



<b>Meeting Date</b>	<b>25<sup>th</sup> May 2023</b>	<b>Agenda Item</b>	<b>6.2</b>
<b>Report Title</b>	<b>Financial Report – Period 01 2023/24</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 01 (April) 2023 and sets out the current forecast revenue year end outturn.		
<b>Key Issues</b>	<p>The report invites the Board to note the detailed analysis of the financial position for Period 01 (April) 2023.</p> <p>For month 1 the report does not provide the Board with the standard information on the cash position, key balance sheet movements and the capital position as these are not reported in month 1 due to submission of the Annual Accounts.</p>		
<b>Specific Action Required (please choose one only)</b>	<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 updated 2023/24 financial plan</li> <li>• <b>NOTE</b> that actions (pages 5-7) being undertaken to reduce the significant financial pressures within the plan in terms of: -             <ul style="list-style-type: none"> <li>• operational run rate</li> <li>• savings delivery</li> </ul> </li> <li>• <b>CONSIDER</b> and comment upon the Board's financial performance for Period 01 2023/24 (Revenue)</li> <li>• <b>NOTE</b> the need for immediate action to recover the financial position which will also feed in to the Health Board's response the R&amp;S plan following Welsh Government (WG) feedback</li> </ul>		

# FINANCIAL REPORT – PERIOD 1

## 1. INTRODUCTION

The report advises the Board that the in-month Period 1 (April 2023) revenue financial position is an overspend of £10.861m.

The report invites the Board to note the detailed analysis of the Period 1 (April) 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 has achieved this Statutory Duty in 2023/23; discussions are underway in 2023/24 but a three year plan approval is unlikely given the challenging financial outlook.

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

2021/22 £24.400m Overspend

2022/23 Forecast breakeven position

2023/24 Deficit Plan £69.9m

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)	10.861
Reported cumulative financial position – deficit/(surplus)	10.861
<b>Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported year to date financial position – deficit/(surplus)	Not reported Mth 1
Forecast outturn financial position – deficit/(surplus)	Not reported Mth 1
<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)	Not reported end Q1

### 3. FINANCIAL IMPLICATIONS

#### 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 continue. A summary of the plan submitted on 31<sup>st</sup> March 2023 is provided below:

**Table 1: Financial Plan**

	YEAR 2 2022-2025 IMTP	Financial Plan 2023/24
	£M	£M
<b>Section 1: 2022/23 Impact Into 2023/24 (Underlying Issues)</b>	22.9	32.2
<b>Section 2: 2023/24 Inflation, Demand Growth, National Programmes &amp; Extraordinary Pressures</b>	43.6	74.5
<b>Section 3: Health Board Specific Service Pressures</b>	27.1	77.3
<b>Section 4: Savings</b>	(16.3)	(22.2)
<b>Section 5: Allocations/Income Assumptions</b>	(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 Welsh Government 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. This will increase the health Board deficit as the income can no longer be anticipated but this will be considered alongside current work to revise the financial plan by 31<sup>st</sup> May 2023 in light of plan feedback and further local developments**

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

At the end of Month 1 the £10.861m overspend is broken down by Service Group and Corporate Directorate as per the table 3 below:

**Table 3: Summary Position by Service Group/ Directorate @ Month 1**

	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>

**Actions/Comments Linked Table 3:**

**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 Mth 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 a 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. The total savings requirement for 2023/24 as detailed in section 5.4 is £32M and at the point of Month 1 closedown £7.034m had been identified.

### **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 Mth 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 assessment 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 redesign assessments undertaken – next steps being agreed
- 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 Murrison Service Group.
- Immediate commissioning of independent financial support for Neath Port Talbot Singleton Group also.

- **Savings**

Attention to increase delivery of savings is urgent and crucial and this has been clearly conveyed through the recent run rate and savings meetings held with the Service Delivery Groups. A further discussion was also held at Management Board on 17<sup>th</sup> May 2023. The following actions were already in place prior to the run rate and savings reviews: -

- 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. Circa £10m identified following run rate and CIP meetings held on 16<sup>th</sup> May 2023.
- 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.

As a result of the run rate and CIP reviews a range of further actions have been agreed and are in progress: -

- Fortnightly escalation meetings with both acute service groups – action focussed
  - Morrisotn to reduce forecast deficit by £12m by the end of May 2023
  - Recovery support to be sources for the Neat Port Tlabot Singleotn (NPTS) group to deliver improvement. Singifcnat redution in forecast required by the end of June 2023 – quantifcaiton to be agreed by end of May
  - Cross system savings session to be established by Director of Finance to increase sasvings delivery levels.
- **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 by the end 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.

## 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 spilt 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
<b>Mth 1</b>	47,073	48,440	6,502	- 5,135	1,367
<b>YTD</b>	<b>47,073</b>	<b>48,440</b>	<b>6,502</b>	<b>- 5,135</b>	<b>1,367</b>

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

### 5.2.1 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.

### 5.2.2 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.

### 5.2.3 Continuing Healthcare

One area of the non-pay which had previously had significant variance against budget was Continuing Healthcare. Following the investments made via the 2023/24 Financial Plan the overall variance for CHC is only £0.04m over in month. An analysis of actual spend and patient numbers for 2023/24, along with the average values from 2022/23 is provided in table below.

**Table 7: - Continuing Healthcare Breakdown**

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

**5.2.4 Primary Care 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.

**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	£'000	£'000	£'000
Mth 1	- 23,959	- 23,530	- 23,530	- 23,530	429	429
YTD	- 23,959	- 23,530	- 23,530	- 23,530	429	429

**5.4 Savings**

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

Total Opening Saving Target	£'000
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:

Area	Savings Identified @ Mth 1 £'000
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>Total @ Mth 1</b>	<b>7,034</b>
Further Saving Identified post Mth 1	2,388
<b>Revised Total</b>	<b>9,422</b>
Target	- 32,059
<b>(Shortfall) / Surplus Against Target</b>	<b>- 22,637</b>

Based on the table above whilst £9.4m has been identified at the 16<sup>th</sup> May 2023 there remains a shortfall in delivery of £22.6m.

#### 5.5 Capital Resource Limit (CRL)

Not reported in Mth 1

#### 5.6 Balance Sheet

Not reported in Mth 1

#### 5.7 Cash

Not reported in Mth 1.

#### 5.8 Public Sector Payment Policy (PSPP)

Not reported till end Q1.

### 6. RISKS (Revenue Income & Expenditure)

The individual elements of the risk behind this score are provided in detail below and reflect the information reported to WG in the mth 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 25th May 2023 and will result in the deficit increasing, which will formally be reported in the Ledger in mth 2. Going forward the Risk table will see the last line removed for £21.2m.**

## 7. RECOMMENDATIONS

Members are asked to: -

- **NOTE** the agreed updated 2023/24 financial plan
- **NOTE** that actions (pages 5-7) being undertaken to reduce the significant financial pressures within the plan in terms of: -
  - operational run rate
  - savings delivery
- **CONSIDER** and comment upon the Board's financial performance for Period 01 2023/24 (Revenue)
- **NOTE** the need for immediate action to recover the financial position which will also feed in to the Health Board's response the R&S plan following Welsh Government (WG) feedback

<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 breakeven financial outturn.		
<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>	none	