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Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	25th January 2022	Agenda Item	2.1
Report Title	Financial Report – Period 9 2021/22		
Report Author	Samantha Lewis, Deputy Director of Finance		
Report Sponsor	Darren Griffiths, Director of Finance and Performance		
Presented by	Darren Griffiths, Director of Finance and Performance		
Freedom of Information	Open		
Purpose of the Report	The report advises the Performance and Finance Committee of the Health Board financial position for Period 9 (December) 2021/22 and sets out the current forecast revenue year end outturn.		
Key Issues	<p>The report invites the Performance and Finance Committee to note the detailed analysis of the financial position for Period 9 (December) 2021/22.</p> <p>The report includes an analysis of the COVID-19 revenue impact and the forecast year end revenue position based on current planning assumptions.</p> <p>The paper also provides a summary of the 2022/23 WG Revenue Allocation Letter.</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 2021/22 financial plan. • CONSIDER and comment upon the Board’s financial performance for Period 9 (December) 2021/22, in particular: <ul style="list-style-type: none"> ▪ the revenue outturn position of £17.57m deficit; and ▪ the adjusted year-end forecast deficit of £24.405m. • NOTE the actions to ensure delivery of the financial forecast. • NOTE emerging savings position for 2022/23 • AGREE the risk handling for the 4 risks noted • NOTE the 2022/23 Revenue Allocation Letter and the actions underway to develop the future financial plan as part of the Health Board’s planning processes 		

FINANCIAL REPORT – PERIOD 9

1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 9 revenue position

The report informs the Performance and Finance Committee that the Period 9 (December 2021) revenue financial position is an overspend of £17.57m and invites the committee to note the detailed analysis of the Period 9 (December 2021) revenue financial position.

2. BACKGROUND

The Health Board agreed the Annual Plan for 2021/22 at its meeting on 23rd June 2021, having approved the draft annual plan in March 2021. This included a financial plan which reflected a £42.077m opening underlying deficit and indicated that in-year cost pressures and investment commitments could be met by WG allocation uplift and planned savings. The Health Board plan therefore produces a £42.077m forecast deficit.

	2021-22 Plan Update £m
20/21 Core Underlying Position	24.405
20/21 Savings COVID impact	17.672
20/21 Underlying Position	42.077
Cost pressures	25.600
WG Allocation	-15.100
Investment Commitments	8.500
Planned Savings	-27.700
Investments to enable Savings	8.700
Forecast Position	42.077

The savings requirement for 2021/22 of £27.7m is a gross saving position, which recognises and allows for the investments to support the delivery of efficiency opportunities.

The Health Board is also anticipating around £131m of COVID funding for this financial year, this is based on assumed costs for 12 months. This £131m includes non-recurrent funding to mitigate the COVID impact on 2020/21 savings. **This reduces the forecast deficit to £24.405m.**

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board deficit plan is being held within the Corporate Plan. Based on the adjusted forecast deficit, there would be a planned £2.034m overspend each month.

The unmet savings targets from 2020/21 have been removed from the Service Group and Corporate Directorates. COVID funding has been allocated to meet COVID costs. All Service Groups and Corporate Directorates are therefore being managed against an expectation of breakeven.

The period 9 reported in-month position was an overspend of £1.884m and £17.57m cumulatively. The cumulative position should be compared with the planned deficit of £18.304m. The cumulative position is £0.734m below the forecast position.

	Budget	Actual	Variance	Budget	Actual	Variance
	In Month	In Month	In Month	Cumulative	Cumulative	Cumulative
	£000	£000	£000	£000	£000	£000
Income	- 23,538	- 22,954	584	- 215,889	- 213,706	2,183
Pay	55,233	53,593	- 1,640	482,249	474,048	- 8,201
Non-Pay	60,390	61,913	1,523	508,874	515,898	7,024
Delegated Position	92,085	92,552	467	775,234	776,240	1,006
Corporate Plan	- 1,417		1,417	- 16,564	-	16,564
Total Position	90,668	92,552	1,884	758,670	776,240	17,570

3.1.2 Income

Income budgets have reported an under-achievement of £2.183m.

The key areas of under-achievement remain dental, catering, rental and other patient related charges.

