



Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board

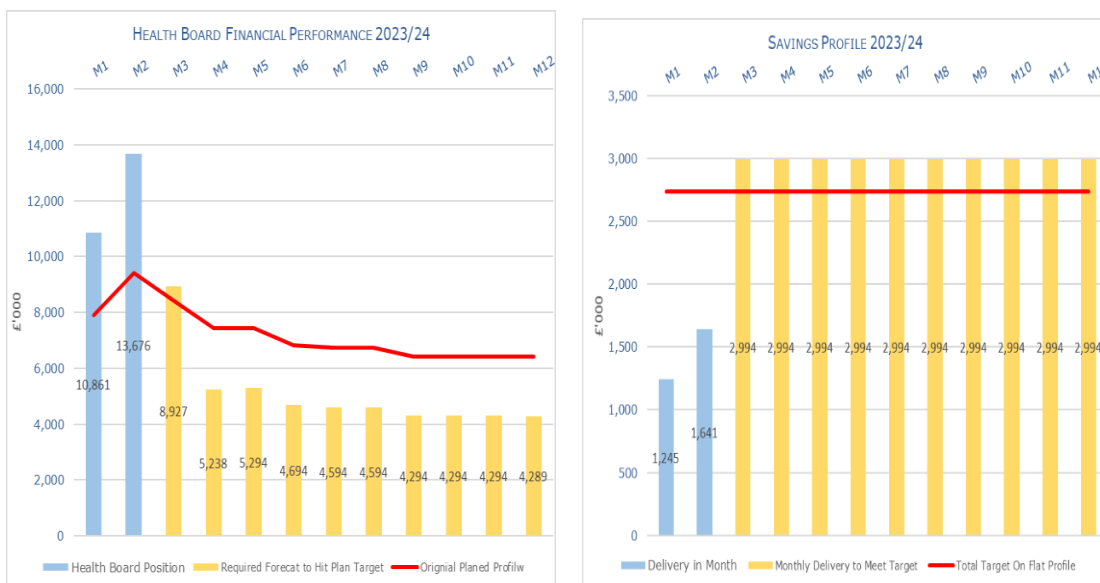


Meeting Date	27th June 2023	Agenda Item	2.1
Report Title	Financial Report – Period 02 2023/24		
Report Author	Samantha Moss, Deputy Director of Finance Alison McLennan, Finance Business Partner		
Report Sponsor	Darren Griffiths, Director of Finance and Performance		
Presented by	Darren Griffiths, Director 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 02 (May 2023) 2023/24 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 02 (May 2023) 2023/24.</p> <p>The report includes a summary of the key drives of the position either at Service level or by expenditure type (i.e. Non Pay / Pay). It also provides information of the current position with regard to Health Board reserves to ensure transparency in the overall Health Board position.</p> <p>Risks have been updated.</p>		
Specific Action Required (please choose one only)	Information	Discussion	Assurance
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • NOTE the agreed 2023/24 financial plan. • CONSIDER and comment upon the Board’s financial performance for Period 02 2023/24. • NOTE the actions to ensure delivery of the financial forecast with a specific focus on savings delivery:– <ul style="list-style-type: none"> ○ Enhanced monitoring meetings in place above standard Finance & Performance Meetings to oversee and agree actions to mitigate run rates and deliver savings. Morrison / NPTS Service Group Directors ○ Focused attention to ensure that 100% of the schemes are identified at the end of Q1 23/24. All Service Group Directors and Corporate Directors ○ Focused attention to ensure that 100% of the schemes identified at the end of Q1 are green and amber by the end of Q2 23/24. All Service Group Directors and Corporate Directors 		

	<ul style="list-style-type: none"> ○ Where savings delivery is not on track there will be further meetings with the Director of Finance and CEO at the end of Q1 and Q2. All Service Group Directors and Corporate Directors ● NOTE actions to ensure the operational pressures are mitigated and areas return to financial balance. <ul style="list-style-type: none"> ○ Enhanced monitoring meetings in place above standard Finance & Performance Meetings to oversee and agree actions to mitigate run rates and deliver savings. Morrison / NPTS Service Group Directors ○ External assessment of opportunities to mitigate pressures via the Grant Thornton post-AMSR assessment. All NPTS Service Group Director & COO ○ Embed and deliver opportunities identified via two Independent Financial support provided to the Service Group to review run rate and savings. Morrison Service Group Directors and Corporate Directors ● NOTE the risks position at Month 2. ● NOTE the position with regard to Health Board Reserves ● NOTE all actions and updates to support the management of the 2023/24 financial position.
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FINANCIAL REPORT – PERIOD 02

