

2022-23 Finance Report

Month 12

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. 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 the draft plan for the period to 31st March 2023</p>	<p>Our financial performance for 2021-22 was 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 was primarily due to a 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 in 2021-22 was 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

As at Month 12, we are reporting a total YTD deficit of £24.5m . This includes:

- A **Core plan** deficit of £24.4m.
- **Exceptional** costs of £17.3m compared to WG Allocation of £16.9m.
- **COVID** costs of £29.7m compared to a WG allocation of £30.0m.

The outturn position of £24.5m is a £2m improvement from the planned deficit at the start of the year of £26.5m.

Key financial issues to note include:

- The forecast **Core plan** recurrent deficit has remained at £60.9m (M11: £60.9m). This forecast represents a £32.9m deterioration from the planned recurrent deficit of £28m (see page 5). This forecast excludes any ongoing **Covid** response costs and **Exceptional** costs being incurred in 22/23 which are likely to continue into 23/24. Our draft financial plan for 23/24 includes circa £10.0m for **Covid** response and £8.7m for Energy. The latest total estimated financial challenge going into 23/24 is therefore £79.6m.
- The final cash position was a balance of £1.34m.
- The draft accounts for 22/23 will be submitted to WG on 5 May and will then be subject to audit.

Recommendation

The Board is asked to **DISCUSS** and **NOTE** the financial performance of the Health Board for the period to 31st March 2023.





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Executive Summary



<p>Year to Date Revenue</p>	<p>As at Month 12, we are reporting a total YTD deficit of £24.5m . This includes:</p> <ul style="list-style-type: none"> • A Core plan deficit of £24.4m. • Exceptional costs of £17.3m compared to WG Allocation of £16.9m. • COVID costs of £29.7m compared to a WG allocation of £30.0m. <p>The outturn position of £24.5m is a £2m improvement from the planned deficit at the start of the year of £26.5m.</p>
<p>Recurrent Position Revenue</p>	<ul style="list-style-type: none"> • The forecast Core plan recurrent deficit at 31 March 2023 has remained at £60.9m (M11: £60.9m) .This represents a £32.9m deterioration from the planned deficit of £28.0m. This is mainly due to: <ul style="list-style-type: none"> • Shortfalls in recurrent savings delivery of £7.2m plus a shortfall in Recurrent pay award funding from WG of £1.9m • Forecast recurrent overspends from Primary Care Prescribing of circa £9.4m • Forecast recurrent overspends from Care groups and directorates of £11.0m.
<p>Other</p>	<ul style="list-style-type: none"> • The final cash balance at the 31st March 2023 was £1.34m. • Public Sector Prompt Payment target was achieved with 95.4% of non-NHS invoices paid within the 30 day target compared to a target of 95%.
<p>Capital</p>	<ul style="list-style-type: none"> • The Capital Resource Limit (CRL) is currently £73.025m. supplemented by £0.114m of donated funds and £0.227m of assets disposed of in this financial year giving an overall programme of £73.366m. • The actual capital expenditure for 2022/23 was £73.323m, giving a small surplus of £0.046m.



Year to Date Performance and Forecast



	Current Month Variance	Year to Date Variance	M11 Forecast Variance	Financial Plan
	£m	£m		£m
Core plan deficit	1.9	24.4	24.5	26.5
Exceptional items:				
National insurance changes	0.0	3.1	3.1	5.0
Energy inflation	1.6	11.8	11.4	11.6
Real Living Wage for Social Care Workers	0.2	2.4	2.4	2.4
Confirmed funding	(1.6)	(16.9)	(16.9)	(19.0)
Total	0.4	0.4	0.0	0.0
Covid response costs:				
Programme	0.9	13.7	13.6	15.6
Other	1.2	16.0	16.1	16.7
Confirmed funding	(2.1)	(30.0)	(29.7)	(32.3)
Total	(0.3)	(0.3)	0.0	0.0
Grand total	2.0	24.5	24.5	26.5

Key Points for In month & Year to Date Performance:

- The M12 in month position reported a £2.0m deficit (M11: £0.0m).
- The M12 YTD position is reporting a £24.5m deficit against the Revenue Resource Limit. This position is in line with the M11 forecast.
- The outturn position of £24.5m is a £2m improvement from the planned deficit at the start of the year of £26.5m.
- The M12 YTD Core plan position was a deficit of £24.5m.
- The M12 YTD cost for Exceptional items was £17.3m compared to the WG funding of £16.9m.
- The M12 COVID costs was £29.7m compared to the WG funding of £30.0m.





