



## CYFARFOD BWRDD PRIFYSGOL IECHYD UNIVERSITY HEALTH BOARD MEETING

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	27 May 2021
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Financial Report – Month 1 2021/22
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	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 Draft Interim Annual Plan and assess the key financial projections, risks and opportunities for the financial year.

#### Asesiad / Assessment

**HDdUHB's Draft Interim Financial Plan is to deliver a deficit of £57.4m, after savings of £16.1m.**

#### **Month 1 position**

- The Month 1 Health Board financial position is breakeven against a deficit plan of £4.8m, after utilising £5.7m of WG funding for COVID-19, having offset £0.8m 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 £57.4m. 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.
- The in-year gap between the savings target and identified savings schemes of £8.1m is mitigated by non-recurrent WG funding in relation to COVID-19. The identified Amber schemes of £8.1m are also currently assessed as non-recurrent. Discussions are ongoing on the implications of this on our underlying deficit, given the significant risk of a deterioration from £57.4m in 2020/21 to £76.4m in 2021/22 if recurrent savings schemes of £16.1m are not identified in-year, and were enhanced cleaning standards implementation costs not funded recurrently.
- The current forecast does not include Recovery costs or any funding assumption, given that plans have been submitted to WG and confirmation of any approval of plans and

corresponding funding is yet to be received; the plans would need to be revised to accommodate the level of funding available, either through new in-year WG funding or by re-purposing existing expenditure plans.

## 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 which has meant that recurrent plans are yet to be identified. However, £8.1m of Amber non-recurrent schemes have been identified to mitigate the in-year position, albeit this creates a significant level of risk against the potential growth in underlying deficit. The identified schemes and opportunities framework continue to be focused upon, to secure conversion/confirmation of recurrent schemes.
- In-month delivery of £0.2m, which is in line with the plan of identified savings schemes. The remaining unidentified target is directly attributable to the COVID-19 pandemic, and the resulting in-month charge of £1.3m has been offset with WG COVID-19 funding.

## Next Steps

- Determine revenue impact for FY22 of actions taken in response to COVID-19.
- Conclude internal planning discussions, balancing available resources and strategic responses, undertaking internal governance to dictate the appropriate way forward.
- Continually refine the analysis of the underlying deficit to provide an ongoing pipeline of opportunities for improvement.

## 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	57.4	4.8	4.8	Low*
Savings	£'m	16.1	1.3	0.2	Low
Capital	£'m	22.7	0.8	0.8	Low
Non-NHS PSPP	%	95.0	95.0	n/a	Low
Period end cash	£'m	4.0	4.0	0.7	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.

## Argymhelliad / Recommendation

The Board is asked to discuss and note the financial position for Month 1 2021/22.

<b>Amcanion: (rhaid cwblhau) Objectives: (must be completed)</b>	
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	856 (score 10) Ability to deliver the Financial Plan for 2020/21 – to be replaced by a new risk “Ability to deliver the Financial Plan for 2021/22” 646 (score 16) Ability to achieve financial sustainability over medium term
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: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve Population Health through prevention and early intervention