The LTA and SLA block arrangements have now formally been agreed and will remain in place for the rest of this financial year. It is expected that there will be interim arrangements in place for 2022/23, whilst a fundamental review of funds flow arrangements is undertaken in readiness for 2023/24. The impact of the interim arrangement for 2022/23 will need to be clearly assessed once the principles are known. There remains a risk of contract under-performance in this area and activity plans delivered based on recovery trajectories in 2021/22 to mitigate this risk

The current income position is being supported by around £0.6m per month of COVID sustainability response funding. This has been included in the initial assessment of ongoing COVID impacts that has been shared with WG.

3.1.3 Pay

The underspend on workforce budgets has continued in-month.

Workforce	Budget	Actual	Variance	Budget	Actual	Variance
	In Month	In Month	In Month	Cumulative	Cumulative	Cumulative
	£000	£000	£000	£000	£000	£000
A&C	8,163	7,676	- 487	69,557	66,013	- 3,544
APST	1,963	1,878	- 85	17,190	16,248	- 942
AHP	3,820	3,535	- 285	33,467	31,002	- 2,465
HCS	1,684	1,620	- 64	15,067	14,349	- 718
ACS (Exlcuding HCSW)	1,635	1,493	- 142	14,732	14,053	- 679
M&D	13,212	13,200	- 12	113,738	114,380	642
Nursing (including HCSW & Students)	22,206	21,534	- 672	195,129	193,228	- 1,901
E&A	2,705	2,657	- 48	25,315	24,778	- 537
VF	- 155	-	155	- 1,943	-	1,943
Total Workforce	55,233	53,593	- 1,640	482,252	474,051	- 8,201

Workforce budgets have continued to underspend in month and the level of underspend has increased due to backdated funding for medical training posts and reduced levels of annual leave approved over Christmas.

Medical staff budgets have broken even for the first time this year however this is due to the backdated funding described previously.

Variable pay remains high, despite the restricted annual leave over Christmas. Much of the variable pay is being supported by COVID response and recovery funding.

3.1.4 Non Pay

The non-pay budgets have over-spent in month. The key drivers of the overspend continue to be ChC costs within MH and LD, which are partially offset by workforce underspends.

The Health Board is starting to see some impact of increasing utilities prices, however the full impact will not be seen until next financial year due to the pre-purchase of some 80% of utilities which is in place until March 2022. NWSSP colleagues are working to assess the ongoing impact and to identify options to mitigate further anticipated price increases.

From a delegated budget position, the three areas of significant overspend are Morrision, Neath Port Talbot Singleton (NPTS) and COO. The Morrision and NPTS positions are both impacted on by savings slippage, the most significant element of this slippage is on bed utilisation efficiency schemes. Morrision is also reporting significant workforce overspends over and above the additional costs supported by COVID funding, this reflects increased use of premium rate workforce solutions to cover vacancies and other unavailability. The COO overspend reflects increasing energy and provisions costs due to extraordinary inflationary impacts.

3.1.5 Savings and Recovery Challenge

The Health Board 2021/22 savings plan includes a gross savings requirement £27.7m, this supports the investment to enable efficiency opportunities to be released.

To date, the Health Board has identified £28.124m of green and amber savings.

There is slippage forecast against these schemes which reduces the forecast savings delivery to £27.451m. Whilst, despite the slippage, the savings requirement is broadly being met, this is due to over-delivery of savings in some areas, which is in the main non-recurrent. Within the overall savings programme there is significant slippage on bed utilisation efficiencies, the treatment of which needs to be agreed recurrently.

The recurrent full year impact of the savings is £24.9m, which is £2.75m short of the recurrent savings requirement. **Further schemes must be identified to bridge this gap as a matter of urgency and until that time 2021/22 planned investments not yet committed will need to be held to ensure there is no adverse impact on the Health Board underlying financial position.**

Within the £24.9m recurrent savings around £5m are Amber schemes linked to bed utilisation efficiencies, the enabling actions for these beds are being reviewed to ensure that the efficiency opportunity has been transacted. The impact of future demand growth and occupancy levels will form part of the 2022/23 financial plan.

