



CYFARFOD BWRDD PRIFYSGOL IECHYD UNIVERSITY HEALTH BOARD MEETING

DYDDIAD Y CYFARFOD: DATE OF MEETING:	25 November 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Report – Month 7 2021/22
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Rebecca Hayes, Senior Finance Business Partner

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

The purpose of this report is to outline the Health Board's financial position to date against our Annual Plan and assess the key financial projections, risks and opportunities for the financial year.

Asesiad / Assessment

The Health Board's Financial Plan is to deliver a deficit of £25.0m, after savings of £16.1m. This is following Welsh Government (WG) issuing £32.4m of funding to non-recurrently offset the underlying position brought forward from 2020/21.

Month 7 Position

- The Month 7 Health Board financial position is an underspend of £0.1m against a deficit plan of £2.1m, after utilising £4.1m of WG funding for COVID-19, having offset £0.2m of cost reductions recognised due to reduced operational activity levels.

Projection

- Following confirmation of COVID-19 sustainability and programme funding from WG, the Health Board is forecasting to deliver the planned deficit of £25.0m. The risk to the in-year delivery is considered to be Low, recognising that the Health Board has limited risk of any significant increase in Workforce expenditure given the restricted supply, however this is predicated on receiving confirmation of WG funding in line with current guidance.
- The Health Board has received Elective Recovery funding of £21.5m; discussions with Policy Leads are expected to conclude in November 2021; however, there is a significant risk that the Health Board will be unable to either commission or deliver the additional capacity in order to fully commit the full level of funding. Risk-based forecasts prepared for the Month 6 submission predicted c.£6.2m of expenditure reductions against funding. This forecast will be refined over the period immediately following the Month 7 monitoring return submission; the value will be confirmed in an Accountable Officer letter, with current indications suggesting this will be c.£10.1m.

- Of the identified savings schemes of £11.9m, a significant number (£7.3m) are currently assessed as non-recurrent. Discussions are on-going on the implications of this on our underlying deficit, given the significant risk of a deterioration from £57.4m in 2020/21 to £68.9m in 2021/22 if recurrent savings schemes of £11.5m are not identified in-year.

Savings

- Whilst the focus of the Health Board is on identifying and implementing recurrent schemes, the current combination of capacity and COVID-19 pressures being experienced operationally has diverted significant managerial resource. This has meant that, while the required £16.1m have been identified as a minimum on a non-recurrent basis, only £4.6m of these are recurrent plans.
- The opportunities framework has identified schemes in excess of the in-year savings requirement, however these have not yet been converted into Amber/Green operational plans, due to the escalating pressures caused by a lack of access to Primary Care manifesting in A&E attendances and Domiciliary and Social Care fragility preventing the discharge of medically fit patients. The implementation of plans to reduce the number of acute beds in this climate is exceptionally challenging.
- In-month delivery of £1.1m is in line with the plan of identified savings schemes.

Next Steps

- Clarify with Policy Leads the next steps to be undertaken in respect of Elective Recovery Plans.
- Continue to engage with partner organisations to develop plans to address the issues within the Primary Care and Social Care sectors, whilst working with operational teams to develop robust and deliverable recurrent saving schemes in line with the Health Board's Strategy and roadmap to financial sustainability.

Summary of key financial targets

The Health Board's key targets are as follows:

- Revenue: to contain the overspend within the Health Board's planned deficit
- Savings: to deliver savings plans to enable the revenue budget to be achieved
- Capital: to contain expenditure within the agreed limit
- PSPP: to pay 95% of Non-NHS invoices within 30 days of receipt of a valid invoice
- Cash: While there is no prescribed limit for cash held at the end of the month, WG encourages this to be minimised and a rule of thumb of 5% of monthly expenditure is used. For the Health Board, this is broadly £4.0m.

Key target		Annual limit	YTD limit	Actual delivery	Forecast Risk
Revenue	£'m	25.0	14.6	14.4	Low*
Savings	£'m	16.1	9.4	6.3	Low
Capital	£'m	32.1	8.7	8.7	Medium**
Non-NHS PSPP	%	95.0	95.0	96.4	Medium***
Period end cash	£'m	4.0	4.0	2.9	Low

* The Health Board recognises that the risk against delivery of financial balance is high, and at this stage is reviewing all opportunities to reduce the revenue deficit in-year. This rating does not include the significant risk against fully delivering against Recovery Plans, given the on-going discussions with Policy Leads.