Year to Date Performance



	Annual Budget (£m)	Cur Month Variance (£m)	YTD Variance (£m)	Page reference
Pay	667.3	(2.9)	(3.6)	8
Non Pay	815.7	6.9	2.7	12
CRES	0.0	0.2	(0.0)	15
Income	(156.7)	(4.5)	(1.2)	16
Allocations	(1,299.9)	0.0	0.0	
Planned Deficit (£26.5m)	(26.5)	2.2	26.5	
Grand Total	0.0	2.0	24.5	



Pay Expenditure



Staff Group	Plan £'m	M12 YTD Actual £'m	M12 YTD Variance £'m
Administrative & Clerical	92.2	87.0	(5.2)
Medical And Dental	160.8	169.3	8.5
Nursing And Midwifery Registered	218.2	208.9	(9.3)
Add Prof Scientific And Technical	20.4	17.8	(2.5)
Additional Clinical Services	82.2	87.9	5.7
Allied Health Professionals	41.2	40.3	(0.9)
Healthcare Scientists	13.3	13.3	0
Estates And Ancillary	38.2	37.8	(0.4)
Students	.1	1.4	1.3
Pay Budget Adjustments	.6	.0	(0.6)
Grand Total	667.3	663.8	(3.6)

Key Points:

- The M12 YTD pay expenditure is £663.8m . This represents a £3.6m favourable variance compared to the M12 plan of £667.3m.
- The M12 YTD pay expenditure includes a £9.9m benefit from the release of annual leave accruals from 21/22 .
- The £8.5m adverse variance in Medical & Dental is mainly due to increased ADH payments and agency costs.
- The £5.7m adverse variance in Additional Clinical Services includes additional cover provided to manage registered nursing vacancies.
