GIG CYMRU NHS WALES | Bwrdd Iechyd Prifysgol Hywel Dda University Health Board

CYFARFOD BWRDD PRIFYSGOL IECHYD
UNIVERSITY HEALTH BOARD MEETING

DYDDIAD Y CYFARFOD: **DATE OF MEETING:**	29 September 2022
TEITL YR ADRODDIAD: **TITLE OF REPORT:**	Financial Report – Month 5 2022/23
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.

Cefndir / Background

Month 5 2022/ 23

The Health Board's Financial Plan was initially to deliver a deficit of £25.0m, after savings of £29.4m. Through the Month 5 reporting cycle, the Health Board has revised its draft Financial Plan, and is now set to deliver a deficit of £62.0m, after savings of £13.4m; this recognises the insufficient level of assurance around the identification of a further £16.0m of savings schemes deliverable within the current financial year against our initial £25.0m deficit Plan.

The further deterioration of £21.0m recognises the fruition of the operational variation risk and a transfer into the Core position of COVID-19 responses that were initially planned to be decommissioned but have been deemed necessary to continue.

The Month 5 Health Board financial position is an overspend of £6.3m, which is made up of £4.2m operational variance and an original deficit plan of £2.1m; this is after recognising £0.3m of assumed WG transitional funding for COVID-19 and £1.3m for Exceptional Energy costs. £0.7m of savings schemes were delivered in line with identified plans.

Of the £4.2m overspend in-month, £1.7m relates to undelivered savings plans against the original target and £2.5m relates to operational pressures. These pressures are mainly being experienced within our Unscheduled Care teams, but also within Facilities, Radiology and Medicines Management.

The Health Board has received confirmation of WG funding to match the costs of the COVID-19 programmes (Tracing, Testing, Mass Vaccinations and PPE), and has received initial guidance from WG to assume that funding will be provided to offset the transitional costs of COVID-19 of £6.7m and the Exceptional Energy, Health and Social Care Levy and Real Living Wage commissioned services costs of £25.2m.

Since our initial plan submission, each Executive Director and their respective leadership teams have been reviewing their operational plans to deliver a step change through a Target Operating Model approach; the basis for our transformation improvement programmes, supported by our Planning Objective structure and governance. Whilst these have yielded benefits, such as our recovery plan to deliver dedicated ring-fenced wards for elective procedures, they are unfortunately not sufficient to improve the financial outlook. The Health Board continues to have to commit expenditure at a consistent rate to maintain services whilst experiencing significant system demand and challenges.

Of the identified savings schemes of £13.4m, only a small number are currently assessed as recurrent, with a full year effect of £1.5m. This is contributing to the deterioration in the underlying deficit to £75.5m from the brought forward 2021/22 position of £68.9m, which presents a challenge to be addressed as part of our Target Operating Model.

Asesiad / Assessment

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.

Month 5 2022/23

Key target		Annual limit	YTD limit	Actual delivery	Forecast Risk
Revenue	£'m	62.0	22.2	22.9	Low*
Savings	£'m	13.4	5.4	5.4	Low**
Capital	£'m	31.1	6.5	6.5	Low
Non-NHS PSPP	%	95.0	95.0	96.3	Low
Period end cash	£'m	4.0	4.0	2.9	High***

* The Health Board is forecasting a financial outturn position of £62.0m in line with the re-submitted draft annual plan, which is £37.0m higher than the previous planned deficit of £25.0m. Whilst the delivery risk to the revised deficit of £62.0m is considered to be Low, this is an unacceptable level of deficit and urgent management actions are required to address the underlying position. There is a significant risk that the revised deficit plan may not be accepted by Welsh Government. The re-submitted Plan has been phased in line with the Months 1-3 Actual results and the Month 3 forecast. This decision was taken to prevent reporting to the organisation a YTD or in-month "underspend" against a flat profile of the £62.0m draft deficit as this was considered a misleading message.

** Whilst the delivery of planned savings schemes are on track, the revised annual limit is £16.0m lower than the original plan due to an inadequate level of assurance around the identification of deliverable savings schemes; this lower level of savings has contributed to the increase in the planned deficit of £62.0m. Furthermore, of the identified savings schemes of £13.4m, only a small number are currently assessed as recurrent, with a full year effect of £1.5m. This is contributing to the deterioration in the underlying deficit to £75.5m from the brought forward 2021/22 position of £68.9m, which presents a challenge to be addressed as part of our Target Operating Model.

*** If WG do not fund the cash consequences of the revenue deficit, there is a significant risk to the period end cash position.

Accountable Officer letter and reply

As part of the formal governance process when changing the financial deficit, an Accountable Officer letter was submitted to WG on 8th July 2022, explaining the challenges being experienced, and their financial consequences. A reply was received on 12th July 2022 highlighting that the deterioration was unacceptable, and the level of deficit cannot be supported in either resource or cash terms. Further dialogue with WG colleagues is ongoing.