** The Capital Resource Limit (CRL) has now been fixed and it is the responsibility of the Health Board to manage any over or under spend against this resource limit. There are risks associated with issues in the supply chain (in particular for the supply of steel, glass, electrical components and medical and digital devices) which may impact upon our ability to fully utilise the CRL by the end of the financial year.

***The Health Board did not achieve its PSPP target of paying 95% of its non-NHS invoices within 30 days in Quarter 2 (93.0%), which has adversely affected the cumulative position (94.6%). This was caused by a large volume of delayed Pharmacy invoices; extra resources have been obtained to resolve this, with fixed term staff commencing imminently to process and clear the backlog, however given that this only commenced during October 2021 there is a continued risk to the overall cumulative position.

Argymhelliad / Recommendation

The Board is asked to discuss and note the financial position for Month 7.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	1163 (score 12) Ability to deliver the Financial Plan for 2021/22 1199 (score 16) Achieving financial sustainability
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	5. Timely Care 7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Improve Population Health through prevention and early intervention

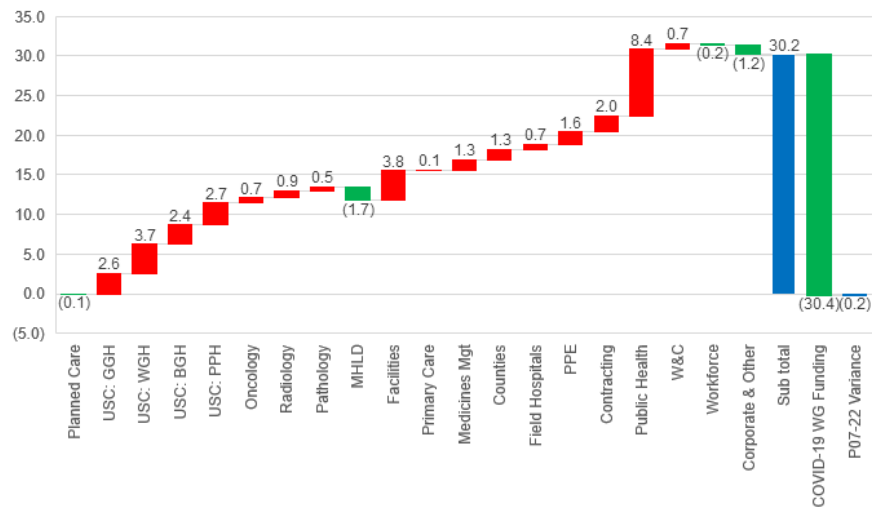
Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on the Health Board's financial reporting system.
Rhestr Termau: Glossary of Terms:	ADH – Additional Duty Hours BGH – Bronglais General Hospital CHC – Continuing Healthcare EHEW – Eye Health Examination Wales FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services

	<p>LTAs – Long Term Agreements M&SE – Medical & Surgical Equipment MHLD – Mental Health & Learning Disabilities NICE – National Institute for Health and Care Excellence NOAC - Novel Oral Anti-Coagulant OOH – Out of Hours OPCS - Office of Population Censuses and Surveys PPE – Personal Protective Equipment PPH – Prince Philip Hospital PSPP– Public Sector Payment Policy RSV - Respiratory Syncytial Virus RTT – Referral to Treatment Time SDEC – Same Day Emergency Care TB – Tuberculosis WG – Welsh Government WGH – Withybush General Hospital WRP – Welsh Risk Pool WHSSC – Welsh Health Specialised Services Committee YTD – Year to date</p>
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to University Health Board:	Sustainable Resources Committee

