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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	21st December 2021	Agenda Item	2.1
Report Title	Financial Report – Period 8 2021/22		
Report Author	Samantha Lewis, Deputy Director of Finance		
Report Sponsor	Darren Griffiths, Director of Finance and Performance		
Presented by	Darren Griffiths, Director of Finance and Performance		
Freedom of Information	Open		
Purpose of the Report	The report advises the Performance and Finance Committee of the Health Board financial position for Period 8 (November) 2021/22 and sets out the current forecast revenue year end outturn.		
Key Issues	<p>The report invites the Performance and Finance Committee to note the detailed analysis of the financial position for Period 8 (November) 2021/22.</p> <p>The report includes an analysis of the COVID-19 revenue impact and the forecast year end revenue position based on current planning assumptions.</p> <p>Risks have been updated.</p>		
Specific Action Required <i>(please choose one only)</i>	Information	Discussion	Assurance
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • NOTE the agreed 2021/22 financial plan. • CONSIDER and comment upon the Board's financial performance for Period 8 (November) 2021/22, in particular: <ul style="list-style-type: none"> ▪ the revenue outturn position of £15.684m deficit; and ▪ the adjusted year-end forecast deficit of £24.405m. • NOTE the actions to ensure delivery of the financial forecast. • NOTE emerging savings position for 2022/23 • AGREE the risk handling for the 4 risks noted • NOTE the actions underway to develop the future financial plan as part of the Health Board's planning processes 		

FINANCIAL REPORT – PERIOD 8

1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 8 revenue position

The report informs the Performance and Finance Committee that the Period 8 (November 2021) revenue financial position is an overspend of £15.684m and invites the committee to note the detailed analysis of the Period 8 (November 2021) revenue financial position.

2. BACKGROUND

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

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

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

The Health Board is also anticipating around £131m of COVID funding for this financial year, this is based on assumed costs for 12 months. This £131m includes non-recurrent funding to mitigate the COVID impact on 2020/21 savings. **This reduces the forecast deficit to £24.405m.**

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board deficit plan is being held within the Corporate Plan. Based on the adjusted forecast deficit, there would be a planned £2.034m overspend each month.

The unmet savings targets from 2020/21 have been removed from the Service Group and Corporate Directorates. COVID funding has been allocated to meet COVID costs. All Service Groups and Corporate Directorates are therefore being managed against an expectation of breakeven.

The period 8 reported in-month position was an overspend of £1.804m and £15.684m cumulatively. The cumulative position should be compared with the planned deficit of £16.270m. The cumulative position is £0.586m below the forecast position.

	Budget	Actual	Variance	Budget	Actual	Variance
	In Month	In Month	In Month	Cumulative	Cumulative	Cumulative
	£000	£000	£000	£000	£000	£000
Income	- 24,094	- 23,652	442	- 192,351	- 190,752	1,599
Pay	55,222	54,061	- 1,161	427,016	420,455	- 6,561
Non-Pay	57,266	58,384	1,118	448,484	453,985	5,501
Delegated Position	88,394	88,793	399	683,149	683,688	539
Corporate Plan	- 1,405		1,405	- 15,145	-	15,145
Total Position	86,989	88,793	1,804	668,004	683,688	15,684

3.1.2 Income

Income budgets have reported an under-achievement of £1.599m.

The key areas of under-achievement remain dental, catering, rental and other patient related charges.

The LTA and SLA block arrangements have now formally been agreed and will remain in place for the rest of this financial year. It is expected that there will be interim arrangements in place for 2022/23, whilst a fundamental review of funds flow arrangements is undertaken in readiness for 2023/24. The impact of the interim arrangement for 2022/23 will need to be clearly assessed once the principles are known.

The current income position is being supported by around £0.6m per month of COVID sustainability response funding. This has been included in the initial assessment of ongoing COVID impacts that has been shared with WG.

3.1.3 Pay

The underspend on workforce budgets has continued in-month.

Workforce	Budget	Actual	Variance	Budget	Actual	Variance
	In Month	In Month	In Month	Cumulative	Cumulative	Cumulative
	£000	£000	£000	£000	£000	£000
A&C	8,053	7,581	- 472	61,394	58,337	- 3,057
APST	1,969	1,873	- 96	15,227	14,370	- 857
AHP	3,837	3,539	- 298	29,647	27,467	- 2,180
HCS	1,711	1,589	- 122	13,383	12,729	- 654
ACS (Exlcuding HCSW)	1,644	1,530	- 114	13,097	12,560	- 537
M&D	12,867	12,934	67	100,526	101,180	654
Nursing (including HCSW & Student)	22,545	22,252	- 293	172,923	171,694	- 1,229
E&A	2,812	2,764	- 48	22,610	22,121	- 489
VF	- 215		215	- 1,788	-	1,788
Total Workforce	55,223	54,062	- 1,161	427,019	420,458	- 6,561

Medical staff are the only staff group continuing to report an in-month overspend, although this has reduced in recent months.