- The pay award funding confirmed for 22/23 was £1.9m less than our assumed funding.



Pay Expenditure Trends



Staff Group	Oct-22 £'m	Nov-22 £'m	Dec-22 £'m	Jan-23 £'m	Feb-23 £'m	Mar-23 £'m
Administrative & Clerical	7.2	7.0	7.2	7.3	7.1	8.5
Medical And Dental	13.5	14.0	14.2	14.1	13.8	17.7
Nursing And Midwifery Registered	17.1	16.9	17.1	16.3	17.1	22.2
Add Prof Scientific And Technical	1.5	1.5	1.5	1.5	1.5	1.6
Additional Clinical Services	7.1	7.2	6.9	8.1	7.3	9.2
Allied Health Professionals	3.1	3.4	3.3	3.3	3.3	4.4
Healthcare Scientists	1.1	1.1	1.1	1.1	1.1	1.4
Estates And Ancillary	3.1	3.0	3.0	3.1	3.0	4.1
Students	0.2	0.2	0.2	0.1	0.1	0.1
Grand Total	53.8	54.3	54.4	54.9	54.2	69.1

Key Points for Pay Expenditure Trends:

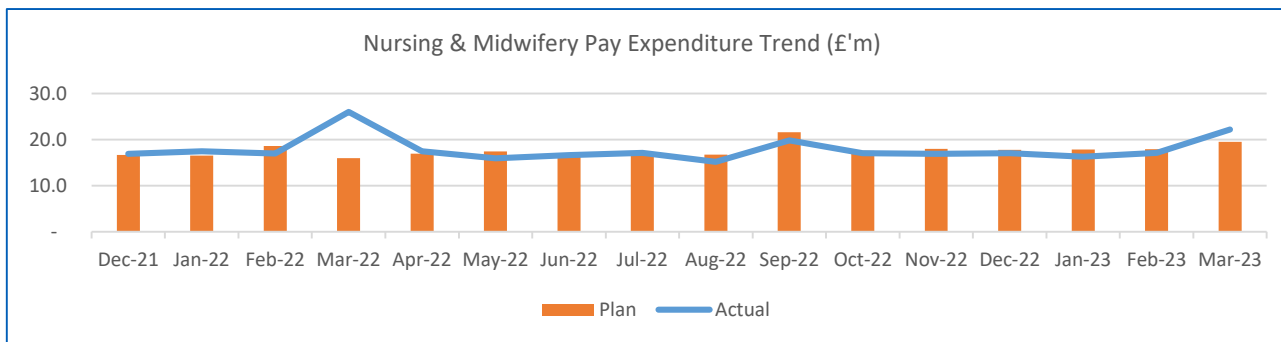
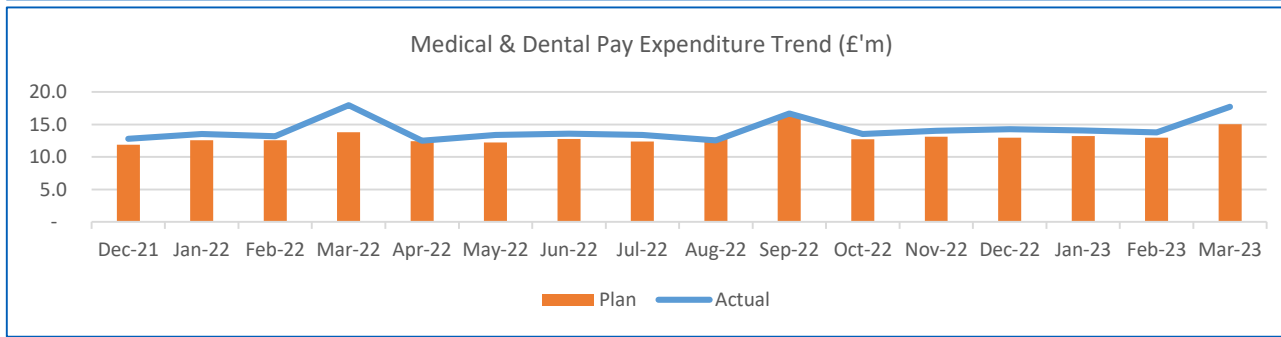
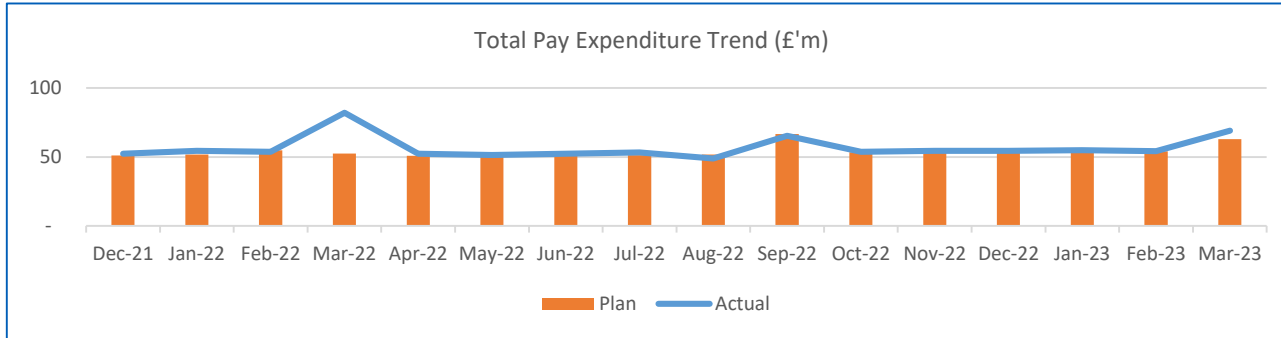
- M12 expenditure was £69.1m which is an increase of £14.9m compared to M11 (£54.2m). The increase is primarily driven by the 1.5% non consolidated pay award (£6.8m) and the 1.5% consolidated enhanced pay award (£8.9m).
- M12 core staffing costs increased by £12.6m compared to M11.
- M12 agency costs increased by £0.7m compared to M11.
- M12 overtime costs increased by £0.7m.
- Bank costs increased by £0.3m in M12.

