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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	7th October 2021		Agenda Item	4.2
Report Title	Financial Report – Period 5 2021/22			
Report Author	Samantha Lewis, Deputy Director of Finance			
Report Sponsor	Darren Griffiths, Director of Finance and Performance			
Presented by	Darren Griffiths, Director of Finance and Performance			
Freedom of Information	Open			
Purpose of the Report	The report advises the Board of the Health Board financial position for Period 5 (August) 2021/22.			
Key Issues	<p>The report invites the Board to note the detailed analysis of the financial position for Period 5 (August) 2021/22.</p> <p>The report also invites the Board to note the capital budget, cash position and key balance sheet movements.</p> <p>The report sets out key actions in relation to the month 5 position and for the forthcoming period.</p>			
Specific Action Required (please choose one only)	Information	Discussion	Assurance	Approval
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Recommendations	<p>Members are asked to: -</p> <ul style="list-style-type: none"> • NOTE the agreed 2021/22 financial plan • CONSIDER and comment upon the Board's financial performance for Period 5 (August) 2021/22 and offer further views on delivery • NOTE the key actions in relation to the month 5 position and for the forthcoming period: - <ul style="list-style-type: none"> ○ Urgent review of medical cost pressures and mitigating actions, CEO Led meetings commenced 21st September 2021 (Service Group Medical Directors) ○ Nurse Director and Medical Director reduce variable pay requirements ○ Review COVID response cost, agree exit strategies and assess potential ongoing impacts – month 5 and 6 finance review meetings ○ The preparation of a CHC plan for Mental Health and Learning Disabilities services for consideration by Management Board by end of October 			

	<ul style="list-style-type: none"> ○ Ongoing identification of savings pipeline and delivery of planned savings, including 50% of 2022/23 anticipated savings target by end of September (All). ○ Full review of investments, savings, risks and opportunities to be completed for end of Quarter 2.
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FINANCIAL REPORT – PERIOD 5

1. INTRODUCTION

The report advises the Board that the Period 5 (August 2021) revenue financial position is an overspend of £10.185m. This is against a planned position of £10.169m

The report invites the Board to note the detailed analysis of the Period 5 (August 2021) revenue financial position.

The report provides an analysis of the revenue impact of the COVID-19 response for the first quarter and provides an assessment of the year-end revenue forecast following agreed and anticipated additional Welsh Government (WG) funding.

The report also invites the Board to note the capital budget position, cash position and key balance sheet movements.

Further breakdown and detail is provided in **Appendix 1** to this report.

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.**

2019/20 No Approved Plan
2020/21 No Approved Plan
2021/22 Annual Plan submitted

The Health Board will fail to achieve this Statutory Duty.

- **To achieve financial breakeven over a rolling three-year period, which commenced on 1st April 2019 and will end on 31st March 2022.**

2019/20 £16.284m Overspend
2020/21 £24.305m Overspend
2021/22 £24.405m Forecast Overspend

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)	2,131
Reported cumulative financial position – deficit/(surplus)	10,185
Variance from Planned Deficit – deficit/(surplus)	16
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)	(3,103)

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
Forecast outturn financial position – deficit/(surplus)	1,669
PSPP 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)	95.99%

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

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

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

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

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

The period 5 reported in-month position was an overspend of £2.131m and £10.185m cumulatively, which is £0.016m above the forecast position (**slide 2**).

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

The corporate plan variance reflects 5/12ths of the £24.405m forecast deficit.

3.1.2 Income (slide 3)

Income budgets have reported an under-achievement of £1.105m. The key areas of under-achievement are dental, catering, rental and other patient related charges. The LTA and SLA block arrangements have now been confirmed to be in place for the rest of this financial year. The inflationary and pre-pandemic performance impacts continue to be reviewed to ensure all are appropriately reflected.

Around £3m of COVID funding support has been provided to meet the ongoing impact of the pandemic on income for the year to date. This support will be reviewed through monthly performance meetings to consider the recovery mechanisms and potential longer term impacts.