Argymhelliad / Recommendation

The Board is asked to note and discuss the financial position as at Month 5 2022/23, alongside the implications for the Health Board of the challenging outlook.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	1296 (score 8) Ability to deliver the Financial Plan for 2021/22 – now closed replaced by a new risk assessment for 2022/23 (reference 1371, score 16) 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 Cynllunio Planning Objectives	All Planning Objectives Apply
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019	9. All HDdUHB Well-being Objectives apply

Gwybodaeth Ychwanegol: **Further Information:**	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Healthcare FNC – Funded Nursing 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 OOH – Out of Hours PPH – Prince Philip Hospital PSPP– Public Sector Payment Policy RTT – Referral to Treatment Time T&O – Trauma & Orthopaedics WG – Welsh Government WGH – Withybush General Hospital WRP – Welsh Risk Pool WHSSC – Welsh Health Specialised Services Committee YTD – Year to date
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	Finance Team Management Team Executive Team

Effaith: (rhaid cwblhau) **Impact: (must be completed)**	
Ariannol / Gwerth am Arian: **Financial / Service:**	Financial implications are inherent within the report.
Ansawdd / Gofal Claf: **Quality / Patient Care:**	The impact on patient care is assessed within the savings schemes.
Gweithlu: **Workforce:**	The report considers the financial implications of our workforce.
Risg: **Risk:**	Financial risks are detailed in the report.
Cyfreithiol: **Legal:**	HDdUHB 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 HDdUHB's financial plan will affect its reputation with Welsh Government, Audit Wales, and with external stakeholders.
Gyfrinachedd: **Privacy:**	Not applicable.
Cydraddoldeb: **Equality:**	Not applicable.

Executive Summary

	Health Board's revised draft Financial Plan is to deliver a deficit of £62.0m, after savings of £13.4m; this recognises the inadequate level of assurance around the identification of a further £16.0m of savings schemes deliverable within the current financial year against our initial £25.0m deficit Plan. The further deterioration of £21.0m recognises the fruition of the operational variation risk and a transfer into the Core position of COVID-19 responses that were initially planned to be decommissioned, but have been deemed necessary to continue.
Revenue	• The Month 5 Health Board financial position is an overspend of £6.3m, which is made up of £4.2m operational variance and an original deficit plan of £2.1m; this is after recognising £0.3m of assumed WG transitional funding for COVID-19 and £1.3m for Exceptional Energy costs. £0.7m of savings schemes were delivered in line with identified plans. • Of the £4.2m overspend in-month, £1.7m relates to undelivered savings plans against the original target and £2.5m relates to operational pressures. These pressures are mainly being experienced within our Unscheduled Care teams, but also within Facilities, Radiology and Medicines Management.
Projection	• The Health Board has received confirmation of WG funding to match the costs of the COVID-19 programmes (Tracing, Testing, Mass Vaccinations and PPE), and has received initial guidance from WG to assume that funding will be provided to offset the transitional costs of COVID-19 of £6.7m and the Exceptional Energy, Health and Social Care Levy and Real Living Wage commissioned services costs of £25.2m. • Since our initial plan submission, each Executive Director and their respective leadership teams have been reviewing their operational plans to deliver a step change through a Target Operating Model approach; the basis for our transformation improvement programmes, supported by our Planning Objective structure and governance. Whilst these have yielded benefits, such as our recovery plan to deliver dedicated ring-fenced wards for elective procedures, they are unfortunately not sufficient to improve the financial outlook. The Health Board continues to have to commit expenditure at a consistent rate to maintain services whilst experiencing significant system demand and challenges. • Of the identified savings schemes of £13.4m, only a small number are currently assessed as recurrent, with a full year effect of £1.5m. This is contributing to the deterioration in the underlying deficit to £75.5m from the brought forward 2021/22 position of £68.9m, which presents a challenge to be addressed as part of our Target Operating Model.
Savings	• It is the Board's aspiration that a Target Operating Model can be constructed to focus delivery of services in the most optimum way for our patients and population, and is a critical part of the approach to the medium-term outlook. This will also align with the design assumptions set out in the Health Board's A Healthier Mid and West Wales strategy and Programme Business Case.
Next Steps	• Following feedback from WG regarding the revised draft Financial Plan, the Board have further challenged teams to urgently identify management actions to reduce the organisation's expenditure trajectory, on an in-year basis as a minimum. • We are committed to addressing/mitigating our challenges to get back on track with our financial roadmap; a weekly progress report is being presented to the Executive Team to retain sufficient strategic focus on this key deliverable. • Assessment of historic investment decisions for value opportunities, including COVID-19 costs transferred to baseline.

