

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	29 May 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Report – Month 2 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
<u>Sefyllfa / Situation</u>
<p>The purpose of the report, attached at Appendix 1, is to outline Hywel Dda University Health Board's (HDdUHB) financial position to the end of the financial year 2021/22 against the Draft Interim Annual Plan.</p> <p>The monthly reporting to Welsh Government (WG) is in line with the written report provided to the Finance Committee and Board; for information, the full submission inclusive of detailed financial tables has been included in Appendix 2.</p>
<u>Cefndir / Background</u>
<p>HDdUHB's Draft Interim 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.</p> <p>Month 2 position</p> <ul style="list-style-type: none"> Following guidance from WG to recognise £32.4m of non-recurrent funding, the deficit for the year has been reduced from £57.4m to £25.0m; Before recognising the COVID-19 WG funding in-month, the Month 2 variance to breakeven is £3.8m; The additional costs incurred in Month 2 due to the impact of the COVID-19 pandemic is £5.3m (Month 1 - restated following WG guidance - £5.2m); a reduction in Local Authority Tracing expenditure was offset by the recognition of Elective Recovery outsourcing costs; The Month 2 Health Board financial position is breakeven against a deficit plan of £(0.6)m, after utilising £4.4m of WG funding for COVID-19, having offset £0.9m of cost reductions recognised due to reduced operational activity levels.

Asesiad / Assessment

Summary of key financial targets

HDdUHB's key targets are as follows:

- Revenue: to contain the overspend within HDdUHB's planned deficit
- Savings: to deliver savings plans to enable the revenue budget to be achieved
- Capital: to contain expenditure within the agreed limit
- Public Sector Payment Policy (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, as a rule of thumb, 5% of monthly expenditure is applied. For HDdUHB, this is broadly £4.0m.

Key target		Annual limit	YTD limit	Actual delivery	Forecast Risk
Revenue	£'m	25.0	4.2	4.2	Low*
Savings	£'m	16.1	2.7	0.4	Medium
Capital	£'m	22.9	1.9	1.9	Low
Non-NHS PSPP	%	95.0	95.0	n/a	Low
Period end cash	£'m	4.0	4.0	1.3	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 Finance Committee is asked to note and discuss the financial position as at Month 2.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.5 Provide assurance on financial performance and delivery against Health Board financial plans and objectives and, on financial control, giving early warning on potential performance issues and making recommendations for action to continuously improve the financial position of the organisation, focusing in detail on specific issues where financial performance is showing deterioration or there are areas of concern.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Ability to deliver the Financial Plan for 2021/22 (score 12) 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:	Improve Population Health through prevention and early intervention
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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:	Explanation of terms is included in the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Executive Team Finance Committee

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, the Wales Audit Office, and with external stakeholders
Gyfrinachedd: Privacy:	Not applicable
Cydraddoldeb: Equality:	Not applicable



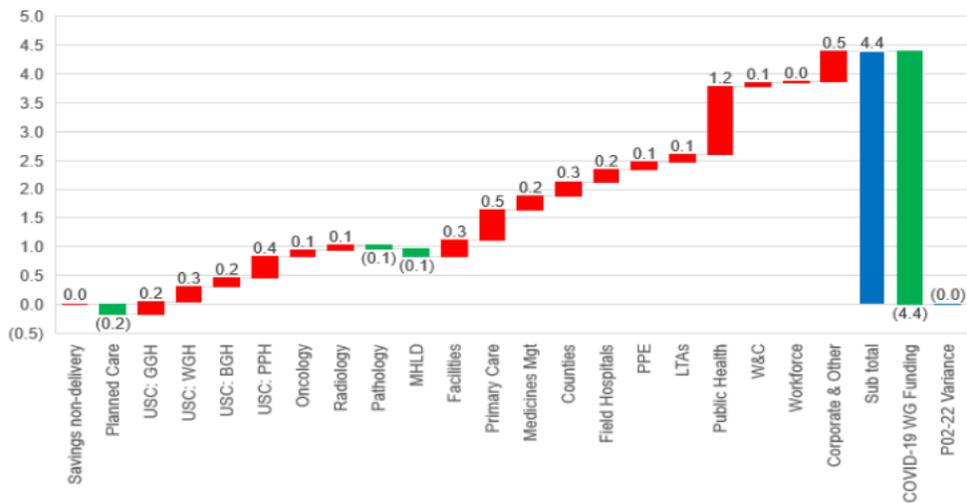
YTD Financial Performance and EoY Forecast Month 2 2021/22

