

# 2022-23 Finance Report

## Month 1



# Summary



Situation	Background
<p>Our revised draft financial plan was submitted to Welsh Government (WG) on 29 April 2022 and was analysed into three elements; core, exceptional cost pressures and ongoing COVID response costs. Our core plan submission was a deficit of £26.5m. The failure to submit a financially balanced plan is a breach of our statutory duty under the Finance (Wales) Act 2014.</p> <p>Our deficit core plan includes savings of £17.3m to be delivered in year. Plans of £14.3m are included in our core plan and further work is ongoing to close the remaining £3.0m gap. In addition, recovery actions are required to address bought forward cost pressures of circa £11m. Meeting these requirements will represent a step change in savings delivery.</p> <p>In accordance with WG plan guidance, additional allocations have been assumed in respect of our assessed exceptional cost pressures (£19.0m) and ongoing COVID response costs (£32.3m).</p> <p>There remain a number of residual risks and uncertainties spanning all elements of our plan and our cost estimates and risk assessments will continue to be refined and updated during 2022/23.</p> <p>This report outlines our financial performance against our draft plan for the period to 30 April 2022.</p>	<p>Our financial performance for 2021-22 was reported at a small surplus of £0.037m and thus we achieved our break even financial duty against its Revenue Resource Limit over the 3 year period 2019-20 to 2021-22.</p> <p>However, our underlying position deteriorated during 2021-22 to a recurrent deficit of £44.5m. Compared with a planned recurrent deficit of £31.4m. This deterioration can primarily be attributed to the recurrent shortfall in savings delivery.</p> <p>We planned to achieve savings of £14.5m by the end of March 2022 and £16.1m was planned to be delivered recurrently. We achieved in year savings of £14.5m, of which £5.0m was delivered recurrently. Our recurrent savings shortfall is therefore £11.1m.</p> <p>During 2021-22, we received COVID funding of £93.6m plus Planned Care Recovery funding of £20.8m.</p>





# Summary



Assessment	Recommendation
<p>As at month 1, we are:</p> <ul style="list-style-type: none"> <li>Maintaining a forecast Core plan deficit of £26.5m.</li> <li>Forecasting a reduction in Exceptional costs compared to plan of £1m</li> <li>Forecasting an increase in Covid response costs of £3.4m compared to plan</li> </ul>	<p>The Board is asked to <b>DISCUSS</b> and <b>NOTE</b> financial performance for the period to 30 April 2022.</p>





# Contents



Slide	Subject Area
5	Executive Summary
6-7	YTD Performance & Forecast
8-10	Pay Expenditure
11	Agency Expenditure
12	Non pay Expenditure
13	COVID Expenditure
14	Exceptional Cost Pressures Expenditure
15	Savings ( including Accountancy gains)
16-17	Income Assumptions
18	Risk Management – Risks and Opportunities
19	Statement of Financial Position - from Month 2
20	Cash Flow forecast - from Month 2
21	Public Sector Payment Compliance - from Month 2
22	Capital - from Month 2



## Year to Date Revenue

- Net deficit of £2.362m compared to a straight line plan of £2.208m, representing an adverse variance of £0.154m
- COVID Programme expenditure of £2.0m compared with a plan of £2.2m
- COVID response expenditure of £3.0m compared to a plan of £1.8m, predominantly due to the extension of premium rate enhancements to support shift cover due to high absence rates
- Exceptional cost pressure expenditure of £1.3m compared to plan £1.3m
- Pay expenditure of £52.4m which is a marginal improvement of £1.3m compared with the previous 3 months (excluding M12 one off adjustments), with agency of £4.7m in month 1
- Savings reported at £0.7m compared with a YTD internal plan of £1.4m (breakeven compared to MMR phasing)

## Key Financial Issues

- Core forecast outturn remains as a deficit of £26.5m
- Exceptional costs pressures are forecast to reduce by £1.0m to £18.0m
- COVID response cost are forecast to increase by £2.7m to £35.0m
- Agency expenditure is expected to reduce following the closure of Ysbyty'r Seren in early June
- Forecast savings remain at £17.3m, with further work required to fully develop plans to meet this target in year and recurrently
- Underlying recurrent deficit forecast at £28.0m, consistent with plan