The Health Board draft financial framework sets a requirement for a 4% savings target to be delivered in 2022/23 (1.5% general savings and 2.5% service transformation). This is in addition to ensuring full recurrent delivery of the 2021/22 savings. The table below sets out where KPMG indicated savings could be realised. The Management Board should note that bed reduction has not been considered given the scale and ambition of reduction in the recurrent savings plan from 2021/22.

Key Savings Themes		Targeted Value £m
Productivity	Theatre Efficiency	4.2
	Outpatients	3.6
	Endoscopy	1.0
Shift Left	ChC	2.5
	Primary/Community Services	5.0
Fixed Cost Reductio	Management Costs	3.9
	Estate Rationalisation	2.0
General Savings	Nursing	2.0
	Medical	2.0
	Medicines Management	1.0
	Procurement	2.0
	Other Savings 0.5%	3.5
Total Targeted Value		32.7

The table below sets out the indicative targets based on 4% (£27m). The Finance PMO have been working with Service Groups to continue to develop the savings schemes for 2022/23. Within the delegated targets is a list of the thematic savings to be delivered in 2022/23 and these are being worked up by the relevant leads. There has been credible progress in the last month with PCCT identifying over 70% of savings, and NPTS identifying just under 60%. There has been progress on Morrision schemes particularly around developing nursing and medical workforce efficiencies.

Service Group/Directorate	Indicative 4% Savings Target £	2.5% Service Transformation & Efficiency	1.5% General Savings	Local Savings Identification £	Nursing		Medical		Procurement £	Medicines Mgmt £	Total Savings Identified £	% of Target
					£	£	£	£				
NPTS	6,361,274	3,975,796	2,385,478	707,120	950,000	591,880	1,400,000	109,000		3,758,000	59.08%	
Morritson	9,026,454	5,641,534	3,384,920	-	2,150,000	657,000	-	-		2,807,000	31.10%	
MH&LD	3,972,273	2,482,670	1,489,602	1,813,000	500,000	204,000	175,000	50,000		2,742,000	69.03%	
PCCT	4,151,148	2,594,467	1,556,680	2,488,750	269,048	128,249	115,954			3,002,001	72.32%	
Corporate Directorates	3,766,877	2,354,298	1,412,579	1,390,458	-	-	492,981	841,000		2,724,439	72.33%	
Total	27,278,025	17,048,766	10,229,259	6,399,328	3,869,048	1,581,129	2,183,935	1,000,000		15,033,440	55.11%	

Corporate Directorates are continuing their reviews at present and the results of the savings plans arising from these discussions will be incorporated into the next update to Management Board.

Further work is being undertaken to clarify the impact of non-recurrent savings on the 22/23 target (currently at £2.75m). The current assumption is that all 2021/22 savings are achieved recurrently, with any shortfall impacting on the 2022/23 target. The non-bed amber schemes this year have been reviewed and are being actioned to ensure minimal impact on next year's recurrent target.

The Finance PMO, Senior Finance Managers and Service Directors are continuing to review further schemes and pipelines to ensure the full £27.3m of savings are identified.

Savings Actions: -

- Further schemes must be identified to bridge 2021/22 Recurrent gap of **£2.75m** as a matter of urgency and until that time 2021/22 planned investments not yet committed will need to be held to ensure there is no adverse impact on the Health Board underlying financial position, **Service Directors/PMO February 2022;**
- **Corporate Departments** to Urgently review with their **Finance Business Partners and the PMO** to identify up to £3.7m of recurrent CIP schemes by **end February 2022.**
- **Continue to develop** schemes and themes to meet at least 85% by the end of February. **Service and Corporate Directors – February 2022**

4. COVID-19

The Health Board forecast COVID expenditure for 2021/22 is £113.495m. The funding for COVID programme costs i.e. Test, Trace, vaccination, PPE had now been issued to the Health Board based on Month 8 forecasts. The Health Board is now expected to manage within the funding allocations issued. **Given the challenges in fully deploying the funding allocated, any requests from WG for bids for additional funding for this financial year must be signed off by the Director of Finance prior to submission.**