3.1.3 Pay (slide 4)

Pay budgets have reported a £2.929m underspend for the first five months of the financial year.

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

The Health Board has a high level of vacancies not all of which are able to be fully covered.

Around £13.5m of COVID funding has been issued to support increased pay costs during this period, excluding funding for vaccination, TTP and cleaning standards. This significant cost is supporting changed service models and requirements, surge capacity and other additional support. The management of ongoing legacy of costs will be crucial in the development of a sustainable financial model going forward.

3.1.4 Non Pay (slides 5 & 6)

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

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

3.1.5 Savings and Recovery Challenge (slide 8)

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

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

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

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

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

3.1.6 COVID-19 (slide 9)

The Health Board is assuming around £120m of additional funding to support COVID response and recovery. This is based on current experience and planning assumptions and will be refined during the forthcoming months as guidance and further modelling is amended. The table below provides a summary of the additional funding anticipated.

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

The system of financial management for 2021/22 is to allocate COVID response and recovery funding to meet the areas where expenditure is incurred. This

allows for more transparent management of budget variance and will support the required levels of accountability required as the Health Board continues its response and recovery activities.

It is expected that any COVID funding provided will be fully deployed.

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

Further proposals have been submitted to WG and it is understood that these are currently being considered by the Minister. Any additional costs will only be incurred in line with agreed funding.

3.2 Capital

The approved CRL value, issued on 25/08/21, is £42.208m. The approved CRL value includes Discretionary Capital and the schemes under the All Wales Capital Programme. Changes from the previous CRL, all actioned in August, consist of Linear Accelerator C Singleton £4.043m; ICF – Repurposing of NPT Children's Centre £0.041m and HEPMA – E-Prescribing and Medicines Administration £0.673m.

3.2.1 Outturn Performance

The forecast outturn shows an overspend position of £1.669m. Allocations are anticipated from WG which will balance this position as follows:

Scheme	£m	Narrative
Business Case Fees	0.467	Funding anticipated from WG.
Open Eyes Ophthalmology	0.085	Funding anticipated from WG.
Environmental Modernisation - Sub Station 6 Morriston	1.117	Funding letter received from WG.

The reported forecast outturn position assumes that £0.552m of disposal income will be received.

3.3 Balance Sheet

As at 31st August 2021, there has been an increase of £26.185m in net assets employed compared to the balances as at 31st March 2021 (7.73%). Total assets reduced by £0.859m, and total liabilities reduced by £27.046m. The main movement in assets and liabilities is detailed in the following paragraphs.

There has been a reduction of £3.941m in fixed assets with asset additions for the year to date being lower than the depreciation.

The inventory value has increased slightly from £9.415m to £9.497m as at the end of August 2021, an increase of £0.082m. The increase relates blood products stocks and stocks in the Omnicell cabinets in cardiac Theatres.

There has been an increase of £1.094m in trade receivables from £190.307m to the end of August 2021. Within the overall movement, there have been increases in NHS debtors of £10.093m due to NHS income accruals for outstanding allocations as well as in trade debtors and non-NHS income accruals. These increases have been largely offset by a reduction of £10.552m in the Welsh Risk Pool debtor following reimbursement of claims submitted to Welsh Risk Pool.

The closing August 2021 cash balance was £3.176m, well within the WG best practice cash target for the health board of £6m.

In respect of liabilities, the trade and other payables figure saw a reduction from the end of March 2021 to the end of June 2021 of £21.386m. The reduction was primarily due to the payment of the NHS bonus payment and due to payment of clinical negligence claims transferred from provisions to creditors as the end of March 2021.

Provisions have reduced from £149.508m at the end of March to £143.848m as at the end of August, primarily due to settlements of clinical negligence claims against existing provisions.

