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Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	26th October 2021		Agenda Item	
Report Title	Financial Report – Period 6 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 6 (September) 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 6 (September) 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	Approval
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • NOTE the agreed 2021/22 financial plan. • CONSIDER and comment upon the Board’s financial performance for Period 6 (September) 2021/22, in particular: <ul style="list-style-type: none"> ▪ the revenue outturn position of £12.006m 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 72, 73 and 79 • AGREE the assessment of a new risk around bed release and savings of 15 			

FINANCIAL REPORT – PERIOD 6

1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 6 revenue position

The report informs the Performance and Finance Committee that the Period 6 (September 2021) revenue financial position is an overspend of £12.006m and invites the committee to note the detailed analysis of the Period 6 (September 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 in excess of £120m of COVID funding for this financial year, this is based on assumed costs for 12 months. This £120m includes non-recurrent funding of £17.7m 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 6 reported in-month position was an overspend of £1.821m and £12.006m cumulatively. The cumulative position should be compared with the planned deficit of £12.202m. The cumulative position is £0.196m 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	- 25,466	- 25,312	154	- 143,383	- 142,124	1,259
Pay	60,444	59,002	- 1,442	317,806	313,435	- 4,371
Non-Pay	57,646	58,743	1,097	334,374	337,412	3,038
Delegated Position	92,624	92,433	- 191	508,797	508,723	- 74
Corporate Plan	- 2,012		2,012	- 12,080	-	12,080
Total Position	90,612	92,433	1,821	496,717	508,723	12,006

3.1.2 Income (slide 4)

Income budgets have reported an under-achievement of £1.259m.

The key areas of under-achievement are dental, catering, rental and other patient related charges. The LTA and SLA block arrangements are expected to remain in place for the rest of this financial year, however this is not yet formally agreed. The inflationary and pre-pandemic performance impacts continue to be reviewed to ensure all are appropriately reflected.

The current income position is being supported by around £0.6m per month of COVID sustainability response funding. This support will be reviewed through monthly performance meetings to consider the recovery mechanisms and potential longer term impacts.

3.1.3 Pay (Slide 5)

Pay budgets have reported a £4.371m underspend for the first six months of the financial year.

The underspend on workforce budgets has increased in-month, The key reason for the increased level of underspend is the impact of the 3% pay award which has been allocated to recurrent establishments. Due to the level of vacancies, the actual cost of the pay award is less than the funding allocated to recurrent budgets. No uplift has been applied to agency costs or to ad hoc locum provision.

The table on slide 5 highlights an underspend against medical staff budget in month, which relates in the main to the impact of the pay inflation application. It should be noted that Medical and Dental variable pay has reduced to the lowest level reported in this financial year.

Agency costs increased in registered nursing, healthcare scientists and estates and ancillary, reflecting increasing usage and wider use of more

expensive off-contract agencies. Much of this increased cost has been supported by COVID response and recovery funding.

Around £18m of COVID funding has been issued to support increased pay costs in the first six months, excluding funding for vaccination, TTP and cleaning standards. This significant cost is supporting changed service models and requirements, surge capacity, other additional support and recovery. 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 (Slide 6)

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

3.1.5 Savings and Recovery Challenge (Slide 7)

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 £27.3m of green and amber savings, with a further red schemes which are being developed.

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 £26.3m. This slippage predominantly relates to bed utilisation efficiencies. This slippage can be managed through non-recurrent slippage on investments, however all Service Groups and Directorates are asked to review opportunities for savings, both recurrent and non-recurrent.

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.

Within the £24.7m recurrent savings around £6m are Amber schemes linked to bed utilisation efficiencies and these are currently considered to be a financial risk. Further work is being undertaken on the bed model to ensure that these efficiencies are able to be delivered.

A full report on in-year, recurrent and 2022/23 savings opportunities will be provided at the next Management Board and then further reported to Performance and Finance Committee.

4. COVID-19 (Slide 8)

The Health Board forecast COVID expenditure for 2021/22 is £109.905m. The detail is shown on slide 8.

The Health Board has now received confirmation of the full year COVID sustainability funding £44.418m and further COVID recovery funding £6.311m. The remaining funding is being issued on a Quarterly basis by WG based on the actual/forecast costs. The Health Board has also received £9.3m of capital to support COVID recovery schemes and longer term solutions, this will need to be closely managed to ensure delivery of the schemes and the commitment of the capital in 2021/22.

Whilst the expenditure for 2021/22 is expected to be fully funded, the use of COVID response funding must be reviewed at the mid-year point and Service and Corporate Directors will be formally asked to review this funding and identify the exit strategies and any anticipated recurrent/longer term impact for consideration by the CEO.

The Health Board has been advised of an on-going allocation of £21.6m for 2022/23 to support the sustainability of Recovery schemes. This is currently being worked through by the Executive Team and the Management Board to maximise the benefit of its deployment.

5. FORECAST POSITION

The Health Board submitted its 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.

A full review of investments, savings, risks and opportunities will be undertaken for the end of Quarter 2 to support the assurance of the forecast.

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 three 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. 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. Following agreement at the Performance and Finance Committee, this risk has been reopened and is currently scored 15. Further discussions with Welsh Government are ongoing and a bid has been made to support the ambition within our discretionary programme.

For month 6 there is no proposed change to the risk scores for the existing risks set out above.

- 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 (slide 10)**

The key actions for the Health Board are: -

- review COVID response cost, exit strategies and assess potential ongoing impacts for review by the CEO – Service Directors and Corporate Directors by end of October.
- the preparation of a CHC plan for Mental Health and Learning Disabilities services for consideration by Management Board by end of September.

- ongoing identification of savings pipeline and delivery of planned savings, including 50% of 2022/23 anticipated savings target by end of September. This will be reported to Management Board at the end of October. (All)
- review of bed modelling to support the agreement to core bed plan and alignment to recurrent efficiency opportunities.
- full review of investments, savings, risks and opportunities to be completed for end of Quarter 2 and WG mid-year review

9. RECOMMENDATION

Members are asked to: -

- NOTE the agreed 2021/22 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 6 (September) 2021/22, in particular:
 - the revenue outturn position of £12.006m 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 72, 73 and 79
- **AGREE** the assessment of a new risk around bed release and savings of 15

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 6 Finance Position for PFC	