Health Board's Draft Interim Financial Plan to deliver deficit of £25.0m (following recognition of non-recurrent WG funding of £32.4m to offset underlying position brought forward), after savings of £16.1m.

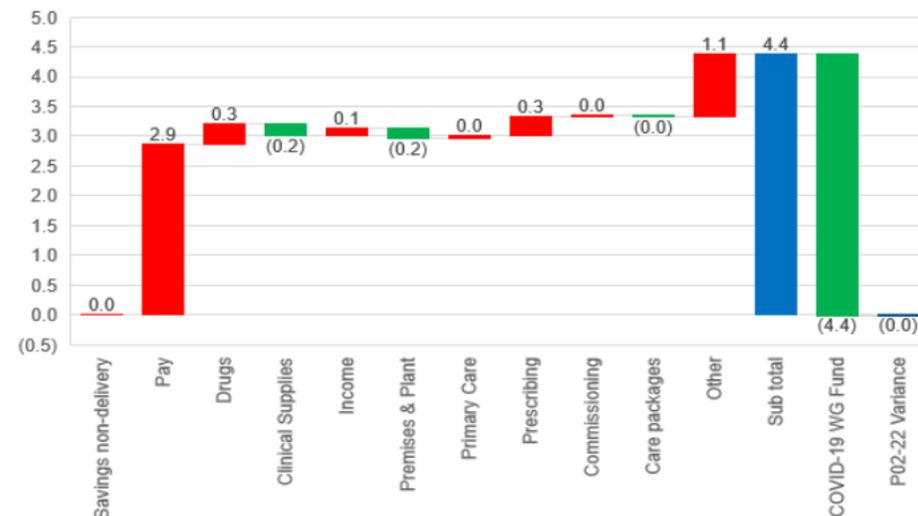
Financial position	Month 1 £'m	Month 2 £'m	YTD £'m	EOY £'m
Additional COVID-19 costs	5.2	5.3	10.5	69.5
Cost reductions due to reduced activity	(0.8)	(0.9)	(1.7)	(3.8)
Savings to be identified	0.0	0.0	0.0	8.1
Pipeline savings schemes to deliver	0.0	0.0	0.0	(4.3)
Operational variance before WG COVID-19 funding	4.4	4.4	8.8	69.5
Planned deficit	4.8	(0.6)	4.2	25.0
Variance to breakeven before WG COVID-19 funding	9.2	3.8	13.0	94.5
WG COVID-19 funding: 'Programme' costs*	(2.1)	(1.8)	(3.9)	(26.7)
WG COVID-19 funding: 'Stability' costs	(2.3)	(2.1)	(4.4)	(31.5)
WG COVID-19 funding: Elective recovery	0.0	(0.5)	(0.5)	(11.3)
Reported financial position	4.8	(0.6)	4.2	25.0

- *'Programme' costs relate to COVID-19 Testing, Tracing, Mass vaccinations, Enhanced Cleaning Standards, Adult Social Care Providers and PPE;
- COVID-19 expenditure and funding is now based on an (up to) twelve month scenario following WG guidance;
- Health Board's Draft Interim Plan under review – to be resubmitted to WG by 30th June under All-Wales timetable;
- Note, cells highlighted in yellow reflect a re-statement in the treatment of Non-delivery of savings following WG guidance;
- Month 2 includes a YTD adjustment to recognise Elective recovery plans following WG guidance.

