



**CYFARFOD BWRDD PRIFYSGOL IECHYD
UNIVERSITY HEALTH BOARD MEETING**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	29 July 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Report – Month 3 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 Draft Interim 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 WG guidance to anticipate £32.4m of funding to non-recurrently offset the underlying position brought forward from 2020/21.

Month 3 position

- The Month 3 Health Board financial position is breakeven against a deficit plan of £2.1m, after utilising £5.7m of WG funding for COVID-19, having offset £0.5m 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 in-year gap between the savings target and identified savings schemes of £8.1m is partly mitigated by cost reductions resulting from COVID-19, with a remaining gap of £5.6m, for which pipeline schemes require conversion to approved schemes. The identified schemes of £8.1m (of which £4.4m are Green) 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 £73.5m in 2021/22 if recurrent savings schemes of £16.1m 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, which has meant that recurrent plans are yet to be identified. However, £8.1m of 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 pipeline schemes are currently assumed to be delivered in the second half of the financial year.

Next Steps

- Determine revenue impact for FY22 of actions taken in response to COVID-19 and challenge the operational drivers and decisions to minimise the financial impact.
- Continually refine the analysis of the underlying deficit to provide an ongoing pipeline of opportunities for improvement for the Board.
- Engage 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	6.3	6.3	Low*
Savings	£'m	16.1	4.0	0.7	Low
Capital	£'m	35.7	2.3	2.3	Low
Non-NHS PSPP	%	95.0	95.0	96.4	Low
Period end cash	£'m	4.0	4.0	1.6	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 3.

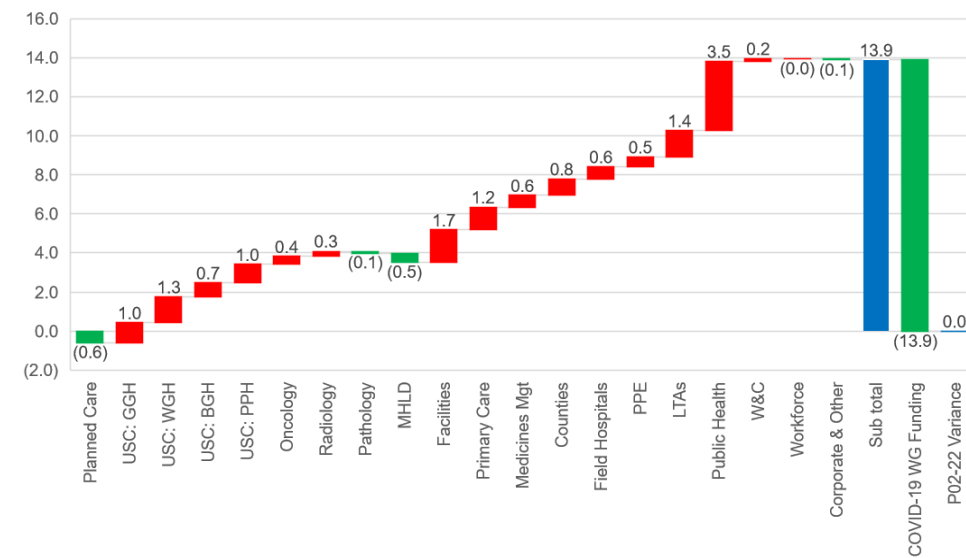
Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	1163 (score 12) Ability to deliver the Financial Plan for 2021/22 646 (score 16) Ability to achieve financial sustainability over medium term
Safon(au) Gofal 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: 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 Termiau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Healthcare 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 YTD – Year to date
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to University Health Board:	Finance Committee

