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Health Board



<b>Meeting Date</b>	<b>24<sup>th</sup> January 2023</b>	<b>Agenda Item</b>	<b>3.1</b>
<b>Report Title</b>	Financial Report – Period 9 2022/23		
<b>Report Author</b>	Samantha Moss, Deputy Director of Finance Alison McLennan, Finance Business Partner		
<b>Report Sponsor</b>	Darren Griffiths, Director of Finance and Performance		
<b>Presented by</b>	Darren Griffiths, Director of Finance and Performance		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	The report advises the Performance & Finance Committee of the Health Board on the financial position for Period 9 (December 2022) 2022/23 and sets out the current forecast revenue year end outturn.		
<b>Key Issues</b>	<p>The report invites the Performance &amp; Finance Committee to note the detailed analysis of the financial position for Period 9 (December 2022) 2022/23.</p> <p>The report includes an analysis of the COVID-19 revenue impact and the forecast year-end revenue position based on current planning assumptions.</p> <p>Risks have been updated.</p>		
<b>Specific Action Required (please choose one only)</b>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input 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 2022/23 financial plan.</li> <li>• <b>CONSIDER</b> and comment upon the Board’s financial performance for Period 9 2022/23.</li> <li>• <b>NOTE</b> the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: - <ul style="list-style-type: none"> <li>○ Targeted meetings to be held with areas not achieving target either in-year or recurrently. <b>All Service Group Directors and Corporate Directors</b></li> <li>○ Focused attention to ensure that 100% of the green and amber schemes are delivered in line with the plans identified. <b>All Service Group Directors and Corporate Directors</b></li> <li>○ Where savings delivery is not assured through the last round of meetings central action will be taken to close all gaps.</li> </ul> </li> <li>• <b>NOTE</b> increased cost control in respect of COVID response costs: -</li> </ul>		

	<ul style="list-style-type: none"> <li>○ Actions from the Check &amp; Challenge meetings in July 2022 followed up in November 2022 with updates required from all Services Groups in next round of meetings with Director of Finance/Chief Executive Officer in January 2023; specifically impact of post Acute Medical Services Redesign (AMSR) must be addressed. <b>All Service Group Directors</b></li> <li>○ Director of Finance to continue engagement with WG on the risks regarding funding and updates on COVID response costs submitted WG Monthly Monitoring Return submission, although funding for Month 1-8 has been received.</li> <li>○ To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.</li> <li>● <b>NOTE</b> actions to ensure the operational pressures are mitigated and areas return to financial balance. <ul style="list-style-type: none"> <li>○ Focused attention of the delivery of Financial Recovery as per the actions from the Summit meeting on 7<sup>th</sup> September. <b>All Service Group Directors and Corporate Directors</b></li> <li>○ Financial Improvement Plan prepared for Morriston Service Group by the Financial Improvement Director. Detailed action plans being developed to maximise the benefits realisation with the plan – specifically run rate reduction.</li> </ul> </li> <li>● <b>AGREE</b> the risk handling for the risks noted.</li> <li>● <b>NOTE</b> all actions and updates to support the management of the 2022/23 financial position.</li> </ul>
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## FINANCIAL REPORT – PERIOD 9

### 1. INTRODUCTION

The report provides the Committee with an account of the period 9 2022/23 revenue position.

### 2. FINANCIAL PLAN 2022/23

The Health Board (HB) agreed the 3-year recovery and sustainability plan for 2022/23 at its meeting on 31<sup>st</sup> March 2022. The plan was subsequently revised and updated following notification from Welsh Government (WG) that the deficit of £24.4m would be funded recurrently, and was approved on 28<sup>th</sup> July 2022.

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

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

Key assumptions underpinning the plan:

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

### 3. FINANCIAL PERFORMANCE

The key metrics linked to the revenue position are provided in the table below. Further details on the key drivers to this are provided in section 4 of the report.

**Table 2: Key Variances**

	In Mth	Year To Date	Forecast 31st March 2023
	£M	£M	£M
<b>Variance Against RRL Deficit / (Surplus)</b>	<b>0.20</b>	<b>4.30</b>	<b>0</b>
<b>Additional Expenditure Anticipated to be Funded by WG</b>			
- Covid (excluding National Programmes)	<b>2.99</b>	<b>27.54</b>	<b>37.18</b>
- Extraordinary Pressures	<b>1.38</b>	<b>12.64</b>	<b>18.07</b>
<b>2022/23 Savings Delivery Target Shortfall (inc unmet b/f)</b>	<b>0.24</b>	<b>3.75</b>	<b>3.75</b>

- **Variance Against Revenue Resource Limit** – The HB should now be achieving a breakeven position following confirmation that the previously identified deficit of £24.4m would be funded by WG. The actual Month 9 variance was an overspend of £0.20m. The Year-To-Date plan at Month 9 should be breakeven but actual variance is an overspend of £4.30m.
- **Additional Expenditure** – this is the value of the additional funding required to support COVID Transition and extraordinary pressures. Part year funding has been received for COVID Transition costs and the extraordinary pressures. Although balance for COVID Transition remains as a risk given final allocation is yet to be confirmed.
- **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 9 the shortfall against this target as per the ledger was £0.24m and Year-To-Date £3.75m, with estimated shortfall of £3.75m by Month 12 (see section 4.5).

