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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	27th July 2021	Agenda Item	3.1
Report Title	Financial Report – Period 3 2021/22		
Report Author	Samantha Lewis, Deputy Director of Finance		
Report Sponsor	Darren Griffiths, Director of Finance and Performance (interim)		
Presented by	Darren Griffiths, Director of Finance and Performance (interim)		
Freedom of Information	Open		
Purpose of the Report	The report advises the Performance and Finance Committee of the Health Board financial position for Period 3 (June) 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 3 (June) 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 (please choose one only)	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 3 (June) 2021/22, in particular: <ul style="list-style-type: none"> ▪ the revenue outturn position of £6.081m deficit; and ▪ the adjusted year-end forecast deficit of £24.405m. • NOTE the actions to ensure delivery of the financial forecast. • AGREE the risk scores for risks 73 and 79 • AGREE the re-opening of risk 72 on capital availability 		

FINANCIAL REPORT – PERIOD 3

1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 3 revenue position

The report informs the Performance and Finance Committee that the Period 3 (June 2021) revenue financial position is an overspend of £6.081m and invites the committee to note the detailed analysis of the Period 3 (June 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 £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.**

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 3 reported in-month position was an overspend of £1.976m and £6.081m cumulatively. The cumulative position should be compared with the planned deficit of £6.101m. The cumulative position is £0.02m above 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	- 25,822	- 25,599	223	- 71,868	- 71,068	800
Pay	50,768	49,730	- 1,038	151,610	150,897	- 713
Non-Pay	55,438	56,196	758	163,226	163,119	- 107
Delegated Position	80,384	80,327	- 57	242,968	242,948	- 20
Corporate Plan	- 2,033		2,033	- 6,101		6,101
Total Position	78,351	80,327	1,976	236,867	242,948	6,081

3.1.2 Income

Income budgets have reported an under-achievement of £0.800m.

The most significant element of this under-achievement relates to dental income recovery, which is £0.655m for the first quarter of the financial year. This loss of income is partially offset by reduced dental charges, however there is a net adverse financial impact of £0.115m. This net financial impact has been funded however for the purpose of reporting, this has been reflected within non-pay.

Around £2m of COVID funding support was provided to meet the ongoing impact of the pandemic on income. This support will be reviewed through monthly performance meetings to consider the recovery mechanisms and potential longer term impacts.

3.1.3 Pay

Pay budgets have reported a £0.713m underspend for the first quarter.

Whilst there were pressures in early months, significant improvements have been made in robust roster management and mitigating costs, which has resulted in an improved level of performance.

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

Around £7.5m of COVID funding has been issued to support increased pay costs in this quarter, 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

Non-pay budgets have reported an underspend of £0.107m for the first quarter. Within this position there are underspends within clinical consumables due to reduced activity. These are being offset by pressures on ChC budgets particularly in Mental Health and Learning Difficulties due to growing case numbers and complexity. Mitigating actions and opportunities have been identified to support the current level of cases, whilst further work is undertaken on ChC within the Service Delivery Group.

The level of COVID support to general non-pay is around £2.5m for the first quarter. In addition, around £1.5m funding support has been provided to Primary Care Prescribing to support the increased costs being experienced.

3.1.5 Savings and Recovery Challenge

The Health Board financial plan identified a £27.7m savings requirement for 2021/22 to support the delivery of its in-year financial plan.

The Health Board has identified £25.4m of savings that have been as green and amber. In addition to the green and amber savings the Health Board currently has a further £3.4m of pipeline schemes that have been identified. These are being further assessed and developed at present with clear timeline of 3 months to develop sufficiently to green or amber.

Further work is underway to ensure all savings opportunities presented by KPMG and those identified previously have been considered and plans developed where appropriate. This will be progressed by the Savings PMO which is being established.

4. COVID-19

The Health Board is assuming £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.

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

	Anticipated COVID Funding £m
General	43.980
PPE	5.136
Care Homes	2.974
Cleaning Standards	2.304
Extended Flu	1.160
Vaccinations	13.375
Trace	14.112
Testing	2.864
Long COVID	0.635
COVID Response	86.540
COVID Recovery	16.243
20/21 Savings Impact	17.672
Total Allocation	120.455

It is expected that the 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 are being developed to further enhance and support recovery. These costs will only be incurred in line with agreed funding.

5. FORECAST POSITION

The Health Board submitted it's final annual plan on 30th June, following Board approval on 23rd June. The final plan produces a £42m deficit, which has been reduced to £24.4m 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. At this stage there are no further recurrent pressures or opportunities identified which would impact on the £42m recurrent deficit.

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 currently two Board level financial risks: -

- Residual Cost Base (risk 73): There is 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. It is proposed that this risk remains unchanged
- 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 has been submitted as severe impact (5) but moderate likelihood. Since drafting the risk the Health Board has been notified of a first tranche of funding of £16.243m to address this. The risk will be reviewed in light of this new information. Unchanged until the outcome of the Health Board's further tranche of recovery bids to Welsh Government is known.
- Availability of capital. Risk 72 was closed towards the end of 2020/21 as it became clear that the Health Board's immediate capital demands would be met within a balanced Capital Resource Limit. Capital has been identified as a scarce resource again in 2021/22 and with limited national capital the Health Board's discretionary plan remains balanced, but does not fully meet the Health Board's immediate need. It is therefore proposed to Committee that this risk now be re-opened and scored at 15 (high consequence/medium likelihood) to capture this risk whilst further discussions with Welsh Government are held.

8. ACTIONS AND NEXT STEPS

The new financial year will see the following actions:

In relation to month 3 position

- Nurse Director and Medical Director to identify clear monitoring mechanisms to support variable pay reduction plans by 30th July 2021.
- Review COVID response cost, exit strategies and assess potential ongoing impacts – month 4 finance review meetings
- Preparation of a CHC plan for Mental Health and Learning Disabilities services for consideration by Management Board
- Ongoing identification of savings pipeline and delivery of planned savings (All);
- Temporary vacancy freeze within the budgets of the Director of Workforce and Organisational Development pending an urgent review of savings plans to achieve 100% CIP delivery.
- Further development predictive analysis to enhance future reporting (Interim Director of Finance and Performance).

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.

9. RECOMMENDATION

Members are asked to: -

- **NOTE** the agreed 2021/22 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 3 (June) 2021/22, in particular:
 - the revenue outturn position of £6.081m deficit; and
 - the year-end forecast deficit of £24.405m.
- **NOTE** the actions to manage the financial position within the forecast.
- **AGREE** the risk scores for risks 73 and 79
- **AGREE** the re-opening of risk 72 on capital availability

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 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		
(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 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 3 Financial Report	