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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	27th September 2022		Agenda Item	
Report Title	Financial Report – Period 5 2022/23			
Report Author	Samantha Moss, Deputy Director of Finance Alison McLennan, Finance Business Partner			
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 & Finance Committee of the Health Board on the financial position for Period 5 (August 2022) 2022/23 and sets out the current forecast revenue year end outturn.			
Key Issues	<p>The report invites the Performance & Finance Committee to note the detailed analysis of the financial position for Period 5 (August 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>			
Specific Action Required (please choose one only)	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 2022/23 financial plan. • CONSIDER and comment upon the Board's financial performance for Period 5 2022/23. • NOTE the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: - <ul style="list-style-type: none"> ○ 100% delivery of savings and all schemes to be green and amber with work to finalise red schemes to be completed by 9th September. All Service Group Directors and Corporate Directors ○ Focused attention to ensure the 100% of the green and amber schemes are deliver in line with the plans identified. All Service Group Directors and Corporate Directors • NOTE increased cost control in respect of COVID response costs: - <ul style="list-style-type: none"> ○ Actions from the Check & Challenge meetings in July 2022 to be followed up in September 2022 with updates required from all Services Groups by the 			

	<p>end of August, to provide assurance on delivery to the Committee. All Service Group Directors</p> <ul style="list-style-type: none"> ○ Where necessary further meetings to be arranged for Q3. ○ DoF to continue engagement with Welsh Government (WG) on the risks regarding funding and updates on COVID response costs submitted WG in Month 5 Monthly Monitoring Return (MMR) submission. ○ To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists. <ul style="list-style-type: none"> ● NOTE actions to ensure the operational pressures are mitigated and areas return to financial. <ul style="list-style-type: none"> ○ Focused attention of the delivery of Financial Recovery as per of the actions from the Summit meeting on 7th September, All Service Group Directors and Corporate Directors ○ Actions with regard to the Financial Improvement Director appointment for Morriston Service Group and the requirement for updates to a further Performance and Finance Committee meetings in October 2022 and November 2022. ● AGREE the risk handling for the risks noted. ● NOTE all actions and updates to support the management of the 2022/23 financial position.
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FINANCIAL REPORT – PERIOD 5

1. INTRODUCTION

The report provides the Committee with an account of the period 5 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 31st March. The plan has subsequently been revised and updated following notification from Welsh Government (WG) that the deficit of £24.4m would be funded recurrently, and was approved on 28th 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
2022/23 opening position	42.1
WG Allocation applied against sustainability	(12.4)
Additional WG allocation applied against sustainability	(24.4)
Savings required to manage FY21 Savings Gap	(5.3)
2022/23 underlying position after sustainability application	0.0
Application of core WG funding based on 2%	(9.7)
Cost pressures & Investments	31.4
Cost pressures Operational	0.0
CIPs - 4%	(21.7)
Deficit/(surplus) for year 2022-23 - base plan	(0.0)
Extraordinary cost pressures	24.1
Deficit/(surplus) for year 2022-23 - after extraordinary pressures	24.1
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)
Deficit/(surplus) for year	(0.0)

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 Pressures (Utilities / Real Living Wage / National Insurance) 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

	Revised Plan	In Mth	Year To Date	Forecast 31st March 2023
	£M	£M	£M	£M
Variance Against RRL Deficit / (Surplus)	0	0.66	2.49	0
Additional Expenditure Anticipated to be Funded by WG				
- Covid (excluding National Programmes)	42.9	3.68	18.22	42.14
- Extraordinary Pressures	24.1	1.63	7.71	38.68
2022/23 Savings Delivery Target Shortfall (inc unmet b/f)	31.6	2.20	10.95	29.50

- **Variance Against RRL** – 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 5 variance was an overspend of £0.66m. The YTD plan at month 5 should be breakeven but actual variance is an overspend of £2.49m.
- **Additional Expenditure** – this is the value of the additional funding required to support COVID Transition and extraordinary pressures. At the end of Month 5 funding for the Extended Flu and some Dental Loss Income had been received from Welsh Government (WG) but funding has yet to be received for remainder of COVID Transition costs of £39.8m and the extraordinary pressures £38.68m. These values remain anticipated allocations and noted as a risk.
- **Savings Delivery** – With a 2022/23 annual target of £27.0m, plus £4.6m unmet savings b/f, the in-month delivery is anticipated at £2.6m. For Month 5 the shortfall against this target as per the ledger was £0.43m and YTD £2.21m.

