



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

DYDDIAD Y CYFARFOD: DATE OF MEETING:	31 March 2022
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Report – Month 11 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 11 Position

- The Month 11 Health Board financial position is a breakeven against a deficit plan of £2.1m, after utilising £8.7m of WG funding for COVID-19, having offset £0.2m of cost reductions recognised due to reduced operational activity levels.
- The Health Board's confirmed Elective Recovery funding is £15.95m, an increase of £4.4m from Month 10, which comprises of the revised core plan of £14.7m, as well as other National priorities and resilience schemes for which Welsh Government have issued additional funding. The planned accelerated profile of expenditure has again been delivered in-month, with assurance that the end of year delivery will be in line with the revised funding of £15.95m. This additional investment will prioritise patient access, largely through outsourcing activity coupled with waiting list management, and further accelerate the investment in the strategic digitalisation of medical records.

Projection

- Following confirmation of COVID-19 stability 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.

- Of the identified savings schemes of £11.9m, a significant number (£7.3m) are currently assessed as non-recurrent. Discussions are on-going regarding 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 savings 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 attendances to A&E 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. The organisation recognises its inability to deliver these opportunities impactfully during this year, and therefore recognises that the opportunities will feed into the strategy to address the opening underlying deficit for the FY 2023 financial plan.
- In-month delivery of £1.1m is in line with the plan of identified savings schemes.

Next Steps

- Continue to engage with partner organisations to develop plans to address the issues within the 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 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	22.9	22.9	Low*
Savings	£'m	16.1	14.8	10.7	Low
Capital	£'m	58.6	32.9	32.9	Medium**
Non-NHS PSPP	%	95.0	95.0	94.6	Low***
Period end cash	£'m	4.0	4.0	7.5	Low****

* The Health Board recognises that the risk against delivery of financial balance is Low, recognising that the Health Board has limited risk of any significant increase in Workforce expenditure, given the restricted supply.

** 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. A specific risk for the Modular Theatre Facility at Prince Philip Hospital has been highlighted this month; the current forecast is £17.8m against a plan of £19.9m, with plans for the underspend to be utilised by bringing forward equipment spend previously planned for next year. Further, holistically across all schemes, 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 3 (94.6%), which had adversely affected the cumulative reported position (94.6%). This was caused by a large volume of delayed Pharmacy invoices; extra resources were obtained to resolve this and the backlog is now cleared, with in-month compliance in Months 9, 10 and 11 (95.9%, 95.8% and 96.1% respectively). The cumulative position in Month 11 is now 94.9%, which has allowed the risk assessment to remain Low.

**** The closing cash balance is £7.5m, which is higher than the target. This is due to a delay in payment to a capital contractor as a result of a pending HMRC registration for CIS by the contractor. This is expected to be resolved in Month 12.

Argymhelliad / Recommendation

The Board is asked to discuss and note the financial position for Month 11.

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 1297 (score 20) The underlying deficit increasing to a level not addressed by medium term funding 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.
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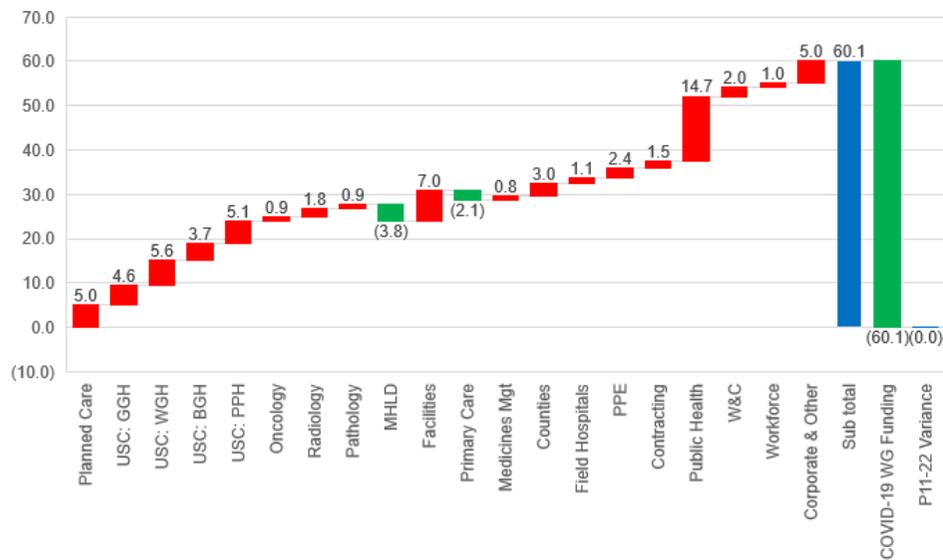
<p>Rhestr Termâu: Glossary of Terms:</p>	<p>ADH – Additional Duty Hours BGH – Bronglais General Hospital CHC – Continuing Healthcare CIS – Construction Industry Scheme EHEW – Eye Health Examination Wales ERP – Elective Recovery Plan FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services HMRC – Her Majesty’s Revenue & Customs 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>
<p>Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to University Health Board:</p>	<p>Sustainable Resources Committee</p>