## Capital

- Capital expenditure will be reported from month 2

# Year to Date Performance and Forecast



	M1 Actual	M1 YTD	M1 Forecast	Financial Plan
	£m	£m	£m	£m
<b>Core plan deficit</b>	<b>2.4</b>	<b>2.4</b>	<b>26.5</b>	<b>26.5</b>
<b>Exceptional items:</b>				
National insurance changes	0.4	0.4	5.0	5.0
Energy inflation	0.7	0.7	10.6	11.6
Real Living Wage for Social Care Workers	0.2	0.2	2.4	2.4
Anticipated funding	(1.3)	(1.3)	(18.0)	(19.0)
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Covid response costs:</b>				
Programme	2.1	2.1	15.2	15.6
Other	3.0	3.0	20.5	16.7
Anticipated funding	(5.1)	(5.1)	(35.7)	(32.3)
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Grand total</b>	<b>2.4</b>	<b>2.4</b>	<b>26.5</b>	<b>26.5</b>

**Key Points for Year to Date Performance:**

- The M1 position is reporting a £2.4m deficit against the revenue resource limit, which is £153k worse than plan ( i.e. £26.5m/12).
- The exceptional items & COVID response costs are anticipated to be fully funded by Welsh Government. This funding has not yet been confirmed by Welsh Government and remains a risk to the plan.

**Key Points for Current Year Forecast:**

- The current year core plan forecast remains on track to deliver a planned deficit of £26.5m.
- The exceptional items forecast has reduced by £1.0m following favourable energy contracts being agreed.
- The COVID programme forecast expenditure has improved by £0.4m due to a decrease in PPE expenditure.
- The COVID response forecast expenditure has deteriorated by £3.8m due to the continuation of premium rate enhancements (£1.1m), Nurse Staffing Act repurposing and other pay costs (£2.2m) and loss of income on trading activities (£0.6m).





# Year to Date Performance and Forecast



	Annual Budget (£m)	Cur Month Variance (£m)	YTD Variance (£m)
Pay	592.0	0.4	0.4
Non Pay	778.1	(1.3)	(1.3)
CRES	(15.4)	0.7	0.7
Income	(149.8)	0.3	0.3
Allocations	(1,204.8)	0.0	0.0
Planned Deficit (£26.5m)	0.0	2.2	2.2
<b>Grand Total</b>	<b>0.0</b>	<b>2.4</b>	<b>2.4</b>

**Key Points for Year to Date Performance:**

- The M1 position is reporting a £2.4m deficit against the revenue resource limit, which is £153k worse than plan ( i.e. £26.5m/12).
- The main driver for the adverse variance is the Savings (CRES) variance of £0.7m is against a straight-line profile of the savings target. At M1 the savings achievement is in line with the profiled of the phased savings plans of £14.3m.





# Pay Expenditure



Staff Group	Plan £'m	YTD Actual £'m	YTD Variance £'m
Administrative & Clerical	6.9	7.1	0.3
Medical And Dental	12.4	12.5	0.1
Nursing And Midwifery Registered	17.6	17.5	(0.1)
Add Prof Scientific And Technical	1.5	1.4	(0.1)
Additional Clinical Services	6.3	6.8	0.5
Allied Health Professionals	3.1	3.1	(0.0)
Healthcare Scientists	1.1	1.0	(0.1)
Estates And Ancillary	2.9	2.9	0.0
Students	0.0	0.0	0.0
Pay Budget Adjustments	0.1	0.0	(0.1)
<b>Grand Total</b>	<b>51.9</b>	<b>52.4</b>	<b>0.4</b>

### Key Points for Year to Date Pay Expenditure:

- The M1 pay expenditure is reporting a £52.4m against a plan of £51.9m, giving an adverse variance of £0.4m.
- The Administrative & Clerical adverse variance mainly relates to a technical accounting adjustment.