At the end of Period 5 the £2.49m is broken down by Service Group and Corporate Directorate as per the table 3 below:

Table 3: Summary Position by Service Group/ Directorate @ Month 5

	Month 5 Performance £000
Service Groups	
Mental Health & LD	1,926
Morrison	6,282
NPT & Singleton	1,000
PC & Community	-34
Directorates	
Board Secretary	-39
Chief Operating Officer	231
Director of Strategy (excluding COVID)	-107
COVID	0
Director of Transformation	-20
Finance & Estates	482
Digital	27
Medical Director	-58
Nurse Director	-79
Workforce & OD	86
Clinical Medical School	0
Research & Development	10
DSU	0
EMRTS	0
DICE	2
Corporate I&E	-8
Delegated Budget Position	9,701
In year deficit £24.4M	-
Opportunities Released	- 7,242
Current Delegated Position	2,460

Actions/Comments in Month 5 Summary:

- Morrison – The CEO 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. A Finance Improvement Director has been appointed and will start w/c 19th September. Updates will be provided in future months.
- MH/LD – primarily CHC and the requirement to fund CHC at higher than anticipated level. This is linked to the wider issue of how the HB deploys its central budgets to support growth, given as per Month 2 report these central budgets are potentially overcommitted. However, following discussions with the CEO we are in the process of deploying the resources to support CHC as part of the larger review of Central Budgets.
- Finance & Estates – this is linked to the ongoing pressures with regard to Utilities, funding for extraordinary pressures (section 4.9) and what forecast will be for the year given the volatility of the Energy Markets.

- NPTS – overall Pay is underspending YTD but was over in month. The £1m pressure is primarily linked to non-pay, with secondary care drugs and clinical supplies contributing to £0.7m of overspend YTD.
- The Finance Delivery Unit (FDU) has been approached to provide supportive independent analysis on drug and CHC expenditure and this has been agreed in principle. The precise nature of the work will be agreed in week commencing 19th September 2022.

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

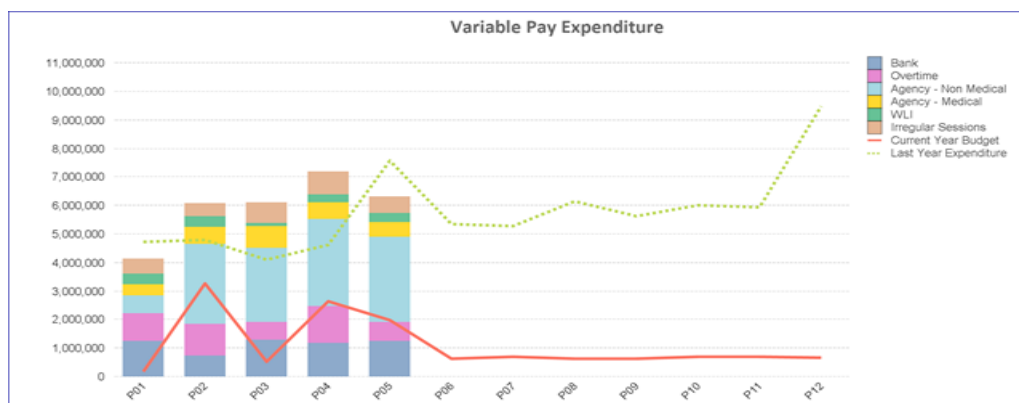
The performance against budget both in month and YTD is provided in table 4 below, with the variance split between Variable Pay costs and fixed staff costs.

Table 4: Variance on Pay 2022/23

Pay	Budget	Actual	Variance	Variance	Total
	£'000	£'000	Variable Pay	Fixed Costs	Variance
			£'000	£'000	£'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
YTD	269,420	270,276	30,876	- 30,020	856

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 below last year's month 5 level with continued pressures in non-medical and medical agency costs in month 4. Overtime has decreased during the month as Month 4 saw backdated payments in lieu of annual leave for which, as reported previously, the HB is anticipating Welsh Government funding.

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 YTD 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
YTD	293,939	297,039	-	3,100	3,100

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
CHC	4.241
Drugs/FP10s	0.352
Clinical services/supplies	1.579
CIP	2.215
Sub total	8.387
Offset by underspends across losses/clinical negligence/recharges/other corporate expenditure on Z095 #1	(5.287)
Total Variance Non Pay	3.100

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 CHC

One area of the non-pay with significant variance against budget in Month 1-5 is CHC. An analysis of actual spend and patient numbers for 2022/23 is provided in table 6 below on a month by month basis. *The reduction in MH expenditure in Month 3 reflects adjustment made for savings delivery and is a one off in month adjustment.*

Table 6b – CHC breakdown

Service Area	General		MH		LD		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
Total		10,508,625		5,395,464		8,851,135		24,755,223

4.2.2 Primary Care Prescribing

As the Primary Care prescribing data is 2 months in arrears there is only 3 months 2022/23 data at this point. The accrual has been calculated based on historical trends. Updates will be provided in future months, when a number of months' data is available.

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 5 were found in general M&SE. Work continues to understand if the pressures linked to activity/demand.

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
YTD	- 120,404	- 121,866	- 1,463

In Month 5 the overachievement in income is attributable to R&D, LTA & WG income, with other income categories broadly achieving a balanced position. Table 7 shows the movement in income in the first 5 months of this financial year.

4.4 Central Cost Centre Z095

Centrally there has historically been a cost centre (Z095), which holds all the income from Commissioners for both LTA and SLAs, along Health Board wide issues such as Overseas Visitor Income and RTA income. Whilst performance on LTAs will be picked up separately within this report in section 4.6, during August and continuing into September a significant amount of corporate finance resource will be deployed to investigate whether this central area contain any risks.

