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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	27th July 2023	Agenda Item	2.5
Report Title	Financial Report – Period 03 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 Board of the Health Board financial position for Period 03 (June) 2023 and sets out the current forecast revenue year end outturn.		
Key Issues	<p>The report invites the Board to note the detailed analysis of the financial position for Period 03 (June) 2023.</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 report invites the Board to note the cash position, key balance sheet movements and the capital position.</p>		
Specific Action Required <i>(please choose one only)</i>	Information	Discussion	Assurance
	<input checked="" 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 updated 2023/24 financial plan • NOTE that actions being undertaken to reduce the risk in the plan in terms of: - <ul style="list-style-type: none"> • operational run rate • savings delivery • CONSIDER and comment upon the Board's financial performance for Period 03 2023/24 (Revenue) • NOTE the balance sheet position 		

FINANCIAL REPORT – PERIOD 3

1. INTRODUCTION

The report advises the Board that the in-month Period 3 (June 2023) revenue financial position is an overspend of £11.425m.

The report invites the Board to note the detailed analysis of the Period 3 (June) revenue financial position.

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.**

2021/22 Annual Plan submitted

2022/23 3-year plan approved

2023/24 3-year plan submitted

The Health Board achieved this Statutory Duty in 2022/23.

- **To achieve financial breakeven over a rolling three-year period, which commenced on 1st April 2020 and will end on 31st March 2023.**

2021/22 £24.400m Overspend

2022/23 Forecast breakeven position

2023/24 Deficit Plan £86.6m

The Health Board will fail to achieve this Statutory Duty.

2.2 Summary of Performance against Key Financial Targets

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
Reported in-month financial position – deficit/(surplus)	11.425
Reported cumulative financial position – deficit/(surplus)	35.960
Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government	Value £000
Reported year to date financial position – deficit/(surplus)	(285)
Forecast outturn financial position – deficit/(surplus)	3.257
PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice	Value %
Cumulative year to date % of invoices paid within 30 days (by number)	95.84

3. FINANCIAL IMPLICATIONS

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

	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

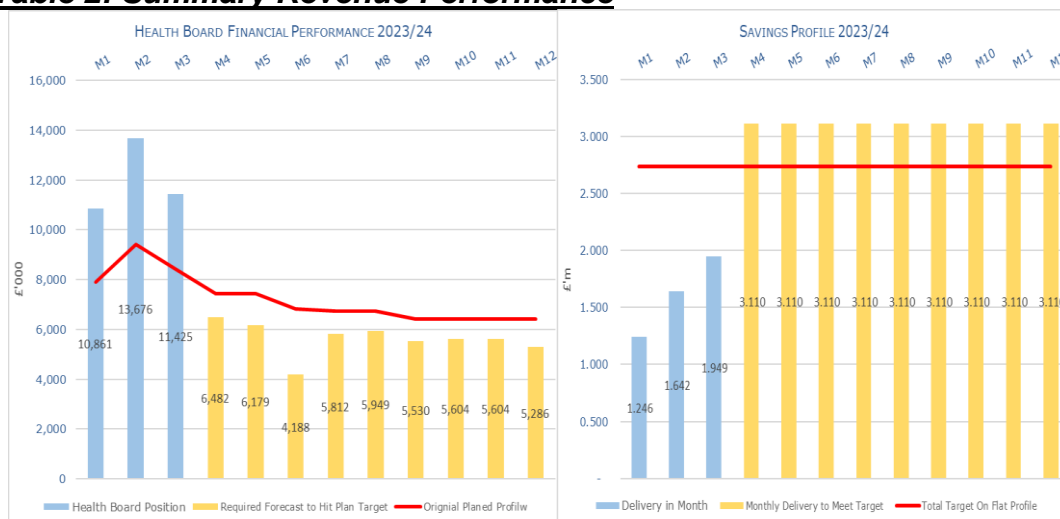
Key assumptions underpinning the plan:

- 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**

4. FINANCIAL PERFORMANCE

The key metrics linked to the revenue position are provided in the table below. Further details on the key drivers to this are provided in section 4 of the report.