Staff Group	Oct-22 £'m	Nov-22 £'m	Dec-22 £'m	Jan-23 £'m	Feb-23 £'m	Mar-23 £'m
Core	45.4	45.1	45.2	45.0	45.4	58.0
Agency	4.2	5.3	5.6	5.4	4.8	5.5
Overtime	1.6	1.5	1.2	2.0	1.7	2.4
ADH	1.1	1.3	1.3	1.2	1.1	1.5
Bank	1.2	1.0	0.8	1.1	1.0	1.3
WLI	0.2	0.2	0.3	0.1	0.2	0.4
Grand Total	53.8	54.3	54.4	54.9	54.2	69.1





Pay Expenditure Trends



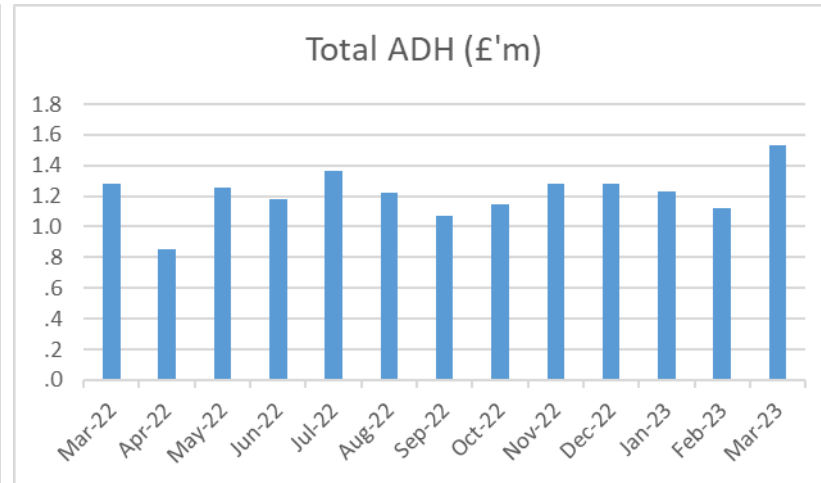
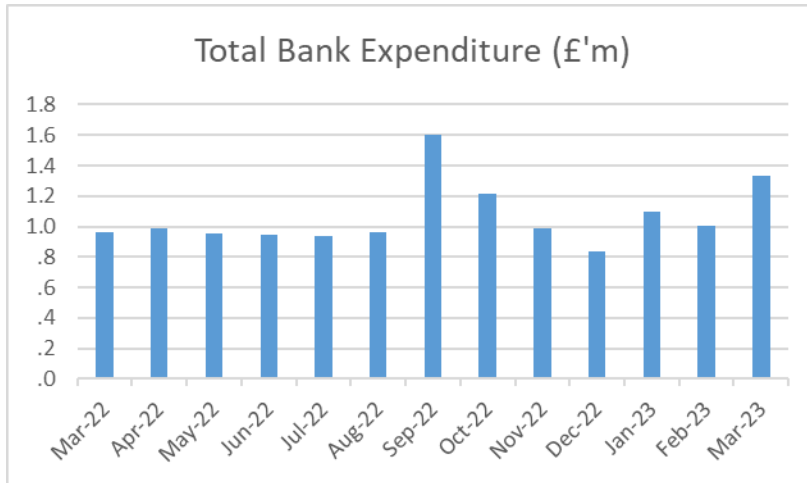
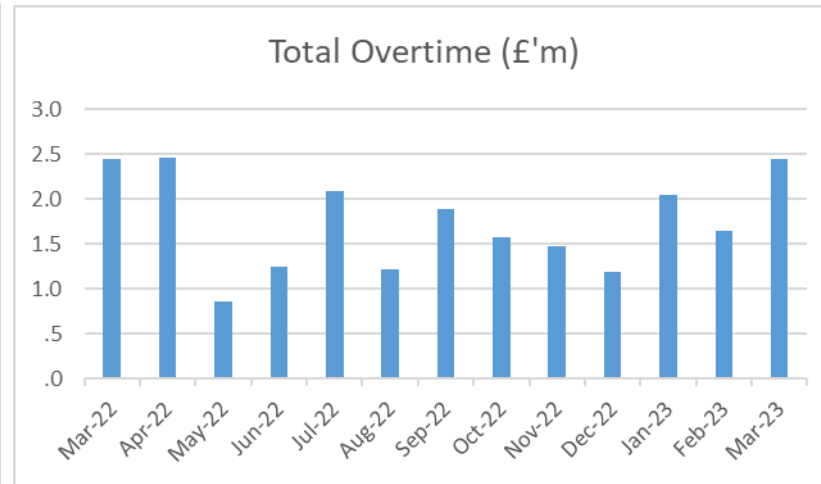
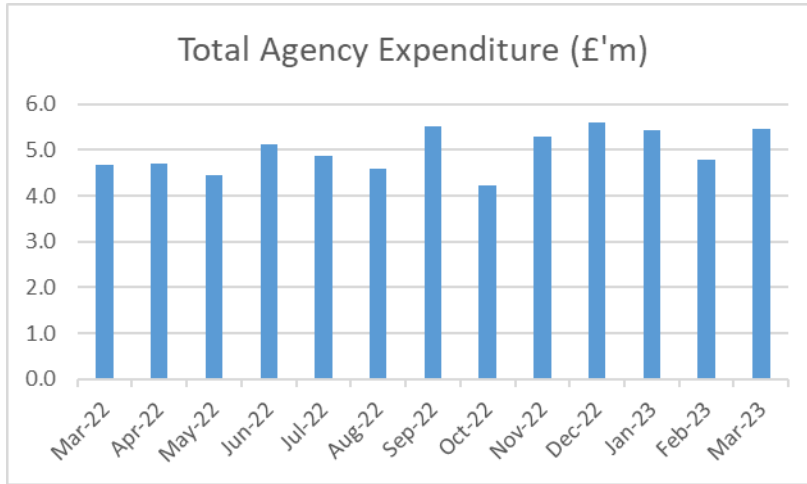
Key Points for Pay Expenditure Trends:

- M12 total pay expenditure increased by £14.9m compared to M11.
- Medical pay was £17.7m in M12, an increase of £3.9m compared to M11.
- Nursing pay was £22.2m in M12, a increase of £5.5m compared to M11.
- All of the above increases are primarily driven by the 1.5% non consolidated and 1.5% consolidated enhanced pay awards.





Variable Pay Expenditure Trends



- ### Key Points for Variable Pay Expenditure:
- Total agency expenditure increased by £0.7m in M12 to £5.5m.
 - Overtime costs increased by £0.7m in M12.
 - Bank Expenditure increased by £0.3m in M12.
 - ADH expenditure also increased by £0.4m compared to M11.