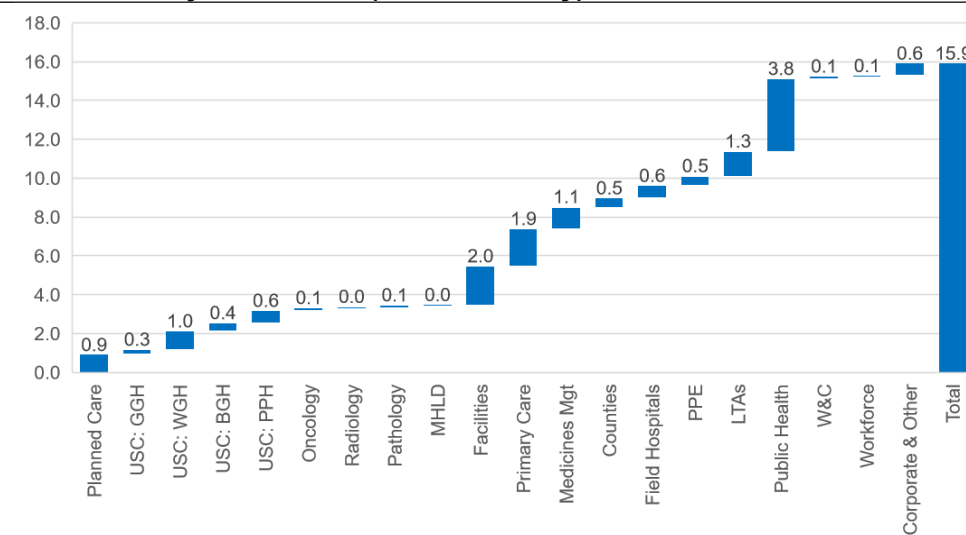
Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial impacts and considerations are inherent in the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	These are assessed as part of our savings planning.
Gweithlu: Workforce:	The report discusses 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, the Wales Audit Office, 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)

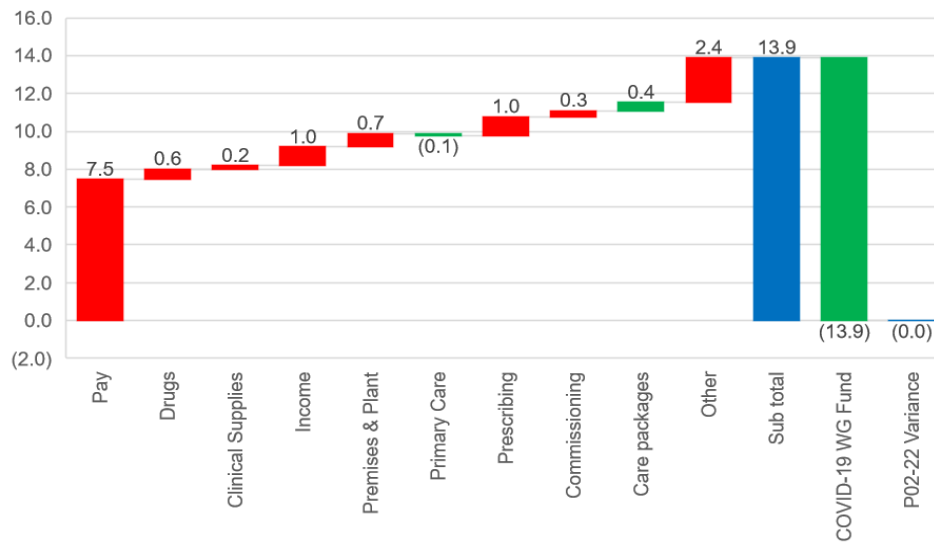


Key drivers of YTD position:

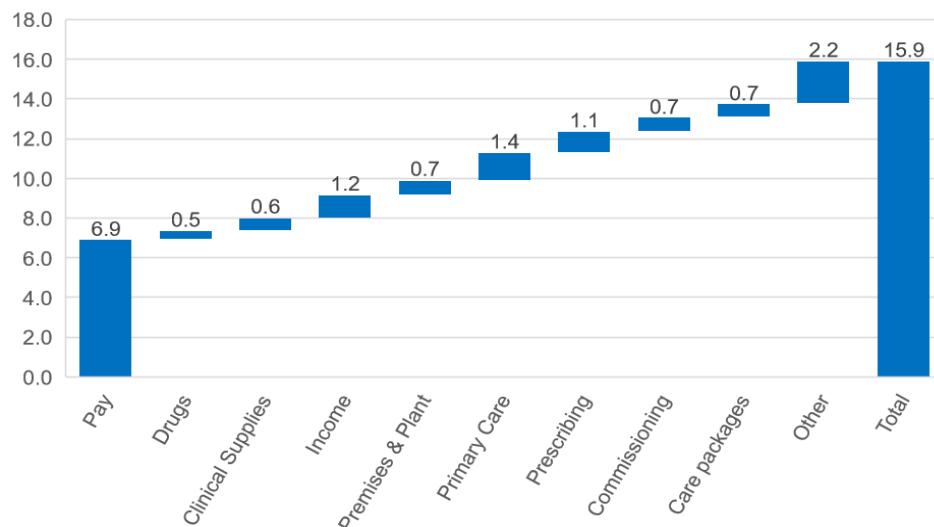
- **Planned Care (-£0.6m):** Underspend primarily driven by a reduction in non-pay expenditure due to reduced activity in elective services (particularly theatres);
- **Unscheduled Care (All sites) (£4.0m):** Increased premium agency requirement due to a high volume of vacancies across Medical and Nursing posts throughout the HB's Acute sites further exacerbated by pressures due to high demand in Emergency departments;
- **Facilities (£1.7m):** Additional Porters and Domestics recruited as part of the enhanced cleaning standards and additional cleaning rosters introduced as part of the COVID-19 pandemic;
- **Primary Care (£1.2m):** Costs associated with the COVID-19 Mass vaccination programme offset by slippage in Dental contract performance, Other Primary Care Services (OPCS) and Eye Health Examination Wales (EHEW);
- **Medicines Management (£0.6m):** Pressures continue in Primary Care Prescribing due to continued increases in the cost per item for Category M and baseline drugs;
- **Field Hospitals (£0.6m):** Running costs for the Field Hospital at Selwyn Samuel and equipment storage costs;
- **LTAs (£1.4m):** 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;
- **Public Health (£3.5m):** 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 (-£13.9m):** 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 £8.1m YTD.

Revenue Summary

YTD variance by Subjective (against Plan)