<p>Effaith: (rhaid cwblhau) Impact: (must be completed)</p>	
<p>Ariannol / Gwerth am Arian: Financial / Service:</p>	<p>Financial impacts and considerations are inherent in the report.</p>
<p>Ansawdd / Gofal Claf: Quality / Patient Care:</p>	<p>These are assessed as part of our savings planning.</p>
<p>Gweithlu: Workforce:</p>	<p>The report discusses the impact of both variable pay and substantive pay.</p>
<p>Risg: Risk:</p>	<p>Financial risks are detailed in the report.</p>
<p>Cyfreithiol: Legal:</p>	<p>The Health Board has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an</p>

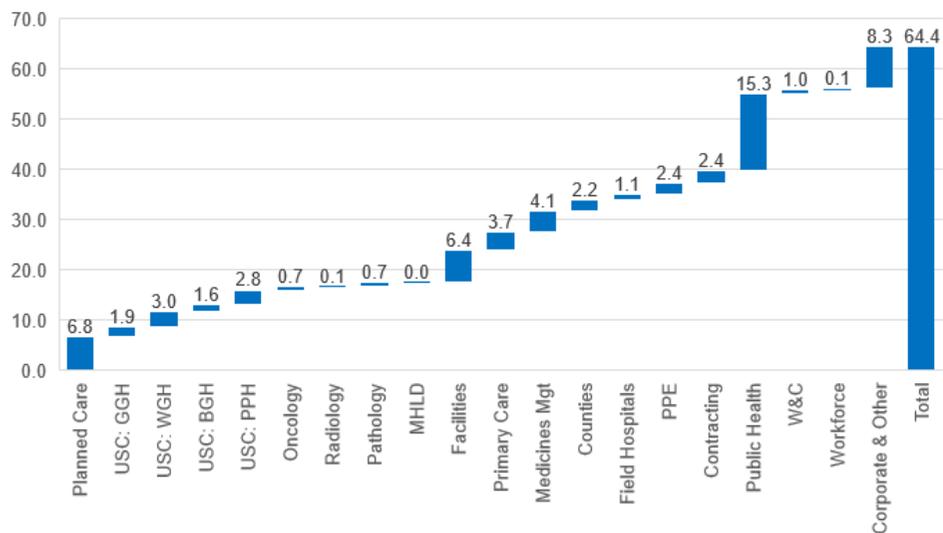
	administrative requirement to operate within its budget within any given financial year.
Enw Da: Reputational:	Adverse variance against the Health Board's financial plan will affect our reputation with Welsh Government, Audit Wales, and with external stakeholders.
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable

Revenue Summary

YTD variance by Directorate (against Plan)



YTD actual by Directorate (COVID-19 only)

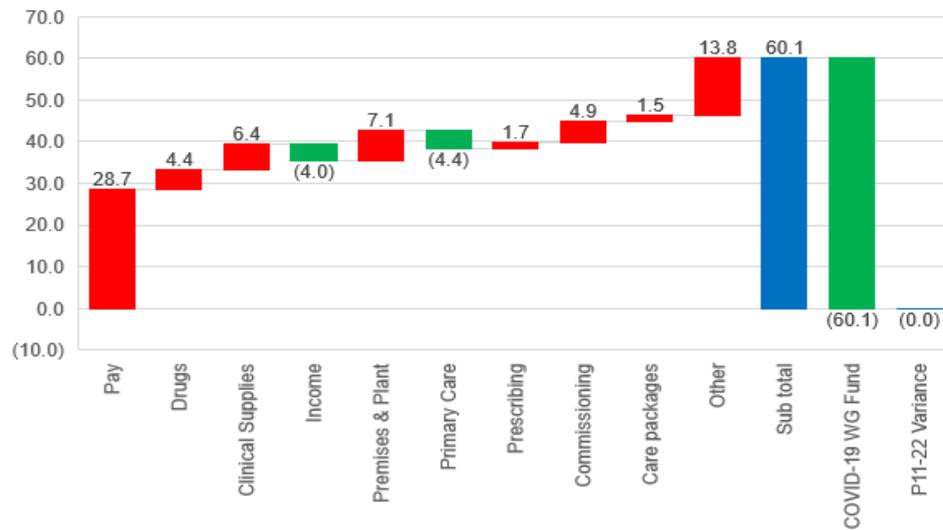


Key drivers of YTD position:

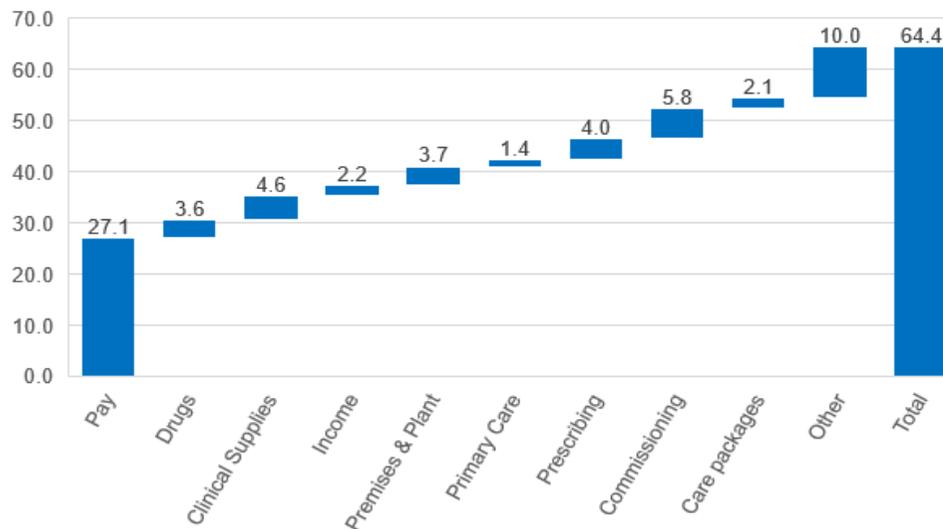
- **Planned Care £5.0m:** Elective Recovery costs and Red COVID-19 pathway costs in PPH offset by reduced non COVID-19 elective activity;
- **Unscheduled Care (All sites) £19.1m:** Increased premium agency requirement due to a high volume of vacancies, self-isolation and sickness across Medical and Nursing 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 £7.0m:** Additional Porters and Domestic staff 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 £(2.1)m:** COVID-19 expenditure associated with the COVID-19 Mass vaccination programme. Slippage in Dental and GMS contract performance, OPCS and EHEW;
- **Medicines Management £0.8m:** Pressures continue in Primary Care Prescribing due to the overall increases in the cost per item for Category M and baseline drugs;
- **Contracting £1.5m:** 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 £14.7m:** 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 £(60.1)m:** 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 £29.7m YTD.

Revenue Summary

YTD variance by Subjective (against Plan)