# Pay Expenditure Trends



Staff Group	Dec-21 £'m	Jan-22 £'m	Feb-22 £'m	Mar-22 £'m	Apr-22 £'m
Administrative & Clerical	6.9	7.5	7.3	11.2	7.1
Medical And Dental	12.8	13.5	13.2	17.9	12.5
Nursing And Midwifery Registered	16.9	17.5	17.0	26.1	17.5
Add Prof Scientific And Technical	1.4	1.4	1.4	2.8	1.4
Additional Clinical Services	6.7	7.1	6.7	11.3	6.8
Allied Health Professionals	3.3	3.2	4.0	3.8	3.1
Healthcare Scientists	1.1	1.0	1.0	1.5	1.0
Estates And Ancillary	3.1	3.2	3.0	7.3	2.9
Students	0.0	(0.0)	0.0	0.1	0.0
Pay Budget Adjustments	0.0	0.0	0.0	0.0	0.0
<b>Grand Total</b>	<b>52.3</b>	<b>54.4</b>	<b>53.7</b>	<b>82.0</b>	<b>52.4</b>

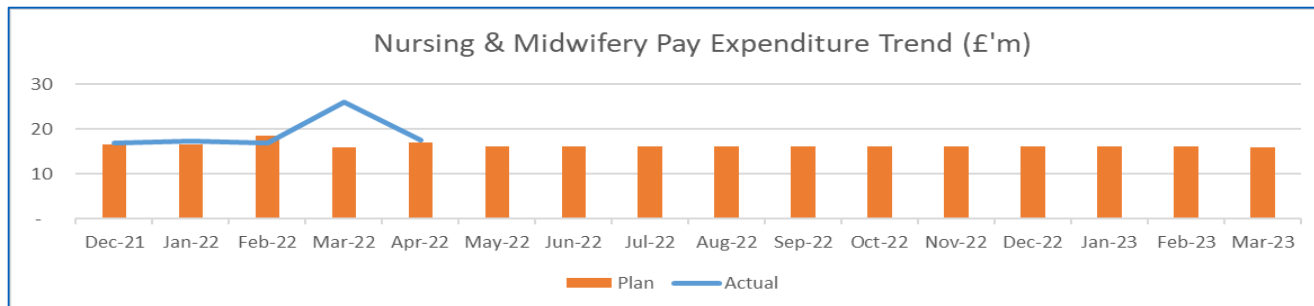
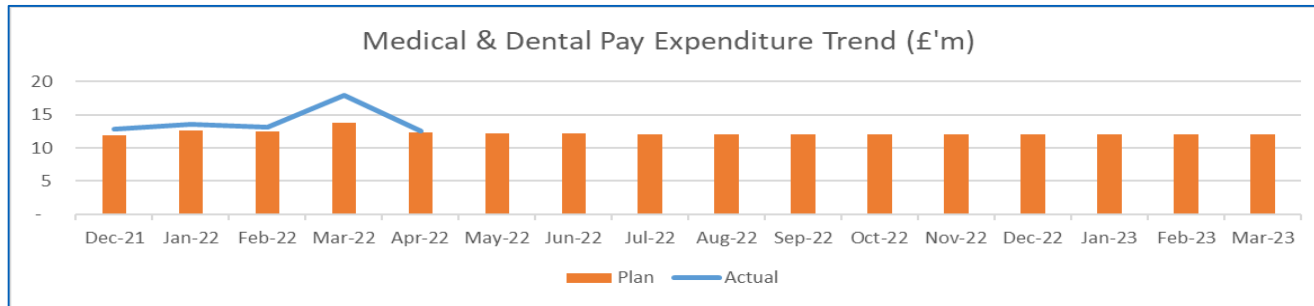
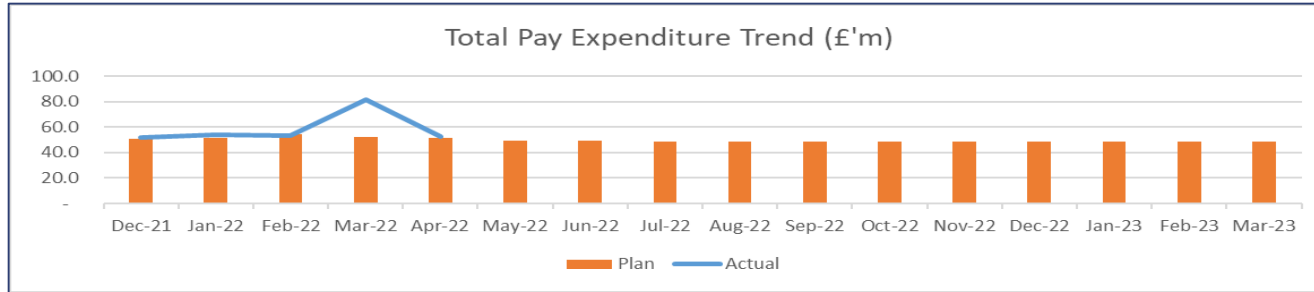
**Key Points for Pay Expenditure Trends:**