In-month variance by Directorate



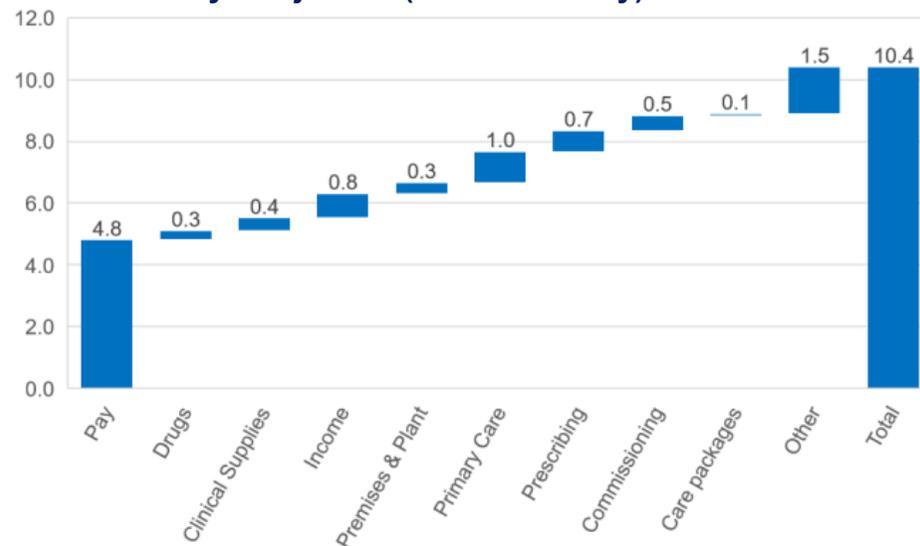
In-month variance by Subjective

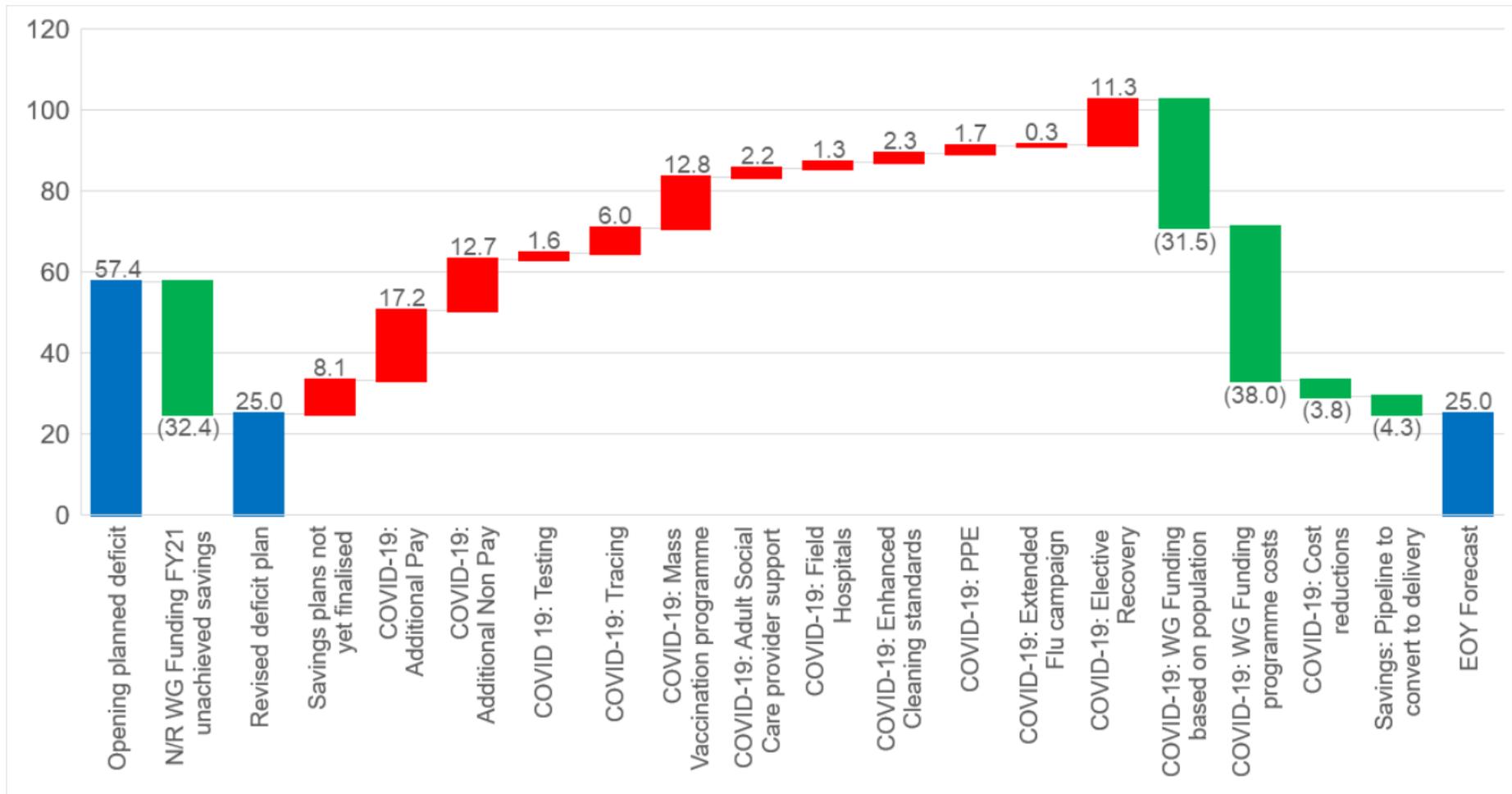


Directorate over-spends were driven by:

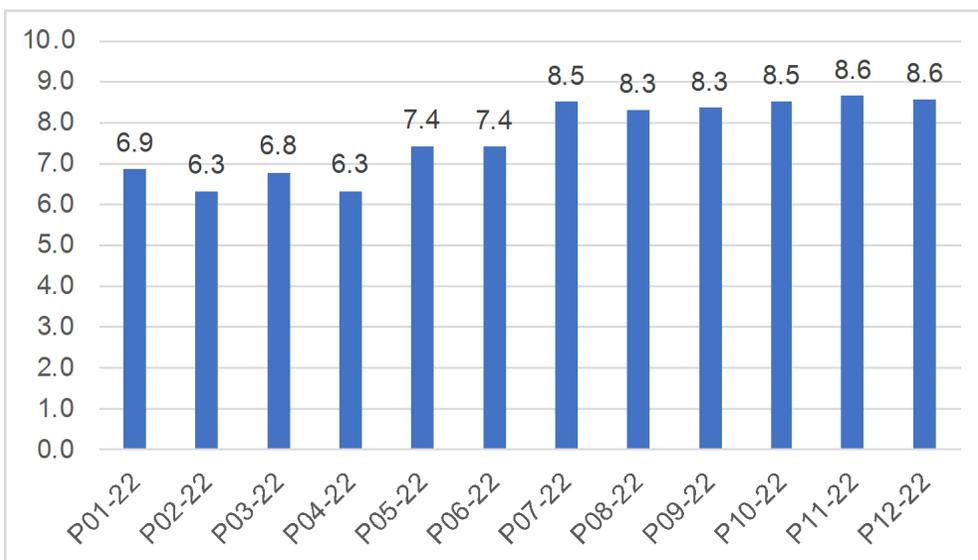
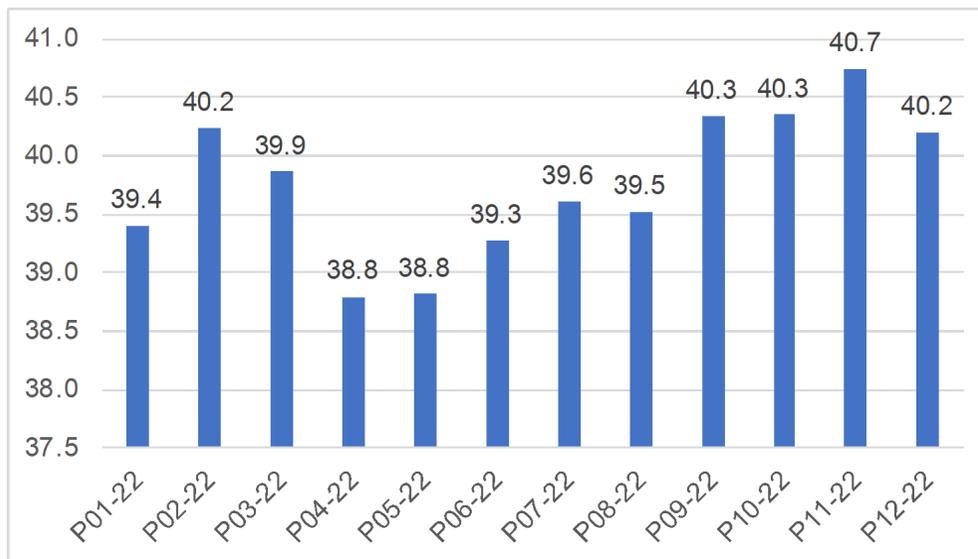
- **Unscheduled Care (£1.1m):** Premium agency requirement due to a high volume of vacancies across Medical and Nursing posts throughout the Health Board's Acute sites further exacerbated by pressures in Emergency departments;
- **Facilities (£0.3m):** Enhanced cleaning standards and additional cleaning and portering rosters;
- **Primary Care (£0.5m):** COVID-19 mass vaccination programme activity carried out by GP Contractors;
- **Public Health (£1.2m):** Primarily due to the TTP expenditure of £0.5m and COVID-19 mass vaccination programme £0.6m.