Executive Summary

	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
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Key target		Annual limit	YTD limit	Actual delivery	Forecast Risk
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Savings	**£'m**	13.4	5.4	5.4	**Low****
Capital	**£'m**	31.1	6.5	6.5	**Low**
Non-NHS PSPP	**%**	95.0	95.0	96.3	**Low**
Period end cash	**£'m**	4.0	4.0	2.9	**High*****

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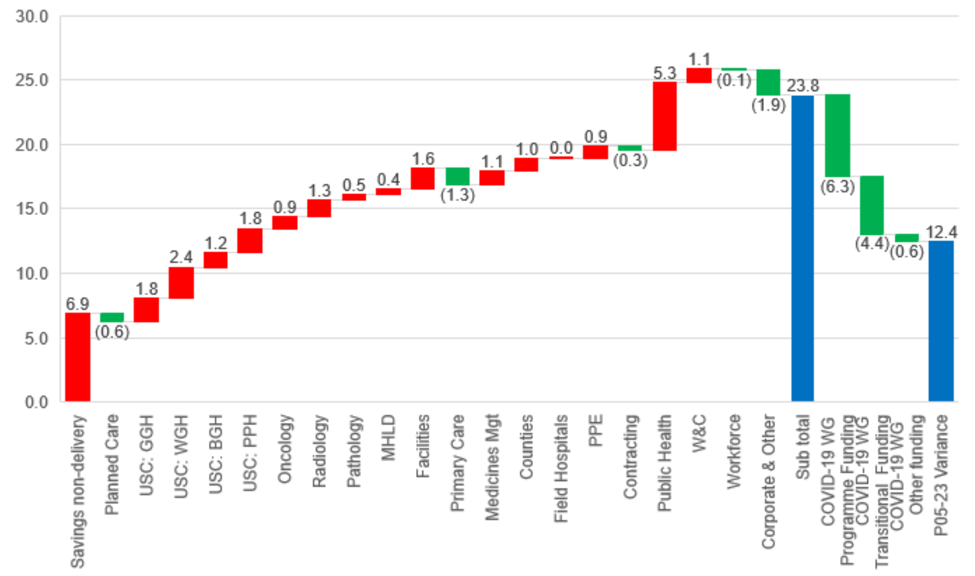
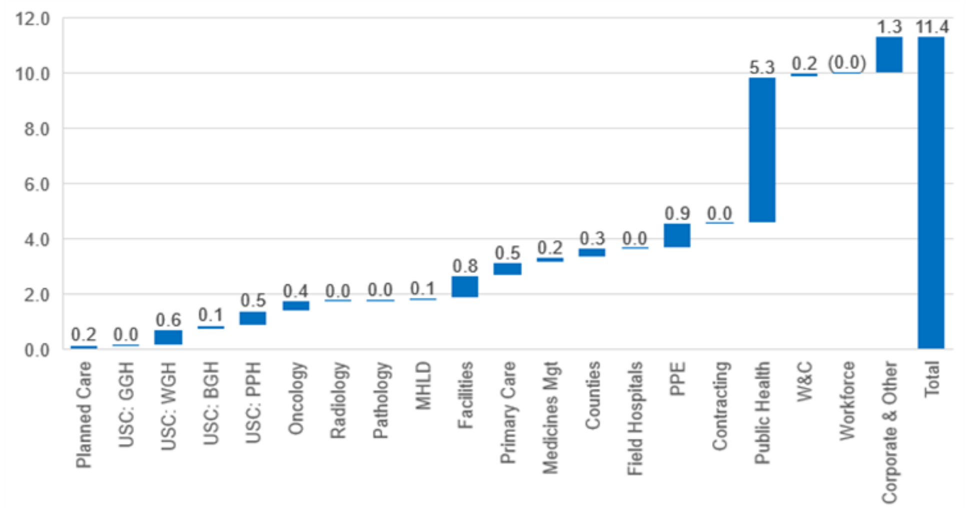
Revenue Summary

YTD variance by Directorate (against Plan)



YTD actual by Directorate (COVID-19 only)