- The M12 expenditure includes specific year end adjustments of £28.9m (pension & annual leave), the underlying expenditure in M12 was £53.1m.
- The M1 expenditure is reporting £52.4m. This represents an improvement of £0.7m compared to the underlying M12 position and a £1.1m improvement compared to the M9-M11 average of £53.5m.





# Pay Expenditure Trends



## Key Points for Pay Expenditure Trends:

- The M12 pay expenditure includes specific year end adjustments of £28.9m (pension & annual leave). The underlying expenditure run rate in M12 was £53.1m.
- M1 expenditure was £52.4m. This represents an improvement of £0.7m compared to the underlying M12 position and a £1.1m improvement compared to the M9-M11 average of £53.5m.
- Medical pay expenditure was slightly lower in M1 at £12.5m compared to an average of £13.2m during M9-11.
- Nursing pay expenditure was slightly higher in M1 at £17.5m compared to an average of £17.1m during M9-11.





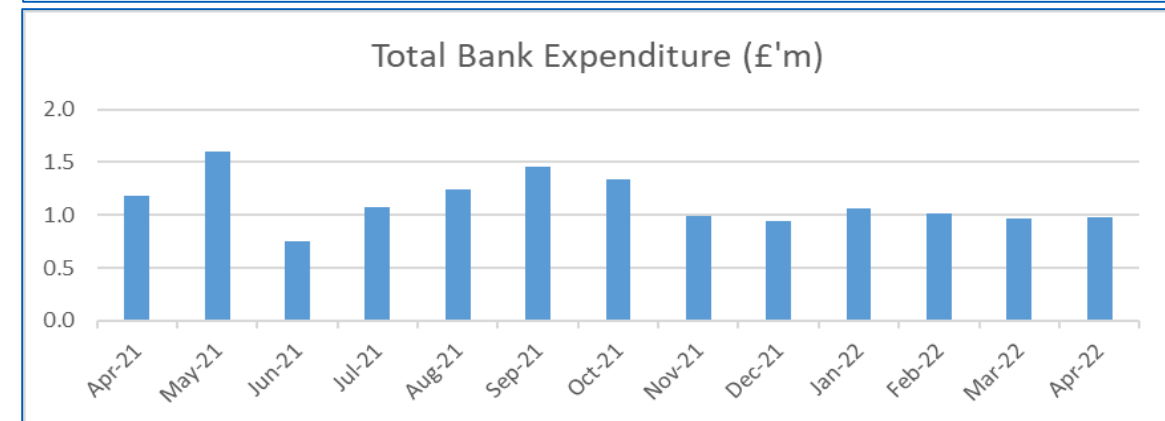
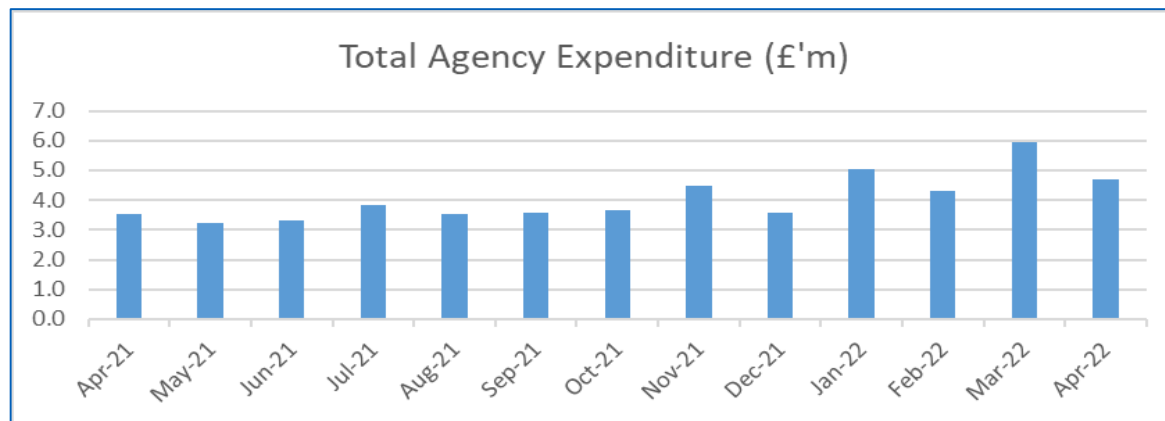
# Agency and Bank Expenditure