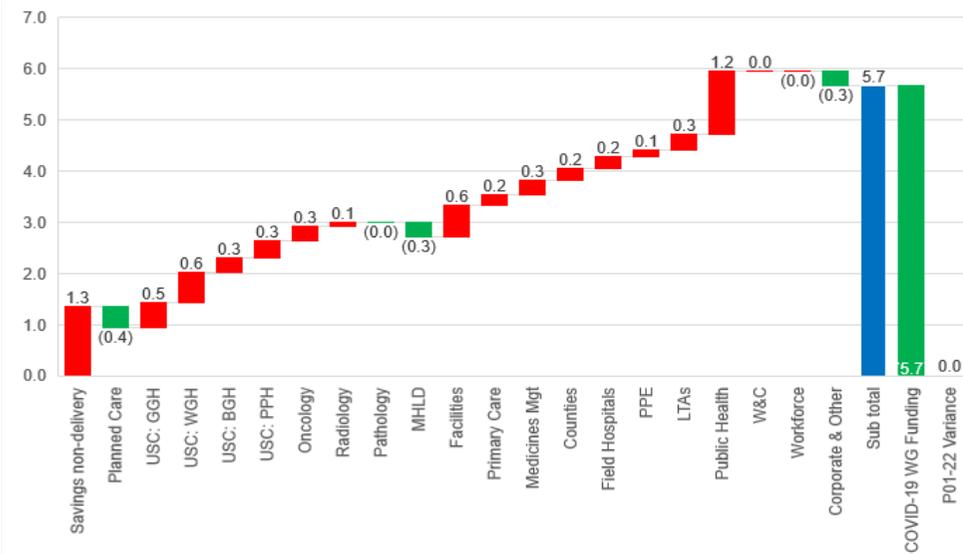
<b>Gwybodaeth Ychwanegol: Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on the Health Board’s financial reporting system.
Rhestr Termiau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Health Care FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services MHLD – Mental Health & Learning Disabilities NICE – National Institute for Health and Care Excellence NOAC - Novel Oral Anti-Coagulant OOH – Out of Hours PPH – Prince Philip Hospital PSPP– Public Sector Payment Policy RTT – Referral to Treatment Time TB – Tuberculosis WG – Welsh Government WGH – Worthybush General Hospital WRP – Welsh Risk Pool WHSSC – Welsh Health Specialised Services Committee WTE – Whole Time Equivalent YTD – Year to date
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid:	Finance Committee

Parties / Committees consulted prior to University Health Board:	
--	--

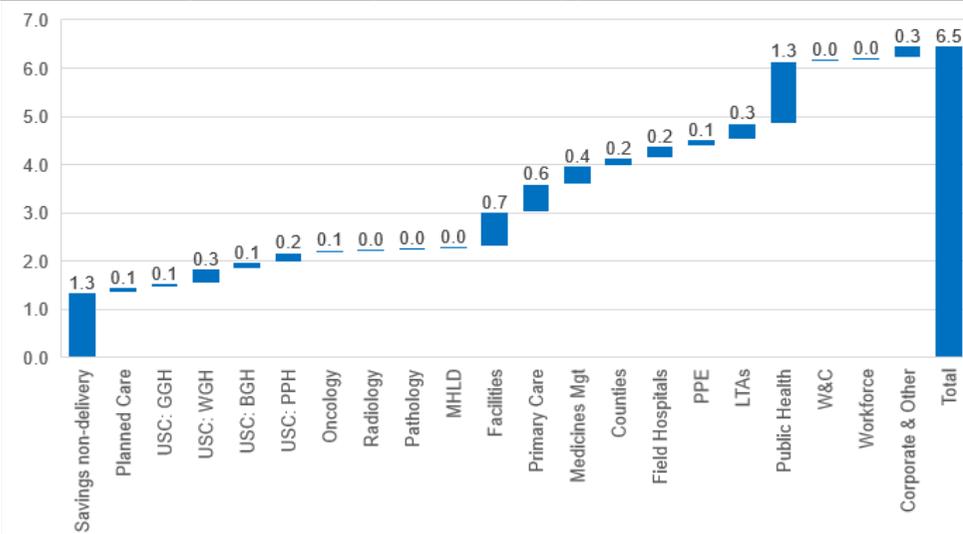
<b>Effaith: (rhaid cwblhau)</b>	
<b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Financial impacts and considerations are inherent in the report.
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	These are assessed as part of our savings planning.
<b>Gweithlu:</b> <b>Workforce:</b>	The report discusses the impact of both variable pay and substantive pay.
<b>Risg:</b> <b>Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol:</b> <b>Legal:</b>	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.
<b>Enw Da:</b> <b>Reputational:</b>	Adverse variance against the Health Board's financial plan will affect our reputation with Welsh Government, Audit Wales, and with external stakeholders.
<b>Gyfrinachedd:</b> <b>Privacy:</b>	Not Applicable
<b>Cydraddoldeb:</b> <b>Equality:</b>	Not Applicable