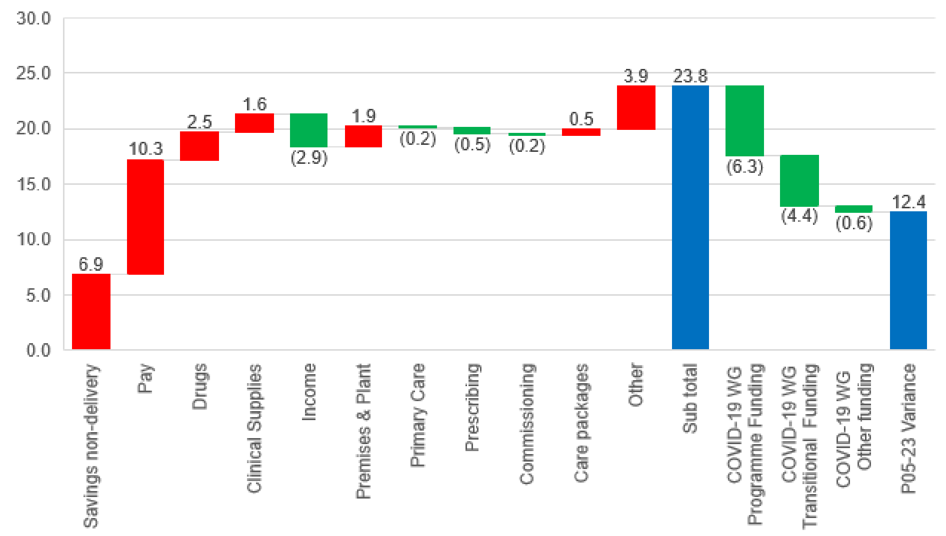


Key drivers of YTD position

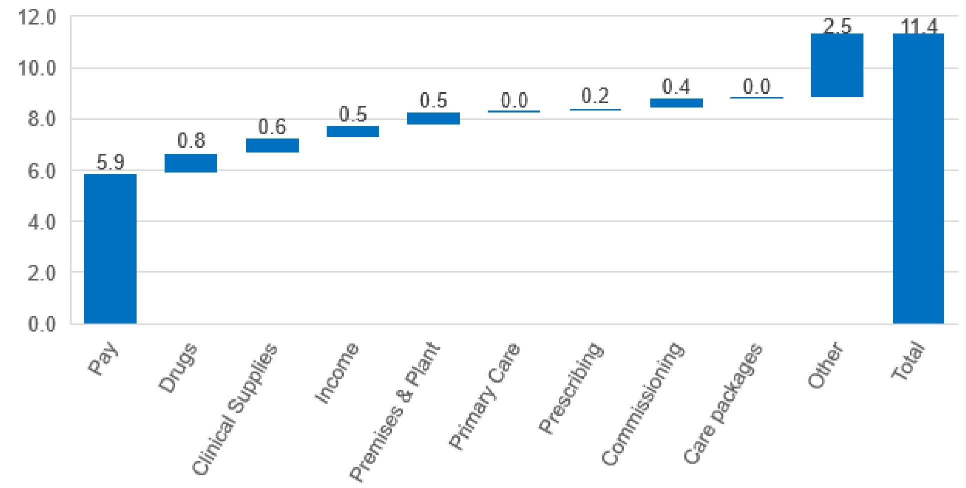
- **Savings non delivery £6.9m:** YTD value of savings undelivered by the organisation (against the original Plan requiring delivery of £29.4m);
- **Unscheduled care £7.2m:** Continuation of site pressures where high levels of vacancies and activity are resulting in high variable pay expenditure across all four acute sites;
- **Radiology £1.3m:** Workforce pressures due to vacancies and sickness resulting in high variable pay expenditure across all four acute sites and use of private providers to review reports;
- **Facilities £1.6m:** Overspends are driven in core areas by the increasing cost of utilities and provisions and the loss of revenue in the Canteen and external vendors. COVID-19 expenditure relates to on-going expenditure in relation to enhanced cleaning standards across all HB estate and remedial works to HB estate;
- **Counties £1.0m:** Pressures in District Nursing services due to sickness and vacancies resulting in bank and agency usage. Additional capacity in Community Hospitals created to support discharges from Acute sites;
- **Public Health £5.3m:** Primarily driven by costs associated with the Health Board's on-going response to COVID-19 in regards to TTP and Mass Vaccinations;
- **WG Programme Funding £(6.3)m:** YTD funding in respect of COVID-19 programme schemes has been included in the position;
- **WG Transitional Funding £(4.4)m** YTD funding has been assumed within the position to match transitional support costs in line with the Health Board's plan to exit, wherever possible, COVID-19 specific activities.

Revenue Summary

YTD variance by Subjective (against Plan)



YTD actual by Subjective (COVID-19 only)

