



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

DYDDIAD Y CYFARFOD: DATE OF MEETING:	30 September 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Report – Month 5 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) guidance to anticipate £32.4m of funding to non-recurrently offset the underlying position brought forward from 2020/21.

Month 5 Position

- The Month 5 Health Board financial position is an underspend of £0.1m against a deficit plan of £2.1m, after utilising £4.2m of WG funding for COVID-19, having offset £0.3m 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 £5.8m is partly mitigated by cost reductions resulting from COVID-19, with a remaining gap of £3.1m for which pipeline schemes require conversion to approved schemes. Of the identified schemes of £10.4m (of which £8.2m are Green), a significant number (£8.1m) are 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 £71.2m in 2021/22 if recurrent savings schemes of £13.8m 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 only £2.3m of recurrent plans of the required £16.m have been identified.
- 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 £1.6m, which is £1.0m higher than the plan of identified savings schemes following the early delivery of a one-off rates rebate negotiation.
- The pipeline schemes are currently assumed to be delivered in the second half of the financial year.

Next Steps

- 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	10.4	10.3	Low*
Savings	£'m	16.1	6.7	2.9	Medium
Capital	£'m	30.5	6.1	6.1	Low
Non-NHS PSPP	%	95.0	95.0	96.4	Low
Period end cash	£'m	4.0	4.0	3.4	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 5.

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

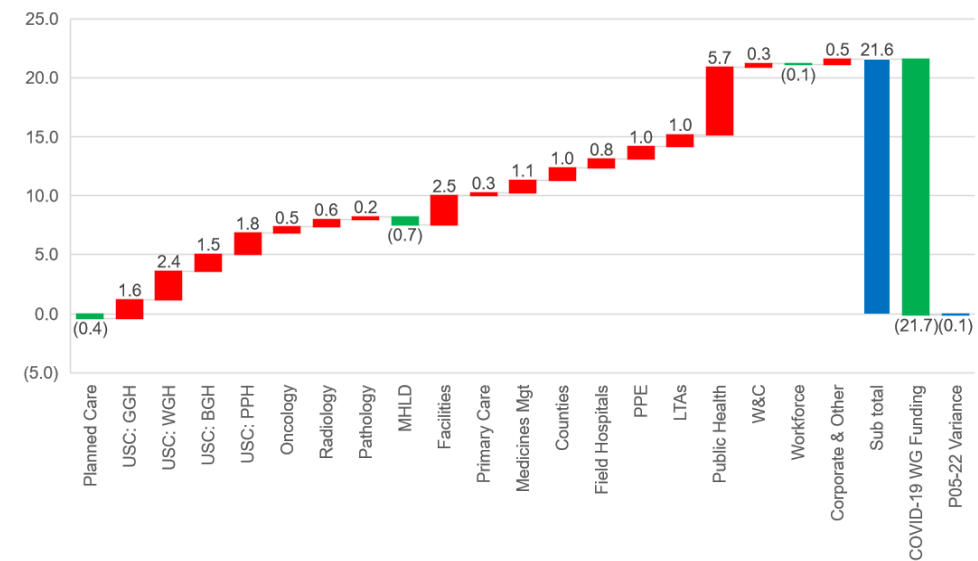
Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on the Health Board's financial reporting system.
Rhestr Termiau: Glossary of Terms:	ADH – Additional Duty Hours BGH – Bronglais General Hospital CHC – Continuing Healthcare FYE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

Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to University Health Board:	Sustainable Resources Committee
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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

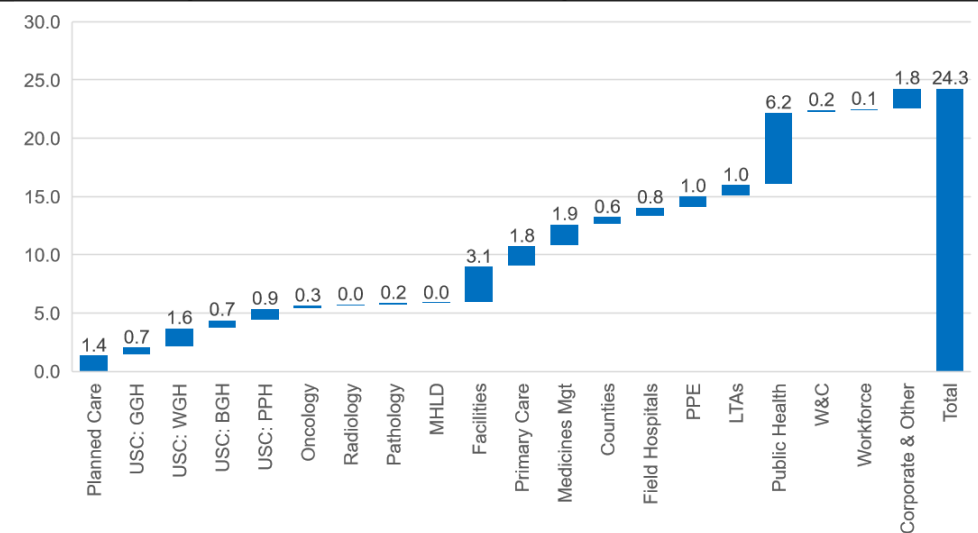
YTD variance by Directorate (against Plan)