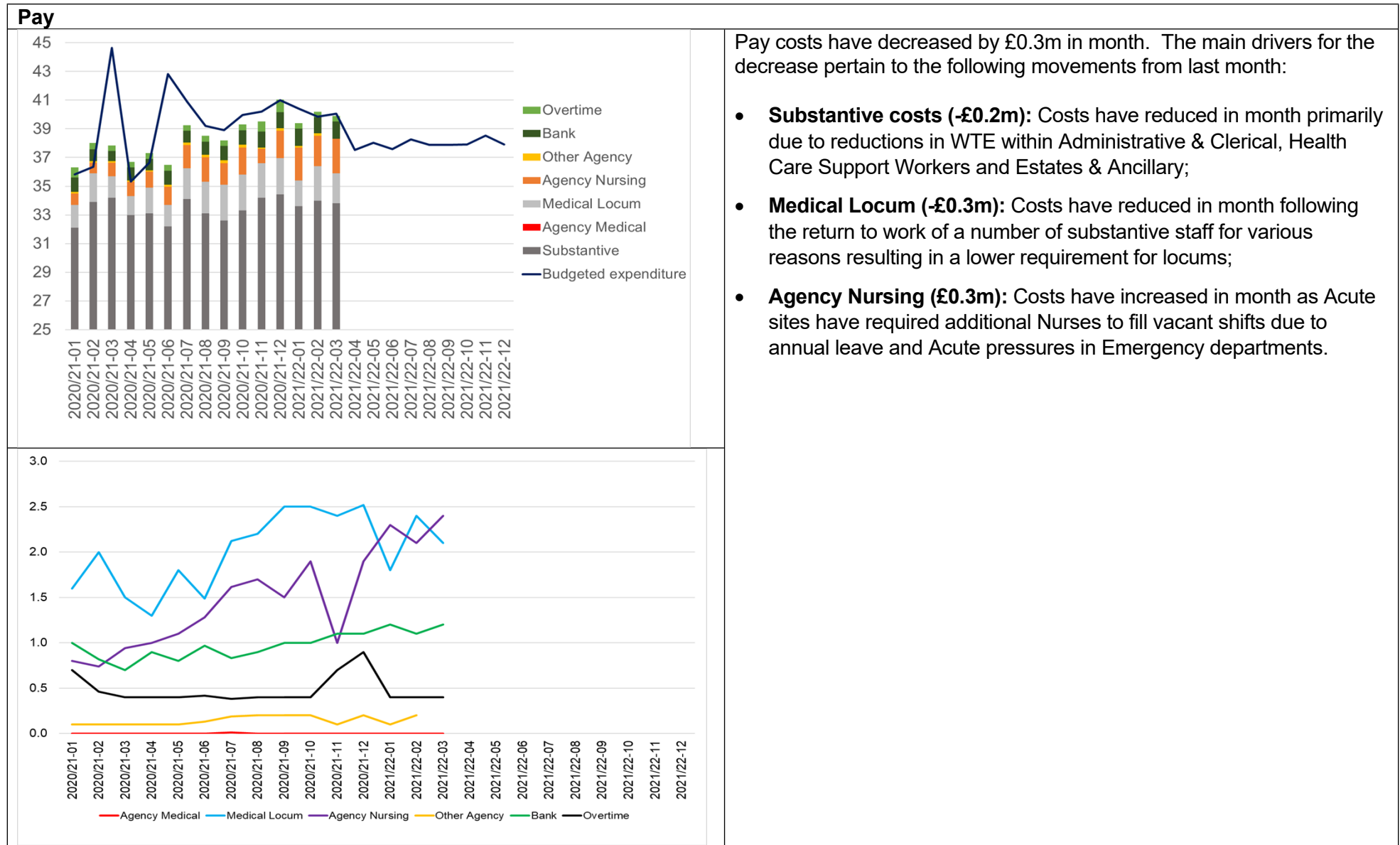
YTD actual by Subjective (COVID-19 only)



Key drivers of YTD position:

- Pay (£7.5m):** Primarily due to the fixed term staff recruited as part of the Health Board's response to COVID-19, but also includes increased premium agency requirement due to a high volume of vacancies across Medical and Nursing posts and pressures on Emergency departments throughout the Health Board's Acute sites;
- Drugs & Clinical supplies (£0.8m):** The overspend is primarily driven by the costs of PPE expenditure, home care drug regimes 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 (£1.0m):** 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 (-£0.1m):** Reduced level of claims from Ophthalmic contractors and Dental underperformance offset by COVID-19 vaccinations carried out by GMS Contractors;
- Prescribing (£1.0m):** Pressures continue in Primary Care Prescribing due to continued increase in the cost per item for Category M and baseline drugs;
- WG Funding (-£13.9m):** 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 £8.1m YTD.