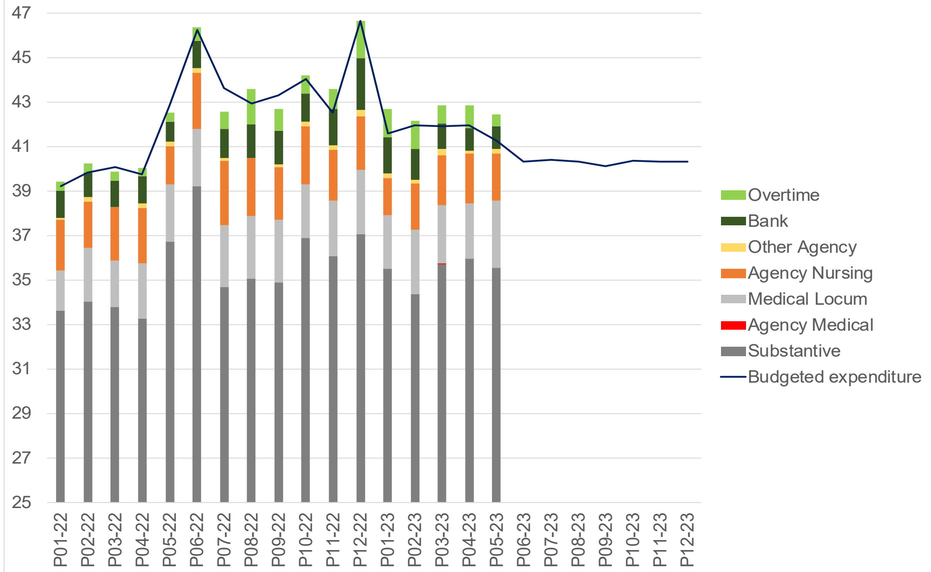


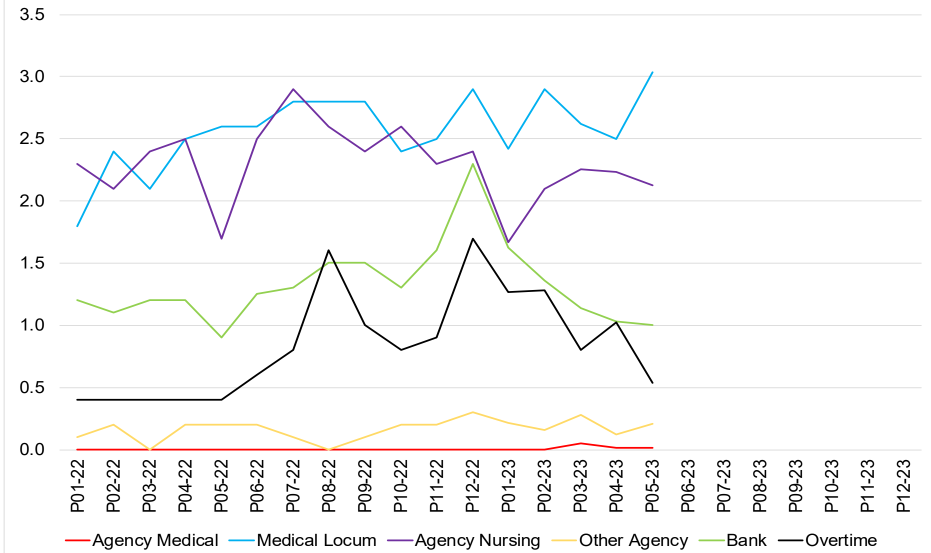
Key drivers of YTD position

- **Savings non delivery £6.9m:** YTD value of savings undelivered by the organisation (against the original Plan requiring delivery of £29.4m);
- **Pay £10.3m:** Continued high levels of variable pay expenditure across various staff groups due to high levels of vacancies across the Health Board and on-going pressures in Unscheduled Care. Continued COVID-19 pay expenditure is primarily supporting the Health Board's response in respect of TTP, Mass Vaccination and enhanced cleaning standards;
- **Drugs £2.5m:** Oncology activity and price growth, increases in use of high cost drugs following changes in clinical guidelines and a general increase in drugs in line with increased emergency treatment within Unscheduled Care.
- **Income £(2.9)m:** Primarily driven by the in-month recognition of Value Based Healthcare funding offset by consultancy charges in "Other". Recognition of rebates from British Gas for CHP underperformance in previous years. Recognition of over achievement in income for the Education Service liaison offset by increased pay costs;
- **Premises & Plant £1.9m:** Primarily driven by remedial work to Health Board estate and IT infrastructure costs;
- **WG Programme Funding £(6.3)m:** YTD funding in respect of COVID-19 programme schemes has been included in the position;
- **WG Transitional Funding £(4.4)m** YTD funding has been assumed within the position to match transitional support costs in line with the Health Board's plan to exit, wherever possible, COVID-19 specific activities.