At the end of Period 9 the £4.3m year to date variance is broken down by Service Group and Corporate Directorate as per the table 3 below:

**Table 3: Summary Position by Service Group/ Directorate @ Month 9**

	Target £000	Year-To-Date @ Month 9 £000
<b>Service Groups</b>		
Mental Health & LD	-	1,357
Morriston	9,000	13,959
NPT & Singleton	-	3,865
PC & Community	-	2
<b>Directorates</b>		
Board Secretary	-	-60
Chief Operating Officer	-	609
Director of Strategy (excluding COVID)	-	-304
COVID	-	0
Director of Transformation	-	-45
Finance & Estates	-	880
Digital	-	-157
Medical Director	-	-80
Nurse Director	-	-324
Workforce & OD	-	-64
Clinical Medical School	-	0
Research & Development	-	18
DSU	-	0
EMRTS	-	-62
Director Insight, Communication & Engagement	-	-62
Corporate I&E	-	-32
Public Health		1
<b>Delegated Budget Position</b>	<b>9,000</b>	<b>19,500</b>
In year deficit £24.4M		-
Opportunities Released	- 9,000	- 15,196
<b>Current Delegated Position</b>	<b>-</b>	<b>4,304</b>

**Actions/Comments in Month 9 Summary:**

- Morriston Service Group – A Finance Improvement Director was appointed and commenced w/c 19<sup>th</sup> September. The Month 9 position reported by the Morriston Service Group remains a concern and the Group is now significantly over the £9m target set, with 3 months of the financial year remaining. The Service Group is forecasting a £18.5m overspend, which would take them £9.5m over target if no action is taken. However, the work of the Finance Improvement Director, in conjunction with the Service Group has led to the development of Financial Improvement Plan that could deliver a £5m improvement on this forecast, which was provided as an attachment to the Month 8 paper. In Month 9 the Service Group showed some improvement of

£0.5m, however this will need to continue for the remainder of the financial year and at an enhanced level to achieve the £5m.

- 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 overspend within CHC area, along with non-delivery of savings Year-To-Date, which is partly offset by underspends on Pay.
- Finance & Estates – this is due to pressures on general Estates building and Engineering maintenance and consumables.
- NPT & Singleton Service Group – Year-To-Date overspend up to Month 8 was primarily linked to (1) pressures on secondary care drugs; (2) clinical supplies and services; (3) non delivery of savings. In Month 9 to other pressures have emerged (1) increase in pay costs which supporting the non pay overspends and (2) primary care prescribing (see section 4.2.2).
- Chief Operating Office – pressures continue on variable pay with continued progress being made during the month towards the savings shortfall.

#### **4. KEY DRIVERS IMPACTING REVENUE**

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

##### **4.1 Pay / Variable Pay – Trends**

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

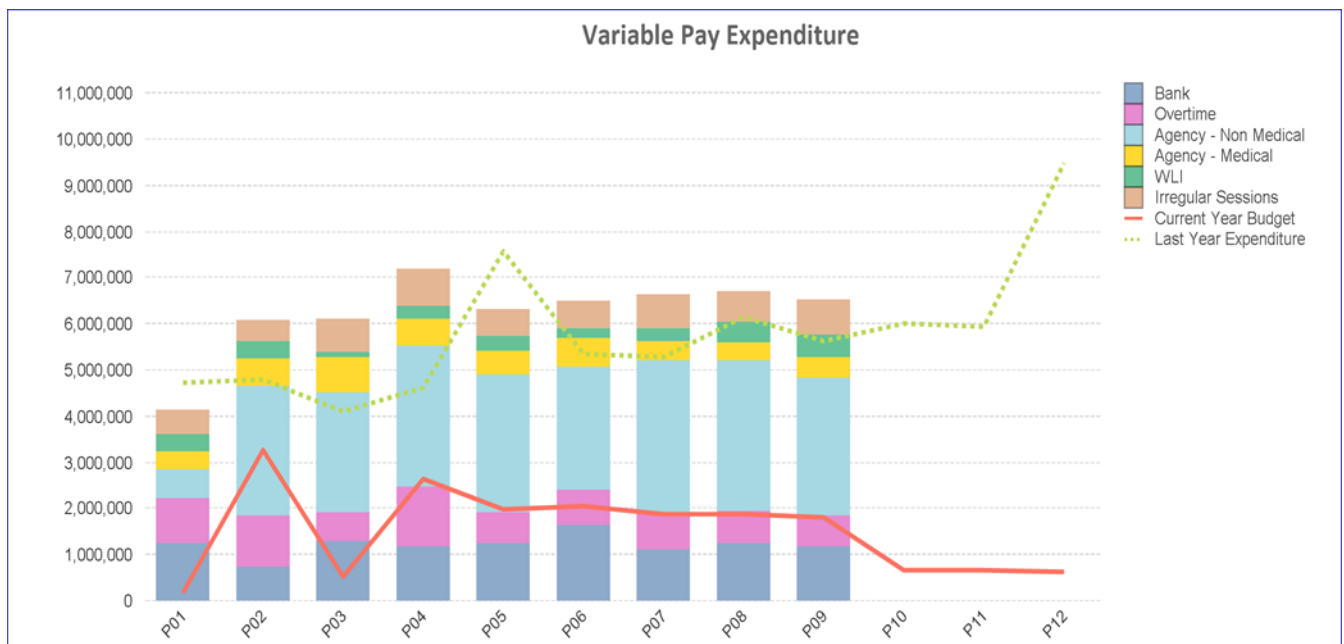
In Month 9 there was a decrease in the pay variance alongside a small decrease in variable pay costs due to reduced leave over the Christmas period. The actual and budget position for Month 9 pay has reduced following the release on the annual leave accrual linked to COVID as per the financial plan agreed with WG at the mid year review. Of note is that in 2022/23 the WTE has increased by 230 staff since month 1 and whilst this is positive, this has contributed to the increase in pay costs above previous years and above the IMTP, alongside an increase in the variable pay bill as per Graph 1.