Key drivers of YTD position:

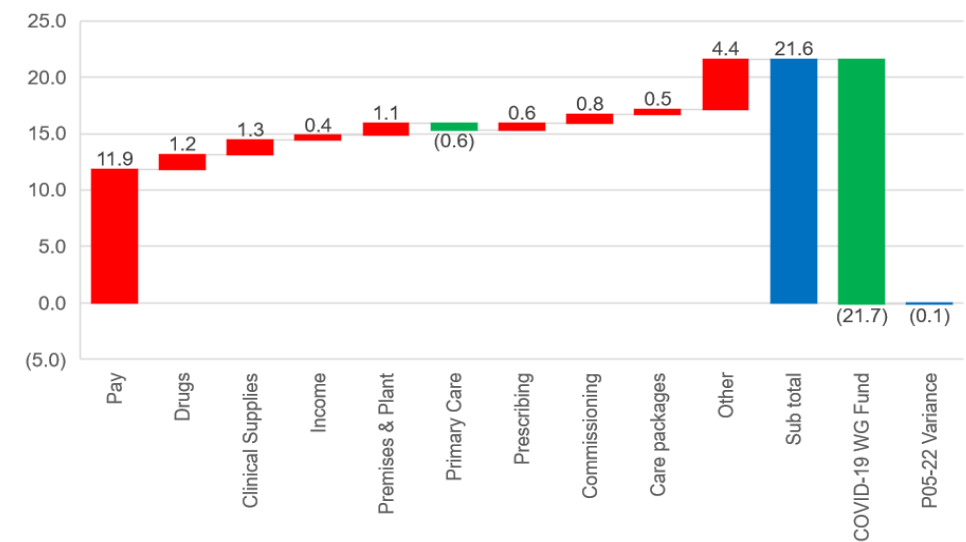
- **Planned Care (-£0.4m):** Underspend primarily driven by a reduction in non-pay expenditure due to reduced activity in elective services (particularly theatres);
- **Unscheduled Care (All sites) (£7.3m):** Increased premium agency requirement due to a high volume of vacancies, self isolation and sickness 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 (£2.5m):** 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 (£0.3m):** Costs associated with the COVID-19 Mass vaccination programme offset by slippage in Dental contract performance, OPCS and EHEW;
- **Medicines Management (£1.1m):** Pressures continue in Primary Care Prescribing due to continued increases in the cost per item for Category M and baseline drugs;
- **LTA's (£1.0m):** 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;
- **Public Health (£5.7m):** 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 (-£21.7m):** 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 £13.5m YTD.

YTD actual by Directorate (COVID-19 only)