As raised in the August PFC, work on reviewing Overseas Visitor Income has identified a pressure of £93k YTD, but it is anticipated that this will be offset by other income lines overachieving. For Private Patients charges and the Overseas Visitor Charges the Private Patients Officers raise and send invoices based on information provided to them from various sources in the Health Board.

A further update will be provided separately from items 4.1-4.3 in future months, along with a proposal on how the budgets are managed from 2023/24, once the work detailed above is complete.

4.5 Savings

At the end of Month 5 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. As per the weekly CIP report dated 31st August (supporting the WG Month 5 submission), the total value of schemes identified for 2022/23 is £29.5m (£24.1m recurrently) and these values are included in the tables below.

Tables 8a – Savings Overview (as at 31/08/22)

	Reported PFC April	Reported PFC May	Reported PFC June	Reported PFC July	Reported PFC August	Reported PFC September	Movement
	£m	£m	£m	£m	£m	£m	£m
2022/23 Identified (Planned)	20.0	22.0	23.0	27.1	27.4	29.5	0.2
2022/23 Identified Recurrently	19.6	20.8	20.7	22.5	22.2	24.1	1.9

To date, slippage on the savings plan is causing a non-pay overspend of £2.215m as noted in Section 3.

Tables 8b – Savings Overview (as at 31/08/22)

Summary Breakdown	Target 2022/23 £k	Actual Identified 2022/23 £k	Shortfall £k	Actual Recurrently Identified £k	Recurrent Shortfall £k
Corporate	5,746	5,097	649	3,821	1,924
Morriston	10,447	8,528	1,919	7,895	2,552
NPTS	6,388	5,725	663	5,107	1,282
MHLD	3,738	3,841	-103	3,825	-87
PCC	3,505	3,546	-41	2,580	925
IMM and Health Board Wide	1,819	900	919	900	919
	31,642	27,637	4,005	24,128	7,515

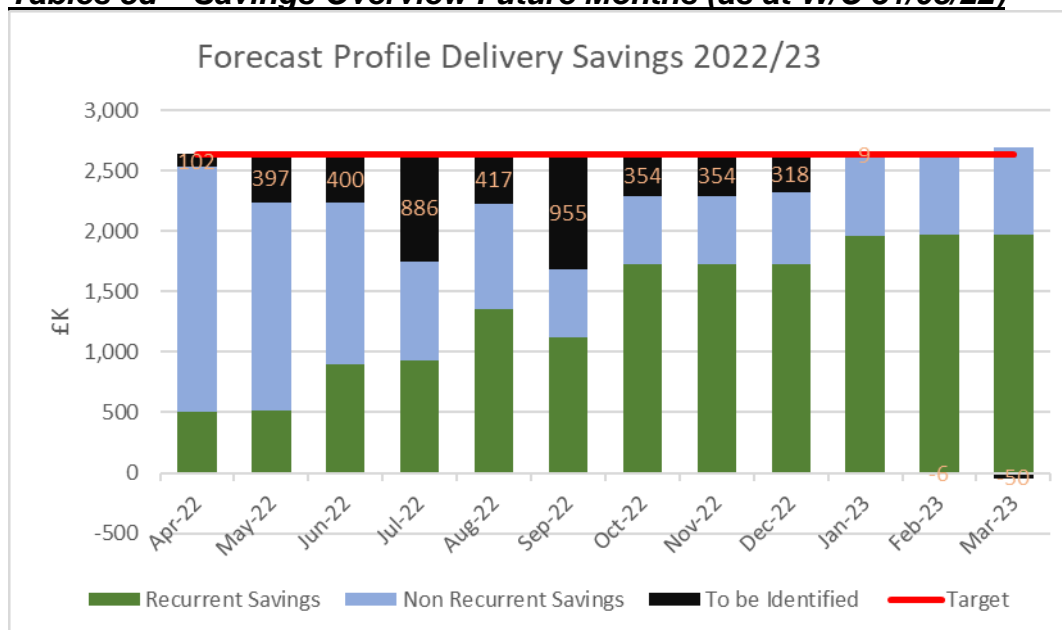
Note: Identified column in table 8b reflects forecast delivery whereas identified in Table 8a is total value of identified schemes. The difference reflects that in year not all planned schemes are reporting as deliverable in full.

Tables 8c – Savings Overview (as at 31/08/22)

	Total		Morriston		NPTS		MHLD		PCC		Corp/Other	
	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE
Red	3,124	6,690	2,544	4,712	540	1,410	-	488	-	-	40	80
Amber	4,743	6,227	374	365	2,206	3,053	947	1,530	114	635	1,103	644
Green	19,770	11,211	5,610	2,818	2,979	644	2,895	1,807	3,432	1,945	4,854	3,998
	27,637	24,128	8,528	7,895	5,725	5,107	3,841	3,825	3,546	2,580	5,997	4,721
% of CIPS Green	71.53%	46.46%	65.79%	35.69%	52.03%	12.60%	75.36%	47.24%	96.79%	75.38%	80.95%	84.67%

Verbal update will be provided on savings at the meeting.

