



<b>Meeting Date</b>	<b>28<sup>th</sup> June 2022</b>	<b>Agenda Item</b>	<b>2.1</b>
<b>Report Title</b>	Financial Report – Period 2 2022/23		
<b>Report Author</b>	Samantha Moss, Deputy Director of Finance Alison McLennan, Finance Business Partner		
<b>Report Sponsor</b>	Darren Griffiths, Director of Finance and Performance		
<b>Presented by</b>	Darren Griffiths, Director of Finance and Performance		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	The report advises the Performance and Finance Committee of the Health Board financial position for Period 2 (May 22) 2022/23 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 2 (May 22) 2022/23.</p> <p>The report includes an analysis of the COVID-19 revenue impact and the forecast year-end revenue position based on current planning assumptions.</p> <p>Risks have been updated.</p>		
<b>Specific Action Required (please choose one only)</b>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• NOTE the agreed 2022/23 financial plan.</li> <li>• <b>CONSIDER</b> and comment upon the Board's financial performance for Period 2 (April 22) 2022/23.</li> <li>• <b>DELIVER</b> the actions to ensure delivery of the financial forecast. Detail is in the report but focus must be on: -             <ul style="list-style-type: none"> <li>• Savings delivery</li> <li>• Cost control</li> <li>• Reduction of COVID response costs</li> <li>• Variable pay management</li> </ul> </li> <li>• <b>NOTE</b> the savings position for 2022/23.</li> <li>• <b>AGREE</b> the risk handling for the risks noted.</li> <li>• <b>NOTE</b> all actions and updates to support the management of the 2022/23 financial position.</li> </ul>		

## FINANCIAL REPORT – PERIOD 2

### 1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 2 2022/23 revenue position.

### 2. FINANCIAL PLAN 2022/23

The Health Board agreed the 3 year recovery and sustainability plan for 2022/23 at its meeting on 31<sup>st</sup> March. This included a financial plan, which reflected a £24.4m deficit for 2022/23.

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

SBUHB Financial Plan 2022-23	Updated Assessment
	£m
Opening deficit	24.4
FY21 savings gap	17.7
FY22 savings gap	0.0
<b>2022/23 opening position</b>	<b>42.1</b>
WG Allocation applied against sustainability	(12.4)
Savings required to manage FY21 Savings Gap	(5.3)
<b>2022/23 underlying position after sustainability application</b>	<b>24.4</b>
Application of core WG funding based on 2%	(9.7)
Cost pressures - National - core	7.1
Cost pressures - inflation	9.9
Cost pressures - demand growth	7.4
Investment decisions - 2022-23	7.0
CIPs - Service Transformation 2.5%	(17.0)
CIPs - General Savings 1.5%	(4.7)
<b>Deficit/(surplus) for year 2022-23 - base plan</b>	<b>24.4</b>

Key assumptions underpinning the plan:

- Starting with underlying deficit b/f = **£42.1m**
- Increase in WG funding for 22/23 = **£22.1m**
- Savings requirement = **£27.0m**
- Recognised growth & investment = **£31.4m**
- = c/f underlying deficit 22/23 = **£24.4m**
- Anticipated that COVID transition and extraordinary Pressures (Utilities / RLW / NI) funded in full by WG

### 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: Summary Revenue Performance**

	Opening Plan	In Mth	Year To Date	Forecast 31st March 2023
	£M	£M	£M	£M
Variance Against RRL Deficit / (Surplus)	24.4	2.39	4.64	24.40
<b>Additional Expenditure Anticipated to be Funded by WG</b>				
- Covid (excluding National Programmes)	25.0	3.31	7.04	42.76
- Extraordinary Pressures	19.9	1.40	2.81	16.84
<b>2022/23 Savings Delivery Target (as per Table C MMR inc Red)</b>	<b>27.0</b>	<b>2.26</b>	<b>4.23</b>	<b>23.00</b>