1. SUMMARY OF REVENUE PERFORMANCE



Target	In Month £M	Year To Date (YTD) £M
Delivery Against Revenue Resource Limit (RRL) DEFICIT / (SURPLUS)	13.674	24.535
Delivery Against Financial Plan DEFICIT / (SURPLUS)	4.25	7.20
Delivery Against Total Savings Target In Ledger DEFICIT / (SURPLUS)	1.07	2.70

2. FINANCIAL PLAN 2023/24

The Health Board (HB) developed and submitted a draft 3-year plan at the end of March 2023 showing an anticipated deficit of £69.9m. Following a further review in May 2023 the plan was updated to reflect the following changes:

- Removal of income assumptions regarding COVID;
- Reduction in the energy assumptions by £3m;
- Reduction in cost pressure linked to disaggregation of an SLA with CTMUHB, which is delayed until 2024/25.
- Re-assessment of all risks to de-risk the plan.

The revised plan at 31st May 2023 reported a deficit of £86.6m.

Table 1: Financial Plan 2023/24

	YEAR 2 2022-2025 IMTP	CURRENT ASSESSMENT
	£M	£M
Section 1: 2022/23 Impact Into 2023/24 (Underlying Issues)	22.9	32.2
Section 2: 2023/24 New Cost Pressures	43.6	96.5
Section 3: Health Board Choices	27.1	75.8
Section 4: Savings	(16.3)	(22.2)
Section 5: Allocations/Income Assumptions	(77.4)	(95.8)
Total	(0.0)	86.6

Key assumptions underpinning the plan:

- No unmet b/f savings from 2022/23 = **£0m**
- Run rate to remain within the envelop provided = **£11m**
- Savings requirement = **£22.2m**
- No COVID Response income = **£21.2m**

3. KEY PERFORMANCE AREAS

Performance is summarised from two different perspectives. Section 3.1 provides the reported position by Service Group/Directors and section 3.2 onwards looks at the reported position from the components of the ledger i.e. Income, Pay and Non Pay.

3.1 Summary By Service Area

Table 2 – Summary by Service Area

	Month 2	YTD
	In Month	Position
	£000	£000
Service Groups		
Mental Health & LD	54	10
Morrison	3,814	6,690
NPT & Singleton	1,224	2,372
PC & Community	145	236
Total Service Groups	5,237	9,288
Corporate Directorates		
Board Secretary	1	11
Chief Operating Officer	319	608
Director of Strategy (excluding COVID)	68	168
COVID	-	-
Director of Transformation	-	2
Finance & Estates	87	192
Digital	132	236
Medical Director	15	27
Nurse Director	10	8
Workforce & OD	28	20
Clinical Medical School	-	-
Research & Development	-	-
DSU	-	-
EMRTS	-	-
Director Insight, Communication & Engagement	3	11
Corporate I&E	3	7
Public Health	6	7
Total Corporate Directorates	166	346
Delegated Budget Position	5,403	9,634
In year deficit	9,427	17,335
Adjustment Other Opps	1,154	2,433
Current Delegated Position	13,676	24,535

Key points of notes by type spent:

- **Income**

£0.6m under achievement of income in Month 2, in part this relates to the income from our commissioners and in particular WHSSC and the delivery of the WHSSC contract.

- **Pay**

In Month 1 pay was overspent by £1.4m this deteriorated further and the Month 2 overspend was £2.3m. This deterioration in is part driven by the £0.6m increase in Variable Pay between Month 1 and Month 2, linked to Bank, Overtime and Non-Medical Agency. In additional there is a further increase in the actual WTE of 178 WTE in-month, part of which will be linked to the £0.2m increase in overtime in month.

Therefore, the Health Board clearly needs to address both the underlying run rate issue and the continued spend on variable pay, which is driving the in-month pay variance.