Tables 8d – Savings Overview Future Months (as at W/C 31/08/22)



Note: included latest version of Table 8d to allow Committee to see where challenges will arise if savings not identified in full, against £31.6m target.

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 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.
- CEO set target for 100% delivery of savings and all schemes to be green and amber by the end of June 2022 revised to 9th September 2022.
- Immediate attention is required to address the shortfall in savings in Quarter 2 of the financial year.
- Focused attention to ensure the 100% of the green and amber schemes are delivered in line with the plans identified. Thus ensuring plan and actual align.

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

The detailed weekly savings report is included as **Appendix 1**.

4.6 LTA (inc WHSSC) Performance

Historically LTA contracts have been based on a Cost and Volume approach, which reflects adjustments for under and over performance. From the start of the COVID pandemic in April 2020 all LTA agreements in both England and Wales transferred to a block arrangement, whereby commissioners funded providers on 2019/20 levels uplifted by nationally agreed rates with no adjustment for performance. From 1st April 2022 the previous block arrangements have ceased and a hybrid model adopted where under or over performance adjustments will

become applicable above a tolerance level. This will be relevant to both services we commission from other Health Boards and services commissioned from SBU HB.

This information will be shared on a quarterly basis. The position for Quarter 1 is provided in the tables below.

Table 1 is the performance of Swansea Bay HB as a provider, for services commissioned by other Health Boards. Under the previous LTA arrangement due the full year forecast for underperformance would be £12.0m, under the interim arrangements that risk has reduced to £4.2m.

Commissioners	LTA Value	Old LTA Rules		Interim LTA Approach	
		Variance to Mth 3	Full Year Forecast	Variance to Mth 3	Full Year Forecast
	£m	£m	£m	£m	£m
Hywel Dda (Exc NICE)	37.494	-0.472	-1.886	-0.219	-0.876
AB	0.916	0.004	0.015	0.014	0.058
C&V	4.215	-0.033	-0.134	0.01	0.041
CTM Bridgend	17.028	-0.26	-1.041	0.159	0.634
CMT - Former CT	1.114	-0.015	-0.06	0.008	0.046
CTM - CCSLA (NPTH)	7.674	-0.265	-1.058	-0.135	-0.81
Powys	8.501	-0.173	-0.691	-0.031	-0.123
WHSSC	112.402	-1.799	-7.196	-0.791	-3.164
Total	189.344	-3.013	-12.051	-0.985	-4.194

Table 2 is the performance of contracts provided by other Health Boards but commissioned by Swansea Bay. Here under the previous LTA arrangements we would have seen a benefit of £5.6m but under the interim arrangement that has reduced to £3.8m.

Providers	LTA Value	Old LTA Rules		Interim LTA Approach	
		Variance to Mth 3	Full Year Forecast	Variance to Mth 3	Full Year Forecast
	£m	£m	£m	£m	£m
Hywel Dda (Exc NICE)	4.755	-0.348	-1.392	-0.254	-1.017
AB	0.204	0.007	0.029	0.028	0.11
C&V (Exc NICE/Robot pass-through)	3.685	-0.155	-0.622	-0.159	-0.636
CTM Bridgend	24.327	-0.689	-2.757	-0.499	-1.996
CTM - Former CT	3.001	0.006	0.023	0.023	0.091
CTM - CCSLA (POWH)	1.814	-0.103	-0.412	-0.045	-0.182
Powys	1.122	-0.119	-0.474	-0.026	-0.104
Velindre (Exc NICE)	0.301	-0.01	-0.04	-0.006	-0.026
Total	39.209	-1.411	-5.645	-0.94	-3.758

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 Q1 information indicated underperformance as a provider will be offset by underperformance as a commissioner.

4.7 COVID Transition (Response)

The national COVID programmes of TTP, Mass Vaccinations and PPE are confirmed as funded by WG. Whilst the COVID Transition costs are recognised by WG, there is no confirmed funding at this point. However, within the financial position and plan it is assumed this will be funded via an anticipated allocation.

Within the 3 Year Recovery and Sustainability Plan submitted at 31st 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 5 is included table 9 below and has been reported in detail to WG as part of the MMR submissions:

Table 9 – COVID Allocations and Anticipated Allocations

RRL COVID Allocations	2022/23 Forecast @ mth 5	Total By Type
	£'000	£'000
National Programmes: Tracing	5,600	21,211
National Programmes: Testing	2,240	
National Programmes: Mass Vaccinations	7,616	
National Programmes: PPE (Exc Stores Staff)	4,669	
National Programmes: Long COVID	578	
National Programmes: Nonsocomial	508	
COVID Transition Funding Received: Extended Flu Funded to Date	918	2,336
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418	
COVID Transition: Cleaning Standards	1,906	39,808
COVID Transition: Dental Income Shortfall (Balance)	421	
COVID Transition: Other	37,481	
Total Table B3	63,355	63,355

To support WG with the request for additional funding for NHS Wales, there have been a number of discussions with the FDU on the challenging position regarding the Transition COVID costs and the funding required. As a result of these discussions the HB provided a summary of the forecast (based month 4) linked to the ongoing impact of the COVID on areas such as Clinically Optimised Patient, bed pressures and sickness, which were provided to the FDU on 6th September. In summary the key points are detailed below.