Key Subjective Summary

Pay

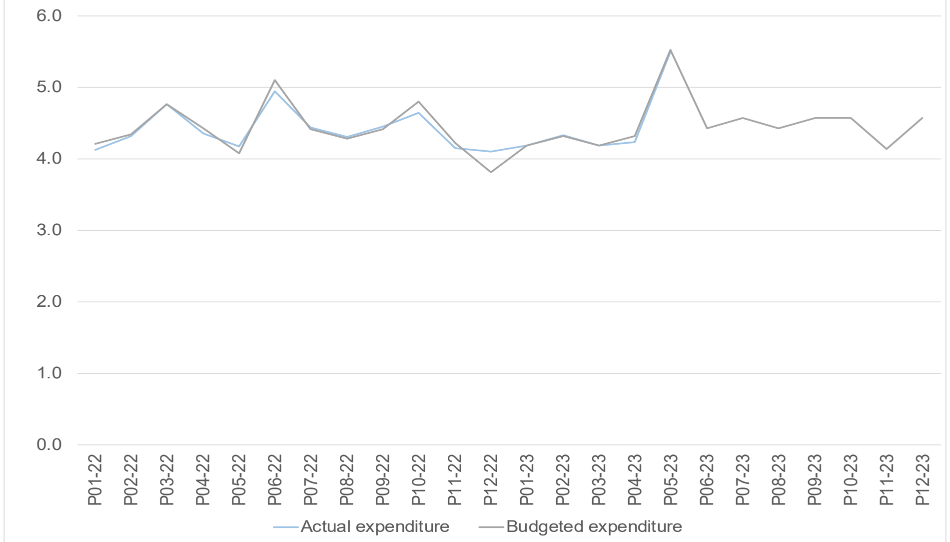
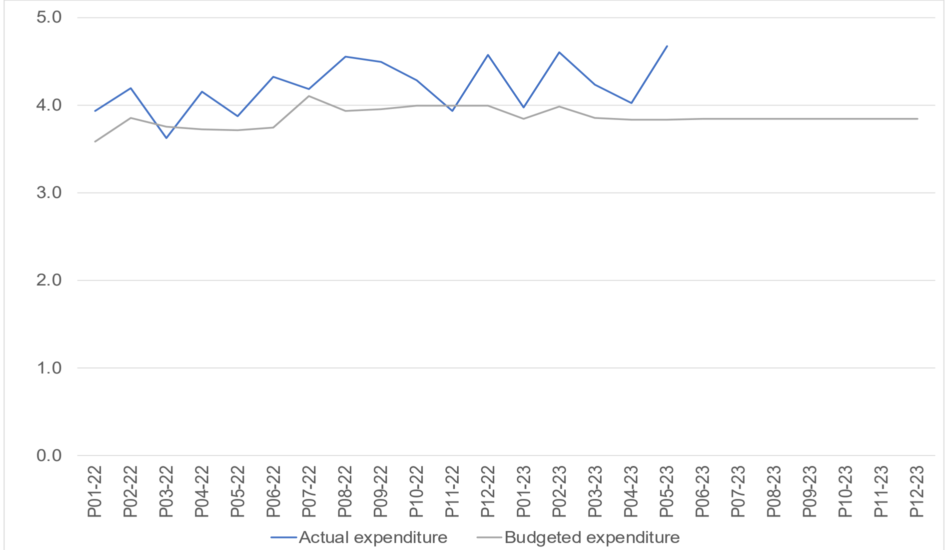




Pay costs incurred by the Health Board have reduced by £0.5m in-month. Movements by category are explained below:

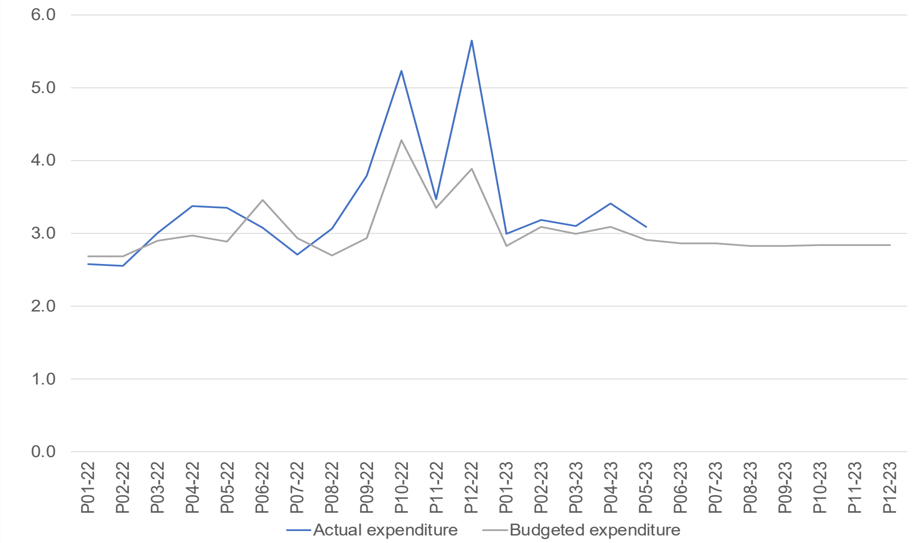
- **Substantive £(0.4)m:** Reduction in enhancement payments in month due to staff eligible for payments being on leave during holidays. In addition to this, there has been a reduction in contracted WTE in Estates and Additional Clinical services;
- **Medical Locum £0.5m:** A significant increase in Medical locum requirement due to a number of deanery posts being vacant following the August rotation. Hospitals were also impacted as a number of new Doctors required supervision on call and for prescribing purposes resulting in additional payments made for cover;
- **Agency Nursing £(0.1)m:** Reduced variable pay requirement in month due to a reduction in Agency Nurses being available to fill gaps in the roster;
- **Overtime and Bank staff £(0.5)m:** The Month 4 overtime charge included retrospective overtime payments for quarter one in respect of “Overtime on annual leave” payments to staff. The £0.5m reduction represents this charge not occurring during the month.