##### **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
Mth 6	69,398	68,949	6,353	- 6,802	- 449
Mth 7	58,845	58,954	6,536	- 6,428	109
Mth 8	57,308	58,371	6,602	- 5,539	1,063
Mth 9	47,391	47,789	6,435	- 6,037	398
YTD	502,362	504,340	56,803	- 54,825	1,977

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 9 level with continued pressures in non-medical agency costs although a small reduction is evident in month 9 when compared to month 8.

**Graph 1: Variable Pay Analysis**



*Note: The Agency Non-Medical for Month 1 reflects an error in the system generating the report, this has been corrected in the Month 2 reporting. The error did not impact on overall position, only this analysis, making comparisons between Month 1 and Month 2 difficult from this chart.*

**4.2 Non Pay**

The performance against budget both in month and Year-To-Date is provided below. The variance linked to the deficit is now negated.

**Table 5: Variance on Non-Pay**

Non Pay	Budget	Actual	Variance Linked Deficit	Variance Non Pay Pressure	Total Variance
	£'000	£'000	£'000	£'000	£'000
Mth 1	51,733	54,108	2,034	341	2,375
Mth 2	58,231	60,897	2,034	632	2,666
Mth 3	58,977	61,574	2,034	563	2,597
Mth 4	64,111	59,244	- 6,102	1,235	- 4,867
Mth 5	60,888	61,216	-	328	328
Mth 6	58,898	60,154	-	1,256	1,256
Mth 7	63,894	64,429	-	536	536
Mth 8	62,339	62,504	-	165	165
Mth 9	64,178	64,369	-	190	190
YTD	543,248	548,495	-	5,247	5,247

The overall non pay variance can be summarised as set out in table 6a below.

**Table 6a – Key variances driving non pay overspend**

	Variance £m
Continuing Healthcare	7.392
Drugs/FP10 Drug Scripts	1.449
Clinical services/supplies	3.621
Savings	3.754
<b>Sub total</b>	<b>16.216</b>
Offset by underspends across income/losses/clinical negligence/recharges/other corporate expenditure on Z095 #1	(10.960)
<b>Total Variance Non Pay</b>	<b>5.256</b>

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

#### 4.2.1 Continuing Healthcare

One area of the non-pay with significant variance against budget in Months 1-9 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.

**Table 6b – Continuing Healthcare breakdown**



Service Area	General		Mental Health		Learning Disabilities		Total	
	Patient No.	£	Patient No.	£	Patient No.	£	Patient No.	£
Mth 1	357	1,947,177	182	1,120,588	197	1,774,467	736	4,842,232
Mth 2	352	2,135,283	182	1,187,727	196	1,805,067	730	5,128,078
Mth 3	364	2,101,956	182	734,588	196	1,630,935	742	4,467,480
Mth 4	364	2,118,112	186	1,121,814	195	1,818,387	745	5,058,314
Mth 5	359	2,206,096	187	1,230,746	195	1,822,278	741	5,259,120
Mth 6	363	2,207,998	190	1,245,448	195	1,899,799	748	5,353,246
Mth 7	378	2,316,074	194	1,275,215	196	1,603,363	768	5,194,652
Mth 8	380	2,320,729	195	1,328,834	196	1,684,113	771	5,333,677
Mth 9	379	2,679,235	194	1,177,666	196	1,961,716	769	5,818,618
Total		20,032,662		10,422,627		16,000,127		46,455,415

To assess the growing Continuing Healthcare costs the Health Board commissioned an independent assessment of Mental Health Joint packages of care via an independent expert, which has identified areas where funding models for some packages of care could be revised. Discussions are ongoing with the Local Authorities to finalise the financial arrangements which revise the Health Board forecast spend downwards by around £1.25m in year. The recovery of this funding is critical to the delivery of the financial position in 2022/23 as per section 5.

#### 4.2.2 Primary Care Prescribing

The August 2022 Prescribing Audit Report (PAR) first showed a significant increase in costs from first four months of the year and this has continued. The latest Par, which is October shows that spend has remained high and this data along with the modelling jointly by the Finance and Pharmacy Teams is indicating the this will be £2.4m above plan at Month 12, which is £1m higher than the reported variance in Month 8. This is being driven by a numbers of issues (1) No Cheaper Stock Obtainable; (2) further Category M price changes; (4) continued growth above planning assumptions; and (4) impact Strep A and a growth in prescription of antibiotics for children and also adults. Further work continues to be undertaken by the Pharmacy Teams on this and updates will be provided each month.