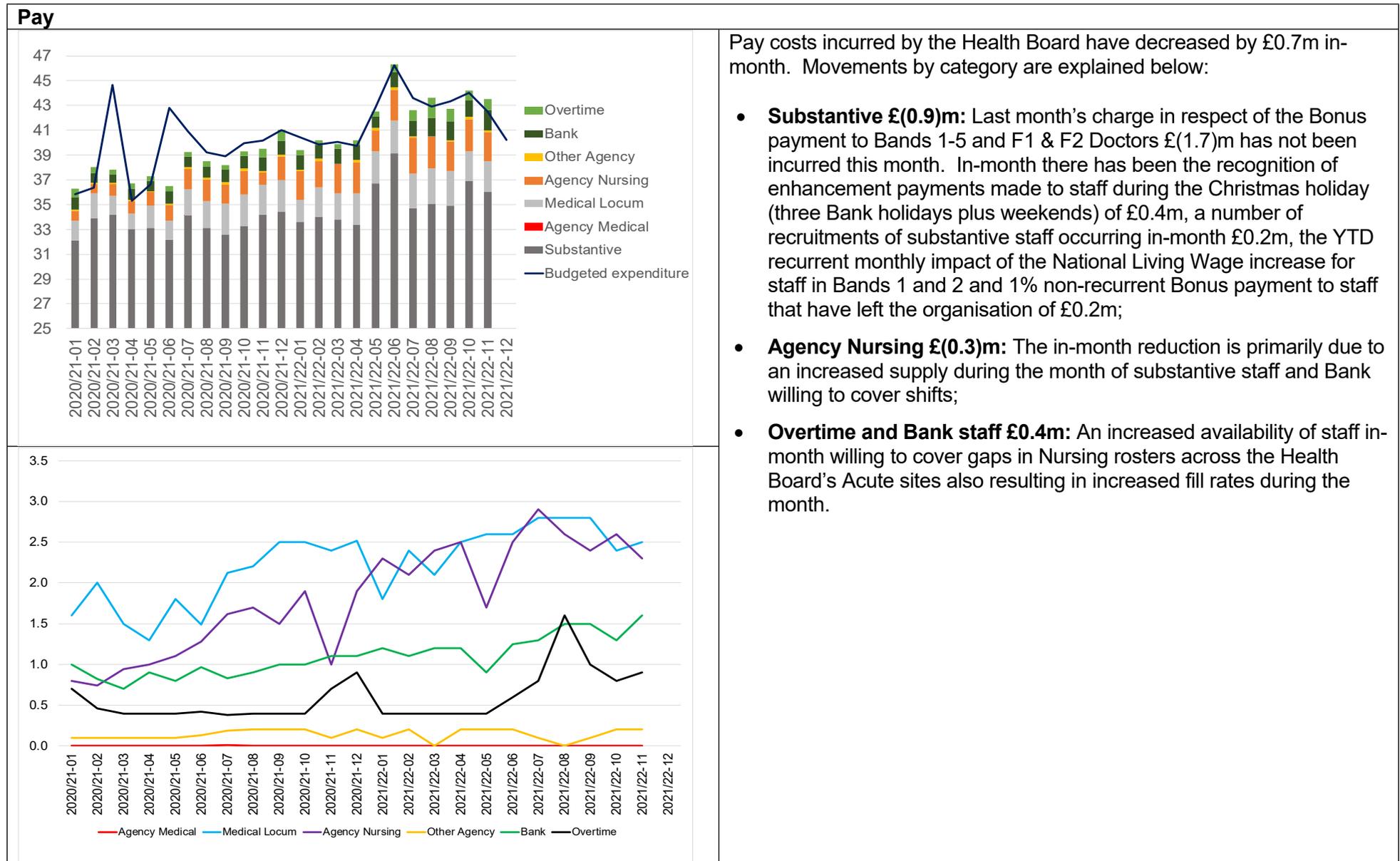
YTD actual by Subjective (COVID-19 only)



Key drivers of YTD position:

- **Pay £28.7m:** 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 £10.8m:** 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) and costs associated with the strategic investments included within the Health Board's Elective Recovery plan;
- **Primary Care £(4.4)m:** COVID-19 expenditure associated with the COVID-19 Mass vaccination programme. Slippage in Dental and GMS contract performance, OPCS and EHEW;
- **Prescribing £1.7m:** 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 YTD reduction in the number of items issued;
- **Commissioning £4.9m:** Costs associated with commissioning additional activity from Private providers as part of the Health Board's COVID-19 Elective Recovery plans;
- **Care packages £1.5m:** Costs are primarily driven by the Adult Social Care Provider Support in response to COVID-19;
- **WG Funding £(60.1)m:** 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 £29.7m YTD.

