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Health Board



<b>Meeting Date</b>	<b>31<sup>st</sup> March 2022</b>	<b>Agenda Item</b>	<b>5.2</b>
<b>Report Title</b>	<b>Financial Report – Period 11 2021/22</b>		
<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 Board of the Health Board financial position for Period 11 (February) 2021/22.		
<b>Key Issues</b>	<p>The report invites the Board to note the detailed analysis of the financial position for Period 11 (February) 2021/22 and the actions to support the management of the Health Board forecast position.</p> <p>The report invites the Board to note the capital budget, cash position and key balance sheet movements.</p> <p>The report also provides the Board with a summary of the 2022/23 Welsh Government Revenue Allocation Letter.</p>		
<b>Specific Action Required</b> <i>(please choose one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input checked="" 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 2021/22 financial plan and its expected delivery outlined in the information on I&amp;E.</li> <li>• <b>CONSIDER</b> and comment upon the Board’s financial performance for Period 11 (February) 2021/22, noting the further actions required in section 6 to deliver deficit and recurrent CIP programme.</li> <li>• <b>NOTE</b> the key actions in relation to the delivery of the forecast £24.405m year-end deficit.</li> <li>• <b>NOTE</b> the actions in the development of the financial plan for 2022/23 as part of the IMTP.</li> </ul>		

## FINANCIAL REPORT – PERIOD 9

### 1. INTRODUCTION

The report advises the Board that the Period 11 (February) revenue financial position is an overspend of £20.946m.

The report invites the Board to note the detailed analysis of the Period 11 (February) revenue financial position.

The report provides an analysis of the revenue impact of the COVID-19 response and provides an assessment of the year-end revenue forecast following agreed and anticipated additional WG funding.

The report invites the Board to note the capital budget position, cash position and key balance sheet movements.

The report also an update on the 2022/23 Financial Plan / IMTP.

### 2. BACKGROUND

#### 2.1 The Health Board has two key statutory duties to achieve:

- **To submit an Integrated Medium Term Plan (IMTP) to secure compliance with breakeven over 3 years.**

2019/20 No Approved Plan  
2020/21 No Approved Plan  
2021/22 Annual Plan submitted

The Health Board will fail to achieve this Statutory Duty.

- **To achieve financial breakeven over a rolling three-year period, which commenced on 1<sup>st</sup> April 2019 and will end on 31<sup>st</sup> March 2022.**

2019/20 £16.284m Overspend  
2020/21 £24.305m Overspend  
2021/22 £24.405m Forecast Overspend

The Health Board will fail to achieve this Statutory Duty.

#### 2.2 Summary of Performance against Key Financial Targets

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported in-month financial position – deficit/(surplus)	1,705
Reported cumulative financial position – deficit/(surplus)	20,946
Cumulative Variance from Planned Deficit – deficit/(surplus)	(1,425)
<b>Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government</b>	<b>Value £000</b>

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported year to date financial position – deficit/(surplus)	243
Forecast outturn financial position – deficit/(surplus)	0
<b>PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice</b>	<b>Value %</b>
Cumulative year to date % of invoices paid within 30 days (by number)	93.87%

### 3. FINANCIAL IMPLICATIONS

#### 3.1 Revenue Position

##### 3.1.1 Summary Revenue Position

The Health Board agreed the Annual Plan for 2021/22 at its meeting on 23<sup>rd</sup> 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.

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

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 £132m of COVID funding for this financial year. This £132m includes non-recurrent funding to mitigate the COVID impact on 2020/21 savings. This reduces the forecast deficit to £24.405m.

The period 11 reported in-month position was an overspend of £1.705m and £20.946m cumulatively, which is £1.425m 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	- 26,224	- 26,418	- 194	- 265,057	- 263,631	1,426
Pay	56,239	55,020	- 1,219	596,486	586,566	- 9,920
Non-Pay	58,401	60,102	1,701	628,086	638,129	10,043
<b>Delegated Position</b>	<b>88,416</b>	<b>88,704</b>	<b>288</b>	<b>959,515</b>	<b>961,064</b>	<b>1,549</b>
Corporate Plan	- 1,417		1,417	- 19,397	-	19,397
<b>Total Position</b>	<b>86,999</b>	<b>88,704</b>	<b>1,705</b>	<b>940,118</b>	<b>961,064</b>	<b>20,946</b>

The corporate plan variance reflects 11/12<sup>th</sup>s of the £24.405m forecast deficit less the release of investment slippage.