#### 4.2.3 Other key issues arising In Year

In most months, there are numerous under and over spends against the various non-pay subjective codes. This section will be used to identify any material issues that impact on the financial performance in each month.

Whilst there were variances across various areas of clinical consumables the most significant pressures in Month 9 were found in General Clinical Supplies (M&SE narrative on Ledger). Partly linked to activity in the last few months and also the ongoing pressures linked to inflation.

### 4.3 Income

#### Table 7 – income by month

Income	Budget	Actual	Variance
	£'000	£'000	£'000
Mth 1	- 23,248	- 23,094	154
Mth 2	- 23,126	- 23,356	- 229
Mth 3	- 25,905	- 26,159	- 254
Mth 4	- 23,854	- 24,380	- 526
Mth 5	- 24,271	- 24,878	- 607
Mth 6	- 24,537	- 24,653	- 117
Mth 7	- 25,117	- 25,249	- 132
Mth 8	- 24,023	- 24,850	- 827
Mth 9	- 22,463	- 22,849	- 386
YTD	- 216,544	- 219,467	- 2,924

In Month 9 the overachievement in income is attributable to Research & Development, Long Term Agreements & WG income, with other income categories broadly achieving a balanced position.

#### 4.4 Savings

At the end of Month 9 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 5<sup>th</sup> January (supporting the WG Month 9 submission), the total value of schemes identified for 2022/23 is £34.3m (£23.6m recurrently) and these values are included in the tables below. However, the actual likely delivery for 2022/23 as per Table 8b is £29.9m (which assumed delivery of all Red Schemes).

**Tables 8a – Savings Overview (as at 05/01/23)**

	Reported PFC Aug £m	Reported PFC Sept £m	Reported PFC Oct £m	Reported PFC Nov £m	Reported PFC Dec £m	Reported PFC Jan £m	Movement £m
2022/23 Identified (Planned)	27.4	29.5	32.0	34.1	34.3	34.3	0.0
2022/23 Identified Recurrently	22.2	24.1	26.4	27.1	24.0	23.6#	(0.4)

#Reduction linked to the removed off Red Schemes between Month 7 and Month 8.

To date, slippage on the savings plan is causing a non-pay overspend of £3.75m as noted in Section 3.

**Table 8b – Savings Overview (as at 05/01/23)**

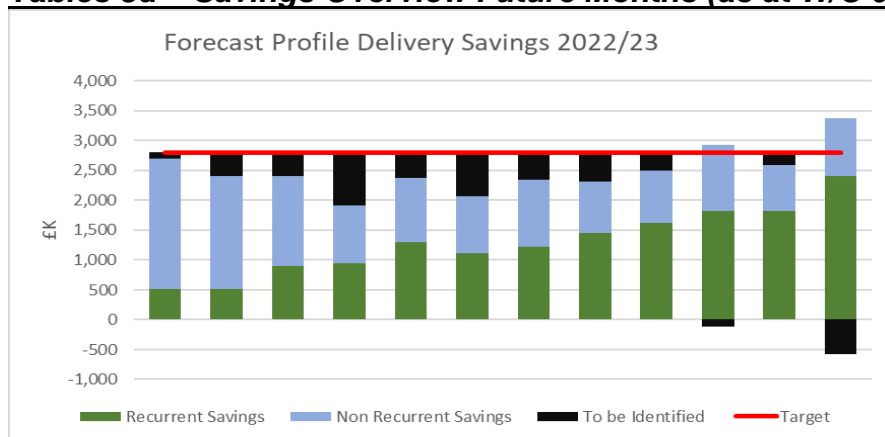
Summary Breakdown	Target 2022/23 £k	Actual Identified 2022/23 £k	Shortfall £k	Actual Recurrently Identified £k	Recurrent Shortfall £k
Corporate	6,125	6,236	-111	5,008	738
Morriston	10,447	7,409	3,038	4,299	6,148
NPTS	7,089	6,961	128	6,454	-66
MHLD	4,188	4,188	-1	3,461	277
PCC	3,975	3,976	-1	3,324	181
IMM and Health Board Wide	1,819	1,170	649	1,000	819
	<b>33,642</b>	<b>29,940</b>	<b>3,702</b>	<b>23,546</b>	<b>8,096</b>

**Note: Identified column in table 8b reflects forecast delivery whereas identified in Table 8a is total value of identified schemes. The difference reflects that in year not all planned schemes are reporting as deliverable in full.**

**Tables 8c – Savings Overview (as at 05/01/23)**

	Total		Morrison		NPTS		MHL D		PCC		Corp/Other	
	22-23 £000s	FYE £000s	22-23 £000s	FYE £000s	22-23 £000s	FYE £000s	22-23 £000s	FYE £000s	22-23 £000s	FYE £000s	22-23 £000s	FYE £000s
Red	950	2,220	- 0	300	593	1,773	-	-	-	-	357	147
Amber	1,125	2,980	706	1,101	150	150	9	320	1	831	259	578
Green	27,865	18,346	6,703	2,898	6,218	4,532	4,179	3,141	3,975	2,493	6,789	5,283
	29,940	23,546	7,409	4,299	6,961	6,454	4,188	3,461	3,976	3,324	7,406	6,008
% of CIPS Green	93.07%	77.92%	90.47%	67.41%	89.33%	70.21%	99.79%	90.75%	99.97%	74.99%	91.68%	87.94%

**Tables 8d – Savings Overview Future Months (as at W/C 05/01/23)**



The Services Group and Corporate Directorates will be using, where possible, Non-recurrent opportunities to ensure that the gap of ‘to be identified’ is addressed in 2022/23 but the recurrent delivery is equally as important to deliver.

