



<b>Meeting Date</b>	<b>23<sup>rd</sup> MAY 2023</b>	<b>Agenda Item</b>	<b>2.1</b>
<b>Report Title</b>	Financial Report – Period 01 2023/24		
<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 & Finance Committee of the Health Board on the financial position for Period 01 (April 2023) 2023/24 and sets out the current forecast revenue year end outturn.		
<b>Key Issues</b>	<p>The report invites the Performance &amp; Finance Committee to note the detailed analysis of the financial position for Period 01 (April 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>		
<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>• <b>NOTE</b> the agreed 2023/24 financial plan.</li> <li>• <b>CONSIDER</b> and comment upon the Board’s financial performance for Period 01 2023/24.</li> <li>• <b>NOTE</b> the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: - <ul style="list-style-type: none"> <li>○ Meetings to be held with four Service Group to discuss run rate and savings performance on 16<sup>th</sup> May. <b>All Service Group Directors</b></li> <li>○ Focused attention to ensure that 100% of the schemes are identified at the end of Q1 23/24. <b>All Service Group Directors and Corporate Directors</b></li> <li>○ 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. <b>All Service Group Directors and Corporate Directors</b></li> </ul> </li> </ul>		

	<ul style="list-style-type: none"><li>○ 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. <b>All Service Group Directors and Corporate Directors</b></li><li>● <b>NOTE</b> actions to ensure the operational pressures are mitigated and areas return to financial balance.<ul style="list-style-type: none"><li>○ Focused attention on the delivery of Financial Recovery and reduced Run Rates linked to meetings held on 16<sup>th</sup> May 2023. <b>All Service Group Directors and Corporate Directors</b></li><li>○ External assessment of opportunities to mitigate pressures via the Grant Thornton post-AMSR assessment. <b>All NPTS Service Group Director &amp; COO</b></li><li>○ Embed and deliver opportunities identified via two Independent Financial support provided to the Service Group to review run rate and savings. <b>Morrison Service Group Directors and Corporate Directors</b></li></ul></li><li>● <b>NOTE</b> the risks position at Month 1.</li><li>● <b>NOTE</b> the position with regard to Health Board Reserves</li><li>● <b>NOTE</b> all actions and updates to support the management of the 2023/24 financial position.</li></ul>
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# FINANCIAL REPORT – PERIOD 01

## 1. SUMMARY OF REVENUE PERFORMANCE



Target	In Month £M	Year To Date (YTD) £M
Delivery Against Revenue Resource Limit (RRL) <b>DEFICIT / (SURPLUS)</b>	<b>10.861</b>	<b>10.861</b>
Delivery Against Financial Plan <b>DEFICIT / (SURPLUS)</b>	<b>2.96</b>	<b>2.96</b>
Delivery Against Total Savings Target <b>DEFICIT / (SURPLUS)</b>	<b>1.63</b>	<b>1.63</b>

## 2. FINANCIAL PLAN 2023/24

The Health Board (HB) financial plan was approved at its meeting on 30<sup>th</sup> March 2023 and subsequently submitted to Welsh Government (WG) on 31<sup>st</sup> March 2023. The plan remains unapproved by WG and discussions between WG and the Health Board continue. A summary of the plan submitted on 31<sup>st</sup> March 2023 is provided below:

**Table 1: Financial Plan 2023/24**

	YEAR 2 2022-2025 IMTP	Financial Plan 2023/24
	£M	£M
Section 1: 2022/23 Impact Into 2023/24 (Underlying Issues)	22.9	32.2
Section 2: 2023/24 Inflation, Demand Growth, National Programmes & Extraordinary Pressures	43.6	74.5
Section 3: Health Board Specific Service Pressures	27.1	77.3
Section 4: Savings	(16.3)	(22.2)
Section 5: Allocations/Income Assumptions	(77.4)	(92.0)
<b>Total</b>	<b>(0.0)</b>	<b>69.9</b>

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**
- Anticipated that COVID transition funding provided by WG = **£21.2m**