# Revenue Summary

**YTD variance by Directorate (against Plan)**



**YTD actual by Directorate (COVID-19 only)**

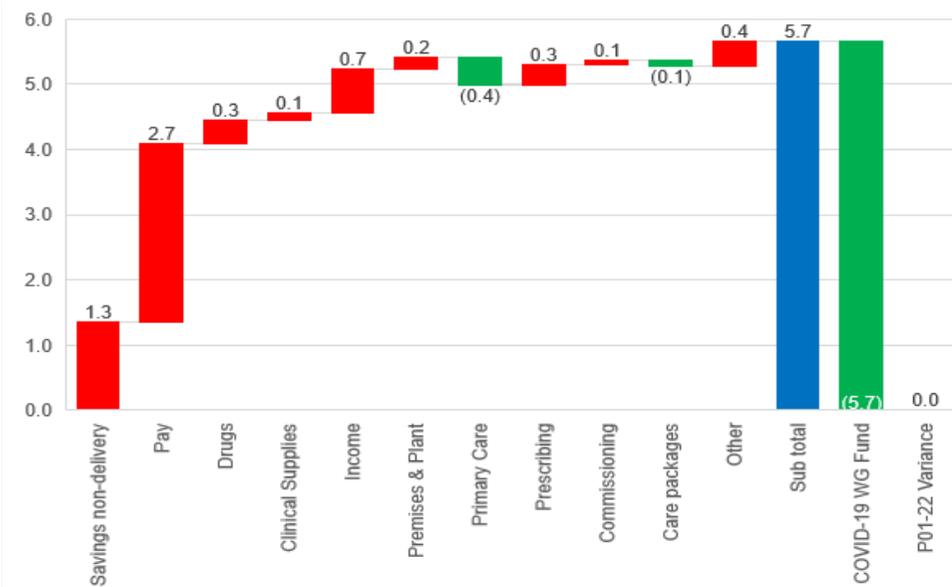


Key drivers of YTD position:

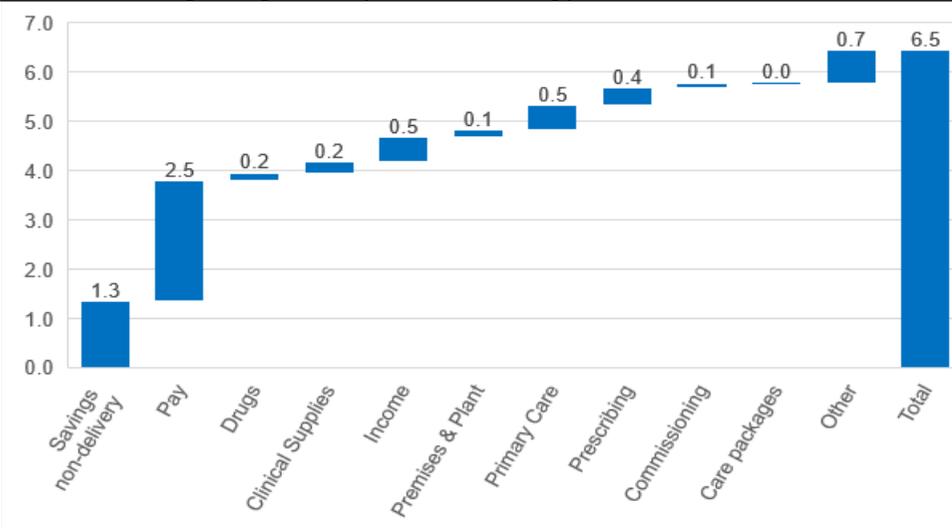
- **Savings non-delivery (£1.3m):** As a direct consequence of COVID-19, directorates have been unable to execute or identify full savings plans as efforts are re-purposed to respond to the pandemic;
- **Planned Care (-£0.4m):** Underspend primarily driven by a reduction in non-pay expenditure due to reduced activity in elective services (particularly theatres);
- **Unscheduled Care (All sites) (£1.7m):** Increased premium agency requirement due to a high volume of vacancies across Medical and Nursing posts throughout the Health Board's Acute sites; further exacerbated by pressures in Unscheduled Care with high demand in Emergency departments across all four Hospitals;
- **Facilities (£0.6m):** Additional Porters and Domestics recruited as part of the enhanced cleaning standards introduced as part of the COVID-19 pandemic;
- **Medicines Management (£0.3m):** Pressures continue in Primary Care Prescribing, due to continued increases in the cost per item for Category M and baseline drugs which occurred in April 2020;
- **LTAs (£0.3m):** A reduction in Non Contract Activity (NCA) and Road Traffic Accident (RTA) Income, as a consequence of the COVID-19 pandemic resulting in less tourism in the locality;
- **Public Health (£1.2m):** 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 (-£5.7m):** Funding has been received from WG to offset the cost of the Health Board's response to the COVID-19 pandemic.