3.4 Cash

As at the end of August, the Health Board had a cash balance of £3.176m. This balance is well within the WG best practice figure of £6m but above the health board's planned month end cash balance of between £1m and £2m. This was due to the high opening cash balance carried forward from July of £6.787m

Based on the latest projected receipts and payments, a cash deficit of £18.826m is forecast at year-end, this forecast being predicated on the forecast year-end deficit, receipt of £91.439m of anticipated revenue allocations, £1.669m of anticipated capital allocations and the latest assessment of the impact of movements in working capital balances on the cash position. The analysis of the forecast cash position is shown in the table below:

	Revenue	Capital	Total
Forecast Deficit as per SoCNE	-24,405		-24,405
Movement in Revenue working balances	12,803		12,803
Reduction in capital creditors		-7,894	-7,894
Opening Cash balance	-4,167	5,437	1,270
Forecast Position	-15,769	-2,457	-18,226

At the end of the 2020/21 financial year, capital cash was utilised to pay revenue invoices, due to the timing of receipt of capital invoices at the end of the financial year. This capital cash will need to be reimbursed by revenue during the 2021/22 financial year.

The cash flow is updated daily and the forecast regularly reviewed and updated with the forecast as at the end of August being based on the receipts and payments to the end of August.

3.5 Public Sector Payment Policy (PSPP)

The number of invoices paid within 30 days in August 2021 exceeded the 95% target with in month performance being 96.79%. This continued the improvement since December 2020 and means that the target has been achieved every month so far in the 2021/22 financial year.

The in-month performance also resulted in an increase in the cumulative figure from 95.78% at the end of July 2021 to 95.99% at the end of August 2021.

NHS payment performance is, however, still disappointing with only 78.49% of invoices paid within 30 days. The Finance Team will now begin to work with the service groups and Accounts Payable to identify and resolve the issues resulting in the poor payment performance for NHS invoices.

4. REVENUE FORECAST

The Health Board submitted its final annual plan on 30th June 2021, following Board approval on 23rd June 2021. The final plan produces a £42m deficit, which has been reduced to £24.4m (in-year) following the application of anticipated non-recurrent funding to support the COVID impact on 2020/21 savings delivery.

The Health Board is currently on target to deliver the £24.4m forecast. This is being monitored closely to reflect risks and opportunities as they arise.

A formal finance review will be held between the Health Board, Welsh Government and Finance Delivery Unit on 20th October 2021. This will clarify any outstanding financial assumptions and will further assist in finalising the assumptions within the forecast.

5. RISKS AND OPPORTUNITIES

The Health Board forecast includes a number of opportunities and risks, which may impact on the current forecast assessment. These are being regularly reviewed and mitigation options considered.

6. ACTIONS AND NEXT STEPS (slide 9)

The new financial year will see the following actions:

In relation to month 5 position

- Urgent review of medical cost pressures and mitigating actions, CEO Led meetings commenced 21st September 2021 (Service Group Medical Directors)
- Nurse Director and Medical Director reduce variable pay requirements
- Review COVID response cost, agree exit strategies and assess potential ongoing impacts – month 5 and 6 finance review meetings
- The preparation of a CHC plan for Mental Health and Learning Disabilities services for consideration by Management Board by end of October
- Ongoing identification of savings pipeline and delivery of planned savings, including 50% of 2022/23 anticipated savings target by end of September (All).

In-year actions

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

7. RECOMMENDATION

Members are asked to: -

- **NOTE** the agreed 2021/22 financial plan
- **CONSIDER** and comment upon the Board's financial performance for Period 5 (August) 2021/22
- **NOTE** the key actions in relation to the month 5 position and for the forthcoming period: -
 - Urgent review of medical cost pressures and mitigating actions, CEO Led meetings commenced 21st September 2021 (Service Group Medical Directors)
 - Nurse Director and Medical Director reduce variable pay requirements
 - Review COVID response cost, agree exit strategies and assess potential ongoing impacts – month 5 and 6 finance review meetings
 - The preparation of a CHC plan for Mental Health and Learning Disabilities services for consideration by Management Board by end of October
 - Ongoing identification of savings pipeline and delivery of planned savings, including 50% of 2022/23 anticipated savings target by end of September (All).

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 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		
(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 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	Appendix 1 – Health Board Month 5 Position Analysis	