Key Subjective Summary

CHC	
	Continuing Health Care expenditure has increased by £1.3m compared to last month. The primary driver for the increase in actual spend is the YTD recognition of the inflationary uplift in Continuing Care packages. The value of the retrospective element of this was £1.2m.
Secondary Care Drugs	
	Secondary Care Drug expenditure increased by £0.7m in month compared to last. During August there has been an increase in Drug expenditure within Oncology and Elective Care as activity continues to increase and with there being an additional clinic day in the month compared to last month. There has also been an impact on WP10s as a result of this increase in activity. Increases have also been seen in Unscheduled Care across all four sites as pressures continue in A&E departments.

Key Subjective Summary

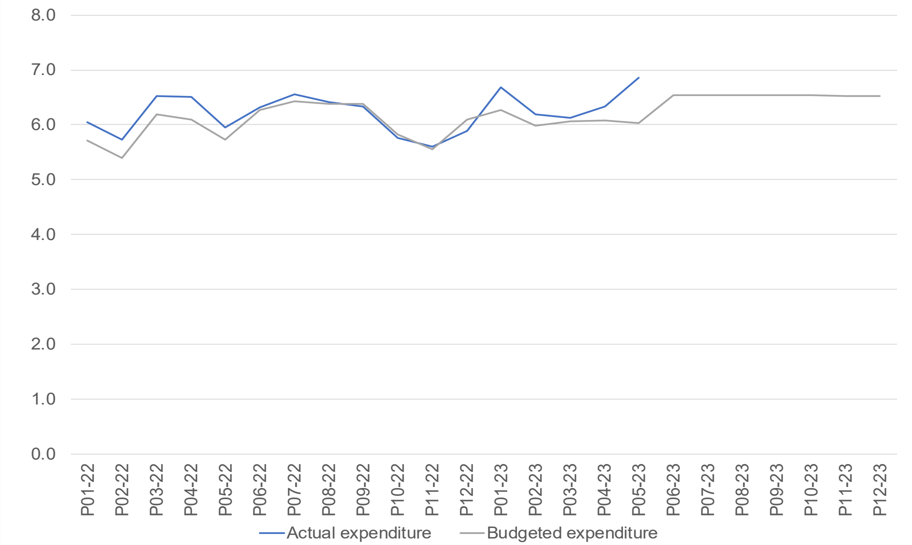
Clinical Supplies and Services



Actual expenditure reduced by £0.3m in-month. During the month a reduction in laboratory expenditure following the increase observed last month.

During the month, there has also been a reduction compared to last month in the issue of low vision appliances, a reduction in M&SE consumables in Critical Care and a reduction in M&SE maintenance primarily in Medicines Management and Planned Care.

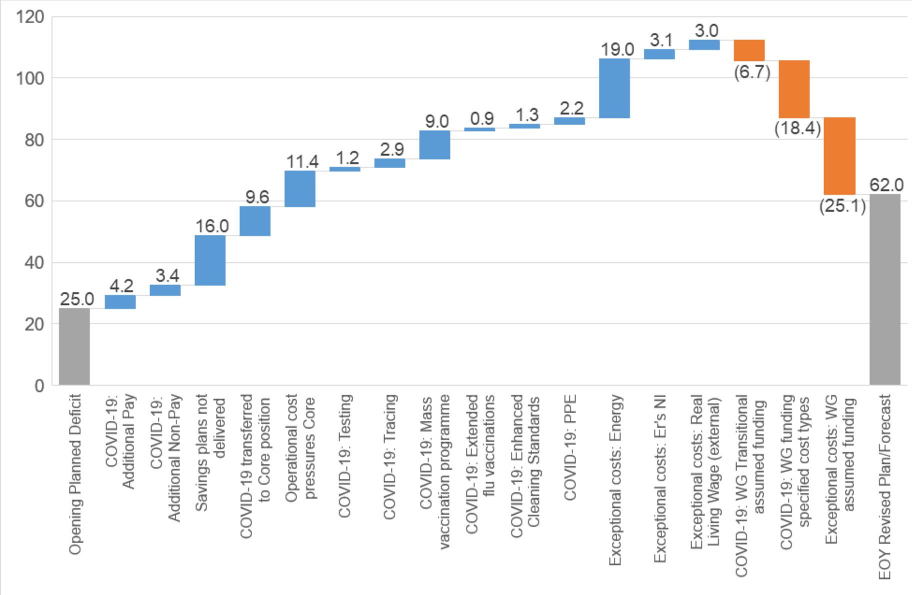
Primary Care Prescribing



Primary Care Prescribing costs have increased by £0.6m in-month.

The primary drivers causing this increase include an additional prescribing day in August compared to July and an increase in the baseline price and 2.74% growth for May actuals being refreshed in the costing model for June to August accruals.