YTD actual by Subjective (COVID-19 only)





Whilst the in-year delivery of the planned deficit is considered low risk, there is a 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.



Pay

The profile of forecast staffing costs is driven by:

- COVID-19 is now modelled for up to 12 Months compared to the 6 month scenario reported in Month 1;
- A return to higher levels of expenditure is anticipated over the Winter months with a reliance on Agency to backfill vacancies and sickness. Additional pay costs are assumed to manage Winter pressures in Emergency Departments and deliver additional capacity for elective recovery;
- It is assumed that contracts for fixed term staff recruited in response to the COVID-19 pandemic will be extended to March 2022;
- £3.1m (70%) of anticipated Pay Savings schemes is across Months 7-12 offsetting the impact of an assumed 1% Pay Award to staff.

Non-Pay

The step up in actual expenditure in future months is primarily due to the reinstatement of Elective services and the escalated recovery activity delivered through Outsourcing, as approved for additional WG COVID-19 funding.

Description	Total	Central	Pay	Non-Pay
Deficit plan	25.0	25.0		
COVID-19: Testing	1.6		1.4	0.2
COVID-19: Tracing	6.0		0.2	5.8
COVID-19: Mass vaccinations	12.8		5.9	6.9
COVID-19: Field Hospitals	1.3		0.4	0.9
COVID-19: Enhanced Cleaning standards	2.3		2.2	0.1
COVID-19: Extended Flu	0.3			0.3
COVID-19: Adult Social Care provider	2.2			2.2
COVID-19: Elective Care recovery	11.3		1.4	9.9
COVID-19: Stability costs	31.7		17.2	14.5
COVID-19: WG Funding	(69.6)	(69.6)		
COVID-19 Cost reductions	(3.8)	(3.8)		
Savings to be identified	8.1	8.1		
Pipeline savings schemes to deliver	(4.3)	(4.3)		
Total	25.0	(44.6)	28.8	40.8