**NOTE – Post Ledger Closedown adjustment requested by WG to remove the £21.2m of COVID funding which will increase the Health Board deficit but this will need to be considered alongside current work underway to assess the potential options available to the Board to reduce the deficit. This has been transacted through an updated MMR and will be discussed at the Board meeting on 25<sup>th</sup> May 2023.**

### 3. KEY PERFORMANCE AREAS

Performance is summarised from two different perspectives. Section 3.1 looks 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 1
	In Month
	£000
<b>Service Groups</b>	
Mental Health & LD	- 64
Morrison	2,876
NPT & Singleton	1,148
PC & Community	91
<b>Total Service Groups</b>	<b>4,051</b>
<b>Corporate Directorates</b>	
Board Secretary	12
Chief Operating Officer	289
Director of Strategy (excluding COVID)	- 100
COVID	-
Director of Transformation	2
Finance & Estates	105
Digital	- 104
Medical Director	- 12
Nurse Director	- 2
Workforce & OD	9
Clinical Medical School	-
Research & Development	-
DSU	-
EMRTS	-
Director Insight, Communication & Engagement	- 8
Corporate I&E	- 5
Public Health	- 1
<b>Total Corporate Directorates</b>	<b>185</b>
<b>Delegated Budget Position</b>	<b>4,236</b>
In year deficit	7,905
Adjustment Other Opps	- 1,279
Release Unutilised Reserves Agreed PFC	
<b>Current Delegated Position</b>	<b>10,861</b>

### Key points of notes by type spent:

- **Income**

£0.4m under achievement of income, in part this relates to the income from our commissioners and further work will be done over the next month to understand if this is a non-recurrent in month issue, which follows a similar pattern to the Month 1 position in 2022/23.

- **Pay**

£1.4M overspent in month 1. In comparing the WTE with the trend in the latter quarter of 2022/23 there has been an overall increase of 142 WTE. This increase has been across many of the professional groups excluding Medical, Qualified Nursing and Admin which have all remained static. However overall the Health Board remains under established but this financial benefit is offset by the cost of variable pay. The variable pay costs for the Health Board has remained static between Q4 of 2022/23 and Month 1 with average total costs of £6.4M per month.

In 2022/23 the Health board received £58M of COVID funding, compared to £35M current reported in Table B3. This is part has seen a reduction in the annual pay budget between Month 12 2022/23 and Month 1 2023/23, which will also drive a variance but it is for the Health Board to ensure a run rate reduction to reflect the change in budget.

Therefore the Health Board clearly needs to address the both 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 NCSO's. 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 £1.6M variance in Month 1.

### Key points of notes by Service Area:

- **Morrison**

The key issues were pay which overspent by £1.2M, non-delivery of savings of £1.0M and also under achievement of income of £0.3M.

- **NPTS**

The key issues were pay which was overspent by £0.3M, estimated prescribing position which £0.283M over and non-delivery of savings of £0.6M.

### **Key Actions being undertaken:**

Prior to the delivery of the Month 1 position the Health Board was already building on the actions implemented from the end of Q1 in 2022/23. Below is a summary of actions in place or being taken by the Health Board.

#### **• Run Rate**

- Run rate reduction workshop held in February 2023 with output of establishing 5 clinically lead programmes to influence run rates across the pathway.
- Independent review of prosthetic costs and opportunities to deliver improvements in spend profile commissioned.
- Independent review of all clinical consumables and opportunities to deliver improvements in spend profile commissioned.
- Independent specialist commissioned and work commenced to undertake a post AMSR review of legacy services in Neath Port Talbot and Singleton Hospitals.
- Community services, imaging and community mental health services assessments complete and action now being worked up
- Early stage in the preparation for managed service solutions to be market tested in Quarter 1.
- Overseas recruitment delivering near full establishments for registered nurses by October 2023 – alongside agency and variable pay controls.
- Bed decommissioning programme established.
- Review of Run Rates and Savings delivery with each of the Service Groups chaired jointly by the CEO and DoF to be held on 16th May 2023.
- Continuation of the appointment of Independent Financial support dedicated to the Morriston Service Group.