# Revenue Summary

**YTD variance by Subjective (against Plan)**



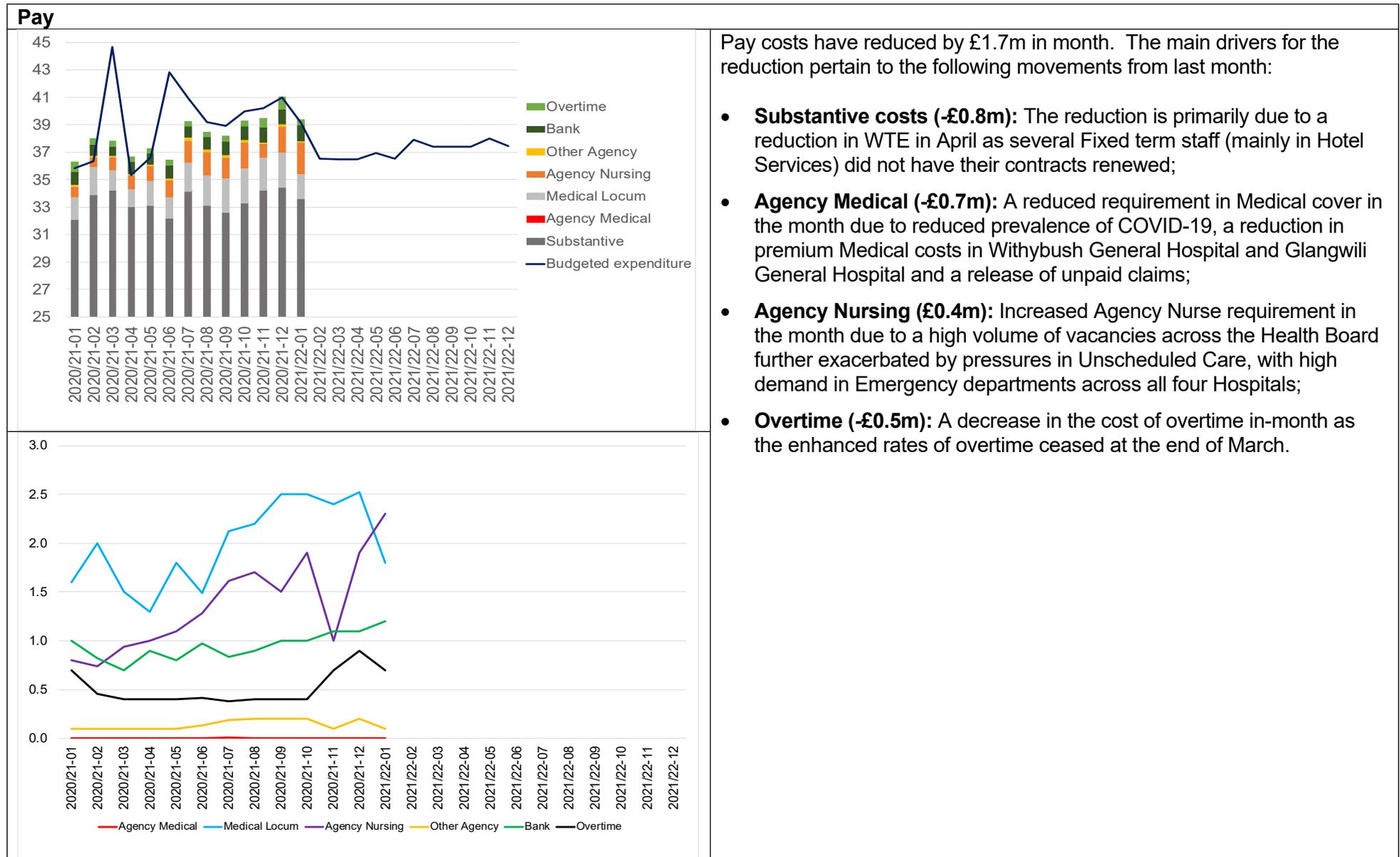
**YTD actual by Subjective (COVID-19 only)**