Non-Medical Agency costs remain high at £2.568m in month, which is the highest level of expenditure reported in this financial year. The increases are predominantly in registered nursing workforce. This reflects increased usage as a result of service and workforce pressures and also wider usage of more expensive off-contract agencies. Much of this increased cost has been supported by COVID response and recovery funding.

3.1.4 Non Pay

The non-pay budgets have over-spent in month. The key drivers of the overspend continue to be ChC costs within MH and LD, which are partially offset by workforce underspends. Clinical consumable budgets continue to underspend linked to activity levels, although high levels of inflationary pressure are being experienced.

The Health Board is starting to see the impact of increasing utilities prices, and work is underway with NWSSP to assess the likely impact in this financial year and beyond.

3.1.5 Savings and Recovery Challenge

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

To date, the Health Board has identified £27.619m of green and amber savings. Any red schemes which are being developed will either be utilised to support any shortfalls in 2021/22 recurrent savings or as part of 2022/23 savings plans.

To date, no significant slippage has been reported. However, there is slippage forecast for the second half of the financial year, which reduces the forecast savings delivery to £26.7m. This slippage predominantly relates to bed utilisation efficiencies. This slippage is able to be managed through non-recurrent slippage on investments in this financial year.

The recurrent full year impact of the savings is £24.9m, which is £2.8m short of the recurrent savings requirement. Further schemes must be identified to bridge this gap as a matter of urgency or alternatively decisions must be taken to recurrently hold planned investments. This is essential to form the

baseline of the recurrent savings before the savings identified to meet the 2022/23 requirement are met in addition to this.

Within the £24.9m recurrent savings around £5m are Amber schemes linked to bed utilisation efficiencies, the enabling actions for these beds are being reviewed to ensure that the efficiency opportunity has been transacted. The impact of future demand growth and occupancy levels will form part of the 2022/23 financial plan.

The Health Board draft financial framework sets a requirement for a 4% savings target to be delivered in 2022/23 (1.5% general savings and 2.5% service transformation). This is in addition to ensuring full recurrent delivery of the 2021/22 savings. The table below sets out where KPMG indicated savings could be realised. The Management Board should note that bed reduction has not been considered given the scale and ambition of reduction in the recurrent savings plan from 2021/22.

Key Savings Themes		Targeted Value £m
Productivity	Theatre Efficiency	4.2
	Outpatients	3.6
	Endoscopy	1.0
Shift Left	ChC	2.5
	Primary/Community Services	5.0
Fixed Cost Reduction	Management Costs	3.9
	Estate Rationalisation	2.0
General Savings	Nursing	2.0
	Medical	2.0
	Medicines Management	1.0
	Procurement	2.0
	Other Savings 0.5%	3.5
Total Targeted Value		32.7

The table below sets out the indicative targets based on 4% (£27m). Corporate Directorates are undergoing their reviews at present and the results of the savings plans arising from these discussions will be incorporated into the next update to Management Board.

Further work has been undertaken since the end of September 2021 and a pipeline of additional saving has been identified which is currently under review by the savings PMO. Within the delegated targets is a list of the thematic savings to be delivered in 2022/23 and these are being worked up by the relevant leads. Local identified savings are rapidly being developed with significant improvements from the MHL and NPTS Service Groups since last report.

Service Group/Directorate	Indicative 4% Savings Target £	2.5% Service Transformation & Efficiency	1.5% General Savings	Local Savings Identification £	Nursing £	Medical £	Procurement £	Medicines Mgmt £	General Savings Opportunities £
NPTS	6,361,274	3,975,796	2,385,478	3,718,000	546,688	591,880	490,683	750,000	6,097,251
Morritson	9,026,454	5,641,534	3,384,920	170,000	797,988	1,120,135	823,626	175,000	3,086,749
MH&LD	3,972,273	2,482,670	1,489,602	1,873,000	386,275	159,736	76,756	75,000	2,570,768
PCCT	4,151,148	2,594,467	1,556,680	2,224,000	269,048	128,249	115,954	-	2,737,251
Corporate Directorates	3,766,877	2,354,298	1,412,579	-	-	-	492,981	-	492,981
Total	27,278,025	17,048,766	10,229,259	7,985,000	2,000,000	2,000,000	2,000,000	1,000,000	14,985,000

Service Groups and the PMO are continuing to develop the plans including embedding the nursing, medical and procurement savings together with the local identified schemes and to ensure that no double counting is included. Further work is being undertaken to clarify the impact of non-recurrent savings on the 22/23 target.