- At Month 4 the COVID forecast spend, excluding national programmes, dental income and cleaning standards = £37.2m
- On analysing the £37.2m of forecast costs, these can be attributed to 2 key areas (1) surge beds above pre-pandemic levels in part linked to the legacy of COVID on Clinical Optimised Patient levels; and (2) Sickness rates/absences that is COVID specific.
- In assessing the additional costs as a result of ongoing impact of COVID on beds and coverage for sickness from a top down approach using average costs per day the total value was circa £37.998m.

This work has helped to clarify why the HB forecast as a result of the COVID Impact remains higher than WG were anticipating.

Actions:

- Forecast continues to be refined and updated based on discussions with Service Groups.
- Linked to above given the de-escalation guidance service areas need to review requirements and update forecast with support of the Finance Business Partners (FBPs).
- Check & Challenge meetings with CEO were held in July 2022, which picked up the actions from the point above.
- Actions from meetings in July 2022 to be followed up in September, to provide assurance on delivery to the Committee.
- Continued discussion with WG on the risks regarding funding.

Although there continues to be a significant amount of work in this area there is no certainty that the COVID Transition element will be funded by WG or that WG will agree with the Health Board's assessments of COVID costs. This is reflected in the risk section later. Therefore the actual expenditure must be materially managed downwards as funding is uncertain in 2022/23 and likely to cease for all transition costs in 2023/24

4.8 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	1,508,370	1,368,283
Regional Cataract Services	1,398,337	274,366	1,123,971
Regional Orthopaedics	3,419,104	-	3,419,104
Strengthened Diagnostic & Imaging services	4,499,529	2,686,655	1,812,874
Implementation of the Critical Care Plan	-	-	-
Cancer	1,280,070	750,075	529,995
Other Capacity	4,139,711	3,130,180	1,009,531
Other Eyes	318,825	140,065	178,760
Primary Care Pathway Redesign	26,448	66,767	- 40,319
Other - Pre Committed	3,221,803	1,239,396	1,982,407
Therapies	121,543	68,271	53,272
Other (WHSSC)	297,978	344,260	- 46,282
TOTAL	21,600,000	10,208,405	11,391,595

Actions:

- To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.
- Plan is required by the end of September 2022 to balance the allocation.

4.9 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 5 position it is assumed these costs, above the £8.1m budget, will be funded by WG. A breakdown of the estimated costs above budget, as per the WG reporting requirements, for the three areas is provided below:

Table 11 – Extraordinary item cost assessment

Extraordinary Items	2022/23 Forecast @ Mth 5
	£'000
NI Health & Social Care Levy	6,929
RLW (Care Homes Only)	1,694
Energy Costs (inc Non BG items)	30,061
TOTAL ALLOCATION	38,684

Actions:

- Continual review of each area and refinement of forecast.
- Continued discussions with WG on the risks regarding funding and the methodology assessing the '2021/22 levels'.

5. SUMMARY ALL RISKS – REVENUE

As per Table A2 of the MMR returns the risks reported are as follows:

Within the MMR submission to WG is a list of the risk that could impact on the I&E position, which we have been reporting each month. For Month 5 reporting we have developed the Risks further by grouping the issues into the key headings that underpin the Financial Plan:

- Operational / Corporate Pressures
- Savings
- Investments
- COVID Transition and extraordinary pressures
- Balance Sheet

The table below also splits the Risks into two sections. Firstly, those that impact directly on I&E and secondly those that impact or require decisions linked to the wider Financial Plan and the options previously shared.

Table 12 – Risk rating per formal Monitoring Return reporting

RISKS		
AREA	£'000	Risk Score C x L
SECTION 1: RISKS TABLE A2 MMR		
Operational Pressures	-	
- 'LTA 'Go Live' with 10% tolerance	- 4,200	12
- WAST Transition Plan Full Year Impact	- 200	6
- CTM SLA disag	- 1,000	8
- Net Impact ALN	- 200	9
- Service Group Cost Pressures excluding Covid Response	- 5,000	16
- Digital Service cost pressures linked to SLA	- 605	12
- Childrens Services response	- 333	6
- CHC growth volume and cost	- 1,500	16
- Replacement of SAN Full year Costs	- 360	12
	- 13,398	16
		16
COVID Transition & Extraordinary Pressures & COVID Recovery		
- Energy Funding Assumption variance to IMTP	- 119	6
- Extraordinary Funding WG	- 38,684	16
-Covid Funding WG (Transition)	- 39,808	16
-COVID Recovery not able to be constrained within funding	- 393	8
	- 79,004	
Savings		
- Savings Delivery above current identified Schemes (inc red)	- 2,500	8
	- 2,500	
TOTAL RISKS Table A2 MMR Return	- 94,902	
SECTION 2: RISKS MANAAGING FINANCIAL PLAN		
Investments		
- Maintain Investment within Financial Plan	- 12,500	6
Balance Sheet		
- Assumptions Regarding Annual Leave Release	- 3,000	16
RISKS REGARDING FINANCIAL PLANNING OPTIONS	- 15,500	
TOTAL RISKS	- 110,402	

Further details on the RED risks:

- Service Group Pressures – refer to section 6 and the actions set by CEO
- CHC – refer to section 4.2.1.
- COVID Funding (Transition) – refer to section 4.7.
- Extraordinary Funding – refer to section 4.9.