### 3.1.2 Income

Income budgets have reported an under-achievement of £1.426m.

The income position Month 11 showed an overachievement, with a reported in-month over-achievement relating to CTM and DHCW.

The underlying income under-achievement remains as in previous months, with the key areas of pressure being 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 current income position is being supported by around £0.6m per month of COVID sustainability response funding.

### 3.1.3 Pay

Pay budgets have reported a £9.92m underspend for the first nine months of the financial year.

The underspend on workforce budgets has continued in-month, with underspends remaining in A&C Nursing and AHP's.

Variable costs has reduced slightly in month, this is linked to agency non-medical and overtime. Much of these additional costs are funded through winter and COVID non-recurrent funding and are not impacting on the budgetary position.

Around £25m of COVID funding has been issued to support increased pay costs during this period, excluding funding for vaccination, TTP, cleaning standards and recovery. This significant cost is supporting changed service models and requirements, surge capacity and other additional support. The management of ongoing legacy of costs will be crucial in the development of a sustainable financial model going forward.

### 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 and rising price inflation.

The Health Board has emerging pressures from increasing utilities prices, this is currently around £350k per month, and also extraordinary inflationary impacts on such things as provisions.

The level of COVID support to general non-pay is £6.2m for the year to date, excluding PPE costs. In addition, around £5.3m funding support has been provided to Primary Care Prescribing to support the increased costs being experienced.

### **3.1.5 Savings and Recovery Challenge**

The Health Board 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 £28.46m of green and amber savings, with a further red schemes still being developed, which will aid the recurrent savings delivery.

The forecast savings delivery for 2021/22 is £28.3m. Whilst this reflects a very positive delivery position, this is due to over-delivery in some areas, much of which is non-recurrent.

Within the recurrent 2021/22 savings plans were £7m bed efficiency schemes through a reduction in the average LOS following changes to models of patient care. There have been delays in implementing the new models of case and this has delayed the delivery of the bed efficiency improvement. The impact on the delivery of the recurrent savings target has been recognised and the 2021/22 recurrent savings target for the Service Groups has been reduced to £20.7m. Against this adjusted target the forecast recurrent delivery is £18.1m, this leaves a £2.6m shortfall in recurrent savings target, in addition to the £7m held centrally. For 2021/22, non-recurrent savings and other opportunities have mitigated the shortfall in the delivery of the target of £27.7m.

Going into 2022/23 the Health Board needs to ensure both the £2.6m recurrent shortfall currently in the Service Groups/Directorate target is addressed and the 21/22 bed efficiency opportunities are delivered during 2022/23. The impact of bed efficiencies, future demand growth and occupancy levels will form part of the 2022/23 bed plan model and will feed into the 2022/23 financial plan.

### **3.1.6 COVID-19**

The Health Board is assuming around £132m of additional funding to support COVID response and recovery. The majority of this funding has now been received by the Health Board, with programme areas such as TTP, Vaccination and PPE being issued based on expenditure forecasts as at Month 8. The table below provides a summary of the £132m.

<b>COVID Funding</b>	<b>Confirmed &amp; Anticipated Funding</b>
	<b>£000</b>
Testing	3,104
Contact Tracing	13,090
Vaccination	13,621
Extended Flu	1,191
Enhanced Cleaning Standards	2,366
PPE	4,797
Care Homes	2,243
Sustainability	45,198
Long COVID	635
UEC Programmes	4,130
<b>COVID Response</b>	<b>90,375</b>
Recovery	24,988
20/21 Savings Impact	17,672
Bonus Payment Recovery	- 1,130
<b>Total Allocation</b>	<b>131,905</b>

It is expected that the any COVID funding provided will be fully deployed.

### 3.2 Capital Resource Limit (CRL)

The approved CRL value, issued on 28/02/22, is £67.223m. The approved CRL value includes Discretionary Capital and the schemes under the All Wales Capital Programme.

Changes from the previous CRL, all actioned February, consist of; PET CT Scanner Fees £0.069m; Additional Capital Slippage Funding £4.926m; Pharmacy Robotic Process Automation £0.093m and Eye Care Equipment £0.203m

#### Outturn Performance

The forecast outturn shows a balanced position.

The following allocations are all classed as high risk. The in-year underspends on the AWCP schemes are being offset with increased spend on discretionary schemes.