Key drivers of YTD position:

- **Savings non-delivery (£1.3m):** As a direct consequence of COVID-19, directorates have been unable to execute or identify full savings plans as efforts are re-purposed to respond to the pandemic;
- **Pay (£2.7m):** Primarily due to the fixed term staff recruited as part of the Health Board's response to COVID-19;
- **Drugs & Clinical supplies (£0.4m):** The overspend is primarily driven by the costs of PPE expenditure, home care drugs being provided to patients (as a result of COVID-19) and Medicines Management pressures offset by reduced activity in elective services within Planned Care;
- **Income (£0.7m):** 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;
- **Primary Care (-£0.4m):** Reduced level of claims for enhanced services from GMS contractors, claims from Ophthalmic contractors and Dental underperformance offset by COVID-19 vaccinations carried out by GMS Contractors;
- **Prescribing (£0.3m):** Pressures continue in Primary Care Prescribing due to continued increases in the cost per item for Category M and baseline drugs which occurred in April 2020
- **WG Funding (-£5.7m):** Funding has been received from WG to offset the cost of the Health Board's response to the COVID-19 pandemic.

# Subjective Summary

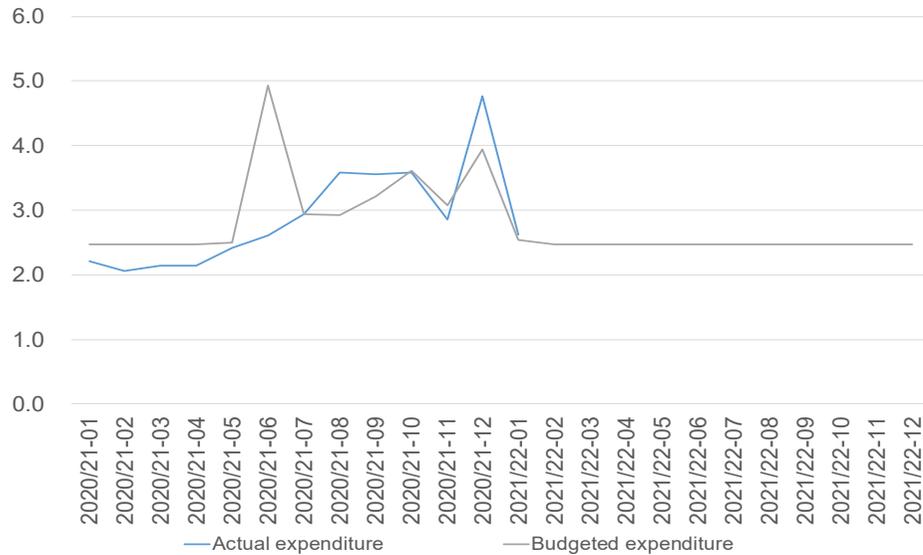


# Subjective Summary

<p><b>CHC</b></p> <p>— Actual expenditure — Budgeted expenditure</p>	<p>Continuing Health Care expenditure has reduced in month by £0.5m driven by the following:</p> <ul style="list-style-type: none"> <li>• <b>Client packages (-£0.4m):</b> A reduction in the number of General Nursing, Funded Nursing, Mental Health and Children’s packages of care in-month;</li> <li>• <b>Retrospective CHC reviews (-£0.1m):</b> Lower than anticipated retrospective claims received in the month.</li> </ul>
<p><b>Secondary Care Drugs</b></p> <p>— Actual expenditure — Budgeted expenditure</p>	<p>Drug expenditure has decreased in-month by £0.1m, following a reduction in the cost of drugs used in Oncology which is driven by patient acuity.</p>