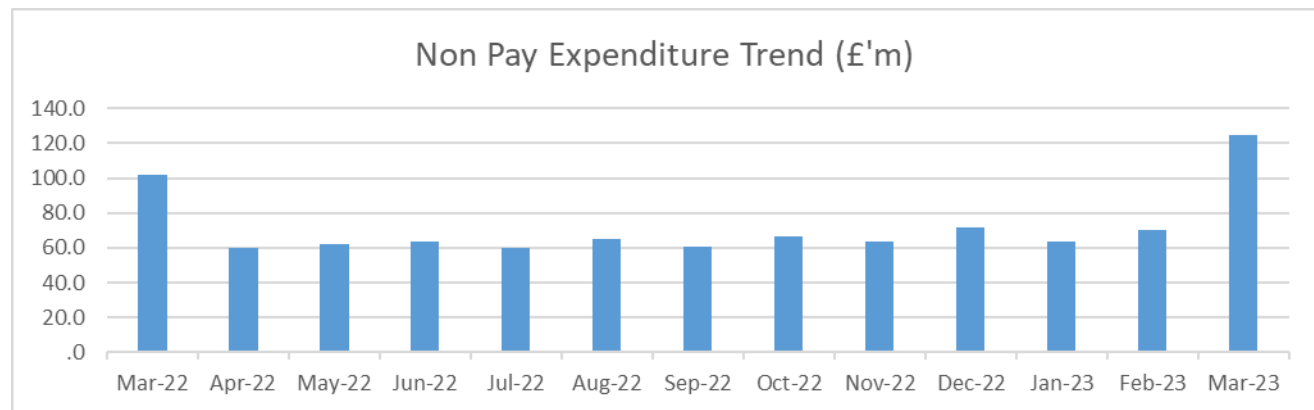




Non Pay Expenditure



Staff Group	Plan £'m	M12 YTD Actual £'m	M12 YTD Variance £'m
Primary Care Contractors	137.8	135.7	(2.1)
Primary Care Drugs	93.0	101.1	8.1
Provider Non Pay	179.2	187.2	7.9
Commissioned Activity	347.6	344.2	(3.3)
Capital Charges	79.2	79.2	0
Other Non Pay	(21.0)	(29.0)	(8.0)
Total Expenditure	815.7	818.4	2.7



- Key Points for Non Pay Expenditure:**
- The M12 YTD non pay position is reporting a £2.7m overspend.
 - The main overspending area relates to Primary Care Drugs which is reporting £8.1m adverse variance. The most recent M10 prescribing data is showing that YTD growth is higher than planned which, together with adverse NCSO & Cat M pricing movements, is creating the YTD variance of £8.1m. (NCSO - This is where contractors are unable to source products at the agreed tariffs, a temporary concession is offered to increase the price to match current market conditions).
 - Provider non-pay is also showing a very significant M12 YTD adverse variance of £7.9m. This is mainly attributed to Clinical Supplies & Services £1.9m, NICE Drugs £2.9m and establishment expenses of £2m.
 - The favourable Commissioned Activity position of £3.3m includes an underperformance on LTA and Commissioning budgets of £5.7m (See income) offset by a £2.4m overspend on CHC.
 - The underspend of £8.0m in Other Non pay includes a release of non delegated reserves of £8.0m.
 - M12 expenditure has increased by circa £50m over M11. This is mainly attributed to Capital charges of circa £46m being realised within the position at M12. Other notable increases include Planned care recovery £2.5m and £4.5m in Planning and partnerships as a result of increased spend on the Regional Integration Fund (RIF) RIF at year end.





COVID Expenditure



	M12 Actual	M12 YTD	M11 Forecast	Financial Plan
	£m	£m		£m
Programme costs				
TTP	0.4	5.7	5.7	6.5
Mass Vaccination	0.4	6.4	6.3	7.4
PPE	0.1	1.6	1.6	1.6
Sub total	0.9	13.7	13.6	15.6
COVID Response Costs:				
Cleaning Standards	0.1	1.6	1.7	2.3
Capacity & Facilities costs	0.2	3.7	3.7	3.0
Prescribing costs	0.0	0.4	0.4	2.1
Dental income losses	0.1	2.0	2.0	2.5
Increased workforce costs	0.3	4.6	4.6	2.6
Long Covid	0.1	0.8	0.8	0.8
Flu extension	0.1	1.1	1.1	0.6
Discharge support	0.0	0.3	0.3	0.6
Other Covid Response	0.1	1.5	1.5	2.3
Sub total	1.2	16.0	16.1	16.7
Total Covid costs	2.1	29.7	29.7	32.3
Confirmed funding	(2.4)	(30.0)	(29.7)	(32.3)
Total	0.3	(0.3)	0.0	0.0

- Key Points for the M11 COVID Expenditure:**
- Programme Costs – the M12 spend of £0.9m was marginally higher than the M11 spend of £0.6m.
 - Other COVID Costs – the M12 spend of £1.2m was consistent with M11.
 - The M12 Covid outturn position was £29.7m compared to WG funding of £30.0m.





Exceptional Cost Pressures Expenditure



	M12 Actual	M12 YTD	M11 Forecast	Financial Plan
	£m	£m	£m	£m
National insurance changes	0.0	3.1	3.1	5.0
Energy inflation	1.6	11.8	11.4	11.6
Real Living Wage for Social Care Workers	0.2	2.4	2.4	2.4
Total Exceptional Costs	1.8	17.3	16.9	19.0
Confirmed funding	(1.4)	(16.9)	(16.9)	(19.0)
Grand total	0.4	0.4	0.0	0.0

Key Points:

- The M12 spend of £1.8m was £0.4m higher than the M11 spend of £1.4m. This was due to an increase in energy costs.
- The M12 outturn was £17.3m compared to WG funding of £16.9m. The M12 out-turn was consistent with the M11 forecast.