**Summary:**

- **Variance Against RRL** – With a £24.4m deficit plan the target each month is £2.034m. The actual Month 2 variance was £2.387m and so was £0.353m off profile. The YTD plan at Month 2 should be £4.068m but actual variance is £4.635m, which is £0.567m off profile.
- **Additional Expenditure** – this is the value of the additional funding required to support COVID Transition and extraordinary pressures. At the end of Month 2 no funding had been received from Welsh Government (WG) and so £42.76m and £16.84m remain anticipated allocations and noted as a risk.
- **Savings Delivery** – With a 2022/23 annual target of £27.0m in month delivery is anticipated at £2.25m. For Month 2 the shortfall against this target as per the ledger was £0.397m and YTD £0.499m.

**4. KEY DRIVER 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**

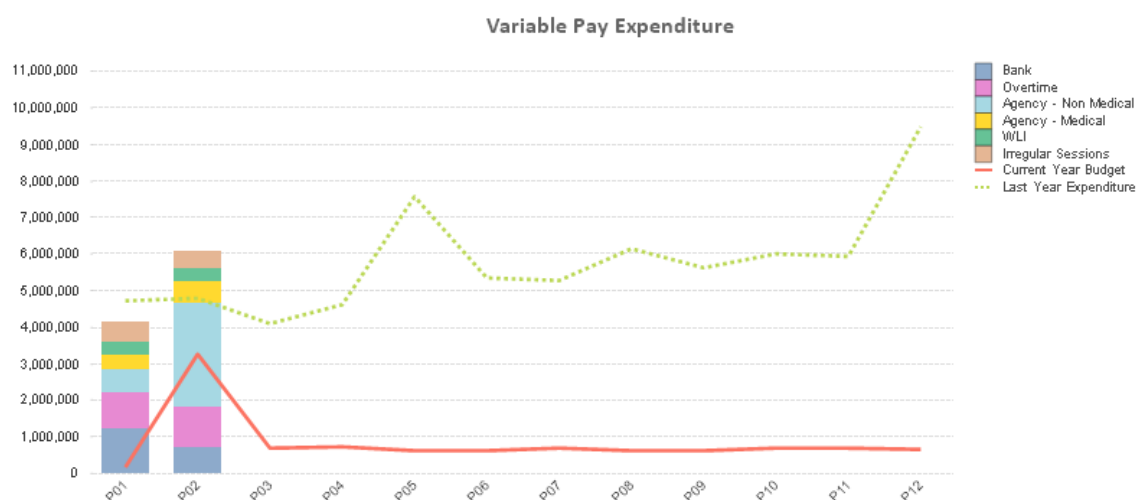
The performance against budget both in month and YTD is provided below, with the variance split between Variable Pay costs and fixed staff costs.

**Table 3: Variance on Pay 2022/23**

Pay	Budget	Actual	Variance Variable Pay	Variance Fixed Costs	Total Variance
	£'000	£'000	£'000	£'000	£'000
<b>Mth 1</b>	49,837	49,556	5,401	- 5,682	- 281
<b>Mth 2</b>	55,348	55,298	6,177	- 6,227	- 50
<b>YTD</b>	<b>105,185</b>	<b>104,854</b>	<b>11,578</b>	<b>- 11,909</b>	<b>- 331</b>

The performance of variance pay in comparison to 2021/22 is summarised in the graph below. At this point in the year, Variable Pay is above last year's level with a significant increase in non-medical agency costs in month 2.

**Table 4: 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, with the variance split between the deficit of £24.4m reported within Non Pay and general non pay pressures.

**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
YTD	109,964	115,005	4,068	973	5,041

### 4.2.1 CHC

One areas with most significant variance against budget in Month 2 within Non Pay was CHC. An analysis of actual spend and patient numbers for 2022/23 is provided in the table below on a month by month basis.