# Subjective Summary

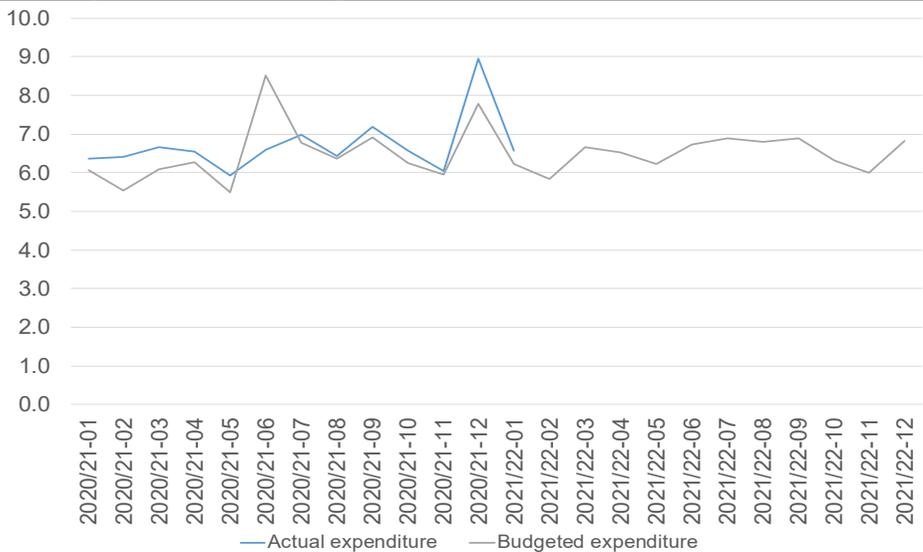
## Clinical Supplies and Services



A decrease of £2.1m has been observed compared to March as the March actual included a number of purchases of new and replacement essential Medical equipment. April has now seen a return to a baseline spend position.

The remaining reduction is primarily related to lower expenditure in PPE and expenditure across a range of Acute services.

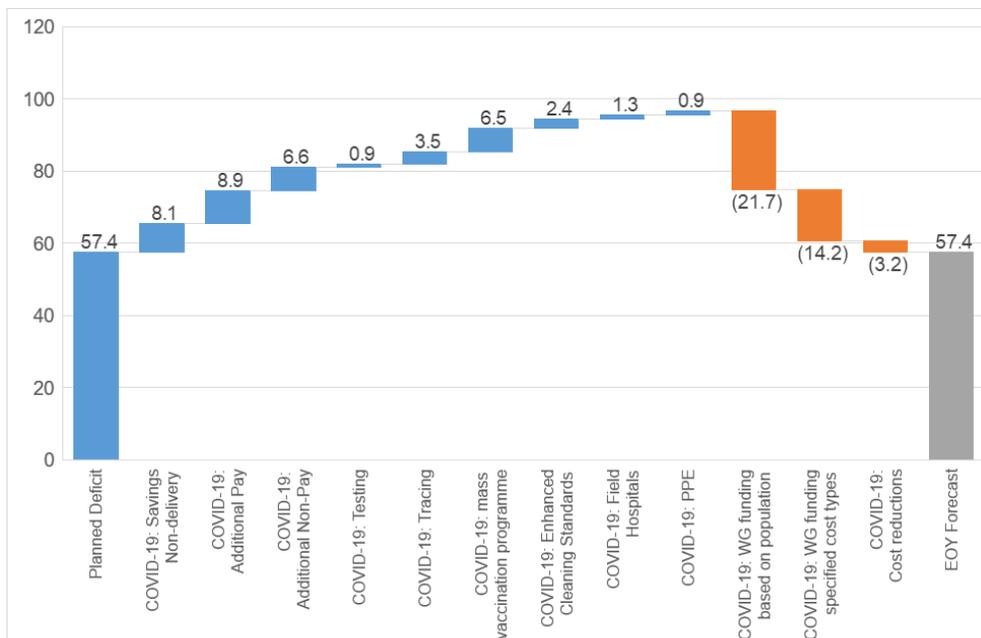
## Primary Care Prescribing



Prescribing costs have decreased by £2.2m in month compared to March, as a change in accounting treatment for drug rebates was included YTD in the March total (£1.6m).