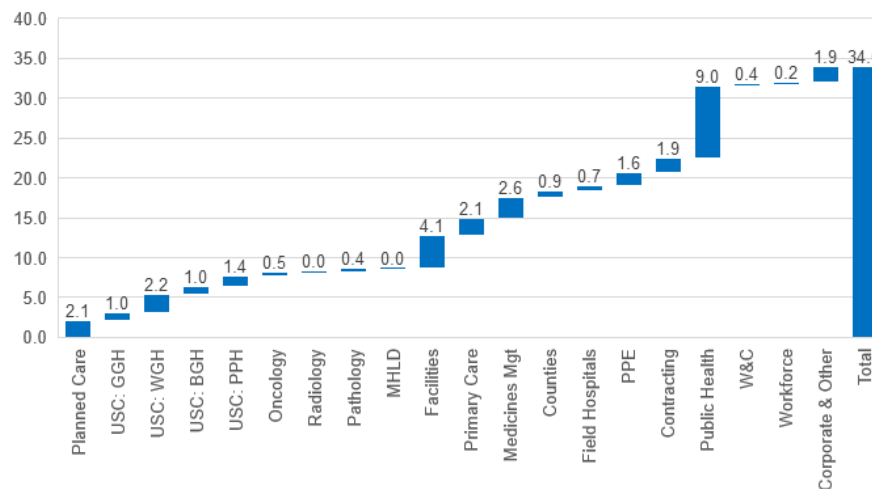
Effaith: (rhaid cwblhau)	
Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial impacts and considerations are inherent in the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	These are assessed as part of our savings planning.
Gweithlu: Workforce:	The report discusses the impact of both variable pay and substantive pay.
Risg: Risk:	Financial risks are detailed in the report.
Cyfreithiol: Legal:	The Health Board has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
Enw Da: Reputational:	Adverse variance against the Health Board's financial plan will affect our reputation with Welsh Government, Audit Wales, and with external stakeholders.
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable

Revenue Summary

YTD variance by Directorate (against Plan)



YTD actual by Directorate (COVID-19 only)

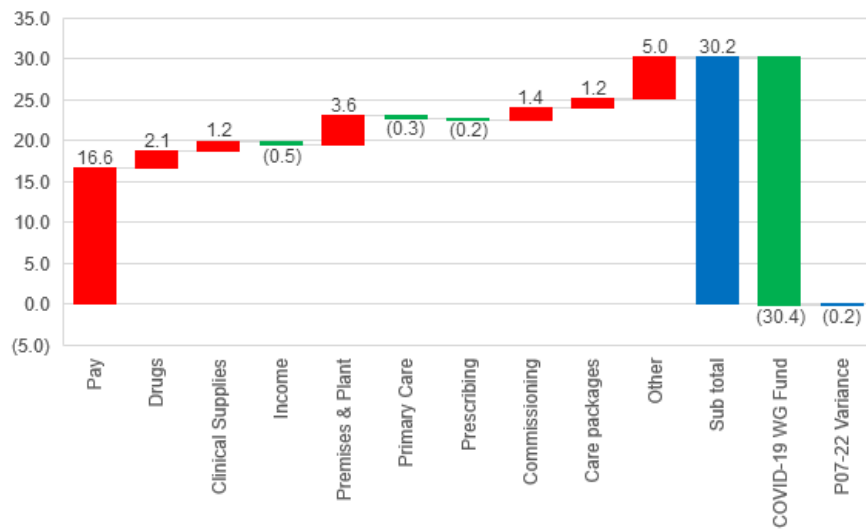


Key drivers of YTD position:

- Planned Care (-£0.1m):** Underspend primarily driven by a reduction in non-pay expenditure due to reduced activity in elective services (particularly theatres);
- Unscheduled Care (All sites) (£11.5m):** Increased premium agency requirement due to a high volume of vacancies, self-isolation and sickness across Medical and Nursing posts throughout the Health Board's Acute sites, further exacerbated by pressures due to high demand in Emergency departments and difficulties in discharging medically fit patients due to the fragility of the Domiciliary and Social Care sectors;
- Facilities (£3.8m):** Additional Porters and Domestics recruited as part of the enhanced cleaning standards and additional front of house management and cleaning rosters introduced as part of the COVID-19 pandemic;
- Primary Care (£0.1m):** Costs associated with the COVID-19 Mass vaccination programme offset by slippage in Dental contract performance, OPCS and EHEW;
- Medicines Management (£1.3m):** Pressures continue in Primary Care Prescribing due to the overall increases in the cost per item for Category M and baseline drugs;
- Contracting (£2.0m):** A reduction in Non-Contracted Activity (NCA) and Road Traffic Accident (RTA) income as a consequence of the COVID-19 pandemic resulting in less tourism in the locality. Costs associated with Adult Social Care Provider Support;
- Public Health (£8.4m):** Costs associated with the COVID-19 Mass vaccination programme, Testing and Tracing included as part of the Health Board's response to the COVID-19 pandemic;
- WG Funding (-£30.4m):** Funding has been received from WG to offset the cost of the Health Board's response to the COVID-19 pandemic. This excludes the WG funding to offset the underlying position brought forward from 2020/21 in relation to undelivered savings, which is £18.9m YTD.