**Table 6 – 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
Total		4,082,461		2,308,315		3,579,535		9,970,310

#### 4.2.2 Primary Care Prescribing

As the Primary Care prescribing data is 2 months in arrears there is no 2022/23 data at this point. The accrual has been calculated based on historical trends. Updates will be provided in future months.

#### 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 Month 2 there was a pressure of £240k linked to Energy. There is further work required on this linked to ongoing discussions with WG on the proposed funding alongside the continuing changing forecast costs provided by British Gas as a consequence of the volatility of the Energy markets. Further updates will be provided in future month reports.

### 4.3 Income

**Table 7 – income by month**

Income	Budget	Actual	Variance
	£'000	£'000	£'000
<b>Mth 1</b>	- 23,248	- 23,094	154
<b>Mth 2</b>	- 23,126	- 23,356	229
<b>YTD</b>	- 46,374	- 46,450	75

In Month 2 the overachievement in income is attributable to R&D income £242k, with other income categories broadly achieving a balanced position.

### 4.4 Savings

The 2022/23 savings target is £27m, with a further £4.6m of unmet savings brought forward from 2022/23, which takes the combined target to £31.6m. As per the weekly CIP dated 08/06/22, the total value of schemes identified for 2022/23 is £23.0m (£20.7m recurrently).

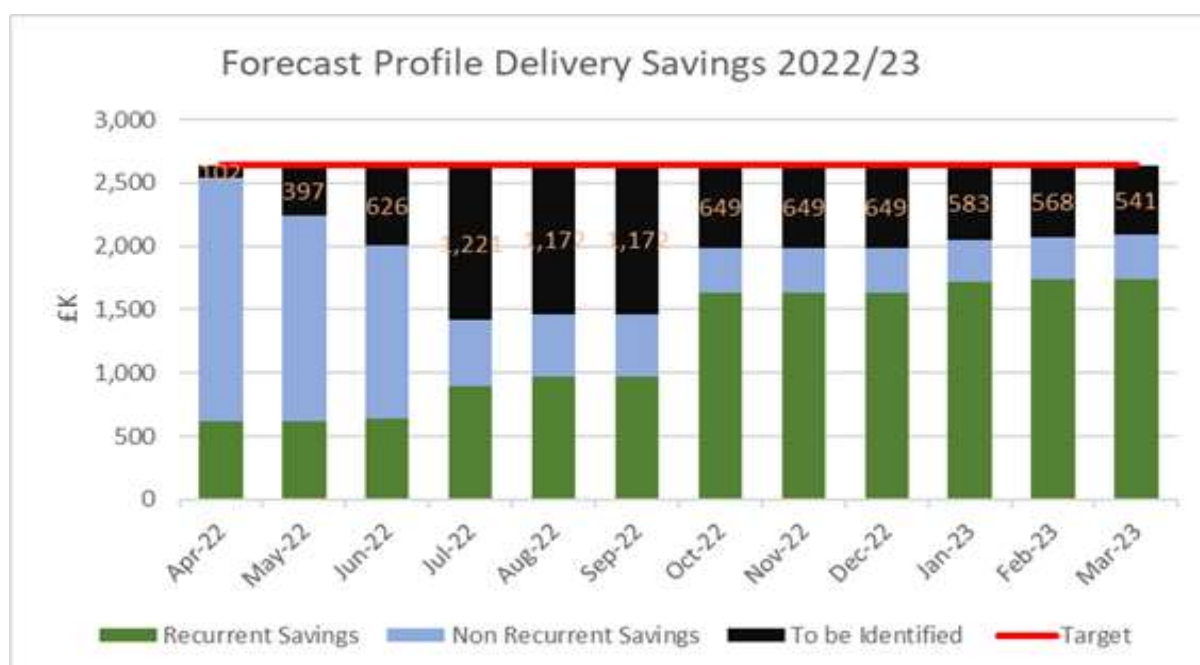
**Tables 8a, b, c and d – savings overview**