COVID Expenditure	YTD Spend	Forecast Spend
	£000	£000
Testing	2,370	3,104
Tracing	9,030	13,089
Vaccination	10,853	14,379
Extended Flu	885	1,190
Cleaning Standards	1,775	2,366
Recovery	11,901	23,505
Long COVID	240	385
Urgent Emergency Care	1,419	4,130
Sustainability :		
Primary Care Prescribing	4,426	5,788
PPE	3,692	4,892
Care Homes	2,028	2,243
Staffing	21,289	25,523
Other Non Pay/Income Loss	8,806	12,901
	78,714	113,495

In addition to the £113.495m costs, WG have also provided support (£17.672m) for the 2020/21 savings delivery which was severely impacted on by the pandemic. This support has been provided non-recurrently and this has been reflected in the Health Board £42m underlying position.

The majority of costs are being incurred evenly throughout the financial year, however the costs of recovery and urgent emergency care, have significantly higher costs profiled in the latter part of the financial year.

The utilisation of the recovery funding will be driven by the Planned Care Board, however it is essential that all Service Groups are supporting and ensuring the best use of this considerable resource to support patient care. There has been significant slippage on the planned use of the recovery funding due to outsourced capacity constraints, recruitment challenges and operational service pressures. It is crucial that alternative expenditure options/plans are developed, agreed and actioned to avoid the under-utilisation of these available resources.

An initial assessment of potential ongoing costs has been made based on current service models and policy/guidance. The Health Board has now received the 2022/23 WG revenue allocation, which includes £21.6m Planned and Unscheduled Care (Recovery) funding and a recognition of central funding support for COVID Programmes; TTP, Vaccination and PPE. All other costs being incurred need to be supported from the Health Board's core allocation and further detailed work is required to fully understand the choices and service and financial impacts for the Board to consider as part of the 2022/23 IMTP process.

COVID Response and Recovery Actions :-

- **Develop** alternative opportunities to ensure allocated recovery funding is fully utilised. **Planned Care Board supported by Deputy COO, Deputy Director of Finance – rolling action to be overseen by Planned Care Board**
- **Ensure** that Urgent Emergency Care commitments and further actions aligned to Winter Plans are delivered – **UEC Board support**
- **Service Group directors to work with the COO to assess all COVID response costs for exit plans to be presented to CEO and DoF – February 2022**

5. FORECAST POSITION

The Health Board forecast remains at a deficit of £24.405m, following the inclusion of non-recurrent funding to support the 2020/21 savings delivery impact. The recurrent forecast remains at £42.077m.

The current financial forecast has been compared to the opening financial plan to assess the key areas of movement.

	2021-22 Plan Update £m	Current Position £m
20/21 Core Underlying Position	24.405	24.405
20/21 Savings COVID impact	17.672	17.672
20/21 Underlying Position	42.077	42.077
Cost pressures	25.600	27.100
WG Allocation	-15.100	-15.100
Investment Commitments	8.500	8.500
Planned Savings	-27.700	-27.700
Investments to enable Savings	8.700	2.500
Slippage on Plan		4.700
Forecast Position pre-COVID	42.077	42.077
Less 20/21 Savings impact	-17.672	-17.672
Forecast Position post-COVID	24.405	24.405

The key movements are: -

- Cost Pressures – due to higher than planned levels of ChC, NICE/HCD and general inflationary pressures being experienced.
- Investments – there have been significant delays in formulating, agreeing and implementing planned investments, which has resulted in significant forecast slippage. The Health Board is now reviewing all investments to consider what can be expedited and also considering other areas of expenditure to support longer term strategy and improve patient care.

Baseline Position Actions :-

- **Action** that all opportunities to commit revenue slippage in 2021/22 to improve efficiency, workforce deployment or reduce run rate are identified, agreed and implemented in Quarter 4 (CEO and DoF signed off phase I – further ideas needed) – **COO, Deputy COO and Deputy Finance Director**

6. OPPORTUNITIES AND RISKS

Through the regular review of opportunities and risks and continuing discussions with WG and following the revision of the forecast, the Health Board is endeavouring to manage opportunities and risks that may arise within the overall forecast position.

Any significant changes to income or expenditure assumptions will be highlighted to the Performance and Finance Committee.

