remaining flexibility in the programme to manage emerging service and infrastructure risks. Along with

the uncertainty around funding support being made available by Welsh Government to support the assumed income for business case fees, 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.

Table 14: Capital funding risks

Scheme	£m / Risk Level	Narrative
Business Case Fees	0.886 / Medium	Funding anticipated from WG.
Field Hospital Decommissioning	0.401 / Medium	Funding anticipated from WG.
WICIS	0.027 / Medium	Funding anticipated from WG.
City Deal – Morryston Access Road Design	0.966 / Medium	Funding anticipated from City Deal.
Eye Care – Open Eyes Ophthalmology System	0.061 / Medium	Funding anticipated from WG.

No 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.

There are planned equipment disposals in relation to Ultrasounds purchased in 2021/22 with expected sale proceeds of £1.998m. The reported forecast outturn position assumes that the £1.998m disposal income will be received.

5.10 Balance Sheet

As at the end of August 2022 there has been an increase of £33.993m in net assets employed compared to the balances as at 31st March (10.35%). Total assets increased by £33.106m, and total liabilities reduced by £0.887m. The main movement in assets and liabilities is detailed in the following paragraphs.

There has been a reduction of £3.282m 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 £10.081m at the end of August 2022. The increase mainly relates to drugs stocks across all hospital sites (£0.192m), blood products stocks of £0.313m and theatre stocks of £0.204m.

There has been an increase in trade receivables of £35.630m from March 2022 to August 2022. This comprises an increase of £22.665m 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 first quarter of 2022/23 showing a large increase against the reports provided at the end of March 2022. The remaining increases are due to income accruals for anticipated allocations from Welsh Government,

which amount to £10.683m (all allocations are received at year end and so there are no anticipated allocations at 31st March) and a small increase in trade debtors.

The closing August 2022 cash balance was £4.447m, 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 £30.583m in trade and other payables. This comprises a reduction of £17.906m in capital payables and a reduction of £12.677m 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 £29.696m 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 August 2022 cash balance was £4.447m, 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 following the receipt of the £24.4m recurrent funding from Welsh Government is that of a small surplus of £0.745m. 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.

The table below shows the analysis of the cash forecast from which it can be seen that the biggest issue is the forecast reduction in capital creditors of £21.664m. Whilst Welsh Government have provided a temporary increase of £15m to the Capital cash drawing limit to support this movement in working capital balances, in order to break even in cash terms the Health Board needs to utilise its cash balance from 2020/21 and also generate £3.011m in cash from the movement of revenue working capital balances.

Table 16: Cash forecast

	£000
Forecast I&E Position	0
Movement in Revenue Working Balances	3,011
Movement in Capital Working Balances	-21,664
Temporary Working Capital cash provided in CRL	15,000
Opening Cash Balance	4,398
Forecast Cash Position	745

5.12 Public Sector Payment Policy (PSPP)

The Health Board has achieved the 95% PSPP target in each month of the 2022/23 financial year to date, with the August in month performance being 95.74%. The cumulative performance for the year to date stood at 95.66% at the end of August.

6. RISKS

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

Within the MMR submission to WG is a list of the risk that could impact on the I&E position, which we have been reporting each month. For Month 5 reporting we have developed the Risks further by grouping the issues into the key headings that underpin the Financial Plan: -

- Operational / Corporate Pressures
- Savings
- Investments
- COVID Transition and extraordinary pressures
- Balance Sheet

The Table below also splits the Risks into two sections. Firstly, those that impact directly on I&E and secondly those that impact or require decisions linked to the wider Financial Plan.

Table 12 – Risk rating per formal Monitoring Return reporting

RISKS		
AREA	£'000	Risk Score C x L
SECTION 1: RISKS TABLE A2 MMR		
Operational Pressures	-	
- 'LTA 'Go Live' with 10% tolerance	- 4,200	12
- WAST Transition Plan Full Year Impact	- 200	6
- CTM SLA disag	- 1,000	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	- 333	6
- CHC growth volume and cost	- 1,500	16
- Replacement of SAN Full year Costs	- 360	12
	- 13,398	16
		16
COVID Transition & Extraordinary Pressures & COVID Recovery		
- Energy Funding Assumption variance to IMTP	- 119	6
- Extraordinary Funding WG	- 38,684	16
-Covid Funding WG (Transition)	- 39,808	16
-COVID Recovery not able to be constrained within funding	- 393	8
	- 79,004	
Savings		
- Savings Delivery above current identified Schemes (inc red)	- 2,500	8
	- 2,500	
TOTAL RISKS Table A2 MMR Return	- 94,902	
SECTION 2: RISKS MANAANG FINANCIAL PLAN		
Investments		
- Maintain Investment within Financial Plan	- 12,500	6
Balance Sheet		
- Assumptions Regarding Annual Leave Release	- 3,000	16
RISKS REGARDING FINANCIAL PLANNING OPTIONS		
	- 15,500	
TOTAL RISKS	- 110,402	

Further details on the RED risks:

- Service Group Pressures – refer to section 6 and the actions set by CEO
- CHC – refer to section 5.2.1.
- COVID Funding (Transition) – refer to section 5.6.
- Extraordinary Funding – refer to section 5.8.

Action:

- Review of the operational forecast to continue through August-September to inform updated position for 2022/23 and the anticipated Mid-Year review with WG.
- 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 £2.49m variance from plan at the end of period 5, 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 5 2022/23 (Revenue and Capital)
- **NOTE** the balance sheet position

Governance and Assurance		
Link to Enabling Objectives <i>(please choose)</i>	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 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"/>
Health and Care Standards		
<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"/>
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
Legal Implications (including equality and diversity assessment)		
No implications for the Board to be aware of.		
Staffing Implications		
No implications for the Board to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Board to be aware of.		
Report History	Board receives an update on the financial position at every meeting	
Appendices	none	