#### **• Savings**

- District nursing review complete and to be implemented which will achieve service improvement, efficiency and overall savings.
- Corporate savings review to commence in May 2023 with support from external Independent Financial Support to look at cross Service savings
- Systems wide savings programme to be developed in Q1 23/24 to establish both the mechanisms from the financial perspective and the areas of opportunities to deliver improvement across Service Groups
- Partnership discussions underway on CHC expenditure and the management/commissioning of CHC across all areas of the Health Board
- Inflationary assumptions, as per the plan, will continue to be monitored
- Pipeline ideas which total over £22m have already been identified and the translation of these schemes is underway support savings delivery.
- Focus in Q1 on identification of Non recurrent mitigation to address shortfall whilst recurrent saving opportunities are finalised.
- Exploring further external support on the delivery of savings could focus on areas such as Telecoms and Non Pay estates as well as CHC, with a full assessment of all cases building on the work done in 2022/23 by CHS.

#### **• 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**
  - System of control updated with delegation letters to be issued in second week of May 2023 with the approach approved by Performance and Finance Committee in April 2023.
  - Critical review of cost pressures and service change choices to be undertaken in May 2023.
  - Case to be submitted for regional orthopaedic theatres by 12th May 2023.
  - End Q1 full assessment of accountancy gains which will need to be added to the tracker and reported through the MMR by end of Q2.

### 3.2 Summary Income

**Table 3 – Income by month**

Income	Budget		Actual		Variance	
	£'000		£'000		£'000	
Mth 1	-	23,959	-	23,530		429
YTD	-	23,959	-	23,530		429

### 3.3 Summary Pay

**Table 4 – Pay Variance by month**

Pay	Budget		Actual		Variance		Total Variance		
	£'000		£'000		£'000	£'000	£'000	£'000	
Mth 1		47,073		48,440		6,502	-	5,135	1,367
YTD		47,073		48,440		6,502	-	5,135	1,367

**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	7,905	1,160	9,065
YTD	<b>65,028</b>	<b>74,093</b>	<b>7,905</b>	<b>1,160</b>	<b>9,065</b>

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

#### 3.4.1 Clinical Consumables

Clinical Consumables are overspend by £122k at the end of Month 1. Within this there were overspends on Diabetic pumps at NPTS £138k, Pacemakers of £45k and general consumables of £50k, offset by underspends across other consumable lines.

#### 3.4.2 Utilities

There are small pressures on Electricity and Gas £18k and £5k respectively in month 1 – these are across the Service Groups and Corporate Directorates.

#### 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 2022/23	370	2,225,241	191	1,176,151	196	1,787,683	757	5,189,075
Mth 1	382	2,369,665	197	1,266,786	199	1,929,057	778	5,565,507
Total		2,369,665		1,266,786		1,929,057		5,565,507

The variance against budget for CHC is at £0.04m 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

The starting point for the 2023/24 savings is summarised below.



<b>Total Opening Saving Target</b>	<b>£'000</b>
B/F value 2022/23	9,859
New Target 2023/24	22,200
<b>Grand Total</b>	<b>32,059</b>

At the end of Month 1, the schemes identified for delivery in 2023/24 by service areas are summarised below:

<b>Area</b>	<b>Savings Identified @ Mth 1 £'000</b>
Board Secretary	37
Chief Operating Officer	113
Digital	87
Director of Strategy	7
Finance	61
Medical Director	3
MH + LD	3,283
Morrison Hospital	934
Neath Port Talbot Hospital	1,247
Nurse Director	11
Primary Care + Community	1,197
Workforce +OD	54
<b>Grand Total</b>	<b>7,034</b>

This total has now increased to just over £10m following the recent reviews with Service Groups

## 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 2 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 8: Summary Main & NICE Reserves**