- **Prescribing**

At this point in the year, the Health Board has yet to receive any data with regard to Prescribing. However an in month overspend of £0.3m has been included to reflect the potential likely impact of recurrent impact of No Cheaper Stock Obtainable (NCSOs). However work on this will be required during Q2 once a number of months of 2023/24 data has been received.

- **Non Delivery Savings**

The Health Board has set an ambitious 3.5% savings target for 2023/24, after two years of achieving 4%. The savings target has been profiled in equal twelfths. However, there remains a significant gap in the delivery of savings to meet the target set which has resulted in a £1.1m variance in Month 2. (Savings are covered in more detail later in this report)

Key points of notes by Service Area:

- **Morrison**

The key variances:

- Income = Month 2 £0.6m variance and YTD £0.9m driven by WHSSC performance. Plans are being developed to recover this.
- Pay = Month 2 £1.7m variance and YTD £2.9m, with variance pay increasing by £0.2m in Month 2
- Non Pay (exc Savings) = Month 2 £0.8m variance and YTD £1.1m of which £0.7m relates to clinical supplies and consumables
- Savings = Month 2 £0.7m variance and YTD £1.7m

- **NPTS**

The key variances:

- Income = Month 2 £0.1m variance and YTD £0.2m driven by loss of Private Patient income
- Pay = Month 2 £0.4m variance and YTD £0.8m, with variance pay increasing by £0.2m in Month 2
- Non Pay (exc Savings) = Month 2 £0.6m variance and YTD £0.8m which relates to clinical supplies and consumables particularly Laboratory Medicine products
- Savings = Month 2 £0.3m variance and YTD £0.8m

Key Actions being undertaken:

The Month 1 report detailed the actions being driven by the Health Board to mitigate the planned deficit and the risks. Updates or additional actions above those reported in Month 1 are captured below:

- **Run Rate**

- The Health Board has commissioned a number of independent reviews including review of prosthetics and clinical consumables and a review of two sites post the AMSR changes. Updates on all the reviews commissioned will be reported in future months as the outcomes and benefits materialise.

- Five clinically led programmes to influence run rates called the ‘Bay Way Projects’ were launched on 9th June 2023.
 - Following the Review of Run Rates and Savings delivery with each of the Service Groups chaired jointly by the CEO and DoF held on 16th May 2023 and Health Board has increased the monitoring of two of its Service Groups. The Murrison Service Group has been escalated to weekly meetings with the CEO/DOF and NPTS Service group to bi-weekly meetings (although currently meeting weekly also). With the remaining two Service Groups continuing with the standard monthly performance reviews with the DOF. The increased monitoring is planned to continue until there are robust plans to de-escalate the current risks being faced on run rate and savings performance.
 - For the Murrison Service Group in addition to the continuation of the dedicated Independent Financial support, which has been enhanced with two individuals supporting the work programme, the Health Board is also looking to enhance the Finance Business Partner support to provide for longer-term sustainability.
- **Savings**
 - Corporate savings review commenced in May 2023 with support from external Independent Financial Support to look at cross Service savings. With the CEO clear that all targets must be identified by the end of June on a recurrent basis.
 - Focus on savings delivery for Service groups will be a core element of the enhanced monitoring in place and reference in the ‘Run Rate’ section above.
- **COVID Legacy**
 - Sickness and absence management to be refocused
 - Private patient service to be establishment (lead recruited) to look for opportunities to secure more income
 - Manage to AMSR plan and ensure investment made and benefits for the Business Case are achieved, which will result in a savings at the end of the third year.
 - Line by line review of all COVID legacy costs to be undertaken urgently with the two acute Service Groups
- **Other**
 - Escalation of Murrison and Neath Port Talbot Singleton Service Groups to weekly reporting of actions on savings delivery and run rate reduction. Meetings chaired by Chief Executive and supported by director of Finance. Additional savings and run rate reductions are being seen and these will feature in updated risk profiles in future MMRs