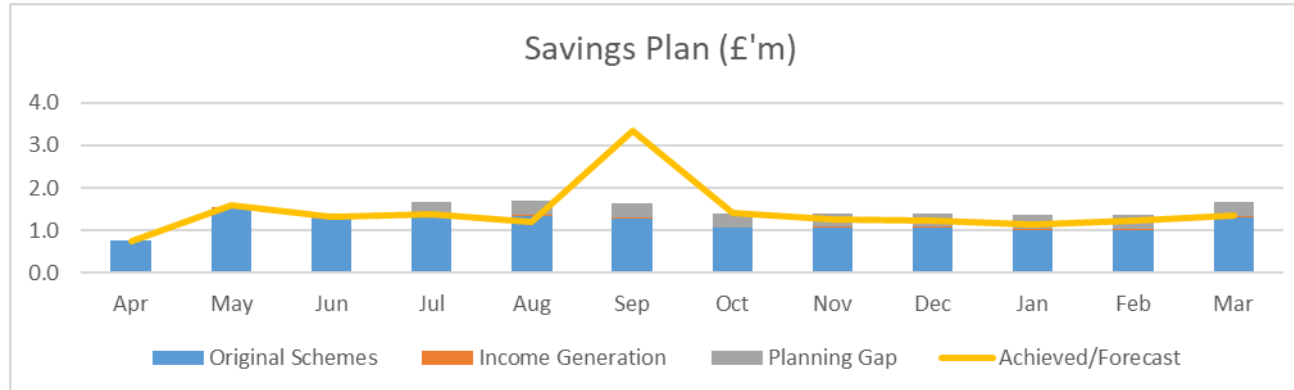
Savings (including Accountancy Gains)



	Month 12	
	22/23	Recurrent
	£m	£m
Planned savings	14.1	
Planned income generation	0.2	
Plans to be finalised	3.0	
Savings target as at M12	17.3	17.3
Actual Savings	(17.3)	(9.2)
Total	0.0	8.1

Key Points for Savings achievement:

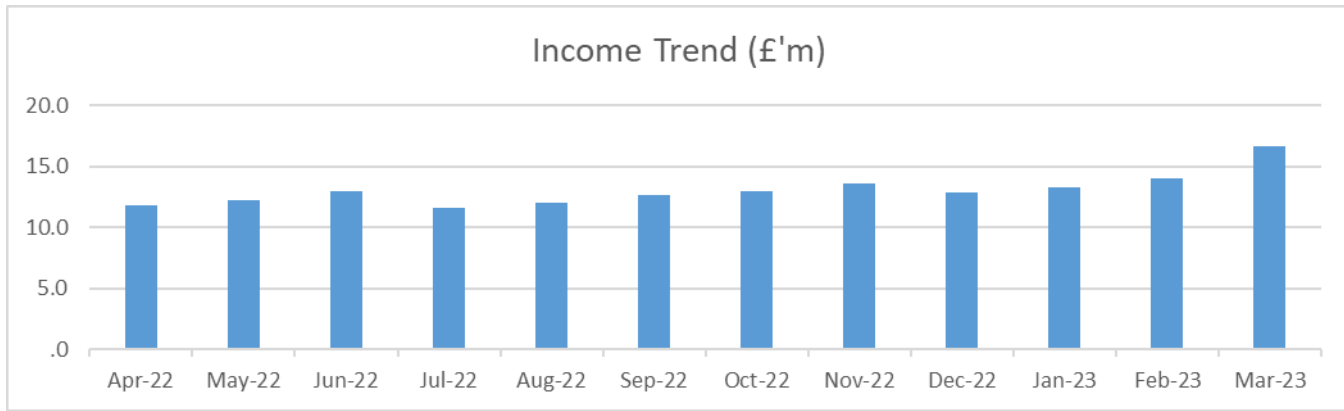
- The actual savings in M12 was £1.6m which was marginally higher than M11.
- The M12 YTD savings was £17.3m which was in line with the target.
- The M12 Recurrent savings of £9.2m was £0.9m lower than the M11 forecast (£10.1m) and is £8.1m short of the £17.3m Recurrent savings target.



Income Group	Plan £'m	M12 YTD Actual £'m	M12 YTD Variance £'m
Health Organisations Income	104.6	104.4	0.2
Local Authorities Income	12.2	11.9	0.3
Catering Income	3.0	2.5	0.5
Private Patients	0.2	0.4	(0.2)
Other Income	36.6	38.6	(2.0)
Total Expenditure	156.7	157.8	(1.2)

Key Points for Non Pay Expenditure:

- The M12 year to date income position is reporting a £1.2m underspend .
- Healthcare organisations is reporting a £0.2m overspend, which is mainly due to underperformance on LTA Inpatient & Day case activity. This variance needs to be seen alongside a Non Pay favourable variance of £5.7m for Contracting & Commissioning LTAs.
- Catering Income is reporting an adverse variance of £0.5m, following reduced footfall at sites.
- Other income is reporting a favourable variance of £2.0m. This is primarily a result of income from Welsh Government, and the receipt of donated assets.





Income Assumptions WG



	REVENUE RESOURCE LIMIT				Resource Limit £'m
	HCHS £'m	Pharmacy £'m	Dental £'m	GMS £'m	
Confirmed Welsh Government Allocations	1,201.4	28.5	25.5	84.9	1340.3
Total Allocations	1,201.4	28.5	25.5	84.9	1,340.3

Key Points for Allocations:

- The confirmed Revenue Resource allocation for 2022/23 was £1,340.3m.