**Actions:**

- Each Wednesday a weekly report is produced by the Programme Management Office (PMO) and issued to Executive and Service Group Directors to ensure there is a constant focus. Within the weekly report are detailed actions that will be taken and updates provided on progress against these.
- Targeted meetings to be held with areas not achieving target either in-year or recurrently. All Service Group Directors and Corporate Directors
- Focused attention to ensure that 100% of the green and amber schemes are delivered in line with the plans identified. All Service Group Directors and Corporate Directors
- Where savings delivery is not assured through the last round of meetings central action will be taken to close all gaps.

**NOTE: failure to deliver savings will result in slippage, and/or cessation, of investment plans to develop services to maintain financial balance.**

**4.5 Long Term Agreements (inc Welsh Health Specialised Services Committee) Performance**

Historic background to the Long Term Agreements were provided in previous monthly reports. The Month 6 report included Q1 data, with plan to provide updates each quarter. As we were required to provide a full update on latest financial data at the Mid Year Review as assessment was provided on Month 5 data, which was included in the Month 7 and current Month 8 report. The planned update is now included in the Month 9 report.

Table below is the performance of Swansea Bay HB at the end of Month 9 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 £2.044m.

<b>SBU Provider</b>	LTA Value	Old LTA Rules		Mitigated	
		Variance M8	F/C	Variance M8	F/C
Hywel Dda (Excluding NICE)	37.494	-1.325	-1.988	-0.514	-0.771
AB	0.916	-0.002	-0.004	0.023	0.034
C&V	4.215	-0.052	-0.078	0.028	0.042
CTM Bridgend	17.028	-0.655	-0.983	0.029	0.044
CTM former CT	1.114	-0.023	-0.035	0.047	0.071
CTM - CCSLA (NPTH)	7.674	-0.744	-1.116	0.054	0.081
Powys	8.501	-0.214	-0.321	-0.006	-0.009
WHSSC ( Exc Pass Through)	112.402	-3.005	-4.507	-1.024	-1.536
<b>LTA Sub Total</b>	<b>189.343</b>	<b>-6.022</b>	<b>-9.033</b>	<b>-1.363</b>	<b>-2.044</b>

Table below is the performance of contracts provided by other Health Boards at Month 5 but commissioned by Swansea Bay. Here under the previous Long Term Agreements arrangements we would have seen a benefit of £5.6m but under the interim arrangement that has reduced to £3.883m.

<b>SBU Commissioner</b>	LTA Value	Old LTA Rules		Mitigated	
		Variance M8	F/C	Variance M8	F/C
Hywel Dda (Excluding NICE)	4.755	-0.831	-1.247	-0.616	-0.924
AB	0.204	0.010	0.015	0.055	0.082
C&V	3.685	-0.111	-0.166	-0.386	-0.579
CTM Bridgend	24.327	-2.177	-3.265	-1.504	-2.256
CTM former CT	3.001	0.015	0.023	0.042	0.064
CTM - CCSLA (NPTH)	1.814	-0.256	-0.384	-0.099	-0.149
Powys	1.122	-0.078	-0.117	-0.065	-0.098
Velindre (Excluding NICE)	0.301	-0.026	-0.039	-0.015	-0.023
<b>LTA Sub Total</b>	<b>39.209</b>	<b>-3.454</b>	<b>-5.180</b>	<b>-2.588</b>	<b>-3.883</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, but this will be monitored closely as we near the end of the financial year.

#### 4.6 COVID Transition (Response)

The national COVID programmes of Trace Test Protect (TTP), Mass Vaccinations and Personal Protective Equipment (PPE) are confirmed as funded by WG. Whilst the COVID Transition costs are recognised by WG, and some funding has recently being received which is under review. However, within the financial position and plan is it continued to be assumed this will be funded via an anticipated allocation.

Within the 3 Year Recovery and Sustainability Plan submitted at 31<sup>st</sup> March 2022, the Health Board included anticipated costs of £25m (excluding the national programmes), however the first full assessment reported to WG in mid-April included costs of circa £40m and the figure in the updated 3 Year Recovery and Sustainability Plan was £42.9m.

The forecast position for 2022/23 at the end of Month 9 is included table 9 below and has been reported in detail to WG as part of the Monthly Monitoring Return submissions. The table provides both the forecast and the funding received and anticipated.