Table 2: Summary Revenue Performance



Target	In Month £M	Year To Date (YTD) £M
Delivery Against Revenue Resource Limit (RRL) DEFICIT / (SURPLUS)	11.425	35.960
Delivery Against Financial Plan DEFICIT / (SURPLUS)	2.998	10.20
Delivery Against Total Savings Target DEFICIT / (SURPLUS)	0.731	3.434

At the end of Month 3 the £11.425m overspend and YTD overspend of £35.690m is broken down by Service Group and Corporate Directorate as per the table 3 below:

Table 3: Summary Position by Service Group/ Directorate @ Month 3

	Month 3 In Month £000	YTD Position £000
Service Groups		
Mental Health & LD	- 6	- 16
Morrison	3,943	10,903
NPT & Singleton	169	2,271
PC & Community	184	420
Total Service Groups	4,290	13,578
Corporate Directorates		
Board Secretary	-	11
Chief Operating Officer	223	831
Director of Strategy (excluding COVID)	- 53	- 221
COVID	-	-
Director of Transformation	-	2
Finance & Estates	11	203
Digital	- 127	- 363
Medical Director	- 10	- 37
Nurse Director	- 30	- 22
Workforce & OD	- 32	- 52
Clinical Medical School	-	-
Research & Development	-	-
DSU	-	-
EMRTS	-	-
Director Insight, Communication & Engagement	- 14	- 25
Corporate I&E	- 5	- 12
Public Health	- 2	- 9
Total Corporate Directorates	- 39	307
Delegated Budget Position	4,251	13,885
In year deficit	8,427	25,761
Adjustment Other Opps	- 1,253	- 3,686
Release Unutilised Reserves Agreed PFC		
Current Delegated Position	11,425	35,960

Actions/Comments Linked Table 3:

Key points of notes by type spent:

- **Income**
£0.6m under achievement of income in Month 3, in part this relates to the income from Dental and our commissioners and in particular WHSSC and the delivery of the WHSSC contract.
- **Pay**
The Month 3 pay was overspent by £1.2m in is part driven by the £0.6m reduction in Variable Pay between Month 2 and Month 3, linked to Overtime and WLI. There was also a reduction in WTE actuals between Month 2 and 3. This reduction relates in the main to two areas, Nursing and Additional Clinical Services (HCSW), with these 2 areas also seeing a corresponding reduction in overtime costs, which impacts on the WTE reported in the ledger.

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 £0.5m has been included to reflect the potential likely impact of recurrent impact of No Cheaper Stock Obtainable (NCSOs) and other growth pressures seen in 2022/23. 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%, and in additional had a further 310m of unmet savings brought forward from 2022/23. The savings target has been profiled in equal twelfths. However, there remains a significant gap in the delivery of the total savings requirement (£32.8m) which has resulted in a £0.7m variance in Month 3 and £3.4m Year To Date. (Savings are covered in more detail later in this report)

Key points of notes by Service Area:

- **Morrison**
The key variances:
 - Income = Month 3 £0.5m variance and YTD £1.34m driven by WHSSC performance. Plans are being developed to recover this via the Enhanced Monitoring meetings.
 - Pay = Month 3 £1.5m variance and YTD £4.47m, with average spend of £3.7m on variable pay.
 - Non Pay (exc Savings) = Month 3 £0.8m variance and YTD £1.1m of which £0.7m relates to clinical supplies and general consumables
 - Savings = Month 3 £1.0m variance and YTD £2.7m

- AMSR = following sign off of the budget transfer between Morriston and NPTS Service Group operational cost centre pressures and unmet CIPs have transferred to Morriston which is impacting on variance.
- **NPTS**
The key variances:
 - Income = Month 3 £0.12m variance and YTD £0.3m driven by loss of Private Patient income
 - Pay = Month 3 £0.14m (underspend) variance and YTD £0.63m,
 - Non Pay (exc Savings) = Month 3 £0.3m variance and YTD £0.8m which relates to clinical supplies and primary care prescribing.
 - Savings = Month 3 £0.2m over achieved and YTD £0.6m under achieved.
 - AMSR = the transfer of cost centres to Morriston has had a benefit in month to NPTS.

Key Actions being undertaken:

The Month 1 and 2 reports 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 previous months are captured below:

- **Enhanced Monitoring** – both NPTS Service Group and the Morriston Service Group remain in enhanced monitoring with the weekly meetings continuing chaired by the CEO. The output of this focus is contributing to the slowing down of both the Morriston and NPTS Service Group overspend rate, which in turn contributed to the reduction in the overspend against plan in Month 3.
- **Additional Support** – in Month 2 it was reported that the Health Board would provide additional support from Finance Business Partner perspective into Morriston Service Group and this will now be extended to NPTS Service Group. Plus a review over the next 2 months on staffing with our Operational Finance Team (band 6 and below).

5. KEY DRIVERS IMPACTING REVENUE

This section provides the reader with the key aspects within the Health Board position that is influencing the financial performance against the Revenue Resource Limit.