Action:

- 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.
- Continued review and refinement of all Risks each month.

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

As reported at Month 4 there are a number of options that could materialise over the next 2-3 months on the delivery of the forecast position to 31st March 2022. To support

the challenging financial position reported within the Health Board since Month 3 a series of immediate actions have been undertaken in August 2022 and early September 2022. A summary of those are provided below:

- As the Accountable Officer, the CEO has issued letters to all the Service Groups and Directors and the expectation regarding financial performance in 2022/23.
- The letters outline both the increase in savings target but also clearly outlining the target (outturn control total) each area must achieve in 2022/23 to ensure the HB delivers a balanced financial position. There will be a stretch target for Morriston, in part mitigated by the additional savings.
- To mitigate the increased operational pressures all areas (excluding Morriston Service Group) will be required to deliver, a further £2m of savings on a non-recurrent basis. This additional £2m, on top of the £27m, will be transacted through the ledger and the MMR in Month 6.
- As outlined by the CEO the expectation is all savings (£27m+21/22 b/f £4.6+£2m) must be identified by 9th September (and reported on 13th September 2022) before further actions will be taken by the CEO to ensure delivery. There is also the expectation that recurrent savings will be identified in full by the end of September 2022.
- On 7th September 2022 all Executive Directors, Service Group Directors and direct reports met (at a summit held by the CEO and the Director of Finance and Performance) to discuss the financial position and to address 2 key questions (1) what actions can be taken in the next 2 months to address the 2022/23 deficit and ensure delivery of control totals; and (2) what actions can be taken to deliver improvements to support a sustain financial plan for 2023/24 and beyond.
- A further letter will be issued late Sep/Oct 2022 confirming the final elements of budget linked to the 2022/23 investment programme as part of the 3-year recovery and sustainability plan. At this point, with the exception of any in year WG funding, the Service Groups and Corporate Directorate will be clear on both their target and funding in which they will need to remain within.
- Independent, specialist financial improvement support has been identified to assist Morriston Service Group with its financial challenges. This support will start during the week commencing 12th September 2022.

The output from the above actions will form the foundations of the Financial Recovery Plan for 2022/23 and will be reported to the Performance & Finance Committee for noting and to monitor progress. Delivery against these actions will be used to inform the assessment on the financial position for the Mid-Year review meeting with WG and FDU scheduled for 28th October 2022.

The first part of the Financial Recovery Plan is the actions arising from the Summit held on the 7th September. As part of this 2 hours session a presentation was given to set the scene and a copy of this is provided in **Appendix 2** of this paper. The actions are being drawn together and will be reported in full to the next committee.

7. RISK ASSESSMENT

There are five 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.

- **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 and funding of £21.6m.
- **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 recue 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 20 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.**
- The September 2021 Committee also agreed to add an additional risk regarding the **savings schemes related to bed release**. A significant amount of work is underway on this area at the moment with changes planned in the Emergency Department itself, GP services in support of this, length of stay reduction plans and the purchase of care home beds to increase patient flow. These developments are intended to reduce admission and occupancy and will ultimately release bed capacity. In the first instance this released capacity will be used to reduce risk in the delivery of care, but then will be further used to reduce cost. It is therefore proposed that **a current score of 15 be maintained this month** with a high impact but medium likelihood. The mitigation of the risk will come through the actions of the Urgent Emergency Care (UEC) Programme.
- The April 2022 Committee also recognised the overarching risk in the delivery of the overall savings requirement for 2022/23. Performance against target is detailed within Section 4.5 of this report. Whilst a significant amount of work is being undertaken, under the direction of the PMO, there remain a shortfall in savings identified by in year and recurrent as well as a significant number of schemes identified as red. Work will continue through the CEO Check and Challenge sessions and the monthly Unit Performance & Finance meetings chaired by the DOF. However, whilst gaps in delivery remains it proposed that **a risk score of 15 be maintained with a high impact but medium likelihood.**

At the committee meeting held in August 2022 the Committee agreed to restructure the risks based on the development of the in-year financial position. It was agreed that a single risk, achieving financial balance, replace the risks above with the

exception of the capital risk which is a standalone risk, 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

With the support of the committee it is proposed to close the risks, with the exception of capital, in favour of the new structured risk as set out above.

8. FINANCIAL MATURITY

The Health Board undertook a governance maturity assessment in the autumn of 2021. This was undertaken as a self-reflection to help to inform, drive and enhance improvements in the Health Board's governance processes and ways of working.