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

Income Assumptions	Received	Anticipated	2022/23 Forecast @ mth 9	Total By Type
	£'000	£'000	£'000	£'000
National Programmes: Tracing	3,890	1,711	5,601	21,010
National Programmes: Testing	1,290	985	2,275	
National Programmes: Mass Vaccinations	4,744	3,142	7,886	
National Programmes: PPE (Exc Stores Staff)	1,751	2,553	4,304	
National Programmes: Long COVID	-	436	436	
National Programmes: Nonsocomial	508	-	508	
COVID Impact Funding Received: Extended Flu Funded to Date	918	-	918	2,336
COVID Impact Funding Received: Dental Income Shortfall (as per WG Letter)	1,418	-	1,418	
COVID Impact : Cleaning Standards	1,271	635	1,906	34,845
COVID Impact: Dental Income Shortfall (Balance)	-	260	260	
COVID Impact: Other	22,059	10,620	32,679	
<b>Total Table B3</b>	<b>37,849</b>	<b>20,342</b>	<b>58,191</b>	<b>58,191</b>

**Actions:**

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

**Whilst COVID Transition funding has been received for part of 2022/23 from WG there is no certainty that the Health Board will receive the funding requested in full. This is reflected in the risk section later.**

**4.7 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 10 – COVID Recovery Allocation**

COVID Recovery Areas	Indicative Budget 2022/23	YTD Funding Committed	Balance Funding Remaining 2022/23
	£'000	£'000	£'000
National Endoscopy Programme	2,876,653	3,220,151	- 343,498
Regional Cataract Services	1,398,337	606,229	792,108
Regional Orthopaedics	3,419,104	55,729	3,363,375
Strengthened Diagnostic & Imaging services	4,499,529	3,596,930	902,599
Implementation of the Critical Care Plan	-	-	-
Cancer	1,280,070	1,052,091	227,979
Other Capacity	4,139,711	5,922,920	- 1,783,209
Other Eyes	318,825	261,132	57,693
Primary Care Pathway Redesign	26,448	234,632	- 208,184
Other - Pre Committed	3,221,803	1,414,448	1,807,355
Therapies	121,543	101,023	20,520
Other (WHSSC)	297,978	344,260	- 46,282
<b>TOTAL</b>	<b>21,600,000</b>	<b>16,809,545</b>	<b>4,790,455</b>

### Actions:

- To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.
- At end August 2022 the plan against the funding was £0.4m over committed. This has increased to £1.4m at the end of December and so options to deliver breakeven must be finalised during January 2023. Good progress has been made in identifying choices to support balanced delivery

## 4.8 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 9 position it is assumed these costs, above the £8.1m budget, will be funded by WG. At Director of Finance Meeting held in November Health Boards were told that these will be funded and to remove the a risk from Month 8. This has been actioned and some funding has been received in year. A breakdown of the estimated costs above budget and funding received to date for the three areas is provided below:

**Table 11 – Extraordinary item cost assessment**

RRL Extraordinary Items Allocations	Received	Anticipated	Total Forecast 22/23
	£'000	£'000	£'000
National Insurance Health & Social Care Levy	4,042	-	4,042
Real Living Wage (Care Homes Only)	2,995	-	2,995
Energy Costs (inc Non British Gas items)	4,180	6,849	11,029
<b>TOTAL ALLOCATION</b>	<b>11,217</b>	<b>6,849</b>	<b>18,066</b>

### Actions:

- Continual review of each area and refinement of forecast.

## 5. SUMMARY ALL RISKS – REVENUE

As reported above at the end of Month 9 the in-month position is an overspend of £0.203m, taking the YTD position to £4.301m overspent. Given the fact that the Health Board is reporting a deficit of £4.301m at Month 9 the table below summarises how the Health Board moves from current deficit to balance by 31<sup>st</sup> March 2023. These are reflective of the operational risks detailed in Table 12.

	<b>£M</b>
Potential Deficit (£4.1m extrapolated to Month 12)	5.70
Actions required Month 9-12:	
1.CKS Challenge Joint Package Funding	(1.25)
2. Financial Improvement Programme Morriston	(4.50)
3. Further Opportunities (Pension changes & slippage above plan)	(2.40)
Further Risks:	
1. Prescribing	2.40
<b>Potential Risk Adjusted Forecast</b>	<b>(0.050)</b>

**Table 12 – 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>		
- Delivery of Run Rate Reduction in Morriston Service Group to Delivery Target	- 4,500	16
- COVID Recovery not able to be constrained within funding	- 1,445	12
- Delivery Continuing Healthcare Joint Cases Review (CKS)	- 1,250	16
- Prescribing (Primary Care)	- 2,400	16
<b>Savings</b>		
- Savings Delivery above current identified Schemes	- 3,702	12
<b>Investments</b>		
- Maintain Investment within Financial Plan	- 500	8
<b>SUB TOTAL</b>	- 13,797	
<b>Risk 2: COVID Response &amp; Extra-ordinary Costs</b>		
-Covid Funding WG (Transition)	- 11,515	16
<b>SUB TOTAL</b>	- 11,515	
<b>TOTAL RISKS</b>	- 25,312	

Further details on the risks:

- Delivery of Run Rate – refer to section 6
- Prescribing – refer to section 4.2.2.
- COVID Funding (Transition) – refer to section 4.6
- COVID Recovery – refer to section 4.7
- Delivery of Continuing Health Care – refer to section 4.2.1
- Savings Delivery – refer to section 4.4.