April also has two less prescribing days than March and there was a small reduction in the cost per item.

# Financial Projection



## Key Assumptions

- The direct impact of COVID-19, including programme expenditure in respect of mass vaccination programmes and Tracing, is modelled to a six-month scenario within the current forecast;
- All remaining COVID-19 related 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; however, excludes both expenditure and any potential WG funding assumptions at present. Once internal planning discussions are concluded, the projection will be updated.

## 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 for the highest risk Directorates.
- Following confirmation of COVID-19 sustainability and programme funding from WG, the Health Board is forecasting to deliver the planned deficit of £57.4m. 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

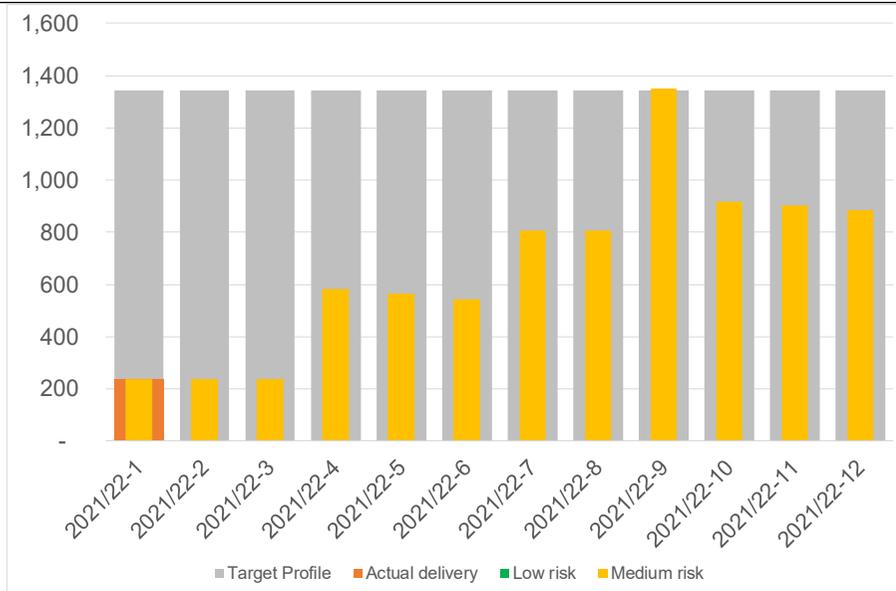
- Discussions are on-going regarding the implications of the significant risk of a deterioration in the underlying deficit from £57.4m in 2020/21 to £76.4m in 2021/22 if recurrent savings schemes of £16.1m are not identified in-year, and were enhanced cleaning standards implementation costs not funded recurrently.

## Next Steps

- Analysis of underlying deficit to be completed.
- Determine revenue impact for FY22 of actions taken in response to COVID-19.
- Conclude internal planning discussions, balancing available resources and strategic responses, undertaking internal governance to dictate the appropriate way forward.

# Savings and turnaround actions

## Risk-assessed directorate savings profile, delivery and forecast



### Assurance

- The savings requirement is £16.1m, of this £8.1m is mitigated by non-recurrent WG funding in relation to COVID-19 and the identified Amber schemes of £8.1m are assessed as low risk of non-delivery.
- In-month delivery of £0.2m, which is in line with plan.

### 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.
- 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.

### Next Steps

- Further work is being progressed at pace to assess the level of recurrent savings which can be identified and delivered to provide a full-year effect which mitigates the impact of the current level of non-recurrent savings within our forecast. This is to ensure that our underlying deficit does not further deteriorate.
- The Executive Team have received a briefing on the suggested opportunities and service change requirements which would be necessary to undertake to bring the Health Board to financial balance over the medium term. These are currently being considered by the Operational Teams and Executive Colleagues in order to develop plans to address this longstanding issue. We will have further discussions with colleagues from Welsh Government and the Finance Delivery Unit as these plans develop.