- Local Authority Tracing: £5.8m

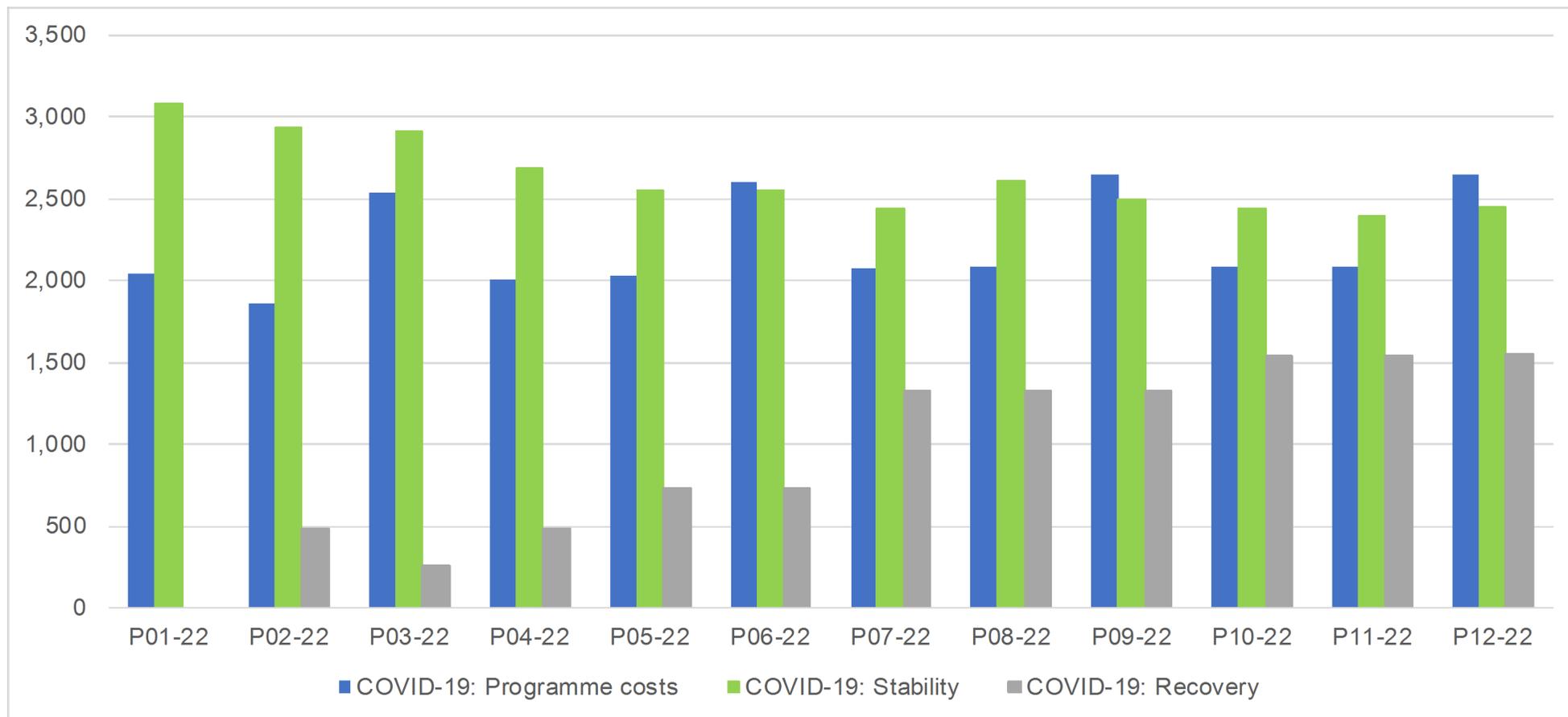
- GMS Enhanced Services: £6.0m

- Private Hospital providers: £9.3m

- Planned Care Non-Pay: £2.0m;
- Primary Care enhanced and other services: £0.4m;
- Other Acute Services: £0.9m;
- WHSSC LTA: £0.1m.;
- LTAs: £0.3m

- Healthcare Support Workers: £4.3m;
- Admin & Clerical: £1.9m;
- Estates (Cleaning and Portering): £5.0m;
- Medical staff: £1.4m, of which £0.7m is Agency use;
- Nursing: £4.1m, of which £2.9m is Agency use.

- Prescribing: £4.4m;
- Dental contract loss of income: £1.7m;
- PPE: £1.7m;
- Loss of NCA income: £0.8m;
- Loss of catering income £0.4m;
- Drugs and Medical Gases £2.0m.



At this stage, forecasting in line with guidance, Welsh Government funding has been profiled to offset expenditure in full. There is a risk to £23.4m of COVID-19 funding as WG has not yet had confirmation that this has been secured at a national level.

It has not yet been confirmed when funding from WG will be 'fixed'. Once confirmation has been received, the income profile will be included to highlight any deviations.