Action:

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

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

Within the previous monthly reports are the full details of the actions being taken by the Health Board, since Q1 to support the position and the challenges. The information below only reflects updates and is not the full list: -

- Action: Independent, specialist financial improvement support has been identified to assist Morriston Service Group with its financial challenges. This support commenced on 12<sup>th</sup> September 2022.

Update: Update: In Month 9 the Morriston Service Group position reduced in month from £2.3m overspend to £1.7m overspend reflecting some of the actions. However, the pressures from NPTS Service Group reduced some of the benefits of this on the YTD position. However, discussions at Performance & Finance Committee have highlighted the need to capitalise on the work of the specialist financial improvement by sharing learning and opportunities across all areas of the Health Board.

Whilst the December 2022 improvement is positive there are a number of points of note that could impact in Month 10 onwards:

- In December there is usually a downward trend on the use of agency as less substantive staff take annual leave. And this has been seen in the % of staff available to work on the ward areas during December.
- The pressures on NHS in December 2022 have resulted in staff being offered double time to cover shifts which is not within the position and could take up to 6 weeks to be reflected in Pay.
- Additional Surge beds have been opened to support pressures in December and continue into January, which will require additional staff and are likely to mean an increase in the use of Variable Pay for both medical and non-medical roles.

As per the Mid Year review presentation to WG, held at the end of October 2022, the Health Board is still maintaining a balanced financial forecast to the 31<sup>st</sup> March 2023 but this is predicated on delivery of the targets set for Service Groups and Corporate Directorates and the management of all Risk detailed in section 5 and 7 of this report.

## 7. RISK ASSESSMENT

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

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



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

- **Availability of capital (risk 72).** This risk has been re-opened for 2022/23 as the initial draft financial plan is not balanced given a 24% reduction in discretionary capital allocation. Work is underway to manage schemes to reduce commitments in 2022/23 and to produce a balanced plan. This risk varies during the year as more details on schemes emerge and potential slippage funding is made available by Welsh Government. **A score of 12 is suggested at this stage as the whilst plan is now balanced a number of schemes are on hold and the flexibility within the plan is extremely limited given the reduction in the allocation. Both impact and likelihood dropped one level (4x3=12)**

## 8. FINANCIAL MATURITY

There are no items of exception to be reported to the Committee in Month 9.

## 9. SUMMARY OF ACTIONS AND UPDATES

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

**Table 15 – Action Summary**

Area	Ref	Action	Update- September Report
Financial Performance	M04.1	Chief Executive Officer has asked the Director of Finance to prepare a financial improvement plan to enable the forecast balances position to be achieved.	Following meeting between Chief Executive Officer and Director Of Finance on 1 <sup>st</sup> August a number of actions to support plan were agreed and updates provided in Section 6.
Financial Performance	M05.2	Following the Summit meeting on 7 <sup>th</sup> September a list of agreed actions have been developed, which will form the basis of the Financial Recovery Plan.	Updates on progress will be provided to the committee each month. Update in Section 6.
Savings	M02.1	Chief Executive Officer set target for 100% delivery of savings and all schemes to be green and amber by the end of June.	Update of Performance included in Section 4.5.
Savings	M02.2	Further work is required on mitigating the b/f unmet savings delivery from 2021/22 and this will need to be part of the review in assessing the utilisation on central budgets.	Update of Performance included in Section 4.5.
Savings	M03.2	Focused attention to ensure the 100% of the green and amber schemes are deliver in line with the plans identified. Thus ensuring plan and actual align.	Ongoing Review linked updates provided in section 4.5

Area	Ref	Action	Update- September Report
COVID Transition	M01.3a	Forecast continue to be refined and updated based on most relevant information from the Service Groups.	Continually being reviewed and updated
COVID Transition	M01.4	Check & Challenge meeting with Chief Executive Officer were held in July 2022, which picked up the actions from the point above.	Actions from July meetings were reviewed and updated actions from 3 <sup>rd</sup> and 4 <sup>th</sup> November meetings were issued to Service Groups. Next set of meetings scheduled for January/February 2023.
COVID Transition	M01.5	Continued discussion with WG on the risks regarding funding.	Discussions are taking place regularly. See update in section 4.7 on discussions and presentation to Finance Delivery Unit.
COVID Recovery	M03.3	To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.	Allocations are updated and revised monthly
COVID Recovery	M04.2	Continual review to ensure plan is balance by the end of September.	Updates provided each month to WG and Performance & Finance Committee.  Enhanced monitoring commenced in Quarter 2 to link activity and finances.
Extraordinary Pressures	M01.8	Continued discussions with WG on the risks regarding funding and the methodology assessing the '2021/22 levels'.	Part of regular discussions with Finance Delivery Unit
Extraordinary Pressures	M01.7	Continual review of each area and refinement of forecast.	Updates provided each month to WG and Performance & Finance Committee.
Risks	M08.1	Continued focus and review of the operational forecast and associated risks.	Ongoing to 31 <sup>st</sup> March 2023.
Opportunities (Central Budgets)	M01.9	Continue to development of the process for reporting of central budgets that is helpful to the reader to improve the transparency of the financial position. With updates provided on a quarterly basis.	Further information was provided to the Performance & Finance Committee in the Month 2 Finance Report to support a move towards a more transparent approach, with updates to be provided each quarter.  All General Reserves will be issued out to areas between Mth 8 and 9. In Q4 revised approach to the management of Reserves will be developed for implementation from Mth 1 23/24. This will ensure all funding is issued at the start of the Financial Year or on

Area	Ref	Action	Update- September Report
			receipt of In Year Funding from WG.