Morrison Service Group CIPs are currently being updated and quantified with further CIPs being identified include: -

- Jnr Dr Workforce Efficiencies and other medical staffing efficiencies
- Radiology Biopsies and Scope replacements
- Backfill clinics related to Job Plans
- CNS Led Haematuria Service
- Review of urology Cwm Taf LTA's
- Outpatient delivered Rinological surgical procedures

Savings Actions: -

- **Confirm** impact of bed utilisation efficiency enablers and the relevant implications to service group recurrent savings position to allow this to be transacted. **UEC Programme Director, Deputy Director of Finance, Deputy COO – 23rd December 2021 (extended due to more work required on bed paper)**
- **Review** all non-bed related amber schemes to provide assurance of delivery, actions required or alternative opportunities to bridge £3m recurrent gap in plans outside of bed savings. **Service and Corporate Directors and PMO – 23rd December 2021**
- **Urgently develop** schemes and themes to meet at least 50% of the indicative 22/23 savings target by the end of November and 85% by the end of December. **Service and Corporate Directors – November/December 2021**

4. COVID-19

The Health Board forecast COVID expenditure for 2021/22 is £114.102m. Funding is expected to fully meet the forecast costs.

COVID Expenditure	YTD Spend	Forecast Spend
	£000	£000
Testing	2,400	3,524
Tracing	8,021	13,246
Vaccination	9,367	13,578
Extended Flu	580	1,190
Cleaning Standards	1,578	2,366
Recovery	10,024	24,294
Long COVID	197	635
Urgent Emergency Care	1,110	4,130
Sustainability :		
Primary Care Prescribing	3,972	5,788
PPE	3,197	4,797
Care Homes	1,883	2,243
Staffing	18,642	25,193
Other Non Pay/Income Loss	7,791	13,118
	68,762	114,102

The Health Board is expecting to be funded for COVID programmes such as Test, Trace and Vaccination based on the Month 8 forecast expenditure. No further funding is anticipated for Urgent Emergency Care, Winter or Recovery.

In addition to the £114.102m costs, WG have also provided support (£17.672m) for the 2020/21 savings delivery which was severely impacted on by the pandemic. This support has been provided non-recurrently and this has been reflected in the Health Board £42m underlying position.

The majority of costs are being incurred evenly throughout the financial year, however the costs of recovery and urgent emergency care, have significantly higher costs profiled in the latter part of the financial year.

The utilisation of the recovery funding will be driven by the Planned Care Board, however it is essential that all Service Groups are supporting and ensuring the best use of this considerable resource to support patient care.

The potential ongoing costs have been assessed based on current service models and policy/guidance. This has been shared with WG for review/consideration. The Health Board will need to be clear about the impact of and the actions required should ongoing funding not be received in future years. This will need to be considered as part of the 2022/23 IMTP process.

Action: -

- **Develop** alternative opportunities to ensure allocated funding is fully utilised.
Planned Care Board supported by Deputy COO, Deputy Director of Finance – rolling action to be overseen by planned Care Board
- **Ensure** that Urgent Emergency Care commitments and further actions aligned to Winter Plans are delivered – **UEC Board support**

5. FORECAST POSITION

The Health Board forecast remains at a deficit of £24.405m, following the inclusion of non-recurrent funding to support the 2020/21 savings delivery impact. The recurrent forecast remains at £42.077m.

The current financial forecast has been compared to the opening financial plan to assess the key areas of movement.

	2021-22 Plan Update £m	Current Position £m
20/21 Core Underlying Position	24.405	24.405
20/21 Savings COVID impact	17.672	17.672
20/21 Underlying Position	42.077	42.077
Cost pressures	25.600	27.100
WG Allocation	-15.100	-15.100
Investment Commitments	8.500	8.500
Planned Savings	-27.700	-26.600
Investments to enable Savings	8.700	2.500
Slippage on Plan		3.600
Forecast Position pre-COVID	42.077	42.077
Less 20/21 Savings impact	-17.672	-17.672
Forecast Position post-COVID	24.405	24.405

The key movements are: -

- Cost Pressures – due to higher than planned levels of ChC, NICE/HCD and general inflationary pressures being experienced.
- Planned Savings – the forecast savings delivery is £1.1m lower than the planned requirement.
- Investments – there have been significant delays in formulating, agreeing and implementing planned investments, which has resulted in significant forecast slippage. The Health Board is now reviewing all investments to consider what can be expedited and also considering other areas of expenditure to support longer term strategy and improve patient care.