Statement of Financial Position



Balance Sheet	Opening Balance (01/04/2022)	Closing Balance as at M11	Closing Balance as at M12
	£'000	£'000	£'000
Non Current Assets			
Property, Plant & Equipment	603,871	634,241	659,102
Intangible Assets	3,596	3,586	2,833
Trade and Other Receivables	43,216	43,216	47,608
Total Non-Current Assets	650,683	681,043	709,543
Current Assets			
Inventories	6,856	6,921	7,017
Trade and Other Receivables	91,571	73,894	74,619
Cash and Cash Equivalents	438	1,908	1,348
Total Current Assets	98,865	82,723	82,984
Current Liabilities			
Trade and Other Payables	182,269	154,003	169,052
Provisions	27,052	27,315	27,320
Total Current Liabilities	209,321	181,318	196,372
Non-Current Liabilities			
Trade and Other Payables	976	976	20,069
Provisions	49,555	49,555	52,164
Total Non-Current Liabilities	50,531	50,531	72,233
TOTAL ASSETS EMPLOYED	489,696	531,917	523,922
Financed By:			
General Fund	427,163	469,384	428,850
Revaluation Reserve	62,533	62,533	95,072
TOTAL	489,696	531,917	523,922

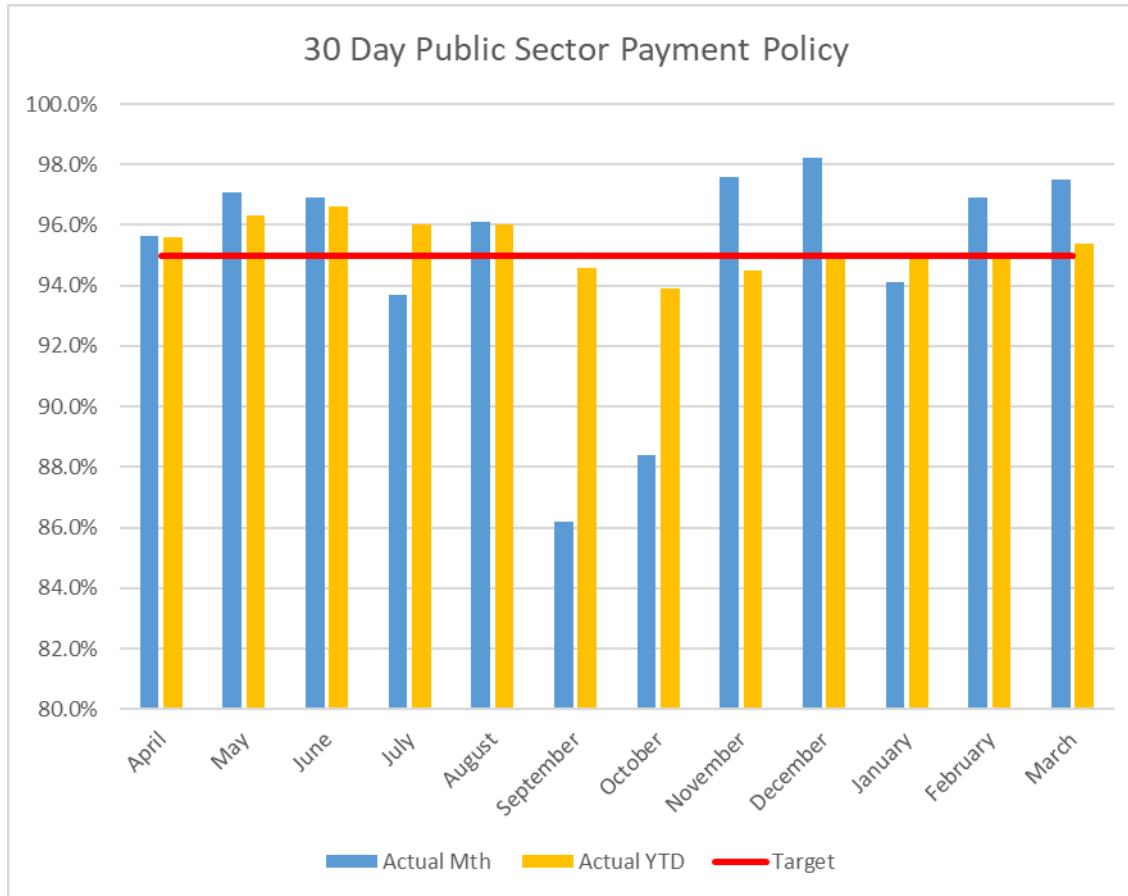
Key Points on the Statement of Financial Position:

- The closing cash balance at 31st March 2023 was £1.348m. This is in line with the anticipated balance and similar to the M11 balance.
- Non-current assets (PP&E) has increased significantly from M11. This is mainly due to the change in accounting treatment for IFRS 16 (Right of Use Assets), which has led to £23m of leased assets being shown on the Balance Sheet. There is an equivalent movement in lease liability shown in Trade and Other Payables.
- There are further movements on the Non-current assets which largely offset each other. £32m has been taken to the revaluation reserve. This has resulted in the change in revaluation reserve and general fund between M11 and M12.
- Non-current Receivables increased by £4.4m this is mainly due to increase in the WRP debtors figure at year end.
- Payables has increased by circa £35. This includes £23m for the IFRS16 lease liability noted above, and a £8.5m year end accrual for the 22/23 consolidated pay award.
- Provisions has increased by £3m, mainly due to an increase in the number of claims cases.