Subjective Summary

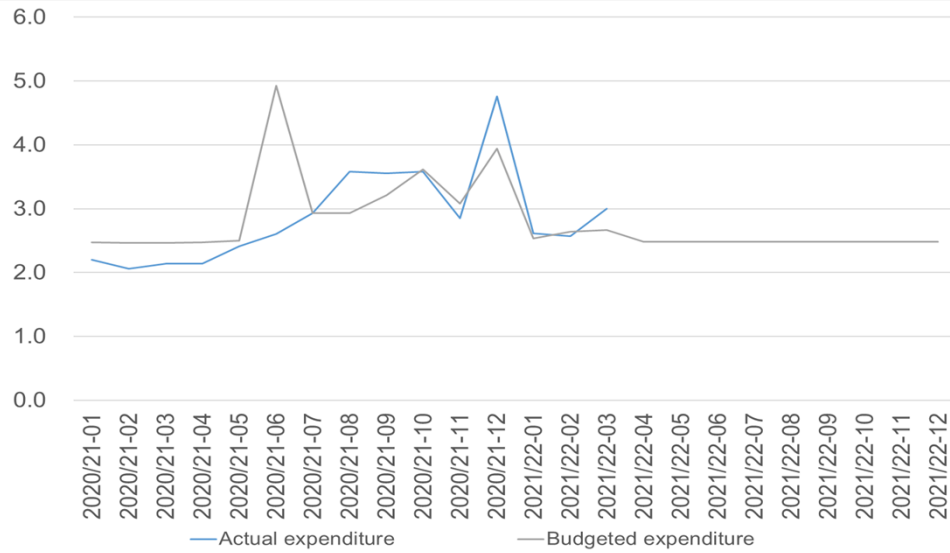


Subjective Summary

CHC	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Continuing Health Care expenditure has increased in month by £0.5m due to the recognition of Q1 Adult Social Care Provider Support expenditure (£0.6m) offset by a small reduction in CHC package costs across the Health Board.</p>
Secondary Care Drugs	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Drug expenditure has reduced in-month by £0.6m to correct an overstatement in expenditure in Month 2 following the implementation of the new Wellsky pharmacy system.</p> <p>During Month 3, we were made aware that an issue in the Wellsky feed duplicated some drug costs in Month 2 which led to an overstatement in the Month 2 result. Due to increased activity in our Oncology directorate and Emergency departments, this increase was not questioned at the time. However, during the month the error was highlighted and duly reviewed which resulted in the YTD correction being made in Month 3.</p>