Staff Group	Dec-21 £'m	Jan-22 £'m	Feb-22 £'m	Mar-22 £'m	Apr-22 £'m
Administrative & Clerical	0.2	0.3	0.3	0.4	0.1
Medical And Dental	1.0	1.2	1.1	1.4	1.2
Nursing And Midwifery Registered	1.6	2.6	2.2	2.6	2.6
Add Prof Scientific And Technical	0.0	0.0	(0.0)	(0.0)	0.0
Additional Clinical Services	0.4	0.5	0.4	0.5	0.5
Allied Health Professionals	0.2	0.1	0.1	0.3	0.1
Healthcare Scientists	0.1	0.1	0.1	0.1	0.1
Estates And Ancillary	0.1	0.2	0.1	0.6	0.1
<b>Grand Total</b>	<b>3.6</b>	<b>5.0</b>	<b>4.3</b>	<b>5.9</b>	<b>4.7</b>

## Key Points for Agency & Bank Expenditure Trends:

- M1 Agency expenditure was consistent with the average of the previous 2 months.
- It is anticipated that Agency costs will start to reduce following the closure of Ysbyty Seren in early June.
- Bank expenditure has remained relatively consistent over the last 6 months at circa £1m per month.





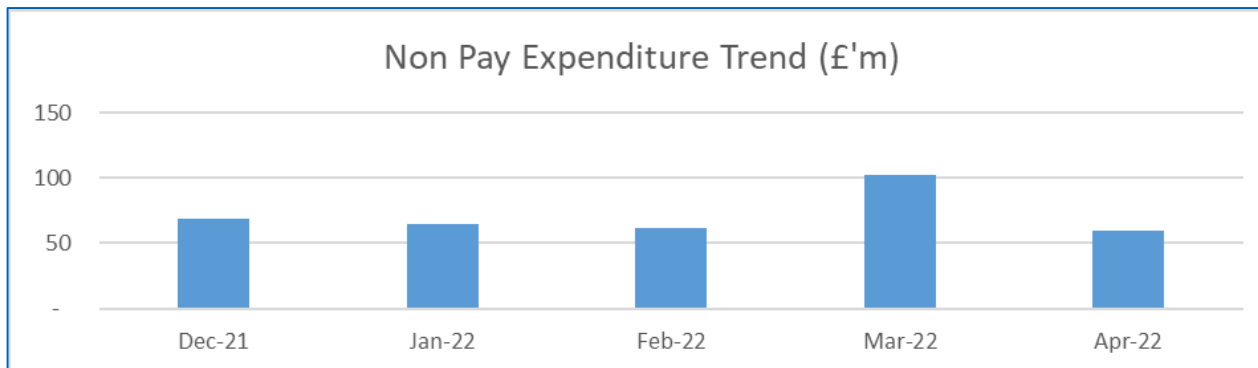
# Non Pay Expenditure



Staff Group	Plan £'m	YTD Actual £'m	YTD Variance £'m
Primary Care Contractor	10.7	10.6	(0.1)
Primary Care Drugs	7.7	7.7	(0.0)
Provider Non Pay	16.4	16.1	(0.4)
Commissioned Activity	22.5	22.6	0.1
Capital Charges	2.0	2.0	(0.0)
Other Non Pay	1.1	0.2	(0.9)
<b>Total Expenditure</b>	<b>60.5</b>	<b>59.2</b>	<b>(1.3)</b>

### Key Points for Non Pay Expenditure:

- The main reason for the £0.9m surplus within Other Non Pay is the release of non delegated reserves of £0.7m.
- There are no other significant variations at M1.