Revenue Summary

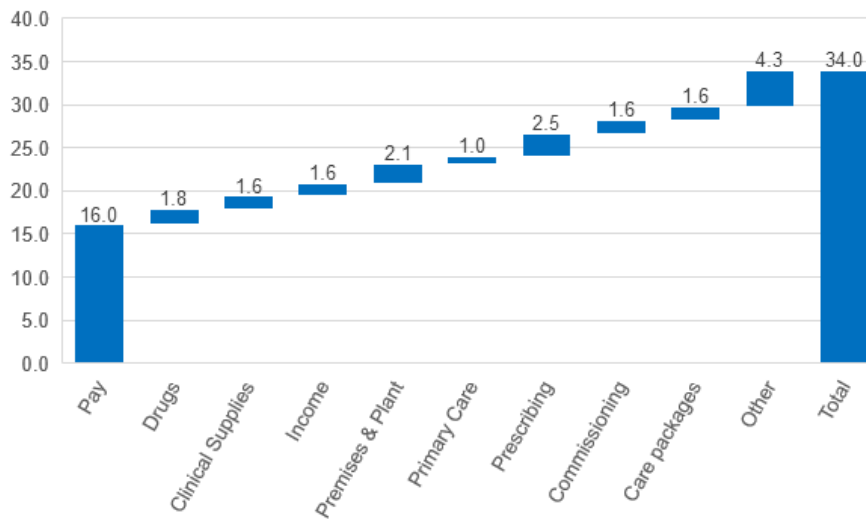
YTD variance by Subjective (against Plan)



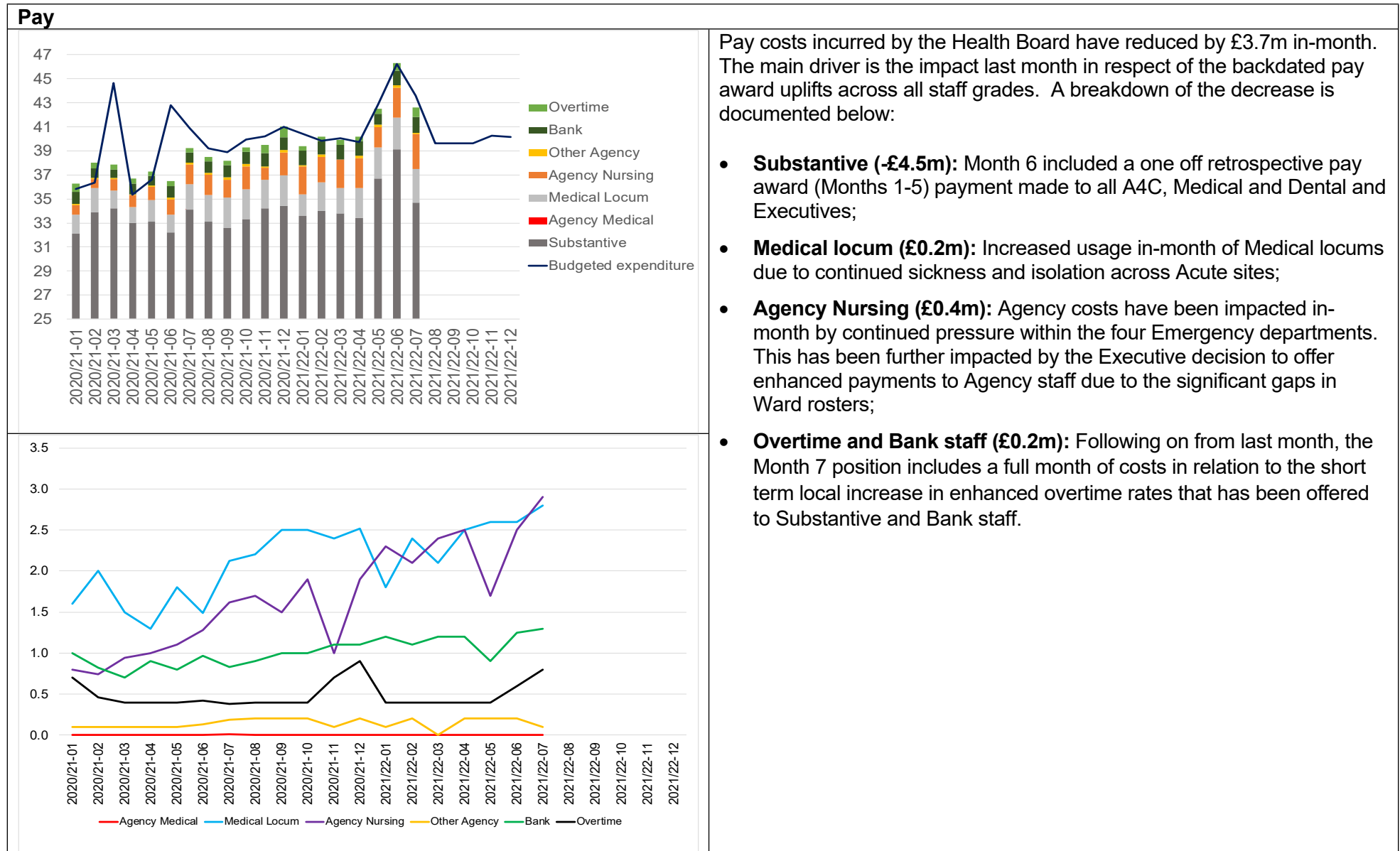
Key drivers of YTD position:

- Pay (£16.6m):** Primarily due to the fixed term staff recruited as part of the Health Board's response to COVID-19, but also the increased premium agency requirement due to a high volume of vacancies, self-isolation and sickness across Medical and Nursing teams and pressures on Emergency departments throughout the Health Board's Acute sites;
- Drugs & Clinical supplies (£3.3m):** The overspend is primarily driven by the costs of PPE expenditure, home care and sub-cutaneous to intravenous Cancer drug treatment regimes (as a consequence of COVID-19). In addition, other Medicines Management pressures are offset by reduced activity in elective services within Planned Care;
- Income (-£0.5m):** Income generated from NCA and RTA activity discussed above. There has also been a deterioration in income within Hospital sites due to lower patient numbers accessing commercial and hospitality facilities. These have been offset by a number of one off gains in Month 7 within the Digital and Medical directorates;
- Prescribing (-£0.2m):** Primary Care Prescribing continues to be impacted by the increase in the cost per item for Category M and baseline drugs from price increases in April 2020. This has been mitigated by a reduction in the number of items issued;
- Commissioning (£1.4m):** Costs associated with commissioning additional activity from Private providers as part of the Health Board's COVID-19 Elective Recovery plans;
- Care packages (£1.2m):** Costs are primarily driven by the Adult Social Care Provider Support in response to COVID-19;
- WG Funding (-£30.4m):** Funding has been received from WG to offset the cost of the Health Board's response to the COVID-19 pandemic. This excludes the WG funding to offset the underlying position brought forward from 2020/21 in relation to undelivered savings, which is £18.9m YTD.

YTD actual by Subjective (COVID-19 only)