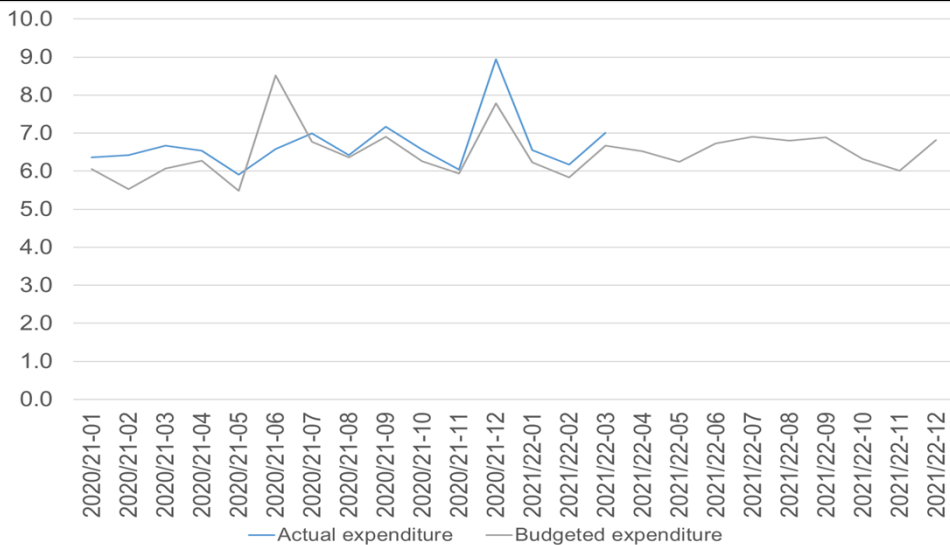
Subjective Summary

Clinical Supplies and Services



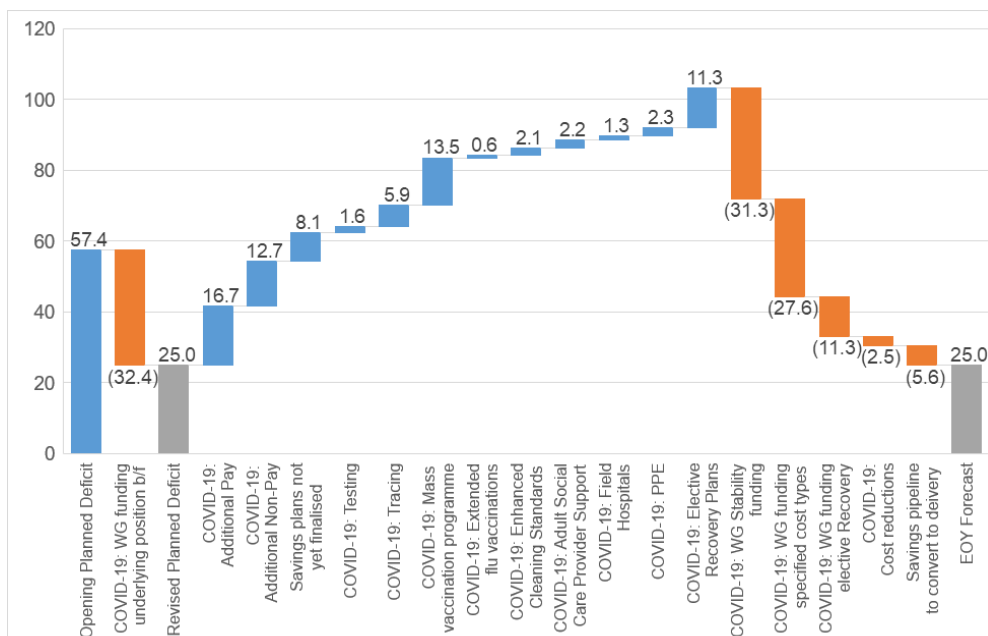
Expenditure in month has increased by £0.4m primarily due to a general increase in lab equipment costs as increasing volumes of COVID-19 tests are processed as COVID-19 prevalence increases in the locality in addition to the increased levels of activity across our Emergency departments, the additional PPE consumption of staff due to the high levels of demand across all four Acute emergency departments and Medical and Surgical Equipment (M&SE) maintenance was recognised within Radiology.

Primary Care Prescribing



Prescribing costs have increased by £0.8m in month as June had three additional prescribing days compared to May. The increased quantity of items prescribed in these three days is offset by the recognition of an over achievement of income from Primary Care rebates.

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, and Long COVID-19 Service) is modelled up to a twelve-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, approved Recovery Plans and Urgent Primary Care, however excludes both expenditure and any potential WG funding assumptions at present in relation to SDEC and other unapproved plans; 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, from July including integrated Performance and Improving Together agenda.
- Following WG confirmation of, and guidelines for, COVID-19 stability and programme 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

- Discussions are ongoing on the implications of the significant risk of a deterioration in the underlying deficit from £57.4m in 2020/21 to £73.5m in 2021/22 if recurrent savings schemes of £16.1m are not identified in-year.