Action: -

- **Action** that all opportunities to commit revenue slippage in 2021/22 to improve efficiency, workforce deployment or reduce run rate are identified, agreed and implemented in Quarter 4 (CEO and DoF to sign off) – **COO, Deputy COO and Deputy Finance Director – 23rd December 2021**

6. OPPORTUNITIES AND RISKS

Through the regular review of opportunities and risks and continuing discussions with WG and following the revision of the forecast, the Health Board is endeavouring to manage opportunities and risks that may arise within the overall forecast position.

Any significant changes to income or expenditure assumptions will be highlighted to the Performance and Finance Committee.

7. RISK ASSESSMENT

There are four Board level financial risks: -

- **Residual Cost Base (risk 73):** There remains a potential for a residual cost base increase post COVID-19 as a result of changes to service delivery models and ways of working - **Risk Rated 20**. A detailed submission has been shared with Finance Delivery Unit and discussions have commenced at a National Welsh level on handling of the impact of COVID on underlying pressures from 2022/23. **It is proposed that this risk remains unchanged whilst this work is undertaken.**
- **Resource required lower than health board recovery plan ambition (risk 79):** The Performance and Finance Committee agreed that this risk be established for 2021/22. During 2020/21 the COVID-19 pandemic impacted services in many different ways. Of particular concern has been the impact on access to services, particularly outpatients, diagnostic tests, elective surgery and therapy services. The recovery of access times to pre-pandemic levels will require a significant amount of human, estates and financial resource to support it. There is potential for the scale of ambition that the Health Board has in terms of access recovery will be unaffordable in context of the current financial plan. **The risk is reported as severe impact (5) but moderate likelihood (3) score 15.**

The Health Board has received £22m in 2021/22 to address aces pressures and further funding will be notified for 2022/23. It is therefore proposed that the risk score remains the same but that the risk be modified to incorporate 2022/23.

- **Availability of capital (risk 72). Closed given funding available during the year**
- The September 2021 Committee also agreed to add an additional risk regarding the **savings schemes related to bed release**. A significant amount of work is underway on this area at the moment with changes planned in the Emergency Department itself, GP services in support of this, length of stay reduction plans and the purchase of care home beds to increase patient flow. These developments are intended to reduce admission and occupancy and will ultimately release bed capacity. In the first instance this released capacity will be used to reduce risk in the delivery of care, but then will be further used to reduce cost. It is therefore proposed that **a current score of 15 be maintained this month** with a high impact but medium likelihood. The mitigation of the risk will come through the actions of the Urgent Emergency Care (UEC) Programme Board.

8. ACTIONS AND NEXT STEPS

The Health Board has a number of key actions to ensure the delivery of the forecast £24.405m year-end deficit, secure savings into 2022/23 and develop more savings for 2022/23. These are all set out in the corresponding sections above.

In addition, there is an increasing focus on the financial framework for 2022/23 and the key actions required to support its development: -

- Identifying and Assessing key inflationary, growth and service pressures;
- Developing, planning and implementing the savings programme for 2022/23;
- Assessing the ongoing implications as a result of the pandemic, in terms of direct costs, such as Testing and Vaccination programmes, indirect costs associated with changes to service models and patient demand and acuity and costs associated with recovery; and
- Underpinning Changing for the Future with clear and robust investment strategy which supports the Health Board's recovery and sustainability plan.

The Board will receive a briefing on some of the component parts of the plan in December and the detailed plan will be developed in January 2022 and February 2022 as and when funding allocations and financial planning assumptions become clearer.

9. RECOMMENDATIONS

Members are asked to:

- **NOTE** the agreed 2021/22 financial plan.

- **CONSIDER** and comment upon the Board's financial performance for Period 8 (November) 2021/22, in particular:
 - the revenue outturn position of £15.684m deficit; and
 - the adjusted year-end forecast deficit of £24.405m.
- **NOTE** the actions to ensure delivery of the financial forecast.
- **NOTE** emerging savings position for 2022/23
- **AGREE** the risk handling for the 4 risks noted
- **NOTE** the actions underway to develop the future financial plan as part of the Health Board's planning processes

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 checked="" type="checkbox"/>
	Partnerships for Care	<input checked="" type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>	
Health and Care Standards		
<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 checked="" type="checkbox"/>
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
Legal Implications (including equality and diversity assessment)		
No implications for the Committee to be aware of.		
Staffing Implications		
No implications for the Committee to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Committee to be aware of.		
Report History	The Committee receives an update on the financial position at every meeting	
Appendices	Appendix 1 – Month 8 Finance Position for PFC	