

2023-24 Finance Report

Month 1



Summary



Situation	Background
<p>Our draft financial plan for 23/24 was submitted to Welsh Government (WG) on 31 March 2023.</p> <p>The draft plan identifies a forecast deficit of £79.6m and WG have confirmed that the plan is not supportable. The Health board is required to submit a supplementary paper by 31 May outlining the further work undertaken and the impact on the plan assumptions.</p> <p>The draft plan includes a £27.3m savings target which will require a significant step up in savings delivery compared to recent years.</p> <p>The failure to submit a financially balanced plan is a breach of our statutory duty under the Finance (Wales) Act 2014.</p> <p>This report outlines our financial performance against the draft plan for Month 1 (i.e. the period to 30 April 2023.</p> <p>A separate Finance Performance report has been prepared which sets out the financial performance of the individual Care Groups and directorates as at M1 (i.e. the Delegated budget position). This financial performance report is discussed at the Planning, Performance & Finance Committee (PPFC) and the Executive Leadership Group (ELG) meetings.</p>	<p>Our financial performance for 2022-23 was a deficit of £24.5m. This meant that we did not achieve our break even financial duty against the Revenue Resource Limit over the 3 year period 2020-21 to 2022-23.</p> <p>Our underlying position also deteriorated during 2022-23 and with a forecast B'fwd financial challenge from 2022-23 of £79.6m. This includes :</p> <ul style="list-style-type: none"> • Core plan recurrent deficit = £60.9m • Ongoing Covid response costs at the end of 22/23 = £10.0m • Ongoing exceptional energy costs = £8.7m <p>We planned to achieve recurrent savings £17.3m by the end of March 2023 but only £9.2m was delivered recurrently. Our recurrent savings shortfall in 2022-23 was therefore £8.1m.</p>





Summary



Assessment

As at Month 1, we are reporting a deficit of £6.6m, which is in line with the draft plan of £6.6m (i.e. 1/2th of the forecast deficit of £79.6m).

Key financial issues to note include:

- The **Core plan** position is reporting a £5.9m deficit which is in line with 1/12th of the forecast deficit of £70.9m. This includes a £2m shortfall against the M1 savings target of £2.3m, offset by £2m of favourable operating variances across the Care Groups and Directorates
- **Exceptional** energy costs is reporting a £0.7m deficit. This is consistent with 1/12th the forecast deficit of £8.7m for 23/24.
- The **COVID** Programme expenditure is £0.6m is matched with anticipated funding from WG to give a break-even position.
- As at M1 the latest savings plans are reporting a forecast shortfall of £18.3m against the target of £27.3m.

Recommendation

The Board is asked to **DISCUSS** and **NOTE** the financial performance of the Health Board for the period to 30th April 2023.





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	Cash Flow forecast – Not Reported at M1
	Public Sector Payment Policy Compliance – Not Reported at M1
	Capital Expenditure – Not Reported at M1





Executive Summary



Year to Date Revenue

- As at M1, we are reporting a total deficit of £6.6m, which is in line with the draft plan of £6.6m (i.e. 1/2th of the forecast deficit of £79.6m).
- The Core plan position is reporting a £5.9m deficit which is in line with 1/12th of the forecast deficit of £70.9m. This includes a £2m shortfall against the M1 savings target of £2.3m, offset by £2m of favourable operating variances across the Care Groups and Directorates
- Exceptional energy costs is reporting a £0.7m deficit. This is consistent with 1/12th the forecast deficit of £8.7m for 23/24.
- The COVID Programme expenditure is £0.6m is matched with anticipated funding from WG to give a break-even position.

Forecast Position Revenue

- Forecast Core plan deficit has remained at £70.9m.
 - The savings plans at M1 are reporting a shortfall of £18.3m against the target of £27.3m.
 - There remain further risks to the plan of £16.7m (excluding savings risks), see page 18 (Risks & Opportunities)
- Forecast Exceptional energy costs have remained at £8.7m.
- Forecast COVID costs have increased to £11.7. This represents an increase of £2.6m compared to the draft financial plan, but the increase is anticipated to be funded in full by WG.