<b>Scheme</b>	<b>£m / Risk Level</b>	<b>Narrative</b>
Covid-19 Recovery Plans 2021-22	0.880 / High	<p>The COVID recovery funding £7.340m covers three schemes.</p> <ul style="list-style-type: none"> <li>• <b>Ophthalmology Modular Theatre, Singleton Hospital.</b> Proceeding to plan.</li> <li>• <b>Fracture and Orthopaedic Unit, Morriston Hospital.</b> Following the recent conclusion of our Changing for the Future consultation, we are planning to commence works at the end of March.</li> </ul>

Scheme	£m / Risk Level	Narrative
		<ul style="list-style-type: none"> <li>• <b>Orthopaedic Modular Theatres, Neath Port Talbot Hospital.</b> The scheme design is progressing, but the design complexities and complex contractual arrangements with the PFI mean enabling works will not now commence until next year.</li> </ul>
Anti-Ligature	1.007 / High	<ul style="list-style-type: none"> <li>• Increasing material lead times and delays with the PFI partner funders, have reduced the spend profile this year.</li> </ul>
Cladding, Singleton	0.414 / Medium	<ul style="list-style-type: none"> <li>• There are potential delays to the scheme due some possible material defects. Work is ongoing with the SCP to understand the impact on the programme.</li> </ul>

All other schemes are low risk and any variances are linked to planned contributions from discretionary.

Following on from the reduction we disclosed in Month 10, we have undertaken a further review of our non-cash DEL estimates and reduced this by a further £95k in Month 11. The forecast has dropped in value now that we have a better view on the commissioning status of our schemes in this financial year. We disclose this in line with the Gary Young email (dated 27/01/2022), which requested that we disclose any material movements from latest forecasts as they arise.

There are a number of planned property disposals this financial year with outstanding expected sale proceeds of £0.187m. The reported forecast outturn position assumes that the outstanding disposal income will be received.

All of the property disposals have received Ministerial approval to proceed.

### 3.3 Balance Sheet

As at 28<sup>th</sup> February 2022, there has been an increase of £57.946m in net assets employed compared to the balances as at 31st March (18.54%). Total assets increased by £52.387m, and total liabilities reduced by £5.569m. The main movement in assets and liabilities is detailed in the following paragraphs.

There has been an increase of £4.760m in fixed assets with asset additions for the year to date being higher than the depreciation.

The inventory value has increased from £9.415m to £9.801m as at the end of February 2022, an increase of £0.386m. The increase mainly relates to drugs stocks across all hospital sites (£0.228m), blood products stocks (£0.195m), and Omnicell stocks in cardiac of £0.064m offset by the transfer of Laundry Stock to Velindre Trust of £0.101m.

There has been an increase of £36.723m in trade receivables to £226.972m as at the end of February 2022. The movement primarily relates to the inclusion of £44.821m in respect of anticipated allocations from Welsh Government and an increase of £3.2m in trade and other debtors, offset by a reduction of £4.506m in the Welsh Risk Pool debtor following reimbursement of claims in year and a reduction of £6.8m in NHS debtors.

The closing December 2021 cash balance was £11.788m, well above the Welsh Government best practice cash target for the health board of £6m. This was due to lower than forecast capital payments, higher than anticipated income from WHSSC and repayment of a £5m clinical negligence case which was not notified to the health board as being reimbursed until after the February cash was drawn down from Welsh Government.

In respect of liabilities, there has been a reduction of £12.561m in payables. This reduction is mainly due to the payment of the NHS bonus which was accrued at year end (£12.870m) and settlement of clinical negligence cases transferred from provisions to creditors at year end (£11.232m), offset by increases in NHS creditors, trade creditors and expenditure accruals.

Provisions have increased from £149.508m at the end of March to £156.510m as at the end of February 2022. The increase relates to clinical negligence claims with a big increase in the forecast settlement costs on the February quantum reports received from Welsh Health Legal Services.

### **3.4 Cash**

The closing February cash balance of £11.788m was much higher than planned and above the best practice cash target for the Health Board of £6m. This was due to lower than forecast capital payments, higher than anticipated income from WHSSC and repayment of a £5m clinical negligence case which was not notified to the health board as being reimbursed until after the February cash was drawn down from Welsh Government. The cash management plan for March will ensure that the cash balance is reduced in line with normal month end balances.

A detailed review of the forecast revenue and capital cash receipts and payments for March has been undertaken to ensure that the amount of cash drawn down whilst being sufficient to discharge all forecast cash commitments does not leave the health board with a high cash balance as at the end of March 2022.