Financial Projection



Key Assumptions

- The direct impact of COVID-19, including programme expenditure (in respect of mass vaccination programmes, Testing, Tracing, and PPE) is modelled up to a twelve-month scenario within the current forecast;
- All assumed WG COVID-19 and Exceptional Costs (Energy, Health and Social Care Levy and Real Living Wage commissioned services) funding is based on the current forecast costs on a match-basis.

Assurance

- Executive led Use of Resources Group which scrutinises business cases, opportunities and financial governance.
- Performance to be monitored monthly through robust Directorate Use of Resources meetings.

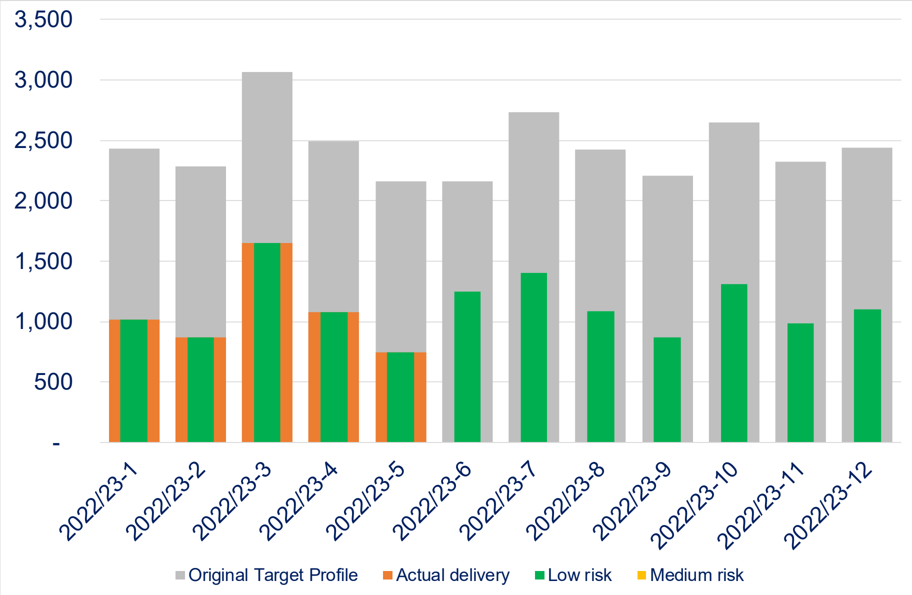
Concerns

- There has been a net deterioration in the underlying deficit of £68.9m in 2021/22 to the current assessment for 2022/23 of £75.5m based on the re-submission of the Annual Plan, which was not the expected outcome of the revised planning cycle during Quarter 1.

Next Steps

- Following feedback from WG regarding the revised draft Financial Plan, the Board have further challenged teams to urgently identify management actions to reduce the organisation's expenditure trajectory, on an in-year basis as a minimum.
- Continue to engage with partner organisations to develop plans to address the issues within the Social Care system.
- The anticipated progress against the development of a Target Operating Model (TOM) since the initial submission of the Plan in March has not been delivered and limited in-year benefits have been identified to date. It does, however, remain our aspiration that a TOM can be constructed to focus our delivery of services in the most optimum way for our patients and population, with this forming a critical part of our approach to the medium-term outlook. This will align with the design assumptions set out in our strategy and Programme Business Case. A weekly progress report is being presented to the Executive Team to retain sufficient strategic focus on this key deliverable.
- Assessment of historic investment decisions for value opportunities, including COVID-19 costs transferred to baseline.

Risk-assessed directorate savings profile, delivery and forecast



Assurance

- Of the original £29.4m requirement, £13.4m have been identified as Green schemes, as a minimum on a non-recurrent basis.
- All schemes are now assessed as Green.
- The Plan re-submission is aligned to delivery of the identified savings schemes of £12.4m. Since the Plan, a further £1.0m recurrent Green scheme has been identified.
- In-month delivery of 0.7m, which is in line with the Green savings scheme plans.

Concerns

- 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, of the original required £29.4m, only £13.4m have been identified, largely on a non-recurrent basis.
- A key factor in worsening the current financial outturn is the recognition of the risk surrounding delivery assurance over the opportunities of £16.0m.

Next Steps

- Having the clarity of the opportunities has enabled the team to buy into the areas that need to be influenced and changed, but we are yet to agree and have sight of detailed plans that illustrate a clear route to delivery through our planning framework.
- This is our key priority and linked to the Target Operating Model. Whilst discussions have been extremely positive in aligning priorities around this approach and the areas of opportunity, we have come to recognise that the impact of delivery for the 2022/23 financial year is only going to be very modest, given the complexities involved within the fragility of the system pressures.
- The Board recognise the need to develop opportunities for change through Use of Resources groups (Directorate level and Executive Level) as a matter of urgency.
- Budgets will be realigned following Month 6 so that identified and accepted cost pressures are recognised within budgets; while at the same time the saving requirement from our operational drivers of our deficit are allocated out to directorates. This will clarify alignment of financial resources with operational delivery.