Year to Date Performance and Forecast



	M1 Actual	M1 YTD	M1 Forecast	Financial Plan
	£m	£m	£m	
Core plan deficit	5.9	5.9	70.9	70.9
Exceptional Energy costs	0.7	0.7	8.7	8.7
Covid programme costs:				
Health Protection	0.5	0.5	9.1	9.1
PPE	0.1	0.1	1.0	0.0
Adferiad	0.0	0.0	1.0	0.0
Nosocomial	0.0	0.0	0.6	0.0
Anticipated funding	(0.6)	(0.6)	(11.7)	(9.1)
Total	0.0	0.0	0.0	0.0
Grand total	6.6	6.6	79.6	79.6

Key Points:

- The M1 in month position reported a £6.6m deficit.
- The M1 YTD position is reporting a £6.6m deficit against the Revenue Resource Limit. This position is in line with the financial plan.
- The M1 YTD Core plan position was a deficit of £5.9m.
- The M1 YTD Exceptional energy cost pressure was £0.7m, and remains in line with the plan.
- The M1 COVID costs was £0.6m with anticipated WG funding of £0.6m to match.





Year to Date Performance



	Annual Budget (£m)	Cur Month Variance (£m)	YTD Variance (£m)	Page reference
Pay	627.5	0.6	0.6	8
Non Pay	825.5	(0.5)	(0.5)	12
Income	(141.8)	(0.1)	(0.1)	15
Allocations	(1,231.6)	0.0	0.0	
Planned Deficit (£79.6m)	(79.6)	6.6	6.6	
Grand Total	(0.0)	6.6	6.6	

Key Points:

- The Annual Plan includes a savings target of £27.3m. As at M1 only £0.3m of savings has been achieved against a savings target of £2.3m, leaving a savings shortfall at M1 of £2.0m
- The £6.6m deficit noted above includes the £2m savings shortfall which is offset by other favourable operating variances of £2m.



Pay Expenditure



Staff Group	Plan	YTD Actual	YTD Variance
	£'m	£'m	£'m
Administrative & Clerical	7.4	7.5	0.2
Medical And Dental	12.9	13.5	0.5
Nursing And Midwifery Registered	17.6	17.1	(0.5)
Add Prof Scientific And Technical	1.7	1.5	(0.2)
Additional Clinical Services	6.5	7.2	0.7
Allied Health Professionals	3.4	3.2	(0.2)
Healthcare Scientists	1.1	1.1	0.0
Estates And Ancillary	3.0	3.0	0.0
Students	0	0	0.0
Pay Budget Adjustments	(0.1)	0	0.1
Grand Total	53.6	54.1	0.6

Key Points:

- The M1 YTD pay expenditure is £54.1m . This represents a £0.6m adverse variance compared to the M1 plan of £53.6m.
- The £0.5m adverse variance in Medical & Dental is mainly due to increased ADH payments and Agency costs.
- The £0.7m adverse variance in Additional Clinical Services includes additional cover provided to manage registered nursing vacancies.
- The £0.5m favourable variance in Nursing & Midwifery Registered is the result of vacancies.



Pay Expenditure Trends



Staff Group	Nov-22 £'m	Dec-22 £'m	Jan-23 £'m	Feb-23 £'m	Mar-23 £'m	Apr-23 £'m
Administrative & Clerical	7.0	7.2	7.3	7.1	8.5	7.5
Medical And Dental	14.0	14.2	14.1	13.8	17.7	13.5
Nursing And Midwifery Registered	16.9	17.1	16.3	17.1	22.2	17.1
Add Prof Scientific And Technical	1.5	1.5	1.5	1.5	1.6	1.5
Additional Clinical Services	7.2	6.9	8.1	7.3	9.2	7.2
Allied Health Professionals	3.4	3.3	3.3	3.3	4.4	3.2
Healthcare Scientists	1.1	1.1	1.1	1.1	1.4	1.1
Estates And Ancillary	3.0	3.0	3.1	3.0	4.1	3.0
Students	0.2	0.2	0.1	0.1	0.1	0.0
Grand Total	54.3	54.4	54.9	54.2	69.1	54.1

Staff Group	Nov-22 £'m	Dec-22 £'m	Jan-23 £'m	Feb-23 £'m	Mar-23 £'m	Apr-23 £'m
Core	45.1	45.2	45.0	45.4	58.0	46.2
Agency	5.3	5.6	5.4	4.8	5.5	4.3
Overtime	1.5	1.2	2.0	1.7	2.4	1.3
ADH	1.3	1.3	1.2	1.1	1.5	1.1
Bank	1.0	0.8	1.1	1.0	1.3	1.1
WLI	0.2	0.3	0.1	0.2	0.4	0.1
Grand Total	54.3	54.4	54.9	54.2	69.1	54.1

Key Points:

- The M12 expenditure of £69.1m included the 1.5% non consolidated pay award (£6.7m) and the 1.5% consolidated enhanced pay award (£8.9m) arrears paid in M12 together with a write back of £3.9m for annual leave accruals. The net position after excluding these one off items was £57.5m.
- The M1 pay costs were £54.1m including the 1.5% consolidated pay settlement of £0.75m. After allowing for this inflationary increase of £0.75m the adjusted M1 position is £53.4m. This represents a reduction of £1.0m compared to the average of M9, M10 & M11 of £54.5m.