From a capital cash position, given the opening cash position and the forecast cash payments between now and the end of March 2022, it is planned to draw down in cash only £48.5m of the approved CRL cash allocation of £67.223m. It must be stressed, however, that the capital position is fast moving and this position may change over the course of the next two weeks with more or less cash possibly being required as the position in respect of the timing of cash payments becomes clearer.

With regards to the revenue cash position the health board currently plans to draw down all allocations received to date and those remaining anticipated

allocations once approved for release by Welsh Government. The £4.220m approved strategic cash support and the remaining £9m of working capital cash approved by Welsh Government relating to the bonus payment are not expected to be drawn down from Welsh Government given the current cash position .

The course of action outlined above will leave the health board with a forecast closing cash balance of £9.558m, although it is the intention through chasing down payment of invoices to bring this year-end cash balance down to around £3m in line with the health board's normal month-end cash balance.

### **3.5 Public Sector Payment Policy (PSPP)**

Following some disappointing months where PSPP compliance fell below the 95% target, the February performance of 95.82% in month was above target.

The health board continues to face significant pressure in meeting the target due to the significant numbers of agency staff invoices being received linked to the number of agency staff shifts being utilised. The team processing the invoices has recruited additional staff to assist with invoice processing and there is also pressure on frontline staff to verify the shifts worked to enable the invoices to be processed. Significant progress has been achieved following the additional recruitment on the achievement of the target.

As at the end of February, cumulative performance has deteriorated to below the target at 93.87%, however, compliance will need to be significantly above 95% each month for the remainder of the financial year to ensure that the target is met cumulatively for 2021/22.

## **4. REVENUE FORECAST**

The Health Board submitted its final annual plan on 30<sup>th</sup> June 2021, following Board approval on 23<sup>rd</sup> June 2021. The final plan produces a £42m deficit, which has been reduced to £24.4m following the application of anticipated non-recurrent funding to support the COVID impact on 2020/21 savings delivery.

The Health Board is currently on target to deliver the £24.4m forecast. This is being monitored closely to reflect risks and opportunities as they arise.

The revenue forecast assumes any impact of annual leave carried forward or buy out as set out in the recent pay circular will be neutralised by WG.

## **5. RISKS AND OPPORTUNITIES**

The Health Board forecast includes a number of opportunities and risks, which may impact on the current forecast assessment. These are being regularly reviewed and mitigation options considered. Details of the risks are routinely reported to the Health Board Performance and Finance Committee.

## **6. 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: -

- Further savings schemes must be identified to:
  - Bridge 2021/22 recurrent gap of £2.6m - **Service Directors/Executive Directors/PMO March 2022;**
  - Deliver bed reductions outlined in the 2021/22 Savings Plan - **Service Directors/Executive Directors September 2022**
  - Note that until recurrent savings are addressed planned investments not yet committed will need to be held to ensure there is no adverse impact on the Health Board underlying financial position;
- Adjust bed savings profile and mitigate the slippage in this plan with alternative plans and solutions for 2021/22.
- Continued focus 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.**
- 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.**
- Further develop the system of financial control to support developing the maturity of the Board assessment of Money/Vale for Money.

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

- Continue to develop schemes and themes to meet and 100% by end of March 2022. **Service and Corporate Directors as per set timescales.**
- Service Group directors to work with the COO/DOF to assess all COVID response costs for exit plans to be presented to CEO and DoF – **First draft of detailed exit plans by March 2022 from P&FC report.**

## 7. RECOMMENDATION

Members are asked to: -

- **NOTE** the agreed 2021/22 financial plan and its expected delivery outlined in the information on I&E.
- **CONSIDER** and comment upon the Board's financial performance for Period 11 (February) 2021/22, noting the further actions required in section 6 to deliver deficit and recurrent CIP programme.
- **NOTE** the key actions in relation to the delivery of the forecast £24.405m year-end deficit.
- **NOTE** the actions in the development of the financial plan for 2022/23 as part of the IMTP

<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 type="checkbox"/>
	Partnerships for Care	<input 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 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 Board to be aware of.		
<b>Staffing Implications</b>		
No implications for the Board 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 Board to be aware of.		
<b>Report History</b>	Board receives an update on the financial position at every meeting	
<b>Appendices</b>	Appendix 1 – Month 11 financial position slide pack	