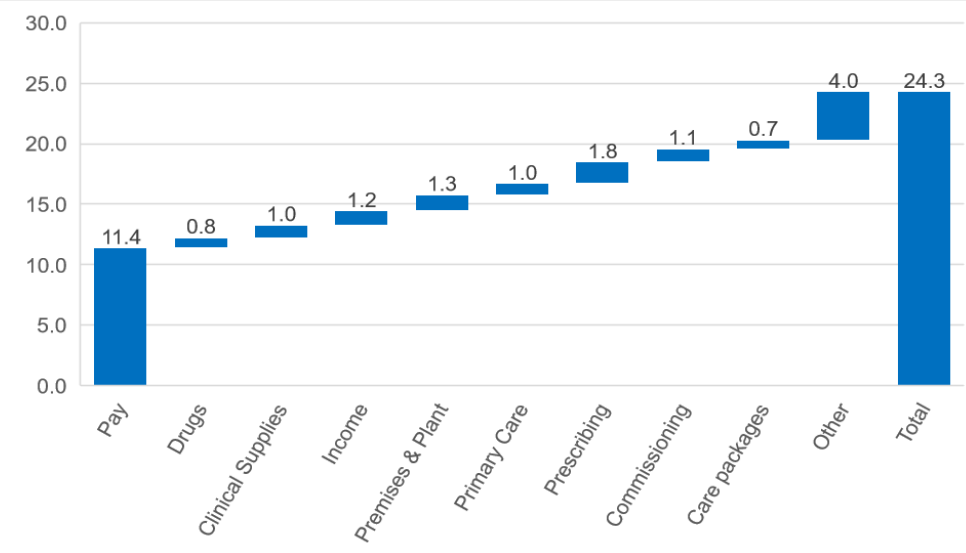


Revenue Summary

YTD variance by Subjective (against Plan)



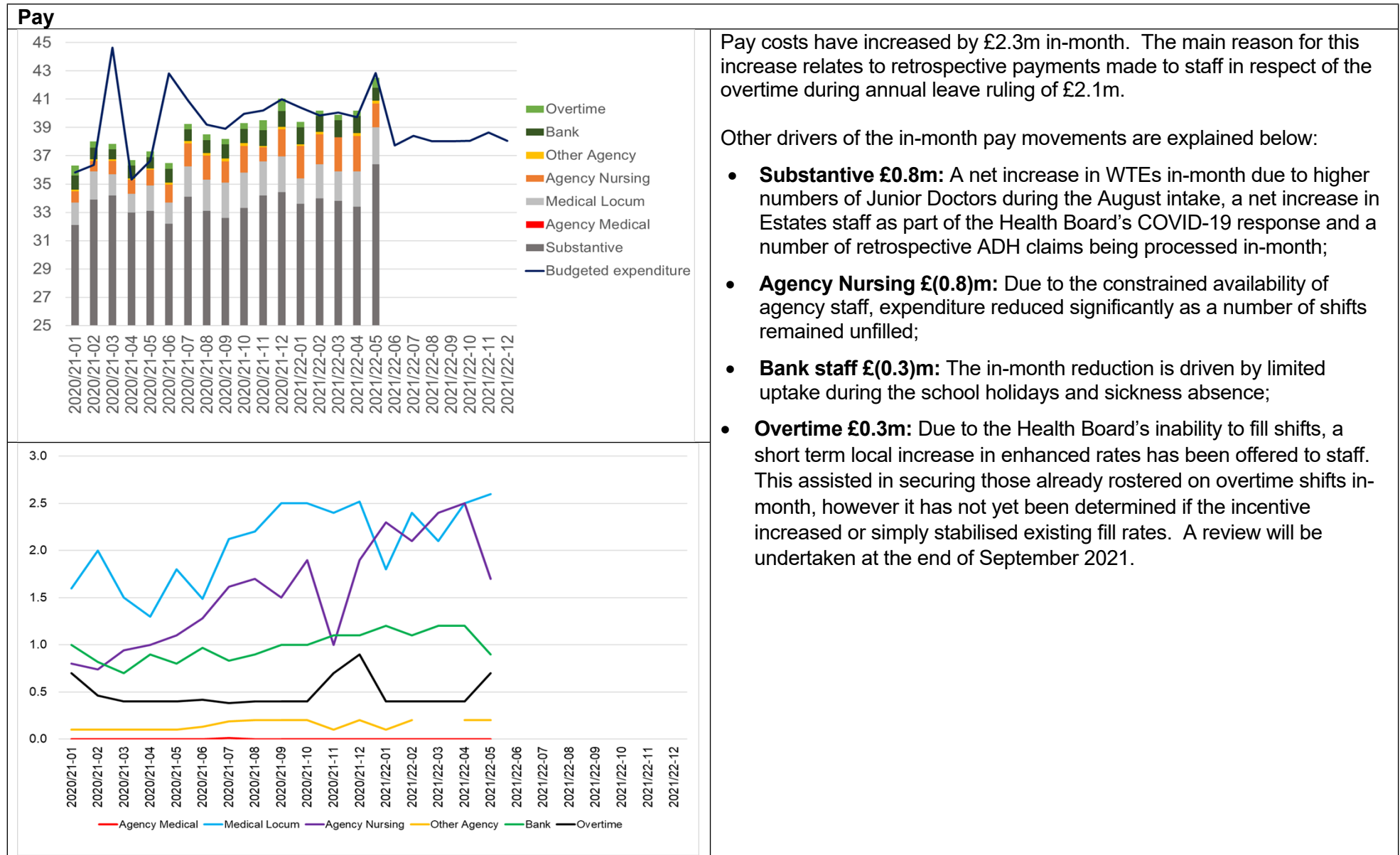
YTD actual by Subjective (COVID-19 only)