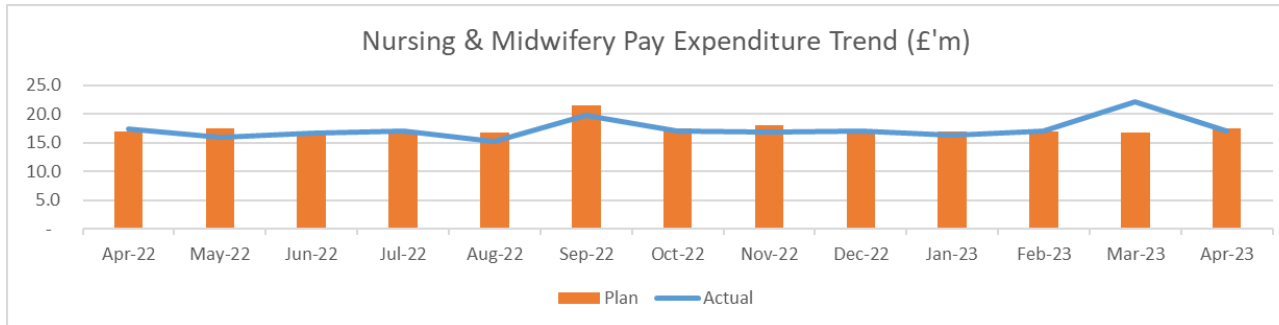
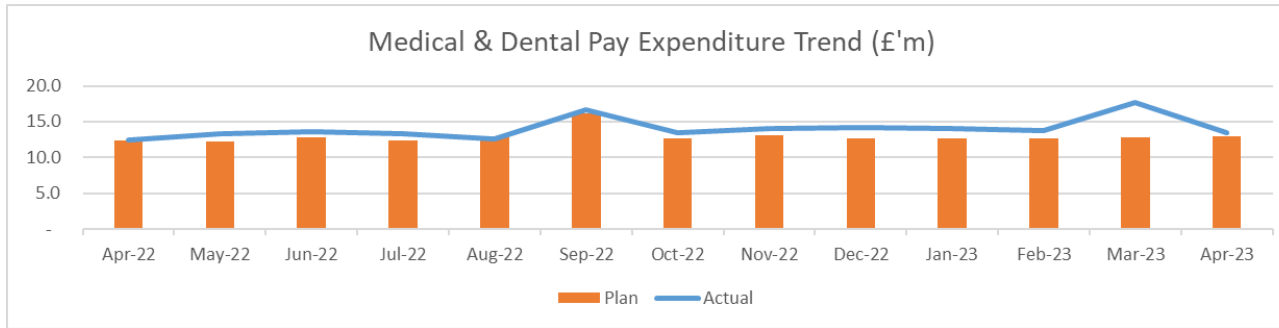
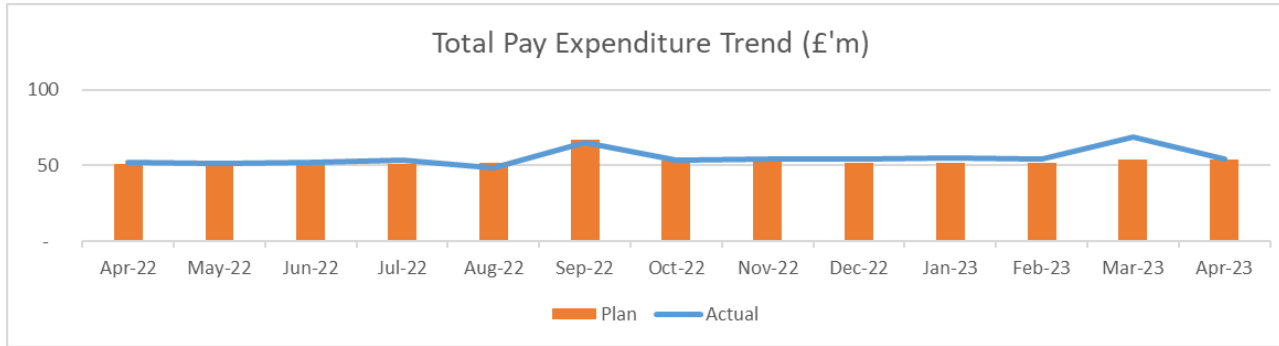
As at M1:

- Core staffing costs remain consistent with M9, M10 & M11 after allowing for the 1.5% consolidated pay settlement.
- Agency costs decreased by £1.0m compared with M9, M10 & M11.
- Overtime costs decreased by £0.3m compared with M9, M10 & M11.
- ADH costs decreased by £0.1m compared with M9, M10 & M11.
- Bank costs increased by £0.2m in M01 compared with M9, M10 & M11.
- WLI's have decreased by 0.1m compared with M9, M10 & M11.





Pay Expenditure Trends



Key Points:

- The M12 expenditure of £69.1m included the 1.5% non consolidated pay award (£6.7m) and the 1.5% consolidated enhanced pay award (£8.9m) arrears paid in M12 together with a write back of £3.9m for annual leave accruals. The net position after excluding these one off items was £57.5m.
- The M1 pay costs were £54.1m including the 1.5% consolidated pay settlement of £0.75m. After allowing for this inflationary increase of £0.75m the adjusted M1 position is £53.4m. This represents a reduction of £1.0m compared to the average of M9, M10 & M11 of £54.5m.
- Medical pay was £13.5m in M1, a decrease of £0.7m compared to months M9, M10 & M11 after allowing for the 1.5% consolidated pay settlement.
- Nursing pay was £17.1m in M1. This is consistent with months M9, M10 & M11 after allowing for the 1.5% consolidated pay settlement.

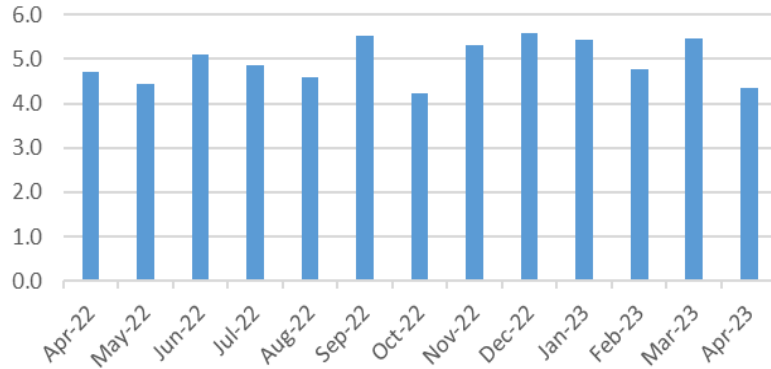




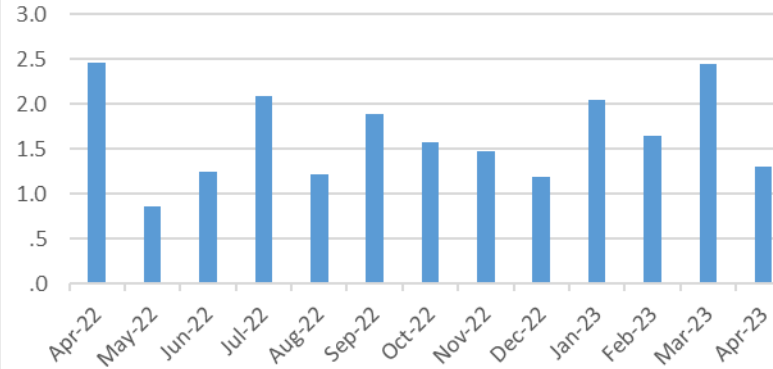
Variable Pay Expenditure Trends



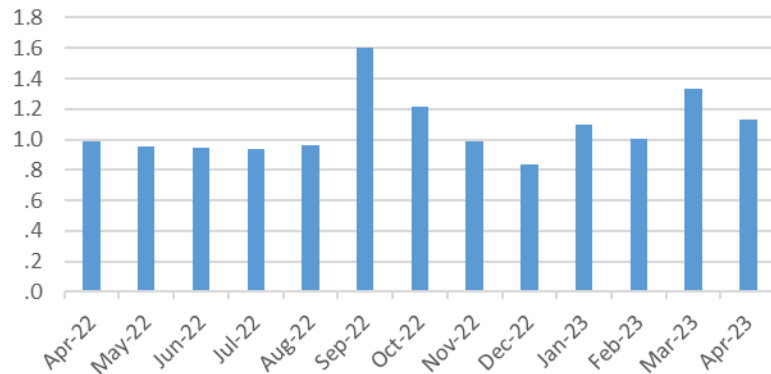
Total Agency Expenditure (£'m)