RESERVE	DETAIL	£M	Comments
Main	Items Remaining:		
	COVID Recovery Local	14.24	Issued according to spend/activity
	COVID Recovery Regional	20.14	NPTH Theatres project
	CTM SLA Disaggregation	4.60	Issued as SLAs are disaggregated
	IMTP	14.31	Issued according to spend/activity
	Main	4.17	Committed small reserves
	PPE	1.41	Issued as per spend per month
	Real Living Wage	7.49	Claimed by MH/PCC for Social care
	RIF	15.42	HB acts as Banker for Regional Partnership Board
	TTP	3.34	Issued as per spend per month
	WHSSC	4.35	Issued as per spend per month
	Mass Vaccination	4.97	Issued as per spend per month
	<b>Total Value Reserve @ End Mth 1</b>		<b>94.45</b>
NICE	Opening Value	61.66	
	Issues Mth 1	(4.45)	
	Issues Mth 2		
	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		
	<b>Total Value Reserve @ End Mth 1</b>		<b>57.21</b>
<b>Total Value Reserve @ End Mth 1</b>		<b>151.66</b>	

## 5.2 Changes to Deficit

The Board approved a £69.9m 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	69.9
	<b>Closing Value</b>	<b>69.90</b>

**NOTE – Post Ledger Closedown adjustment requested by WG to remove the £21.2m of COVID funding. This has been transacted through an updated MMR and will be discussed at the Board meeting on 25<sup>th</sup> May 2023 and will**

**result in the Deficit increasing to £91.1m, which will formally be reported in the Ledger in Month 2.**

## 6. RISK ASSESSMENT

Two Board level financial risks: -

- **Achieving financial balance**, 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, if approved by the committee will be 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:

Risk	Openng Value	Value @ Mth 1	RAG Assessment @ Mth 1
	£M	£M	
WHSSC	4.6	4.6	15
LTA Varaince Commissioner/Provider Net Impact	4.5	4.5	15
2023/24 Non Delivery over 2.5%	6.3	6.3	20
Prescribing above plan	2.4	2.4	20
Slippage on Investment	-	-	-
CHC Growth Above Plan	3.0	3.0	15
Operational Pressures Not Retained within Planning Assumptions	13.9	13.9	20
2019/20 Budget Setting Impact on PC Contract Funding	1.7	1.7	12
Transitional Beds Pathway 5 (further 3 months)	0.5	0.5	9
Waste Legislation	1.0	1.0	6
Increase Overseas Nursing Above December Requirements of £3.7m	1.0	1.0	6
Reduction in Inflation / Energy	-	-	-
COVID Response 23/24 Not Funded	21.2	21.2	20
<b>Total Assessment of Risk</b>	<b>60.2</b>	<b>60.2</b>	

**NOTE – Post Ledger Closedown adjustment requested by WG to remove the £21.2m of COVID funding. This has been transacted through an updated MMR and will be discussed at the Board meeting on 25<sup>th</sup> May 2023 and will result in the Deficit increasing, which will formally be reported in the Ledger in month 2. Going forward the Risk table will see the last line removed for £21.2m.**

- **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 01 2023/24.
- **NOTE** the actions to ensure delivery of the financial forecast with a specific focus on savings delivery: -
  - Meetings to be held with four Service Group to discuss run rate and savings performance on 16<sup>th</sup> May. **All 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.
  - Focused attention on the delivery of Financial Recovery and reduced Run Rates linked to meetings held on 16<sup>th</sup> May 2023. **All Service Group Directors and Corporate 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 1.
- **NOTE** the position with regard to Health Board Reserves
- **NOTE** all actions and updates to support the management of the 2023/24 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 balanced forecast year-end deficit financial outturn prior to the impact of COVID-19.		
<b>Legal Implications (including equality and diversity assessment)</b>		
No implications		
<b>Staffing Implications</b>		
No implications		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
No implications		
<b>Report History</b>	Updates on the financial position are provided at every meeting	
<b>Appendices</b>	none	