	Reported PFC April	Reported PFC May	Reported PFC June	Movement
	£m	£m	£m	£m
<b>2022/23 Identified</b>	20.0	22.0	23.0	1.0
<b>2022/23 Recurrently Identified</b>	19.6	20.8	20.7	(0.1)

To date, slippage on the savings plan is causing a non-pay overspend of £0.499m

Summary Breakdown	Target 2022/23 £k	Identified 2022/23 £k	Shortfall £k	Recurrently Identified £k	Shortfall £k
Corporate	5,746	2,065	3,681	1,370	4,375
Morrison	10,447	8,630	1,817	8,937	1,510
NPTS	6,388	4,943	1,446	5,297	1,091
MHLD	3,738	2,818	920	1,702	2,036
PCC	3,505	3,534	-29	2,406	1,099
IMM and Health Board Wide	1,819	1,000	819	1,000	819
	<b>31,642</b>	<b>22,989</b>	<b>8,653</b>	<b>20,712</b>	<b>10,930</b>

	Total		Morrison		NPTS		MHLD		PCC		Corp/Other	
	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE	22-23	FYE
Red	4,924	8,649	3,035	5,771	1,825	2,620	64	258	-	-	-	-
Amber	4,697	5,803	1,191	1,423	1,507	2,253	1,280	990	504	1,010	216	127
Green	13,368	6,260	4,404	1,743	1,611	424	1,474	454	3,030	1,396	2,849	2,243
	<b>22,989</b>	<b>20,712</b>	<b>8,630</b>	<b>8,937</b>	<b>4,943</b>	<b>5,297</b>	<b>2,818</b>	<b>1,702</b>	<b>3,534</b>	<b>2,406</b>	<b>3,065</b>	<b>2,370</b>
% of CIPS Green	58.15%	30.22%	51.03%	19.50%	32.59%	8.00%	52.31%	26.67%	85.75%	58.01%	92.95%	94.64%



**Note: MH/LD have also identified non-budget releasing savings of £0.5m for 22/23. This would not be reflected in the actual delivery as these figures are based on the ledger variance.**

The Services Group and Corporate Directorates will be using 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.
- Further work is required on mitigating the b/f unmet savings delivery from 2021/22 and this will need to be part of the review in assessing the utilisation on central budgets. However, for MH/LD some of the unmet value will be offset by recurrent reduction in variable pay, where there is no budgetary adjustments.
- Immediate attention is required to address the shortfall in savings in quarter 2 of the financial year. This work must be completed by the end of June 2022 to avoid further risk being added to the financial plan for the year.

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

#### **4.5 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 1<sup>st</sup> 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.

For a robust assessment to be made the Health Board will need a number of months data. Therefore, it is proposed that the first round of information will be included during Q2 to reflect data relating to Q1 and going forward will be updated on a quarterly basis.

#### **Action:**

- Update to be provided during Q2 and quarterly from that point.

#### **4.6 COVID Transition**

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, the Health Board included anticipated costs of £25m, however the first full assessment reported to WG in mid-April included costs of circa £40m.

The forecast position for 2022/23 at the end of Month 2 is included in the table 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 2	Total By Type
	£'000	£'000
National Programmes: Tracing	5,600	20,376
National Programmes: Testing	2,178	
National Programmes: Mass Vaccinations	6,565	
National Programmes: PPE (Exc Stores Staff)	4,947	
National Programmes: Long COVID	578	
National Programmes: Nonsocomial	508	
COVID Transition: Cleaning Standards	1,906	42,760
COVID Transition: Extended Flu	1,190	
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418	
COVID Transition: Dental Income Shortfall (Balance)	398	
COVID Transition: Other	37,848	
<b>Total Table B3</b>	<b>63,136</b>	<b>63,136</b>

**Actions:**

- Forecast continue to be refined and updated based on discussions with Service Groups.
- Linked to above given the latest de-escalation guidance service areas need to review requirements and update forecast with support of the Finance Business Partners (FBPs).
- Next round of Check & Challenge meeting with CEO in diary for July 2022, which need to pick up actions from the point above. Revised schedules to be shared with the Chief Executive and Director of Finance and Performance ahead of these discussion. Expectation is of more sophisticated profiling of costs and reduction in overall cost base
- Continued discussion with WG on the risks regarding funding.