Key drivers of YTD position:

- **Pay (£11.9m):** 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, self isolation and sickness across Medical and Nursing posts and pressures on Emergency departments throughout the Health Board's Acute sites;
- **Drugs & Clinical supplies (£2.5m):** The overspend is primarily driven by the costs of PPE expenditure, home care drug regimes being provided to patients and sub-cutaneous to intravenous Cancer treatment (as a consequence of COVID-19) and Medicines Management pressures offset by reduced activity in elective services within Planned Care;
- **Income (£0.4m):** 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 (-£0.6m):** Reduced level of claims from Ophthalmic contractors and Dental underperformance, offset by COVID-19 vaccinations carried out by GMS Contractors;
- **Prescribing (£0.6m):** Pressures continue in Primary Care Prescribing due to continued increase in the cost per item for Category M and baseline drugs;
- **WG Funding (-£21.7m):** 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 £13.5m YTD.

Subjective Summary



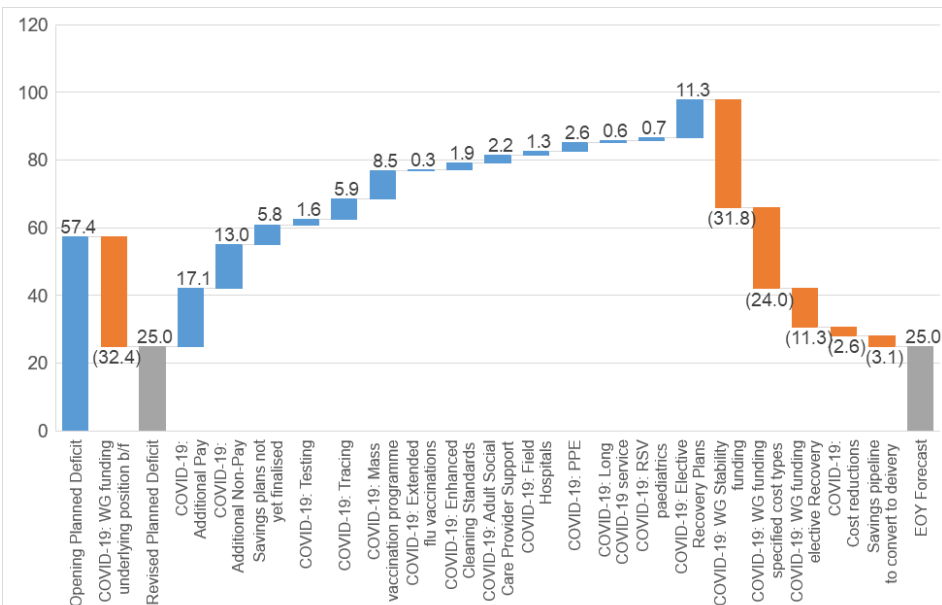
Subjective Summary

CHC	
<p>Actual expenditure Budgeted expenditure</p>	<p>Continuing Health Care expenditure has decreased by £0.1m compared to Month 4. Whilst the Health Board have seen a net increase of four patients in-month, the majority of these patients have been Funded Nursing Care clients. The additional costs of these packages have been offset with a reduction in high cost packages in Adult Mental Health and Community based Homecare.</p>
Secondary Care Drugs	
<p>Actual expenditure Budgeted expenditure</p>	<p>Drug expenditure has decreased in-month by £0.2m. The majority of the decrease has been attributed to reduced activity in Oncology in month due to holidays and a reduction in homecare drug issues.</p>

Subjective Summary

Clinical Supplies and Services	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Expenditure in-month has remained flat in the month with sustained Acute pressures resulting in high usage of PPE, continued usage of an external diagnostics provider within the Radiology directorate due to a high level of staff vacancies and annual leave and continued M&SE maintenance and repairs within the Clinical engineering team.</p>
Primary Care Prescribing	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Prescribing costs has reduced by £0.4m in month as August has 1.0 fewer prescribing days than July.</p>

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, RSV Paediatrics) 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 £71.2m in 2021/22 if recurrent savings schemes of £13.8m are not identified in-year.