Whilst the maturity element is titled "Money/Value for Money" the essence of the aspects of maturity is based on good financial discipline and control, transparency of process and robust, effective decision making.

The assessment of this maturity element was undertaken against the following assessment matrix and the assessment placed the Health Board at Early Progress level with 66% of the assessments being at that level with 16% Basic and 16% Results. This was considered a fair reflection.

Table 13 – Financial maturity table

Progress Levels → Key Elements ↓	BASIC LEVEL Principle accepted and commitment to action	EARLY PROGRESS Early progress in development	RESULTS Initial achievements achieved	MATURITY Results consistently achieved	EXEMPLAR Others learning from our consistent achievements
MONEY/VALUE FOR MONEY	Budget, cost pressures and efficiency targets are clearly identified and understood by the Board.	All in-year plans are costed and trajectory of spend / savings have been established to achieve breakeven / target. Quality implications are robustly tested.	The organisation has a record of meeting planned cost reductions / CIPs and agreed investments, whilst rejecting proposals with an unacceptable impact on quality. Unexpected in year pressures are identified and the Board show timely reprioritisation of deliverables.	Our services consistently run under benchmark cost. Headroom is created for developments / improvements. The Board is demonstrably reinvesting whole budget, rather than being limited by 'affordability' at margins.	We successfully leverage wider community resources to improve service delivery and outcomes.

The System of Financial Control which was developed early 2020/21 will assist in further maturing the financial domain. The assessment scored as early progress, but further work was done in 2021/22, particularly on the system of financial control, which has been focussed on a move to "results" and "maturity". The progress and next steps being worked on within the System of Financial Control is set out below across 8 key areas of financial control.

- **Planning – Integrated approach to service, workforce and financial planning.**
 - Progress – greater alignment of planning through Integrated Planning Group allowing service prioritisation within available resources. This is supported by clear business case scrutiny process.

- Next Steps – expand focus to reallocation of resources not just investments.
- **Budget Planning – Revenue and Capital budgets set in line with organisation’s plan and allocation.**
 - Progress – revenue budgets aligned to 19/20 baseline
 - Next Steps – refresh of baseline budgets post COVID to ensure clear understanding of delivery expectations. Capital budget prioritisation and planning based on service priorities.
- **Budget Delegation – Clear and formal procedure for the delegation of budgets from the Board cascaded throughout the organisation.**
 - Progress – delegation letters issued to Service Groups but no response collated.
 - Next Steps – ensure delegation letters are issued to all Corporate Directorates as well as Service Groups and ensure appropriate recognition is returned. Reporting to Audit Committee
- **Budgetary Control – Clear and robust control process with accountability through the Performance Management Framework**
 - Progress – Performance Management Framework established and implemented
 - Next Steps – 12-month review of Performance Management Framework in readiness for 2022/23, aligned to clear budgetary, workforce and service performance trajectories.
- **Reserves – Agreed process for managing and reporting reserves**
 - Progress – reporting of reserves and allocations periodically through PFC
 - Next Steps – Agreed reporting on Quarterly basis including forecast.
- **Accountability and Performance Management – Linked to Performance Management Framework**
 - Progress – Service group recognition of budgetary and performance delivery based on 19/20. COVID impact has been significant
 - Next Steps – re-establish clear baseline and cascade throughout the organisation. Identify development needs for service and clinical managers to enable them to deliver effectively.
- **Board Reporting – Clear and concise Board Reporting, articulating risks and opportunities and providing insight to allow informed decisions**
- **Business Cases – Clear process for the development and approval of business cases, supported by post implementation benefits realisation monitoring.**
 - Progress – Establishment of Business Case Assurance Group and reporting to Management Board
 - Next Steps – Develop clear timeline and pre-scrutiny process for Business Cases to avoid unproductive work. Support training and development for managers in developing business cases including clear performance metrics.

It is worth noting that some of the aspects of higher maturity, whilst reflected under the financial maturity assessment are broader than just finance. It is recognised that whilst progress has been made, further actions are required to progress the organisation’s financial maturity. A summary of the key areas of focus for the Finance Function linked to the Maturity Assessment that will

commence in 2022/23 are summarised in the table below, this will be expanded upon as the year progresses:

Table 14 – financial control actions

Areas of Financial Control	Area	Actions & Outcome	Next Steps
Budget Planning	Assess robustness and effectiveness of the current budget allocation process and comment changes.	Current budgets are based on 2019/20 outturn uplifted to growth and inflation where necessary. Question is whether this approach is now fit for purpose and what approach should be adopted.	Task and Finish Group established in June 2022, with provisional meeting held in June. Next steps being progressed.. This is a long term programme which may lead to incremental annual developments to improve budget setting and also improve the integration between Budget Setting and the IMTP Financial Plan.
Budget Delegation	Building on from Internal Audit recommendation from the Financial Reporting & Monitoring Audit it is recognised that the HB needs to re-establish what support budget holders require and how we deliver regular engagement	This will require the Finance function to re-evaluate who is a Budget Holder, how do we direct the resources available in the most efficient and effective manner, how we share financial information and the manner within which we engage i.e. virtual or face to face.	First meeting of the programme met on 28 th July, to discuss the scope of the programme and representatives.
Budgetary Control	Revised Closedown Process (In Year and Year End)	Explore options on closing ledger quicker but also improving quality data to support budgetary control and decision-making earlier in the month.	The Ledger Closedown Group has been established and has a clear work plan/action plan. The Governance around agreeing changes is being developed and in the longer term this will be supported by the new Finance Structure once all appointments have been made.
Reserves	Transparency of reserve position	Refer to section 6 or Month 1 and Month 2 reports	
Reporting	Improve Financial Reporting to Board/PFC/WG	This will be an ongoing process to ensure all risks and opportunities are identified and	The first revised report issued to PFC in Month 1. This is a journey of

Areas of Financial Control	Area	Actions & Outcome	Next Steps
		providing insight into key drivers of the position, including improved understanding of the Reserves	continued improvement to ensure reports are transparent and of use to the reader. There are no timescales for completion as ongoing progress.

Action:

- Going forward it is proposed that items under this section are reported to the Committed by exception and that the standard information is removed.

9. SUMMARY OF ACTIONS AND UPDATES

Items that have been completed and closed are now removed from the list below and moved to **Appendix 3**.

Table 15 – Action Summary

Area	Ref	Action	Update- September Report
Financial Performance	M03.1	Morrison – The CEO 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
Financial Performance	M04.1	CEO has asked the Director of Finance to prepare a financial improvement plan to enable the forecast balances position to be achieved.	Following meeting between CEO and DOF on 1 st August a number of actions to support plan were agreed and will be actioned during August.
Financial Performance	M04.3	Review of corporate cost centre Z095 to ensure no additional risks regarding Corporate Income associated with SLA/LTA/RTA and Oversea visitors	Work undertaken in August and continues in September with an update included in September PFC paper.
Financial Performance	M05.2	Following the Summit meeting on 7 th 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.
Savings	M02.1	CEO 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	Update of Performance included in Section 4.5.

Area	Ref	Action	Update- September Report
		assessing the utilisation on central budgets.	
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
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 CEO were held in July 2022, which picked up the actions from the point above.	Actions from May meetings were reviewed and updated actions following July meetings to be issued with responses required by end August 2022. Further updates to be presented to PFC.
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 FDU.
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 PFC. Enhanced monitoring will be issued in Q2 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 PFC.
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.	
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
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	Further information was provided to the PFC in the Month 2 Finance Report to support a move towards a more transparent approach,

Area	Ref	Action	Update- September Report
		updates provided on a quarterly basis.	with updates to be provided each quarter as a minimum.
Financial Maturity	M01.10	Various developments	Refer to Section 8 of the report
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.

10. RECOMMENDATIONS

Members are asked to:

- **NOTE** the agreed 2022/23 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 5 2022/23.
- **NOTE** the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: -
 - 100% delivery of savings and all schemes to be green and amber with work to finalise red schemes to be completed by 9th September. **All Service Group Directors and Corporate Directors**
 - Focused attention to ensure the 100% of the green and amber schemes are deliver in line with the plans identified. **All Service Group Directors and Corporate Directors**
- **NOTE** increased cost control in respect of COVID response costs: -
 - Actions from the Check & Challenge meetings in July 2022 to be followed up in September 2022 with updates required from all Services Groups by the end of August, to provide assurance on delivery to the Committee. **All Service Group Directors**
 - Where necessary further meetings to be arranged for Q3.
 - DoF to continue engagement with WG on the risks regarding funding and updates on COVID response costs submitted WG in Month 5 MMR submission.
 - 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.
 - Focused attention of the delivery of Financial Recovery as per of the actions from the Summit meeting on 7th September, **All Service Group Directors and Corporate Directors**
 - Actions with regard to the Financial Improvement Director appointment for Morriston SG and the requirement for updates to a further PFC meetings in October and November.
- **AGREE** the risk handling for the risks noted.
- **NOTE** all actions and updates to support the management of the 2022/23 financial position.

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 balanced forecast year-end deficit financial outturn prior to the impact of COVID-19.		
Legal Implications (including equality and diversity assessment)		
No implications		
Staffing Implications		
No implications		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications		
Report History	Updates on the financial position are provided at every meeting	
Appendices	Appendix 1 - Savings Weekly Report Appendix 2 – Finance Summit Pack Appendix 3 – List of closed items	

LIST OF CLOSED ITEMS:

Area	Ref	Action	Update- September Report
Savings	M01.1	Each Wednesday a weekly report is produced by the 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 within the report.	Weekly report continues to be updated and shared widely. ACTION: CLOSED
COVID Transition	M01.3b	Following the latest de-escalation guidance service need to continually review requirements and update forecast with support of the FBP.	Revised forecasts to be brought to discussions with CEO and Director of Finance and Performance during July. ACTION: CLOSED
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 FBP.	Completed for CEO meetings in July. ACTION: CLOSED
LTA 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