# COVID Expenditure



	M1 Actual	M1 YTD	M1 Forecast	Financial Plan	Change
	£m	£m	£m	£m	£m
<b>Programme costs</b>					
TTP	1.1	1.1	6.5	6.5	0.0
Mass Vaccination	0.9	0.9	7.4	7.4	0.0
PPE	0.1	0.1	1.3	1.6	(0.3)
<b>Sub total</b>	<b>2.0</b>	<b>2.0</b>	<b>15.2</b>	<b>15.6</b>	<b>(0.3)</b>
<b>COVID Response Costs:</b>					
Cleaning Standards	0.1	0.1	2.2	2.3	(0.1)
Capacity & Facilities costs	0.9	0.9	2.9	3.0	(0.1)
Prescribing costs	0.2	0.2	2.1	2.1	0.0
Dental income losses	0.3	0.3	2.5	2.5	0.0
Increased workforce costs	1.1	1.1	5.9	2.6	3.3
Long Covid	0.1	0.1	0.8	0.8	0.0
Flu extension	0.0	0.0	0.6	0.6	0.0
Discharge support	0.1	0.1	0.6	0.6	0.0
Other Covid Response	0.3	0.3	3.0	2.3	0.7
<b>Sub total</b>	<b>3.0</b>	<b>3.0</b>	<b>20.5</b>	<b>16.7</b>	<b>3.8</b>
<b>Total Covid costs</b>	<b>5.0</b>	<b>5.0</b>	<b>35.7</b>	<b>32.3</b>	<b>3.4</b>
<b>Anticipated funding</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>(35.7)</b>	<b>(32.3)</b>	<b>(3.4)</b>
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Key Points for In Year COVID Expenditure:**

- Programme Costs – the M1 expenditure of £2m was £0.2m below the IMTP submission of £2.2m
- Other COVID Costs – the M1 expenditure of £3.0m was £1.2m greater than the IMTP submission of £1.8m. This increase was mainly due to an extension of premium rate enhancements.
- COVID Costs are anticipated to be fully funded by WG.

**Key Points for forecast COVID Expenditure:**

- The PPE forecast has reduced by £0.3m to reflect a continued reduction in PPE expenditure over recent months.
- Forecast workforce costs has increased by £3.3m. The main drivers are:
  - The extension of premium rate enhancements ( £1.1m).
  - Recognition of additional staffing costs due to NSA changes due to our ongoing transitional Covid response (£1.1m).
- The Other COVID forecast has increased by £0.7m which includes £0.6m continued loss of canteen and patient activity related income plus other non pay costs of £0.1m.





# Exceptional Cost Pressures Expenditure



	M1 Actual	M1 YTD	M1 Forecast	Financial Plan	Change
	£m	£m	£m	£m	£m
National insurance changes	0.4	0.4	5.0	5.0	0.0
Energy inflation	0.7	0.7	10.6	11.6	(1.0)
Real Living Wage for Social Care Workers	0.2	0.2	2.4	2.4	0.0
<b>Total Exceptional Costs</b>	<b>1.3</b>	<b>1.3</b>	<b>18.0</b>	<b>19.0</b>	<b>(1.0)</b>
<b>Anticipated funding</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(18.0)</b>	<b>(19.0)</b>	<b>1.0</b>
<b>Grand total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Key Points for In Year Exceptional Cost Pressure Expenditure:

- There has been no change in the forecast costs for National Insurance and the introduction of Real Living Wage for Social Care Workers.
- Energy costs have been forecast to reduce by £1m following renewal of energy contracts.
- It is anticipated that Exceptional costs will be fully funded by WG