Public Sector Payment Policy



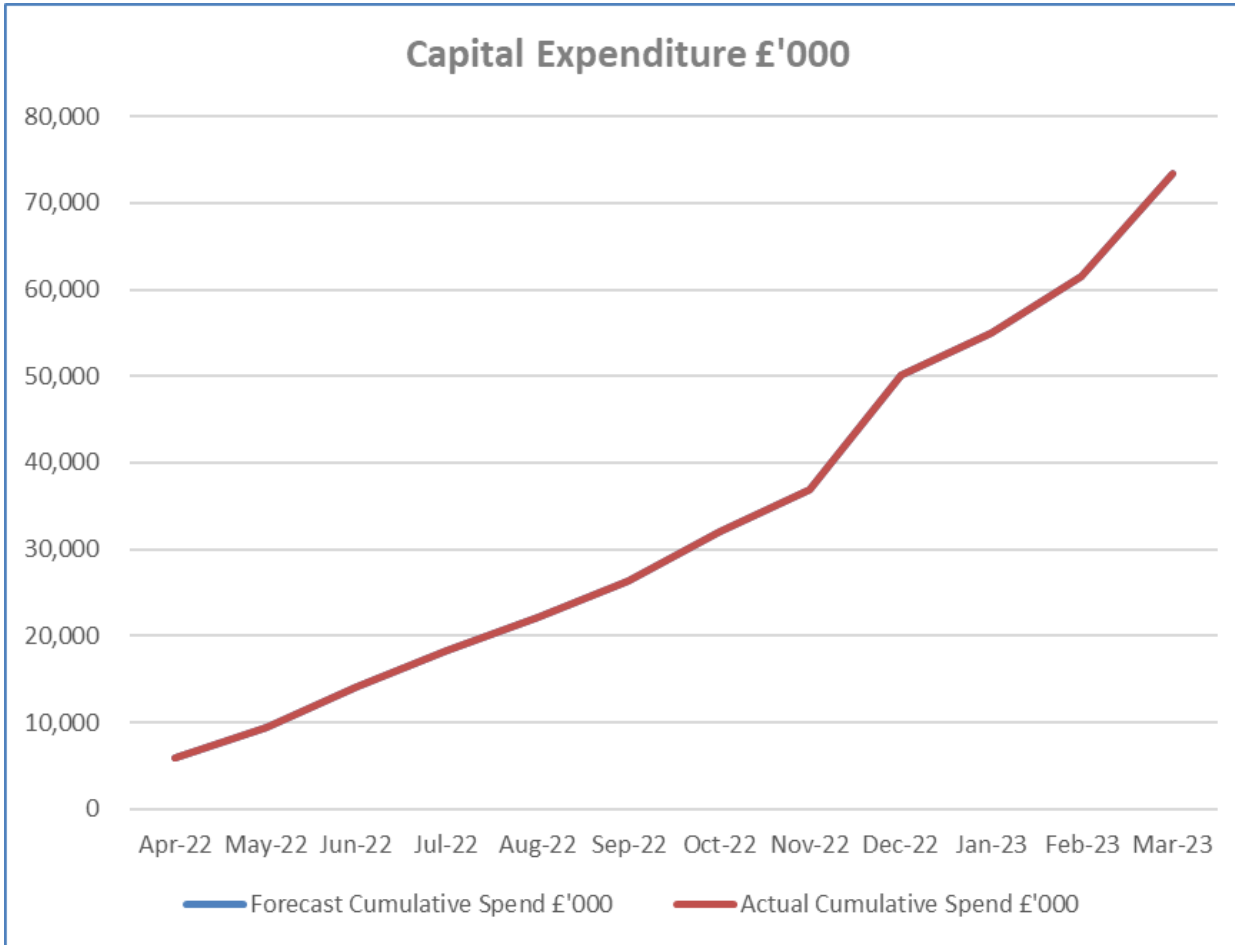
Key Points in the Public Sector Payment Policy :

- The percentage for the number of non-NHS invoices paid within the 30 day target in March was 97.5%.
- The cumulative percentage year to date is 95.4%. The PSPP target was therefore achieved for 2022-23.





Capital Expenditure



Key Points in Capital Expenditure:

- The Capital Resource Limit of £73.0m was issued on the 13th April 2023
- This is supplemented by £0.1m of donated funds and £0.2m of assets disposed of in this financial year giving an overall programme of £73.3m.
- Expenditure for 2023/24 was £73.3m.
- The outturn capital position was an underspend of £43k against the CRL target.