**4.7 COVID Recovery**

The Health Board has received £21.6M recurrently to support COVID recovery. The funding is held in a central reserve and issued out based on the cost of the work undertaken called down by the Service groups each month. There will 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.



**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	2,877	457	2,420
Regional Cataract Services	1,398	203	1,195
Regional Orthopaedics	3,419	-	3,419
Strengthened Diagnostic & Imaging services	4,500	1,631	2,868
Implementation of the Critical Care Plan	-	-	-
Cancer	1,280	584	697
Other Capacity	4,140	1,343	2,796
Other Eyes	319	34	285
Primary Care Pathway Redesign	26	33	7
Other - Pre Committed	3,222	1,120	2,102
Therapies	122	16	105
Other (WHSSC)	298	4	294
<b>TOTAL</b>	<b>21,600</b>	<b>5,425</b>	<b>16,175</b>

**Actions:**

- To ensure there is clear ownership of the funding Finance is working through the allocation of each area to an operational lead and a supporting finance lead.
- To ensure that the allocation of resources is directed to delivering WG expectations in balance with risk profile of patients on waiting lists.

**4.8 Extraordinary Pressures**

As per the 3 Year Recovery and Sustainability Plan submission, there are three areas of extraordinary pressures within 2022/23. For planning purposes and within the Month 2 position it is assumed this costs above 2021/22 levels will be funded by WG. There is further work to be undertaken with regard to Energy Costs which are detailed in section 4.2.3 above. A breakdown of the estimated costs above 2021/22 levels, 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 2
	£'000
NI Health & Social Care Levy	6,929
RLW (Care Homes Only)	1,581
Energy Costs (inc Non BG items)	8,334
<b>TOTAL ALLOCATION</b>	<b>16,844</b>

**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:

***Table 12 – Risk rating per formal Monitoring Return reporting***

RISKS				
AREA	£'000	Consequence (C)	Likelihood (L)	Risk Score C x L
LTA 'Go Live' with 10% tolerance	- 7,200	4	3	12
Savings Delivery above current identified Schemes (inc red)	- 4,000	4	2	8
WAST Transition Plan Full Year Impact	- 200	3	2	6
CTM SLA disag	- 1,000	4	2	8
Net Impact ALN	- 300	3	3	9
Service Group Cost Pressures excluding Covid Response	- 4,000	4	4	16
Digital Service cost pressures linked to SLA	- 700	4	3	12
ICF / RIF	- 500	3	2	6
Childrens Services response	- 800	3	2	6
COVID Recovery not able to be constrained within funding	- 3,400	4	3	12
CHC growth volume and cost	- 2,000	4	4	16
Energy Funding Assumption variance to IMTP	- 119	3	3	9
Covid Funding WG (Transition)	- 42,760	4	3	12
Extraordinary Funding WG	- 16,844	4	3	12
<b>TOTAL RISKS</b>	<b>- 83,823</b>			

Further details on the RED risks:

- From the discussions with the FBPs there are increasing pressures materialising which are currently being offset by non-recurrent opportunities in Month 1 and Month 2. If these non-recurrent opportunities end the HB would be significantly further away from its monthly target of £2.034m than has been seen in the first 2 months. A full review of the operational forecast is being undertaken in June to establish whether the pressures are likely to remain for the remainder of 2022/23. To achieve the £24.4m deficit plan all areas must remain within their funding envelope.
- CHC – refer to section 4.2.1

Action:

- Review of the operational forecast during June to inform updated position for 2022/23.

## 6. OPPORTUNITIES (CENTRAL INVESTMENT BUDGET)

Linked to Budgetary Management Revenue Resource Limit & Plan 2022/23, not all funding is issued to Budget Holders at the start of the year. An element of the funding remains within the Health Boards central investment budget.