3.2 Summary Income

Table 3 – Income by month

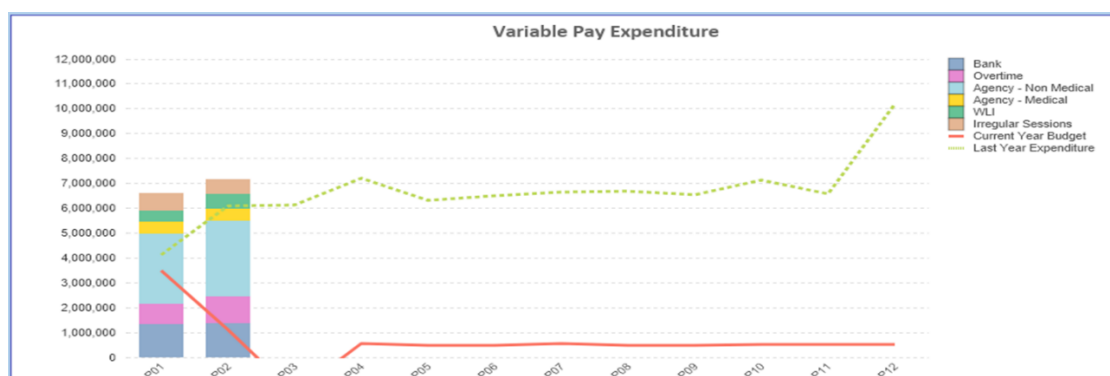
Income	Budget	Actual	Variance
	£'000	£'000	£'000
Mth 1	- 23,959	- 23,530	429
Mth 2	- 24,900	- 24,307	593
YTD	- 48,859	- 47,837	1,022

3.3 Summary Pay

Table 4 – Pay Variance by month

Pay	Budget	Actual	Variance Variable Pay	Variance Fixed Costs	Total Variance
	£'000	£'000	£'000	£'000	£'000
Mth 1	47,073	48,440	6,502	- 5,135	1,367
Mth 2	57,271	59,590	7,086	- 4,768	2,319
YTD	104,344	108,029	13,588	- 9,903	3,686

Table 5 – Variable Pay by month



3.4 Summary Non Pay

Table 6 – Non Pay Variance by month

Non Pay	Budget	Actual	Variance Linked Deficit	Variance Non Pay Pressure	Total Variance
	£'000	£'000	£'000	£'000	£'000
Mth 1	65,028	74,093	7,908	1,156	9,065
Mth 2	33,166	44,047	9,427	1,454	10,881
YTD	98,194	118,139	17,335	2,611	19,946

Below are further details on the keys areas of Non Pay (excluding savings which addressed in Section 4):

3.4.1 Clinical Consumables

Clinical supplies and services were overspent YTD by £1.2m at the end of Month 2. Within the 80+ lines there were overspends on Laboratory Medicine (£0.3m), Maintenance products (£0.14m) and General products (M&SE (0.2m).

3.4.2 Utilities

Currently there are small pressures on Electricity and Gas £0.02m and £0.01m respectively in month 2, are across the Service Groups and Corporate Directorates. Whilst an updated forecast from British Gas was shared with Health Board on the 1st June 2023, we are awaiting the Crown Commercial element of the forecast (2nd 6 months of the financial year) which we anticipate will be received by September. This will then provide a robust position for the whole financial year and we can then update the forecast based on prices provided by British Gas and Crown Commercial Services and estimated usage, building in the benefits of the solar farm, provided by the Estates Department.

3.4.3 CHC

Table 7 – CHC Analysis By Month

Service Area	General		Mental Health		Learning Disabilities		Total	
	Patient No.	£	Patient No.	£	Patient No.	£	Patient No.	£
Average 2023/24	379	2,211,816	201	1,316,596	200	1,818,873	779	5,347,284
Mth 1	382	2,369,665	197	1,266,786	199	1,929,057	778	5,565,507
Mth 2	376	2,053,967	204	1,366,405	200	1,708,689	780	5,129,061
Total		4,423,632		2,633,191		3,637,746		10,694,568

The variance against budget for CHC is at £0.05m in month reflecting the additional funding allocated to CHC through the financial plan.

3.4.4 Prescribing

As the prescribing data is two months, in arrears, the first actual costs for 2023/24 will not be available until the end of June but a number of months of data is required before a true picture of the prescribing position can be determined.