## 10. RECOMMENDATIONS

Members are asked to:

- **NOTE** the agreed 2022/23 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 9 2022/23.
- **NOTE** the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: -
  - Targeted meetings to be held with areas not achieving target either in-year or recurrently. **All Service Group Directors and Corporate Directors**
  - Focused attention to ensure that 100% of the green and amber schemes are delivered in line with the plans identified. **All Service Group Directors and Corporate Directors**
  - Where savings delivery is not assured through the last round of meetings central action will be taken to close all gaps.
- **NOTE** increased cost control in respect of COVID response costs: -
  - Actions from the Check & Challenge meetings in July 2022 followed up in November 2022 with updates required from all Services Groups in next round of meetings with Director of Finance/Chief Executive Officer in January 2023; specifically impact of post Acute Medical Services Redesign (AMSR) must be addressed. **All Service Group Directors**
  - Director of Finance to continue engagement with WG on the risks regarding funding and updates on COVID response costs submitted WG Monthly Monitoring Return submission, although funding for Mth 1-8 has been received.
  - To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.
- **NOTE** actions to ensure the operational pressures are mitigated and areas return to financial balance.
  - Focused attention of the delivery of Financial Recovery as per the actions from the Summit meeting on 7<sup>th</sup> September. **All Service Group Directors and Corporate Directors**
  - Financial Improvement Plan prepared for Morriston Service Group by the Financial Improvement Director. Detailed action plans being developed to maximise the benefits realisation with the plan – specifically run rate reduction.
- **AGREE** the risk handling for the risks noted.
- **NOTE** all actions and updates to support the management of the 2022/23 financial 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 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"/>
	<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 checked="" 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 balanced forecast year-end deficit financial outturn prior to the impact of COVID-19.		
<b>Legal Implications (including equality and diversity assessment)</b>		
No implications		
<b>Staffing Implications</b>		
No implications		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
No implications		
<b>Report History</b>	Updates on the financial position are provided at every meeting	
<b>Appendices</b>	none	

## APPENDIX 1:

### LIST OF CLOSED ITEMS:

Area	Ref	Action	Update- September Report
Savings	M01.1	Each Wednesday a weekly report is produced by the Programme Management Office (Savings) and issued to Executive and Service Group Directors to ensure there is a constant focus. Within the weekly report are detailed actions that will be taken and updates provided on progress against these within the report.	<b>Weekly report continues to be updated and shared widely.</b>  <b>ACTION: CLOSED</b>

Area	Ref	Action	Update- September Report
COVID Transition	M01.3b	Following the latest de-escalation guidance service need to continually review requirements and update forecast with support of the Finance Business Partner.	Revised forecasts to be brought to discussions with Chief Executive Officer and Director of Finance and Performance during July.  <b>ACTION: CLOSED</b>
COVID Transition	M02.3	Linked to M01.3 above given the latest de-escalation guidance service areas need to review requirements and update forecast with support of the Finance Business Partner .	Completed for Chief Executive Officer meetings in July.  <b>ACTION: CLOSED</b>
LONG TERM AGREEMENTS Performance (Providers & Commissioner)	M01.2	Update to be provided during Q2 and quarterly from that point.	Q1 update included in September report with further updates on Quarterly basis of PFC  <b>ACTION: CLOSED</b>
Financial Performance	M03.1	Morrison – The Chief Executive Officer has requested enhanced support/escalation to focus on both assurance regarding financial control, clarity on why actual spend is increasing and actions to return spend to pre-pandemic levels, along with a continued focus on savings as Morrison has 84% of the total HB red schemes..	Work is underway to procure this support for commencement in September  <b>ACTION: CLOSED</b>
Opportunities (Central Budgets)	M02.5	Look at options for sharing the Main Central Budget in a format that assists the reader of the report.	By end of Quarter 2  <b>ACTION: CLOSED</b>
Financial Maturity	M01.10	Various developments	Refer to Section 8 of the report  <b>ACTION: CLOSED</b>
Financial Performance	M04.3	Review of corporate cost centre Z095 to ensure no additional risks regarding Corporate Income associated with Service Level Agreements/Long Term Agreements/Road Traffic Accidents and Oversea visitors	Work commenced in August and continues into Q3 with updates to be included future PFC papers as necessary.  <b>ACTION: CLOSED</b>
Financial Maturity	M05.01	All aspects	Going forward it is proposed that items under this section are reported to the Committed by exception and that the standard information is removed.  <b>ACTION: CLOSED</b>
Risks	M02.4	Review of the operational forecast to continue through August-September to inform updated position for 2022/23 and the anticipated Mid-Year review with WG.	Data used to support Mid Year Review presentation to WG. Update will provided to In Committee section of December meeting.  <b>ACTION: CLOSED</b>