Subjective Summary

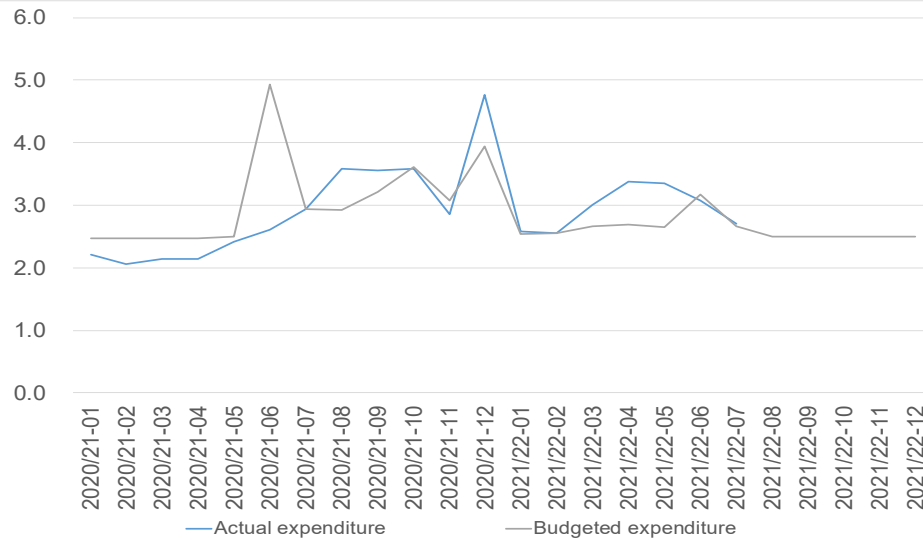


Subjective Summary

CHC	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Continuing Health Care expenditure has reduced by £0.5m in-month primarily due to the Quarter 2 charge recognised in Month 6 in relation to Adult Social Care Provider Support (£0.7m). A change in treatment of this programme has taken place in Month 7 where costs are being recognised by the contracting team on a monthly basis rather than quarterly (£0.2m).</p> <p>Outside of this programme, there has been minimal net movement as an increase in Mental Health and Learning disability packages has been offset by net reductions in general Continuing Health Care and Funded Nursing Care (FNC) packages.</p>
Secondary Care Drugs	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Drug expenditure has reduced in-month by £0.1m due to reduced activity in Oncology and a reduction in the provision made for immunisations in Public Health. These reductions have been offset by increases in homecare drug use and an increase in the cost of COVID-19 drugs in Hospital settings due to supply issues.</p>

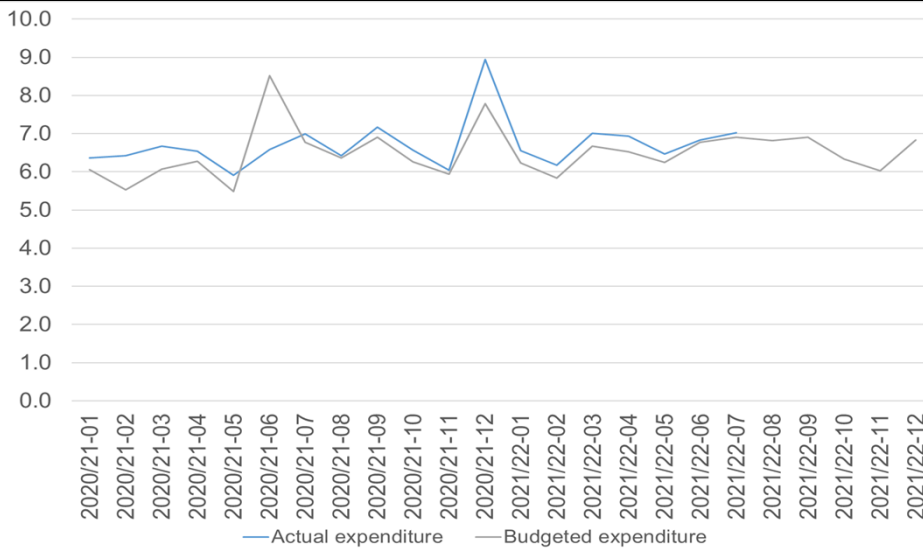
Subjective Summary

Clinical Supplies and Services



Actual expenditure reduced by £0.4m in-month. This is due to the recognition in Month 6 of Vital signs monitors as a one off purchase.

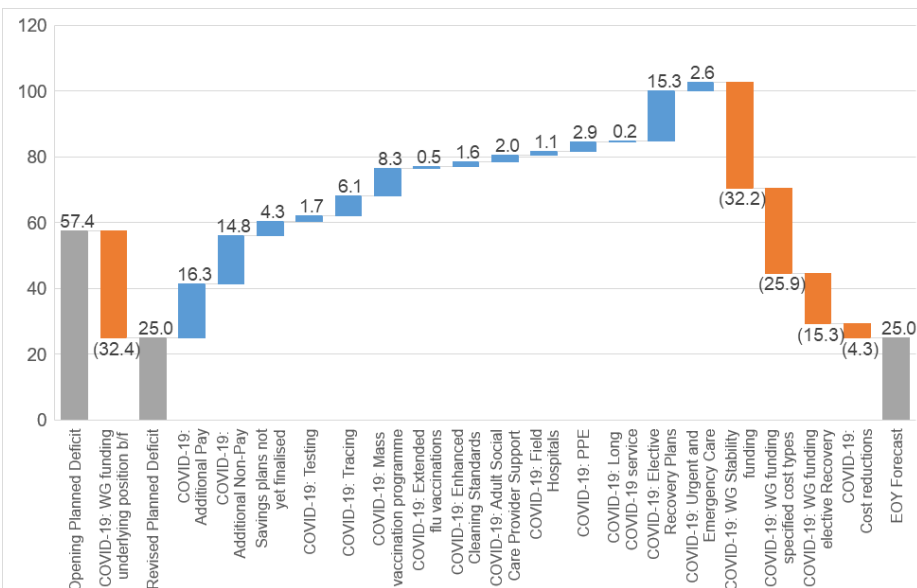
Primary Care Prescribing



Prescribing costs have increased by £0.2m in month despite October having 1 less prescribing day than September.