Next Steps

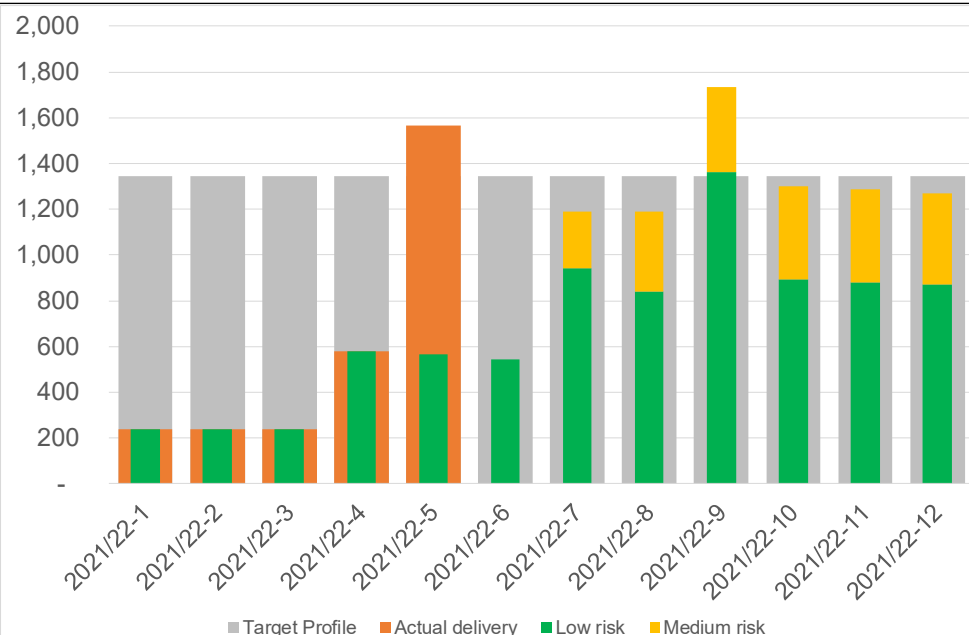
- Implement an Enhanced Bridging Service within the Health Board to assist the timely and appropriate discharge of patients until domiciliary care is available. Annual gross cost is c.£8m, which is not factored into the above forecast, with funding/recharge to be determined.
- Continue to engage with 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.
- Continually refine the analysis of the underlying deficit to provide an ongoing pipeline of opportunities for improvement for the Board.

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.
£13.8m	The in-year gap between the savings target and identified savings schemes of £5.8m is partly mitigated by cost reductions resulting from COVID-19, with a remaining gap of £3.1m for which pipeline schemes require conversion to approved schemes. This follows the identification of £2.3m of new recurrent schemes in Month 5, in addition to the existing identified schemes of £8.1m, which are 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 £13.8m are not identified in-year.
Opportunities	
	<p>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.</p> <p>The continued operational pressures within Unscheduled Care is placing risk on our ability to identify plans for the full £16.1m of recurrent savings (FYE) by 30th September 2021. 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. We are working with our Directorates to develop plans wherever possible based on the revised planning objective given to the Director of Operations.</p> <p>Any identified plans will need to be deliverable on a pro rata basis by the end of the financial year, ie. it is not currently expected that the in-year delivery would exceed the pipeline required to deliver a deficit of £25.m in the current year, but would evidence an achievable £16.1m or more in 2022/23 onwards.</p> <p>The current trend in Category M prices within Prescribing may lead to a further recurrent saving; these are declared quarterly, so is likely to be quantifiable in October 2021.</p>

Savings and turnaround actions

Risk-assessed directorate savings profile, delivery and forecast



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 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

- 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 is placing risk on our ability to identify plans for the full £16.1m of recurrent savings (FYE) by 30th September 2021. We are working with our Directorates to develop plans wherever possible based on the revised planning objective given to the Director of Operations.

Assurance

- The in-year gap between the savings target and identified savings schemes of £5.8m is partly mitigated by cost reductions resulting from COVID-19, with a remaining gap of £3.1m for which pipeline schemes require conversion to approved schemes. This follows the identification of £2.3m of new recurrent schemes in Month 5. The identified schemes of £10.4m (of which £8.2m are Green), are assessed as low risk of non-delivery.
- In-month delivery of £1.6m, which is £1.0m higher than the plan of identified savings schemes following the early delivery of a one-off rates rebate negotiation.