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Health Board



<b>Meeting Date</b>	<b>26<sup>th</sup> October 2021</b>	<b>Agenda Item</b>	<b>5.1</b>
<b>Report Title</b>	Financial Report – Period 7 2021/22		
<b>Report Author</b>	Samantha Lewis, Deputy Director of Finance		
<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 and Finance Committee of the Health Board financial position for Period 7 (October) 2021/22 and sets out the current forecast revenue year end outturn.		
<b>Key Issues</b>	<p>The report invites the Performance and Finance Committee to note the detailed analysis of the financial position for Period 7 (October) 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>		
<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>NOTE the agreed 2021/22 financial plan.</li> <li><b>CONSIDER</b> and comment upon the Board's financial performance for Period 7 (October) 2021/22, in particular: <ul style="list-style-type: none"> <li>the revenue outturn position of £13.880m deficit; and</li> <li>the adjusted year-end forecast deficit of £24.405m.</li> </ul> </li> <li><b>NOTE</b> the actions to ensure delivery of the financial forecast.</li> <li><b>NOTE</b> emerging savings position for 2022/23</li> <li><b>AGREE</b> the risk handling for the 4 risks noted</li> </ul>		

## FINANCIAL REPORT – PERIOD 7

### 1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 7 revenue position

The report informs the Performance and Finance Committee that the Period 7 (October 2021) revenue financial position is an overspend of £13.880m and invites the committee to note the detailed analysis of the Period 7 (October 2021) revenue financial position.

### 2. BACKGROUND

The Health Board agreed the Annual Plan for 2021/22 at its meeting on 23<sup>rd</sup> 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.

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

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 £130m of COVID funding for this financial year, this is based on assumed costs for 12 months. This £130m 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 7 reported in-month position was an overspend of £1.874m and £13.880m cumulatively. The cumulative position should be compared with the planned deficit of £14.236m. The cumulative position is £0.356m below the forecast position.

	Budget			Actual			Variance					
	In Month			In Month			Cumulative					
	£000			£000			£000					
Income	-	24,874	-	24,976	-	102	-	168,257	-	167,100	1,157	
Pay		53,988		52,959	-	1,029		371,794		366,394	-	5,400
Non-Pay		56,844		58,189		1,345		391,218		395,601		4,383
Delegated Position		85,958		86,172		214		594,755		594,895		140
Corporate Plan	-	1,660				1,660	-	13,740		-		13,740
Total Position		84,298		86,172		1,874		581,015		594,895		13,880

### 3.1.2 Income

Income budgets have reported an under-achievement of £1.157m.

The key areas of under-achievement remain dental, catering, rental and other patient related charges, however there has been some improvement in the position in Month 7.

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 current income position is being supported by around £0.6m per month of COVID sustainability response funding.

### 3.1.3 Pay

The underspend on workforce budgets has continued in-month. The rate of underspend have reduced from that reported in Month 6 as Month 6 included the backdated impact of pay inflation which was applied to funded vacancies.

Workforce	Budget	Actual	Variance	Budget	Actual	Variance
	In Month	In Month	In Month	Cumulative	Cumulative	Cumulative
	£000	£000	£000	£000	£000	£000
A&C	7,760	7,350	- 410	53,341	50,756	- 2,585
APST	1,894	1,832	- 62	13,258	12,497	- 761
AHP	3,760	3,425	- 335	25,810	23,928	- 1,882
HCS	1,691	1,604	- 87	11,672	11,140	- 532
ACS (Exlcuding HCSW)	1,588	1,493	- 95	11,453	11,030	- 423
M&D	12,462	12,585	123	87,659	88,246	587
Nursing (including HCSW & Students)	22,234	21,907	- 327	150,378	149,442	- 936
E&A	2,829	2,765	- 64	19,798	19,357	- 441
VF	- 228		228	- 1,573	-	1,573
<b>Total Workforce</b>	<b>53,990</b>	<b>52,961</b>	<b>- 1,029</b>	<b>371,796</b>	<b>366,396</b>	<b>- 5,400</b>

Medical staff budgets have reported an overspend in month, it should be noted that the medical variable pay (excluding WLI) has reduced for the third consecutive month.

Non-Medical Agency costs remain high at £2.484m 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 not yet reporting any impact of increasing utilities prices, due to the level of pre-purchased utilities. It is however expected that there will be some emerging pressure over the remaining months of the financial year and into next year as the pre-purchase arrangements come to an end.

### 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 £27.415m of green and amber savings, with a further red schemes which are being developed and assessed.

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 £26.6m. 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 £24.7m, which is £3m 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 £24.7m recurrent savings around £6m 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
<b>Total Targeted Value</b>		<b>32.7</b>

The table below sets out the indicative targets based on 4%. No information has been collated from Corporate Directorates at this point but this is being taken up through the 2<sup>nd</sup> quarter reviews with service groups which are currently underway.

The table shows the initial savings plans identified and is reported after assessment. Initially the total was £9m but a review identified a double count of £6m for beds release identified in 2021/22 plans. 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.