As part of the approach to make this central funding more transparent last month this report detailed the headings and description of each of the central budgets, with the action of developing a mechanism for reporting in more detail these central budgets that is helpful to the reader to improve the transparency of the financial position and the challenges being faced.

The first steps in this development is detailed in the two tables below. However, the process of reviewing the data and attempting to summarise into the information below is time consuming and will evolve as we go through the year. So, at the time of completing this report we are only reporting budgetary values as at Month 1 (Section A) and the list of potential investments (Section B) as at the end of May 2022.

**Table 13 a and b – Reserve and Commitments analysis**

Section A: Balances Held In Central @ Mth 1					
Reserve Type	Description	Opening Balance £ '000	Funding Issued In Year		Balance Remaining 2022/23 DATE £ '000
			Mth 1 £ '000	YTD £ '000	
Prices	At the start of the financial year inflationary funding included in the Plan for standard increases in areas on Non-Pay Inflation are held in Priced Reserve before being allocated to Service Groups/Corporate Directorates.	3,551	792	792	2,759
Pay	Pay uplifts are funded by WG. When the funding is received it will be held in Pay Reserve before being allocated to Service Groups/Corporate Directorates.	381	10	10	391
NICE	This reserve remains but elements are allocated each month to Service Groups based on the usage of NICE/High Cost Drugs.	57,644	3,851	3,851	53,793
OP = Plan	The Plan reserve is where the deficit value is held. For 2022/23 the opening deficit was £24.4m. A 12th of this value is fed into the position each month and reported through Non Pay.	24,405	-	-	24,405
Non Recurrent	Small reserve of £0.2M to support ad hoc Non Recurrent investments committed by the Health Board each year.	216	194	194	22
Internal Recurrent	This reserve holds all the investments agreed within the Plan, which is then fed out to Service Groups/Corporate Directorate as the spend is committed.	25,901	6,299	6,299	19,602
Main	Within the year the Health Board will receive in year allocation or anticipate in year allocation from WG. This funding is held here until it is passed to the Service Groups/Corporate Directorates as the spend is committed.	57,546	13,219	13,219	44,427
Adjustment Recognised Deficit		-	-	-	24,405
<b>Total Reserves</b>		<b>120,935</b>	<b>24,345</b>	<b>24,345</b>	<b>120,995</b>

<b>Section B: Commitments Identified Against Central Budget</b>			
<b>Category</b>	<b>Narrative</b>	<b>£'000</b>	<b>£'000</b>
<b>Main reserves</b>			<b>44,427</b>
<b>NICE Commitment</b>			<b>53,793</b>
<b>Approved Business Cases</b>	22/23 Investment Fund - Clusters Audiology (BCAG0012)	250	
	Pancreatic Cancer (BCAG 0098)	125	
	21/22 Investment Fund HASU (BCAG0016)	500	
	Foetal Monitoring (BCAG 103)	53	
	Diabetes Prevention (BCAG 108)	250	
	22/23 Investment Fund – Clusters IRIS Dom Violence (BCAG 114)	190	
	MHLD Training venue (BCAG 101)	80	
			<b>1,448</b>
<b>Growth &amp; Inflation Uplifts</b>	CHC	6,824	
	Prescribing	2,681	
	Q365	778	
	Non Pay Inflation (exc PFI)	1,608	
			<b>11,891</b>
<b>Investment Decisions 21/22 (Balance)</b>	Winter	892	
	Home First	1,040	
	Frailty	709	
	7 Day Working Therapies	724	
	Others Various	951	
<b>Investment Decisions 22/23 (Balance)</b>	22/23 Consolidated Commitments – Care Home Beds Pathway	1,794	
	22/23 Consolidated Commitments – LINC/IRIS (BCAG0001)	104	
	22/23 Consolidated Commitments – Overseas Nurse Recruitment	1,201	
	22/23 Consolidated Commitments – Procurement	125	
	22/23 Investment Fund – Cancer	847	
	22/23 Investment Fund – Population Health	960	
	22/23 Investment Fund – Virtual Ward/COTE/ACT Phase 2 (BCAG107)	1,000	
	22/23 Investment Fund – Pathways (Heart failure) (BCAG107)	972	
	22/23 Investment Fund – Clusters First Contact Physio x 3	150	
	Decarbonisation	360	
	WHSSC Neonatal BC	480	
	Others Various (Less £250k)	2,151	
			<b>10,144</b>
<b>Operational Issues</b>	Various		<b>725</b>
<b>Service Change</b>	AMRS Balance	1,360	
	IP Rehab (excluded from AMRS BC)	700	
	Meridian Review AMRS	100	
			<b>2,160</b>
<b>WG Funded Investment</b>	SDEC		<b>1,451</b>
<b>Unmet b/f CIP</b>	Mitigating unmet Savings 21/22		<b>4,619</b>
<b>TOTAL</b>			<b>134,973</b>