Subjective Summary

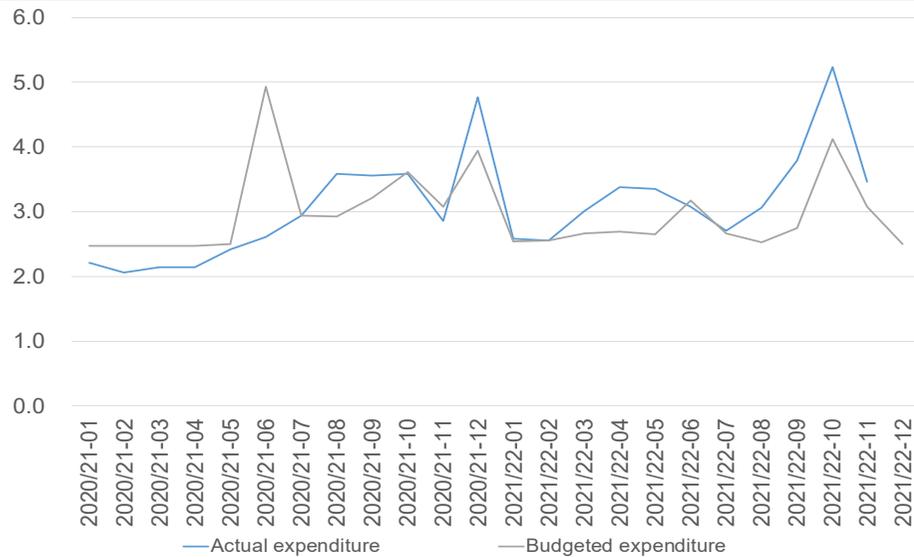


Subjective Summary

CHC	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Continuing Health Care expenditure has reduced by £0.5m in-month. Last month a partial payment in respect of YTD retrospective inflation to provider fees was paid which has not re-occurred this month £(0.6)m. This has been offset by an increase in clients within Ceredigion County and the recurrent higher rates being paid for packages following the inflationary increase.</p>
Secondary Care Drugs	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>Secondary Care Drug expenditure has reduced by £0.3m in-month. The primary reason for this reduction is the number of clinics provided in-month due to February being a shorter month. This was particularly evident in Oncology, Ophthalmology and Endoscopy.</p> <p>Reduced usage of drugs was also evident in Unscheduled Care which is due to the reduction in calendar days in the month with particular reference to some high costs drugs such as Vedolizumab and Ustekumab.</p> <p>The in-month position was also impacted by a credit of £45k for a drug pricing adjustment in relation to prior purchases.</p>

Subjective Summary

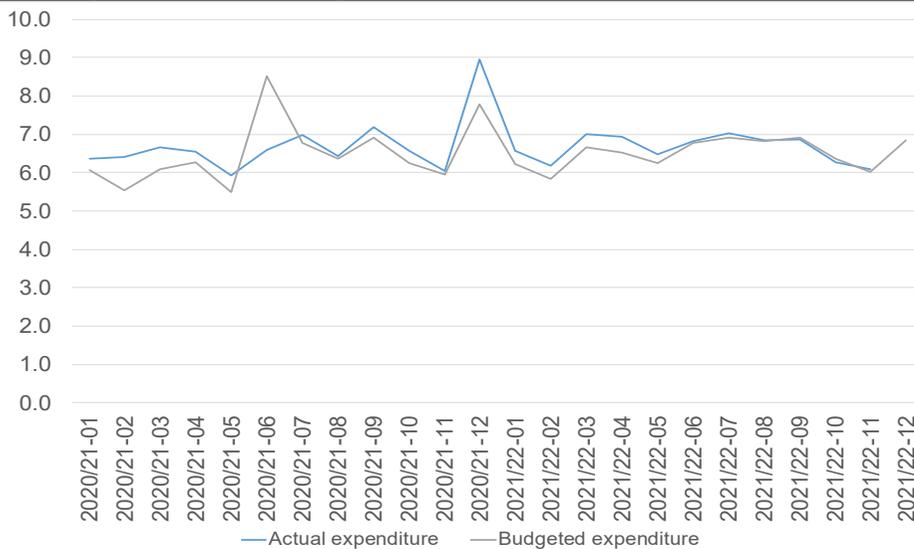
Clinical Supplies and Services



Actual expenditure reduced by £1.8m in-month. Last month, as part of the ERP strategic investments, a one off charge of £1.4m was recognised in-month following the purchase of replacement Infusion pumps.

- There was also a general reduction in M&SE consumable purchases and patient appliances in month due to the reduced number of calendar days in the month.