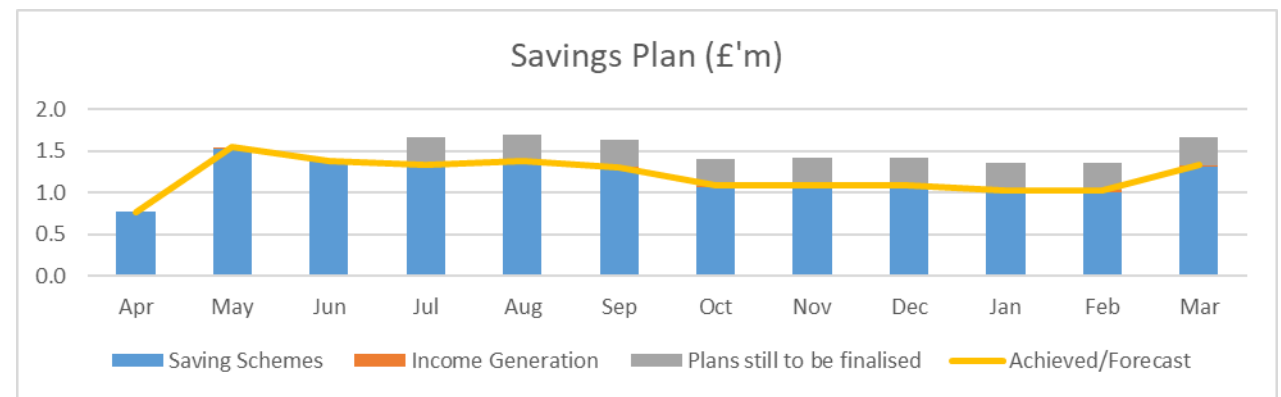
# Savings (including Accountancy Gains)



	Month 1		
	M1 YTD	22/23	Rec
	£m	£m	£m
Planned savings		14.1	
Planned income generation		0.2	
Plans to be finalised		3.0	
<b>Savings target as at M1</b>	<b>1.4</b>	<b>17.3</b>	<b>17.3</b>
<b>Actual and Forecast Savings</b>	<b>(0.7)</b>	<b>(14.3)</b>	<b>(7.3)</b>
<b>Total</b>	<b>0.7</b>	<b>3.0</b>	<b>10.0</b>

### Key Points for Savings achievement:

- The forecast In year savings of £14.3m includes £6.7m of schemes classified as Green and £7.6m Amber.
- The forecast recurrent savings of £7.3m includes £1.7m of schemes classified as green and £5.6m Amber.
- Urgent work is needed to develop a robust savings plan to deliver £17.3m of recurrent savings in 22/23 to eliminate the forecast gaps - £3.0m in year and £10.0m recurrently.
- It is important to note that M1 internal reporting within the Health Board is reporting a M1 YTD savings shortfall of £0.7m compared to the Breakeven position reported in this Monitoring Return. This is due to a different phasing of the savings target in the HB plan where the annual target of £17.3m has been phased equally through M1 to M12.
- In addition to the £17.3m savings target the financial plan includes a target of £4.5m for accountancy gains. Delivery of this target is classified as Green and is considered to be low risk



# Income Assumptions WG



	RESOURCE LIMIT				Resource
	HCHS £'m	Pharmacy £'m	Dental £'m	GMS £'m	Limit £'000
Confirmed Welsh Government Allocations	1,000.4	28.1	22.2	78.8	1,129.5
<b>Anticipated Allocations:</b>					
COVID Programmes	15.2				15.2
Other COVID Response	20.5				20.5
Exceptional Costs	18.5				18.5
WRP	(3.2)				(3.2)
Substance Misuse	3.9				3.9
2022/23 MH Funding	3.3				3.3
2021/22 MH Funding	2.4				2.4
Same Day Urgent Care	2.2				2.2
Value in Health Care Hosting	2.2				2.2
Targeted Intervention	1.7				1.7
Holiday Pay on Overtime	1.5				1.5
21/22 GMS Uplift				1.3	1.3
Dementia ICF	1.2				1.2
PACU	0.9				0.9
Other Anticipated Allocations	3.8				3.8
<b>Total Allocations</b>	<b>1,074.4</b>	<b>28.1</b>	<b>22.2</b>	<b>80.1</b>	<b>1,204.8</b>

### Key Points for Allocations:

- As at M1 the confirmed revenue resource allocation was £1,129.5m.
- The forecast position assumes a further £75.3m of Anticipated allocations.
- The forecast position assumes that all the COVID response costs and Exceptional costs will be fully funded by WG:
  - £20.5m – COVID Response
  - £18.5m – Exceptional Costs
- The latest assessment from NWSSP for the contribution to the Risk Pool has been estimated at £3.165m. This will be a reduction to the resource limit.