3.4.5 LTA Performance

Full details on performance on LTA will not be available until Q2. Board to note that as part of the All Wales agreement for 2023/24 tolerances on contracts have reduced from 10% to 5%.

4. SAVINGS SUMMARY

Based on the report from 9th June 2023, the schemes identified for delivery in 2023/24 by service areas are summarised below:

Table 8a In Year Performance Against 2023/24 Requirements

Service Areas	2022/23 SAVINGS TARGET B/F £000	2023/24 SAVINGS TARGET £000	TOTAL SAVINGS TARGET £000	ACTUAL IDENTIFIED IN 2023/24 £000	SHORTFALL IN 2023/24 £000
Corporate	1,468	2,656	4,124	1,093	3,031
NPTS Service Group	-	4,919	4,919	250	4,669
Morrison Service Group	6,507	7,050	13,557	2,046	11,511
MH & LD Service Group	874	2,568	3,442	3,283	159
Primary Care & Community	962	2,728	3,690	2,071	1,619
Medicines Management	-	2,279	2,279	1,693	586
HB	819	-	819	819	-
Total	10,630	22,200	32,830	11,255	21,575

Table 8b Recurrent Performance Against 2023/24 Requirements

Service Areas	2022/23 SAVINGS TARGET B/F £000	2023/24 SAVINGS TARGET £000	TOTAL SAVINGS TARGET £000	ACTUAL IDENTIFIED RECURRENT £000	SHORTFALL RECURRENT £000
Corporate	1,468	2,656	4,124	427	3,697
NPTS Service Group	-	4,919	4,919	250	4,669
Morrison Service Group	6,507	7,050	13,557	1,144	12,413
MH & LD Service Group	874	2,568	3,442	1,711	1,731
Primary Care & Community	962	2,728	3,690	1,687	2,003
Medicines Management	-	2,279	2,279	1,324	955
HB	819	-	819	819	-
Total	10,630	22,200	32,830	7,362	25,468

5. SUMMARY RESERVES

Overall management of the reserves is as per the Health Board Budget Management document, which is aligned to the principles outlined in the Financial Plan documentation approved by Board (March 2023) and PFC (April 2023.)

5.1 Balances Main & NICE

For 2023/24, the Health Board will hold two central reserves and the purpose of these reserves are below: -

- Main – this holds funding from WG or the plan that has yet to be issued to Budget Holders. These items are not surplus but either due to timing have not been issued or is an area where funding is issued based on actual values consumed in future month.
- NICE – this holds the total Health Board funding for all of NICE costs (drugs and infrastructure) and is issued to the service each month based on the actual costs consumed as reported through the Pharmacy system.

Details on the balances and movements are provided in the Table below:

Table 9; Summary Main & NICE Reserves

RESERVE	DETAIL	£M	Comments
Main	Items Remaining:		
	COVID Recovery Local	13.38	Issued according to spend/activity
	COVID Recovery Regional	17.97	NPTH Theatres project
	CTM SLA Disaggregation	2.96	Issued as SLAs are disaggregated
	IMTP	13.59	Issued according to spend/activity
	Main	15.94	Committed small reserves
	PPE	1.31	Issued as per spend per month
	Real Living Wage	7.49	Claimed by MH/PCC for Social care
	RIF	14.97	HB acts as Banker for Regional Partnership Board
	TTP	3.14	Issued as per spend per month
	WHSSC	1.51	Issued as per spend per month
	Mass Vaccination	4.66	Issued as per spend per month
		Total Value Reserve @ End Mth 1	96.92
NICE	Opening Value	61.66	
	Issues Mth 1	(4.45)	
	Issues Mth 2	(5.01)	
	Issues Mth 3		
	Issues Mth 4		
	Issues Mth 5		
	Issues Mth 6		
	Issues Mth 7		
	Issues Mth 8		
	Issues Mth 9		
	Issues Mth 10		
	Issues Mth 11		
	Total Value Reserve @ End Mth 2	52.20	
Total Value Reserve @ End Mth 2		149.12	

5.2 Changes to Deficit

The Board supported a £86.6m deficit plan. The deficit is held centrally with an element reflected each month in the reported performance against RRL (see Section 3.4 on Non-Pay) on a tapered basis, as previously agreed with the Board.