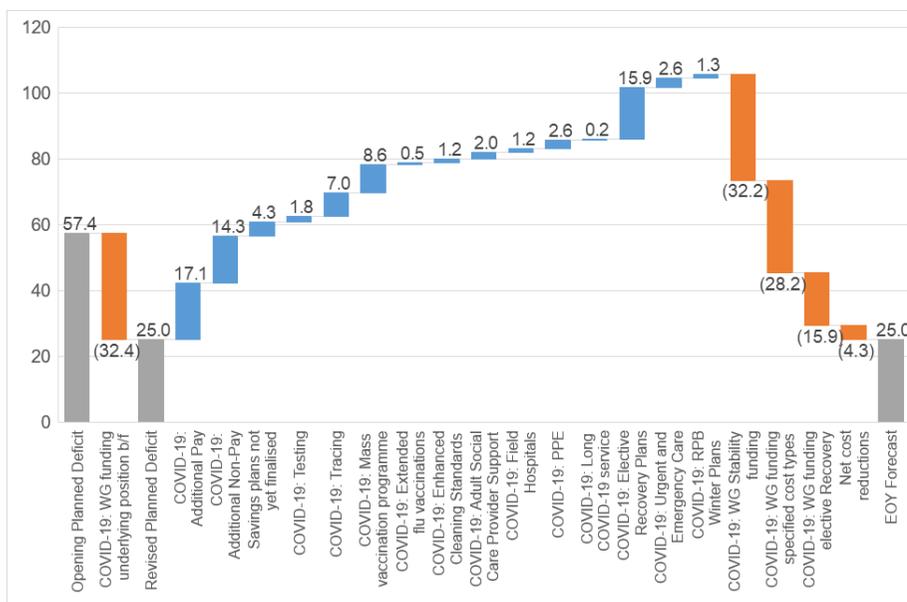
Primary Care Prescribing



Primary Care Prescribing costs have reduced by £0.2m in-month, primarily due a reduction of one prescribing day compared to the previous month.

The in-month result has also been impacted by a further reduction in the cost per item and a lower than anticipated number of items prescribed.

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);
- Funding has been fixed from Month 11 (with the exception of the Extended Flu programme, which is from Month 10).

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.
- The Health Board's confirmed Elective Recovery funding is £15.95m, an increase of £4.4m from Month 10, which comprises of the revised core plan of £14.7m, as well as other National priorities and resilience schemes for which Welsh Government have issued additional funding. The planned accelerated profile of expenditure has again been delivered in-month, with assurance that the end of year delivery will be in line with the revised funding of £15.95m. This additional investment will prioritise patient access, largely through outsourcing activity coupled with waiting list management, and further accelerate the investment in the strategic digitalisation of medical records.

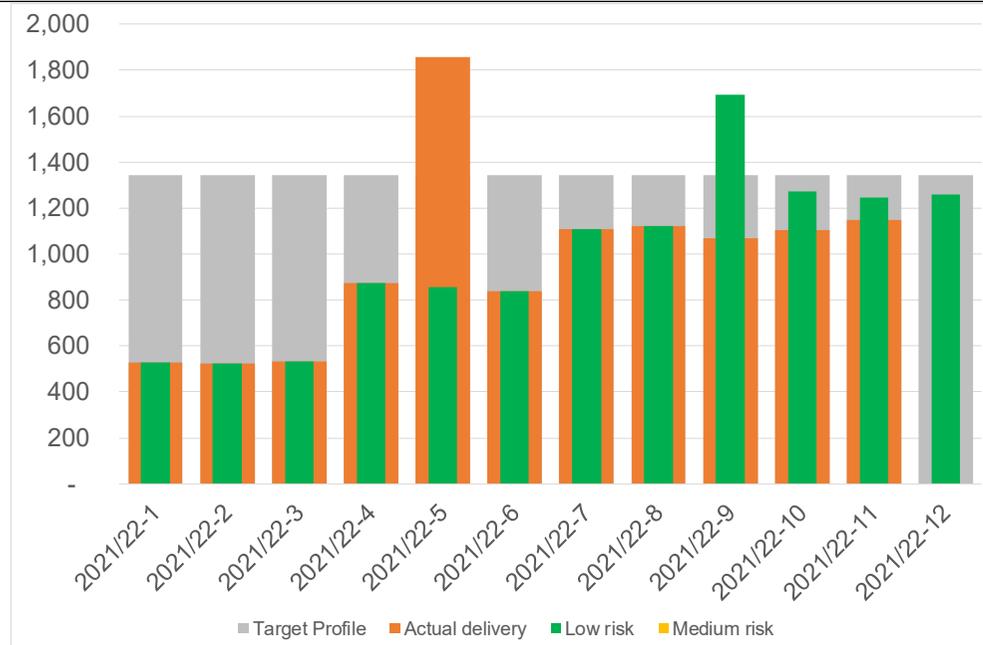
Concerns

- There is a 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

- 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 plans wherever possible based on the revised planning objective.

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 net 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, there are escalating pressures caused by attendances to A&E 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.

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. The organisation recognises its inability to deliver these opportunities impactfully during this year, and therefore recognise that the opportunities will feed into the strategy to address the opening underlying deficit for the FY 2023 financial plan. Dialogue with WG, FDU and Executive Team will continue during March, supporting the active discussion and decision-making in our Board Seminar.