The increase in expenditure is due to an increase in the number of items prescribed in month compared to recent trends.

Financial Projection



Key Assumptions

- The direct impact of COVID-19, including programme expenditure (in respect of mass vaccination programmes, Testing, Tracing, Enhanced Cleaning Standards, PPE, Adult Social Care Provider Support, Long COVID-19 Service and Extended Flu) is modelled up to a twelve-month scenario within the current forecast;
- The COVID-19 Stability WG funding allocations are expected to be fully utilised in future months to offset the impact of COVID-19;
- Existing Services modelling assumes incremental reinstatement of elective services, approved Recovery Plans and Urgent and Emergency Care (being Urgent Primary Care and SDEC).

Assurance

- Improved assurance methods have been established, aligning to managers across the Health Board and the Regional Partnership Board.
- Performance monitored monthly through System Engagement meetings, including Performance and Improving Together.
- Following WG confirmation of COVID-19 funding and funding to offset the underlying position brought forward from 2020/21, the Health Board is forecasting to deliver the planned deficit of £25.0m. The risk to the in-year delivery is considered to be Low, recognising that the Health Board has limited risk of any significant increase in Workforce expenditure given the restricted supply.

Concerns

- The Health Board has received Elective Recovery funding of £21.5m; discussions with Policy Leads are expected to conclude in November, however there is a significant risk that the Health Board will be unable to either commission or deliver the additional capacity in order to fully commit the full level of funding; risk-based forecasts prepared for the Month 6 submission predict c.£6.2m of expenditure reductions against funding. This forecast will be refined imminently.
- Discussions are on-going on the implications of the significant risk of a deterioration in the underlying deficit from £57.4m in 2020/21 to £68.9m in 2021/22 if recurrent savings schemes of £11.5m are not identified in-year.

Next Steps

- Clarify with Policy Leads the next steps to be undertaken in respect of Elective Recovery Plans.
- Continue to engage with partner organisations to develop plans to address the issues within the Primary Care and Social Care sectors, whilst working with operational teams to develop robust and deliverable recurrent saving schemes in line with the Health Board's Strategy and roadmap to financial sustainability.

Savings and turnaround actions

Risk-assessed directorate savings profile, delivery and forecast



Assurance

- The in-year gap between the savings target and identified savings schemes of £4.3m is fully mitigated by cost reductions resulting from COVID-19. The identified schemes of £11.9m, are assessed as low risk of non-delivery. The Health Board has now identified schemes to deliver the full requirement of £16.1m, as a minimum on a non-recurrent basis.
- In-month delivery of £1.1m, which is in line with the plan of identified savings schemes.

Concerns

- The unprecedented circumstances mean that operational focus is diverted to the organisation's response to COVID-19, and therefore not on the delivery or identification of the required level or of recurrent savings schemes that are not supportive of the response to the pandemic. Further, the escalating pressures caused by a lack of access to Primary Care manifesting in A&E attendances and Domiciliary and Social Care fragility preventing the discharge of medically fit patients. The implementation of plans to reduce the number of acute beds in this climate is exceptionally challenging.
- Discussions are on-going for additional funding to support the non-delivery of the Health Board's brought forward savings target from FY21 on a recurrent basis, having received non-recurrent support in-year (subject to validation at this stage).

Next Steps

- The opportunities framework has identified schemes in excess of the in-year savings requirement, however these have not yet been converted into Amber/Green operational plans, due to the operational pressures, mostly within Acute sites.
- The continued operational pressures within Unscheduled Care has affected our ability to identify plans for the full £16.1m of recurrent savings (FYE) by 30th September 2021 as planned. We are working with our Directorates to develop plans wherever possible based on the revised planning objective given to the Director of Operations.