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	470,000	546,688	591,880	490,683	750,000	2,849,251
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	304,000	386,275	159,736	76,756	75,000	1,001,768
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
<b>Total</b>	<b>27,278,025</b>	<b>17,048,766</b>	<b>10,229,259</b>	<b>3,168,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>10,168,000</b>

#### **Action: -**

- **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 – 10<sup>th</sup> December 2021**
- **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 – 26<sup>th</sup> November 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**
- **Agree** test and challenge process for savings to review and provide assurance on service impacts and to ensure consistency of approach. **PMO - end of November 2021**
- **CEO to meet Corporate and Service Group Directors to discuss savings in December**

#### **4. COVID-19**

The Health Board forecast COVID expenditure for 2021/22 is £112.968m. Funding is expected to fully meet the forecast costs. The Health Board has in the last few days also been notified of a further £1.43m recovery funding that will be provided.

COVID Expenditure	YTD Spend £000	Forecast Spend £000
Testing	2,119	3,524
Tracing	6,821	12,971
Vaccination	8,265	13,264
Extended Flu	290	1,160
Cleaning Standards	1,381	2,366
Recovery	8,531	22,787
Long COVID	154	635
Urgent Emergency Care	1,005	3,031
Sustainability :		
Primary Care Prescribing	3,503	5,773
PPE	2,814	5,789
Care Homes	1,706	2,243
Staffing	16,848	28,076
Other Non Pay/Income Loss	6,881	11,349
	<b>60,318</b>	<b>112,968</b>

The Health Board has received £89.143m of the funding to meet this expenditure and the balance of £23.827m relates to programme costs that are being issued on a quarterly basis based on actual/forecast costs and also Urgent Emergency Care funding which has not yet been released to the Health Board.

In addition to the £112.968m 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: -**

- **Establish** robust forecast of recovery schemes/actions, in terms of activity/service delivery and expenditure. **Planned Care Board supported by Deputy COO, Deputy Director of Finance – End of November 2021.**
- **Develop** alternative opportunities to ensure allocated funding is fully utilised. **Planned Care Board supported by Deputy COO, Deputy Director of Finance – 10<sup>th</sup> December 2021.**
- **Agree** Urgent Emergency Care commitments and further actions aligned to Winter Plans – **UEC Board supported by Deputy COO, Deputy Director of Finance – End of November 2021**

**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.

	<b>2021-22 Plan Update £m</b>	<b>Current Position £m</b>
20/21 Core Underlying Position	24.405	24.405
20/21 Savings COVID impact	17.672	17.672
<b>20/21 Underlying Position</b>	<b>42.077</b>	<b>42.077</b>
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
<b>Forecast Position pre-COVID</b>	<b>42.077</b>	<b>42.077</b>
Less 20/21 Savings impact	-17.672	-17.672
<b>Forecast Position post-COVID</b>	<b>24.405</b>	<b>24.405</b>

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: -**

- **Review** all investment plans to identify areas of expenditure that can be expedited and other areas of expenditure to support longer term strategy and improve patient care. **CEO and DOF, supported by Service and Corporate Directors – 3<sup>rd</sup> December 2021.**
- **Action** that all recovery funds related to planned care and diagnostics are fully committed in 2021/22 – **COO, Deputy COO and Planned Care Board.**

## 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 has been submitted as severe impact (5) but moderate likelihood (3) score 15.

The Health Board has received £22m in 2021/22 to address access 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).** This risk 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. Following agreement at the Performance and Finance Committee, this risk has been reopened and is currently scored 15. In the last month a significant amount of progress has been made in capital allocation and the Health Board has secured funding for COVID recovery and for additional discretionary spend. It is proposed that risk be closed but reviewed as the position for 2022/23 emerges and consideration be given at the appropriate time of re-opening the risk.
- 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 reported 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: -

- Review all non-bed related amber schemes to provide assurance of delivery, actions required or alternative opportunities. **Service and Corporate Directors and PMO – 26<sup>th</sup> November 2021**
- Establish robust forecast of recovery schemes/actions, in terms of activity/service delivery and expenditure. **Planned Care Board supported by Deputy COO, Deputy Director of Finance – End of November 2021.**
- Develop alternative opportunities to ensure allocated funding is fully utilised. **Planned Care Board supported by Deputy COO, Deputy Director of Finance – 10<sup>th</sup> December 2021.**
- Agree Urgent Emergency Care commitments and further actions aligned to Winter Plans – **UEC Board supported by Deputy COO, Deputy Director of Finance – End of November 2021.**
- Review all investment plans to identify areas of expenditure that can be expedited and other areas of expenditure to support longer term strategy and improve patient care. **CEO and DOF, supported by Service and Corporate Directors – 3<sup>rd</sup> December 2021.**

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.

## 9. RECOMMENDATIONS

Members are asked to:

- NOTE the agreed 2021/22 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 7 (October) 2021/22, in particular:
  - the revenue outturn position of £13.880m 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

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 7 Finance Position for PFC	