# Income Assumptions- NHS



	Contracted Income	Non Contracted Income	Total Income
	£'m	£'m	£'m
Swansea Bay University	30.5	1.7	32.2
Aneurin Bevan University	22.6	1.3	23.9
Betsi Cadwaladr University	0.0	0.2	0.2
Cardiff & Vale University	15.9	1.6	17.4
Cwm Taf Morgannwg University	0.0	0.0	0.0
Hywel Dda University	0.5	0.3	0.8
Powys	2.6	0.8	3.4
Public Health Wales	3.0	0.8	3.7
Velindre	0.0	8.7	8.7
NWSSP	0.0	0.0	0.0
DHCW	0.7	0.0	0.7
Wales Ambulance Services	0.0	0.1	0.1
WHSSC	10.4	0.0	10.4
EASC		0.0	0.0
HEIW	0.0	12.2	12.2
NHS Wales Executive	0.0	0.0	0.0
<b>Total</b>	<b>86.2</b>	<b>27.6</b>	<b>113.8</b>

### Key Points for Income:

- The M1 plan assumes £113.8m of income from Welsh NHS organisations.
- A further £17.7m of non NHS income is also included in the financial plan of which £7.1m relates to Local Authority income.
- Over the last 2 years there has been an All Wales agreement to support 'stability of LTA income' by retaining a block arrangement based upon 19/20 income uplifted for inflation. The All Wales agreement has changed for 2022/23 and will transition towards a hybrid Cost & Volume agreement where performance is measured against 19/20 activity levels and variances will impact LTA income & expenditure.
- With current LTA activity levels below 19/20 activity this represents a risk to our income assumptions.
- The LTA with Powys HB remains in dispute in respect to the additional activity flows being treated at PCH following the opening of the Grange Hospital and transfer of services from Nevil Hall.
- All LTAs need to be agreed and signed by the end of June 2022, any LTAs not agreed by that time will be submitted for arbitration with Welsh Government.



# Risk Management Risks and Opportunities



	Month 1 £m	Financial Plan 30 April £m
<b>Risks:</b>		
Shortfall against planned savings delivery of £17.3m.	2.5	2.5
Shortfall against recovery plans to address forecast recurring overspends from 2021/22 of circa £11m	2.5	2.5
Cost of covering extra annual leave day	0.8	0.8
Cost of covering extra bank holiday	1.2	1.2
Winter plan costs not covered by additional WG funding	2.5	2.5
External NICE costs exceed planned growth of £2.5m	0.5	0.5
Return to Cost & Volume LTA arrangements in 22/23 from the block arrangements during the past 2 years	1.5	1.5
Contracting risks with other Health Boards	1.0	1.0
Non Pay Inflation exceeds the £4.4m provision made in the plan (4.0%)	1.1	1.1
Impact of new funding arrangements for the Regional Integration Fund and matched funding requirements	2.5	2.5
Impact of auto-enrolment upon employers pension costs	1.2	0.0
<b>Total risks</b>	<b>17.3</b>	<b>16.1</b>
<b>Opportunities:</b>		
Further balance sheet review within 22/23	(2.0)	(2.0)
<b>Total Opportunities</b>	<b>(2.0)</b>	<b>(2.0)</b>
<b>Total</b>	<b>15.3</b>	<b>14.1</b>

**Key Points for Risk & Opportunities:**

- Since the submission of the ITMP in April, the only change to the risk & opportunities relates to a potential increase in employers pension costs as a result of the 3 year auto enrolment process. This risk will not be known until October 2022.
- The latest M1 savings plan includes Amber schemes of £7.5m plus a savings gap yet to be identified of £3m.
- It is important to highlight that this table only covers the core plan and there is also a risk that the actual cost of the Exceptional items and the ongoing COVID response may not be fully funded by WG. These risks will be included from M2.