The Budgetary management process for 2023/24 stated that where the Board agreed additional investment, this could only be funded by increasing the deficit plan. Therefore, a table will be included within this paper each month showing the opening deficit plan figure and the changes made within the financial year to arrive at the current deficit held centrally. This is summarised in the below:

RESERVE	DETAIL	£M
Deficit	Opening Value	86.6
	Closing Value	86.60

6. RISK ASSESSMENT

Two Board level financial risks: -

- **Achieving financial plan**, which replaces the risks previously reported and referenced as 73, 79 and savings, with the key elements as follows: -
 - Risk of delivery of savings quantum

- Risk of operational overspend being in excess of funding available agreed via the Financial Plan
- Risk of commitment of reserves (e.g. NICE) being above reserves available.

A score of 20 is suggested at this stage given the financial risks the Health Board is facing the performance against RRL reported. The entries for these risks, as this was approved by the committee at its May 2023 meeting, the risk is now being written up as part of the overall Health Board risk register.

The individual elements of the risk behind this score are provided in detail below and reflect the information reported to WG in the month 1 MMR and is aligned to the risks recognised as part of the signed of plan at the end of May 2023:

Risk	Openng Plan 31/03/22	Updates Since 01/04/23	Review Plan 31/05/23	Revised Risk
	£M	£M	£M	£M
Run Rate	27.9	- 2.5	- 4.0	21.4
COVID Transition	13.4	- 2.2	-	11.2
In Year Cost	-	-	-	-
In Year Allocation	-	-	-	-
COVID Recovery Allocation	-	-	-	-
COVID transition funding	-	-	-	-
COVID Recovery Cost	-	-	-	-
Choice	-	-	-	-
Investments	-	-	-	-
Savings c/f	-	9.4	-	9.4
Savings	22.2	- 10.6	- 6.3	5.3
Total Assessment of Risk	63.5	- 5.9	- 10.3	47.3

As a result of the weekly monitoring meetings (as at 16/06/23), Morrison risk has reduced from £27.1m to £17.8m and the NPTS risk has reduced from £14.3m to £12.1m. This table will be updated at month 3 to show the further impact of the risk mitigation.

- **Availability of capital (risk 72).** This risk was re-opened in 2022/23 given the reduction in discretionary capital allocation. Whilst work is underway to manage schemes to reduce commitments in 2023/24 and to produce a balanced plan, the 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.**

7. RECOMMENDATIONS

Members are asked to:

- **NOTE** the agreed 2023/24 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 02 2023/24.
- **NOTE** the actions to ensure delivery of the financial forecast with a specific focus on savings delivery:–
 - Enhanced monitoring meetings in place above standard Finance & Performance Meetings to oversee and agree actions to mitigate run rates and deliver savings. **Morrison / NPTS Service Group Directors**
 - Focused attention to ensure that 100% of the schemes are identified at the end of Q1 23/24. **All Service Group Directors and Corporate Directors**
 - Focused attention to ensure that 100% of the schemes identified at the end of Q1 are green and amber by the end of Q2 23/24. **All Service Group Directors and Corporate Directors**
 - Where savings delivery is not on track there will be further meetings with the Director of Finance and CEO at the end of Q1 and Q2. **All Service Group Directors and Corporate Directors**
- **NOTE** actions to ensure the operational pressures are mitigated and areas return to financial balance.
 - Enhanced monitoring meetings in place above standard Finance & Performance Meetings to oversee and agree actions to mitigate run rates and deliver savings. **Morrison / NPTS Service Group Directors**
 - External assessment of opportunities to mitigate pressures via the Grant Thornton post-AMSR assessment. **All NPTS Service Group Director & COO**
 - Embed and deliver opportunities identified via two Independent Financial support provided to the Service Group to review run rate and savings. **Morrison Service Group Directors and Corporate Directors**
- **NOTE** the risks position at Month 2.
- **NOTE** the position with regard to Health Board Reserves
- **NOTE** all actions and updates to support the management of the 2023/24 financial position.

Governance and Assurance		
Link to Enabling Objectives <i>(please choose)</i>	Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
	Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
	Partnerships for Care	<input checked="" type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
Health and Care Standards		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input checked="" type="checkbox"/>
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a 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	none	