5.1 Pay / Variable Pay – Trends

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

Table 4: Variance on Pay 2023/24

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
Mth 3	82,720	83,972	6,661	- 5,408	1,252
YTD	187,063	192,001	20,249	- 15,311	4,938

Table 5: Variable Pay Analysis



5.2 Non Pay

The performance against budget both in month and Year-To-Date is provided below.

Table 6: Variance on Non-Pay

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
Mth 3	53,126	62,714	8,427	1,162	9,588
YTD	151,319	180,853	25,761	3,773	29,534

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

5.2.1 Clinical Consumables

Clinical supplies and services were overspent YTD by £1.9m at the end of Month 3. Within the 80+ lines there were overspends on Laboratory Medicine General products.

5.2.2 Utilities

Currently there is a small pressures on Gas of £3k in month 3, however underspends in Electricity of £14k across the Service Groups and Corporate Directorates. Whilst an updated forecast from British Gas was shared with Health Board on the 1st June 2023. The Health Board is awaiting the Crown Commercial element of the forecast (2nd 6 months of the financial year) which we anticipate will be received by September 2023. This will then provide a robust position for the totality of the 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.

5.2.3 Continuing Healthcare

The variance against budget for CHC is at £0.164m in month reflecting the additional funding allocated to CHC through the financial plan. An analysis of

actual spend and patient numbers for 2023/24, along with the average values from 2023/24 is provided in table below.

Table 7: - Continuing Healthcare Breakdown

Service Area	PCT Group		Mental Health		Learning Disabilities		Total	
	Patient No.	£	Patient No.	£	Patient No.	£	Patient No.	£
Average 2023/24	378	2,457,510	202	1,378,848	200	1,833,718	779	5,670,076
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
Mth 3	375	2,948,899	204	1,503,354	201	1,863,408	780	6,315,660
Total		7,372,530		4,136,545		5,501,154		17,010,229

(Please note: PCT Group does not include the Singleton/NPT element - which covers Children and Young People as it is provided internally).

5.2.4 Primary Care Prescribing

Whilst the first month of actual costs for 2023/24 is available it will not be until the end of Aug/September 2023 when a number of months of data is available before a true picture of the prescribing position can be determined for 2023/24. However at this point the forecast is to remain within the £3.2m pressure currently reflected within the in month positions.

5.2.5 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%.

5.3 Income

Table 8: Variance on Income 2023/24

Income	Budget	Actual	Variance
	£'000	£'000	£'000
Mth 1	- 23,959	- 23,530	429
Mth 2	- 24,900	- 24,307	593
Mth 3	- 25,201	- 24,617	584
YTD	- 74,060	- 72,454	1,606

5.4 Savings

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

Total Opening Saving Target	£'000
B/F value 2022/23	10.63
New Target 2023/24	22.20
Grand Total	32.83

At 10th July 2023 the schemes identified for delivery in 2023/24 by service areas are summarised below:

Service Areas	2022/23 SAVINGS TARGET B/F £M	2023/24 SAVINGS TARGET £M	TOTAL SAVINGS TARGET £M	ACTUAL IDENTIFIED IN 2023/24 £M	SHORTFALL £M
Corporate	1.47	2.66	4.12	4.54	- 0.42
NPTS Service Group	-	4.16	4.16	3.15	1.01
Morrison Service Group	6.51	7.81	14.32	2.44	11.88
MH & LD Service Group	0.87	2.57	3.44	3.30	0.14
Primary Care & Community Service Group	0.96	2.73	3.69	3.69	0.00
Medicines Management	-	2.28	2.28	2.28	0.00
HB	0.82	-	0.82	0.82	- 0.00
Total	10.63	22.20	32.83	20.22	12.61

Based on the table above whilst £20.2m has been identified at the 6th July 2023 there remains a shortfall in delivery of £12.6m.

5.5 Capital Resource Limit (CRL)

The approved Capital Resource Limit (CRL) value issued on 5th May 2023 is £35.119m. The approved CRL value includes Discretionary Capital and schemes under the All-Wales Capital Programme

Outturn Performance

The forecast outturn shows an overspend position of £3.257m. Allocations are anticipated on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
Business Case Fees	1.856 / Medium	Funding anticipated from WG.
City Deal – Morrison Access Road Design	0.974 / Medium	Funding anticipated from Swansea Bay City Deal/Swansea University.
Re:Fit Phase 4 – Solar Farm Extension	0.285 / Medium	Funding anticipated from WG Energy Services.
HCF Minor Projects	0.141 / Low	Funding approved by West Glamorgan Partnership Board. CRL transfer required.

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

Capital Disposals

There is a planned property disposal of Garngoch with expected sale proceeds of £0.200m.