Next Steps

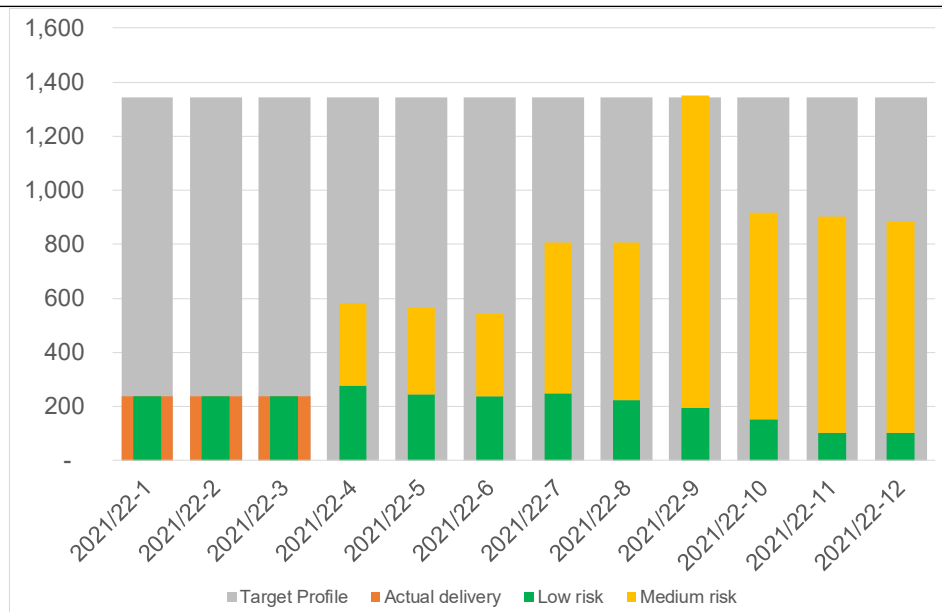
- Determine revenue impact for FY22 of actions taken in response to COVID-19 and challenge the operational drivers and decisions to minimise the financial impact.
- Continually refine the analysis of the underlying deficit to provide an ongoing pipeline of opportunities for improvement for the Board.
- Engage with operational teams to develop robust and deliverable recurrent saving schemes in line with the Health Board's Strategy and roadmap to financial sustainability.

Risks and Opportunities

Financial Risks	
£32.4m	WG guidance has been issued to the Health Board to assume £32.4m of non-recurrent WG funding to offset the underlying position brought forward from 2020/21 in relation to the savings gap. This is not yet confirmed and is subject to validation. Further, if this funding is not issued recurrently, this will significantly impact the underlying deficit.
£16.1m	The in-year gap between the savings target and identified savings schemes of £8.1m is partly mitigated by cost reductions resulting from COVID-19, with a remaining gap of £5.6m, for which pipeline schemes require conversion to approved schemes. The identified 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 if recurrent savings schemes of £16.1m are not identified in-year.
£18.8m	WG funding has been confirmed on a non-recurrent basis for Months 1-6 of 2021/22, with WG guidance issued to Health Boards that further funding should be assumed for Months 7-12 for Stability and Programme costs; therefore it has been assumed in the current forecast that this funding will be received; however, as formal confirmation has not been received, this is a potential risk. Programme funding in respect of Tracing, Testing and Adult Social Care Provider Support is excluded from this risk as confirmation of full year funding has been received.
	There is a risk that, in putting back inventory taken out from Field Hospital sites, some third party equipment may have been damaged. The impact is not expected to be significant.
Opportunities	
	<p>The focus continues to be on the development of the Opportunities Framework, which is currently undergoing a review and refresh.</p> <p>The next step is to develop, by 30 September, a plan to deliver £16.1m of recurrent savings, on a full year effect basis, based on opportunities for technical and allocative efficiencies across the Health Board's budgets. The savings will need to be deliverable on a pro rata basis by the end of the financial year to ensure that the underlying deficit does not further deteriorate, ie. it is not currently expected that the in-year delivery would exceed the pipeline required to deliver a deficit of £25.0m in the current year, but would evidence an achievable £16.1m or more in 2022/23 onwards. This will be based on the Health Board's developing opportunities framework, and developed in conjunction with budget managers across the organisation.</p>

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 £8.1m is partly mitigated by cost reductions resulting from COVID-19, with a remaining gap of £5.6m for which pipeline schemes require conversion to approved schemes. The identified schemes of £8.1m (of which £4.4m are Green) 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 ongoing 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 guidance that non-recurrent support will be provided in-year (subject to validation at this stage).

Next Steps

- To develop, by 30 September, a plan to deliver £16.1m of recurrent savings (FYE) based on opportunities for technical and allocative efficiencies across the Health Board's budgets. The savings will need to be deliverable on a pro rata basis by the end of the financial year to ensure that the underlying deficit does not further deteriorate. This will be based on the Health Board's developing opportunities framework, and developed in conjunction with budget managers across the organisation.
- 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.