7. RISK ASSESSMENT

There are four 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, particularly now that the indication is that no COVID response funding is available outside of national Programmes.**
- **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). Closed given funding available during the year**
- 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 Board. The CEO has asked that this be completed by the COO in February 2022.

8. 2022/23 REVENUE ALLOCATION LETTER

Welsh Government issued the 2022-23 Revenue Allocation Letter on 21st December 2021. This sets out the recurrent revenue allocation for the Health

Board for 2022-23. A summary of the Health Board Allocations and the movements from 2021-22 is included as Appendix 2.

The key headlines for the Health Board are: -

- 2.8% uplift on core revenue budgets to support service cost and demand pressures and financial stability (£19.59m)
- 3% uplift to Mental Health budgets to support service cost and demand pressures (£2.495m)
- Pay inflation funding being held centrally by WG until pay negotiations are concluded
- Support for Planned and Unscheduled Care sustainability as announced in 2021/22 (£21.6m)
- New support for value based recovery (£1.9m)
- A new Regional Integration Fund has been created from the previous Integrated Care Fund, Transformation Fund and some other Regionally focussed allocations.
- Primary Care contracts have been will be subject to further allocation adjustments when contract negotiations are concluded

The Health Board is now working through the detail of the Revenue Allocation Letter as part of the development of the IMTP for 2022-23 and the development of the detailed financial plan. The key actions required are :

- Identifying and Assessing key inflationary, growth and service pressures;
- Developing, planning and implementing the savings programme for 2022/23;
- Assessing the ongoing implications as a result of the pandemic, in terms of direct costs, such as Testing and Vaccination programmes, indirect costs associated with changes to service models and patient demand and acuity and costs associated with recovery; and
- Underpinning Changing for the Future with clear and robust investment strategy which supports the Health Board's recovery and sustainability plan.

9. ACTIONS AND NEXT STEPS

The Health Board has a number of key actions to ensure the delivery of the forecast £24.405m year-end deficit: -

- Establish robust forecast of recovery schemes/actions, in terms of activity/service delivery and expenditure. **Planned Care Board supported by Deputy COO, Deputy Director of Finance – End of January 2022.**
- Develop alternative opportunities to ensure allocated funding is fully utilised. **Planned Care Board supported by Deputy COO, Deputy Director of Finance – End of January 2022.**
- Review all investment plans to identify areas of expenditure that can be expedited and other areas of expenditure to support longer term strategy and improve patient care. **CEO and DOF, supported by Service and Corporate Directors – End of January 2022.**

To support the development of the 2022/23 financial plan the following actions are required: -

- Identify and Assess key inflationary, growth and service pressures;
- Develop, plan and implement the savings programme for 2022/23;
- Ensure 2021/22 recurrent savings are met in full to maintain the underlying deficit position.
- Assess the ongoing implications as a result of the pandemic, in terms of direct costs, such as Testing and Vaccination programmes, indirect costs associated with changes to service models and patient demand and acuity and costs associated with recovery; and
- Underpin Changing for the Future with clear and robust investment strategy which supports the Health Board's recovery and sustainability plan.

9. RECOMMENDATIONS

Members are asked to:

- **NOTE** the agreed 2021/22 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 9 (December) 2021/22, in particular:
 - the revenue outturn position of £17.57m deficit; and
 - the adjusted year-end forecast deficit of £24.405m.
- **NOTE** the actions to ensure delivery of the financial forecast.
- **NOTE** emerging savings position for 2022/23
- **AGREE** the risk handling for the 4 risks noted
- **NOTE** the 2022/23 Revenue Allocation Letter and the actions underway to develop the future financial plan as part of the Health Board's planning processes

Governance and Assurance		
Link to Enabling Objectives <i>(please choose)</i>	Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
	Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
	Partnerships for Care	<input checked="" type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>	
Health and Care Standards		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input checked="" type="checkbox"/>
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
Legal Implications (including equality and diversity assessment)		
No implications for the Committee to be aware of.		
Staffing Implications		
No implications for the Committee to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Committee to be aware of.		
Report History	The Committee receives an update on the financial position at every meeting	
Appendices	Appendix 1 – Month 9 Finance Position for PFC Appendix 2 – 2022/23 Revenue Allocation Letter Summary	