5.6 Balance Sheet

The key issues in respect of the statement of financial position movements are as follows:

The inventory value has increased from £10.714m at the end of March 2023 to £11.112m at the end of June 2023, an increase of £0.398m. The increase mainly relates to drugs stocks across all hospital sites.

There has been an increase in trade receivables from £200.230m at the end of March 2023 to £202.155m at the end of June 2023, an increase of £1.925m. There has been a small in non NHS income accruals and an increase of £1.007m in the VAT debtor as all VAT claims relating to 2022/23 have to be submitted by 31st July 2023.

The closing June 2023 cash balance of £1.463m is in line with the Health Board target of a cash balance of £1-£1.5m at month end and well within the best practice cash target for the Health Board of £6m.

The trade and other payables figure saw a reduction from £317.235m at the end of March 2023 to £191.045m at the end of June 2023, a reduction of £126.190m. This comprised a reduction in capital and revenue payables. The reduction in revenue payables mainly relates to reductions in goods received not invoiced, accruals, NHS and WGA (Whole Government Account), and other creditors.

Provisions increased by £18.091m from £158.473m at the end of March 2023 to £176.564m at the end of June 2023. The increase relates to the first quarter quantum reports for clinical negligence, personal injury and GP indemnity claims.

5.7 Cash

As at the end of June 2023, the Health Board had a cash balance of £1.463m which is within the planned month end cash balance of between £1m and £2m.

Whilst it is still early in the financial year to provide a robust forecast cash position for the year, the cash forecast in Table G is predicated on the forecast I&E year end deficit as per the plan and a very early assessment of the impact of any movement in working capital balances on the cash position. This early forecast indicates an initial forecast cash deficit (taking into account anticipated allocations) of £101.21m is detailed in the table below:

	£'000
Forecast I&E Deficit	- 86,595
Reimbursement to Capital from Revenue	6,944
Movement in Working Capital Balances	- 24,418
Opening Cash Balance	2,859
Forecast Cash Deficit	- 101,210

The difference between the £101.21m forecast cash deficit and the Forecast I&E deficit, reflects the £6.477m of capital cash to reimburse revenue CRL, and the movement in the working capital balances.

There will be a requirement for the Health Board to secure Strategic Cash from Welsh Government. The submission for the Strategic Cash request is required at the end of Q3.

5.8 Public Sector Payment Policy (PSPP)

The Health Board achieved the 95% PSPP target for quarter 1 with compliance being 95.8% for the quarter.

NHS payment compliance was, however, below 95% with the quarterly performance being 90.1%. The health board remains focussed on improving PSPP compliance for NHS invoices and ensuring that performance remains above 95% for Non NHS invoices.

6. RISKS (Revenue Income & Expenditure)

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 risks are now fully included in the 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 3 MMR and is aligned to the risks recognised as part of the signed of plan at the end of May 2023:

Risk	Openng Plan	Updates	Review	Review	Revised Risk
	31/03/22	Since 01/04/23	Plan 31/05/23	Plan 30/06/23	
	£M	£M	£M	£M	£M
Run Rate	27.9	- 2.5	- 4.0	- 7.8	13.6
COVID Transition #1	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 #2	22.2	- 10.6	- 6.3	7.3	12.6
Total Assessment of Risk	63.5	- 5.9	- 10.3	- 21.1	26.2

#1 Run Rate and COVID Transition merged within this line

#2 Savings non delivery against £32m (23/24 & b/f unmet from 22/23)

As a result of the weekly monitoring meetings (as at 16/06/23), Morrision risk has reduced from £17.8m to £16.2m and the NPTS risk has reduced from £12.1m to £10.2m. This table will be updated at month 4 to show the further impact of the risk mitigation.

In addition to the risks noted in the table above, at the point of writing this report the Health Board had not received confirmation of the funding to support the T&O Theatres in NPT Hospital to be funded from the Regional £50m Recovery remaining with WG. To date the Health Board has committed actual spend of £3.4m for which it is anticipating an allocation.

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 whilst the 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 updated 2023/24 financial plan
- **NOTE** that actions are being undertaken to reduce the risk in the plan in terms of: -
 - operational run rate
 - savings delivery
- **CONSIDER** and comment upon the Board's financial performance for Period 03 2023/24 (Revenue)
- **NOTE** the balance sheet 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 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"/>
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 type="checkbox"/>
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a breakeven financial outturn.		
Legal Implications (including equality and diversity assessment)		
No implications for the Board to be aware of.		
Staffing Implications		
No implications for the Board to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Board to be aware of.		
Report History	Board receives an update on the financial position at every meeting	
Appendices	none	