Section B is based on information from various sources including the BCAG, 3 Year Recovery and Sustainability Plan and other decision made within the Health Board. It has already been shared with FBPs to identify whether there are other developments not captured within the listing.

Refinement work is underway to ensure that there is no double counting of investments and costs and also to consider what non recurrent support is available. These are developing positions and will be shared with the Performance and Finance Committee and the Performance and Finance Committee routinely.

#### **Action:**

- 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. Director of Finance – End of Quarter 2
- Look at options for sharing the Main Central Budget in a format that assists the reader of the report. Director of Finance – End of Quarter 2
- Refine the plan to close the gap between reserves and commitments – Director of Finance – Month 3 reporting mid-July.

## **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. **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 is reported 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 has been re-opened for 2022/23 as the initial draft financial plan is not balanced given a 24% reduction in discretionary capital allocation. Work is underway to manage schemes to reduce commitments in 2022/23 and to produce a balanced plan. This risk varies during the year as more details on schemes emerge and potential slippage funding is made available by Welsh Government. A score of 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 4.4 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 is proposed that a **risk score of 15 be maintained with a high impact but medium likelihood**.

## 8. FINANCIAL MATURITY

The Health Board undertook a governance maturity assessment in the autumn. 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 14 – Financial maturity table**

Progress Levels →	BASIC LEVEL	EARLY PROGRESS	RESULTS	MATURITY	EXEMPLAR
Key Elements ↓	Principle accepted and commitment to action	Early progress in development	Initial achievements achieved	Results consistently achieved	Others learning from our consistent achievements
MONEY/VALUE FOR MONEY	Budget, cost, pressure and efficiency targets are clearly identified and understood by the Board.	All 3-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 re-prioritisation 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 note that some of the aspects of higher maturity, whilst reflected under the financial maturity assessment are broader than just finance. Members will recall that recently a formal review of the Annual Plan and an adjustment to that plan were made by the Board. This action relates very well to the results section of the maturity, particularly the description of “unexpected in year pressures are identified and the Board show timely reprioritisation of deliverables”.

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 focus for the Finance Function linked to the Maturity Assessment that will commence in 2022/23 are summarised in the table below, this may be expanded upon as the year progresses:

**Table 15 – financial control actions**

<b>Areas of Financial Control</b>	<b>Area</b>	<b>Actions &amp; Outcome</b>	<b>Next Steps</b>
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.  This is a long term programme which may lead to annual developments to improve budget setting.
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.	Programme to be developed and commence by end Q1. Lead to identified for programme.
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.	There have been 3 meetings of the Task & Finish group since April and clear work plan being developed. This will be supported by the new Finance Structure once all appointments have been made.
Reserves	Transparency of reserve position	Refer to point 6 above	Refer to point 6 above
Reporting	Improve Financial Reporting to Board/PFC/WG	This will be an ongoing process to ensure all risks and opportunities are identified and providing insight into key drivers of the position, including improved understanding of the Reserves	The first revised report issued to PFC in Month 1. This is a journey of continued improvement to ensure reports are transparent and of use to the reader.  There are no timescales for



			completion as ongoing progress.
--	--	--	---------------------------------

## 9. SUMMARY OF ACTIONS AND UPDATES

**Table 16 – Actions Summary**

Area	Ref	Action	Update- June 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.	<b>Weekly report continues to be updated and shared widely.</b>  <b>ACTION: CLOSED</b>
	M02.1	CEO set target for 100% delivery of savings and all schemes to be green and amber by the end of June.	<b>To be assessed at the end of June 2022</b>
	M02.2	Further work is required on mitigating the b/f unmet savings delivery from 2021/22 and this will need to be part of the review in assessing the utilisation on central budgets.	<b>End of June 2022</b>
LTA Performance (Providers & Commissioner)	M01.2	Update to be provided during Q2 and quarterly from that point.	<b>To be provided in Q2</b>
COVID Transition	M01.3	Forecast continue to be refined and updated based on most relevant information from the Service Groups.  Following the latest de-escalation guidance service need to review requirements and update forecast with support of the FBP.	<b>Continually being reviewed and updated</b>  <b>Revised forecasts to be brought to discussions with CEO and Director of Finance and Performance in July 2022.</b>
	M01.4	Next round of Check & Challenge meeting with CEO in diary for July, which need to pick up actions from the point above.	<b>May meetings were undertaken and actions issues to the Units. Follow up meetings scheduled for w/c 11<sup>th</sup> July.</b>
	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.	<b>Through finance review meetings with Service Groups in July 2022</b>
	M01.5	Continued discussion with WG on the risks regarding funding.	<b>Discussions are taking place regularly</b>
	COVID Recovery	M01.6	To ensure there is clear ownership of the funding Finance is working through the allocation of each area to an operational lead and a supporting finance lead.

Area	Ref	Action	Update- June Report
Extraordinary Pressures	M01.7	Continual review of each area and refinement of forecast.	Agree approach to Energy funding with WG
	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
Risks	M02.4	Review of the operational forecast during June to inform update forecast for 2022/23.	Completion of review of overall forecast scheduled for mid-July
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.	Further information provided in the Month 2 reporting to move towards more transparent approach
		Look at options for sharing the Main Central Budget in a format that assists the reader of the report.	By end of Quarter 2
Financial Maturity	M01.10	Various developments	Refer to Section 8 for updates

## 10. RECOMMENDATIONS

Members are asked to:

- NOTE the agreed 2022/23 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 2 (April 22) 2022/23.
- **DELIVER** the actions to ensure delivery of the financial forecast. Detail is in the report but focus must be on: -
  - Savings delivery
  - Cost control
  - Reduction of COVID response costs
  - Variable pay management
- **NOTE** the savings position for 2022/23.
- **AGREE** the risk handling for the risks noted.
- **NOTE** all actions and updates to support the management of the 2022/23 financial position.

<b>Governance and Assurance</b>		
<b>Link to Enabling Objectives</b> <i>(please choose)</i>	<b>Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities</b>	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	<b>Deliver better care through excellent health and care services achieving the outcomes that matter most to people</b>	
	Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
	Partnerships for Care	<input checked="" type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>	
<b>Health and Care Standards</b>		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input checked="" type="checkbox"/>
<b>Quality, Safety and Patient Experience</b>		
Financial Governance supports quality, safety and patient experience.		
<b>Financial Implications</b>		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
<b>Legal Implications (including equality and diversity assessment)</b>		
No implications for the Performance and Finance Committee to be aware of.		
<b>Staffing Implications</b>		
No implications for the Performance and Finance Committee to be aware of.		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
No implications for the Performance and Finance Committee to be aware of.		
<b>Report History</b>	The Performance and Finance Committee receives an update on the financial position at every meeting	
<b>Appendices</b>	none	