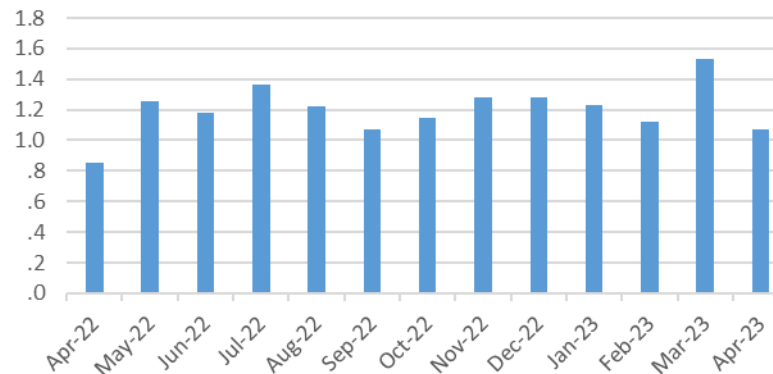
Total Overtime (£'m)



Total Bank Expenditure (£'m)



Total ADH (£'m)



Key Points :

- Total agency expenditure decreased by £1.0m in M1 to £4.3m compared to M9, M10 & M11. This agency expenditure reduction was mainly within Medical staff.
- Overtime costs decreased by £0.3m in M1 compared to M9, M10 & M11.
- Bank Expenditure increased by £0.1m in M1 compared to M9, M10 & M11.
- ADH expenditure decreased by £0.1m in M1 compared to M9, M10 & M11.





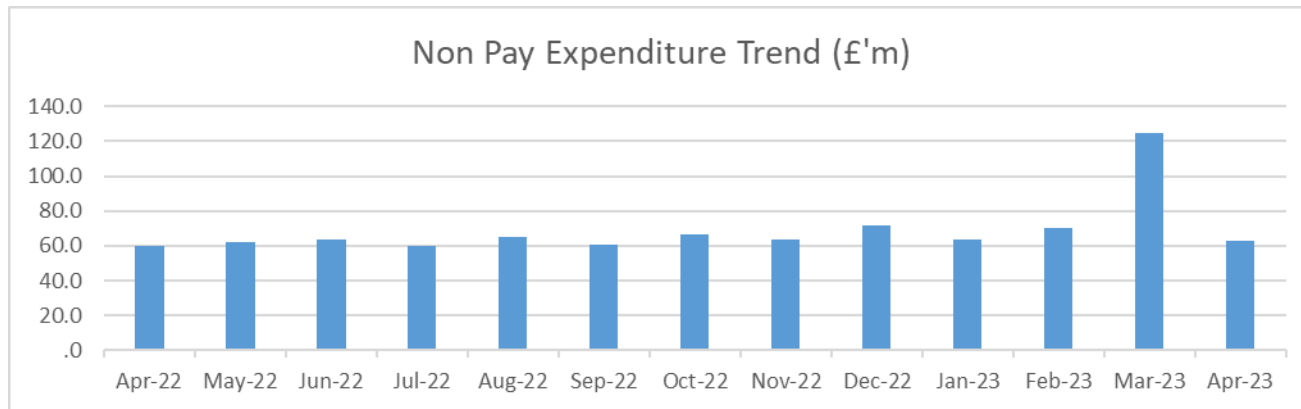
Non Pay Expenditure



Staff Group	Plan £'m	YTD Actual £'m	YTD Variance £'m
Primary Care Contractors	11.5	11.2	(0.3)
Primary Care Drugs	9.0	9.7	0.7
Provider Non Pay	12.6	12.7	0.1
Commissioned Activity	28.4	28.3	(0.0)
Capital Charges	2.0	2.0	0.0
Other Non Pay	0.2	(0.7)	(1.0)
Total Expenditure	63.7	63.2	(0.5)

Key Points:

- The M1 YTD non pay position is reporting a £0.5m underspend.
- The main overspending area relates to Primary Care Drugs which is reporting a £0.7m adverse variance. This is high level estimate pending receipt of the M1 prescribing data which will not be received until M3 (i.e. 2m in arrears).
- The underspend of £1.0m in Other Non pay includes a release of non delegated reserves of £1.0m
- The increase in M12 expenditure is mainly attributed to Capital charges of circa £46m together with 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. M1 expenditure is more in line with previous months.





COVID Expenditure



	M01 Actual	M01 YTD	M01 Forecast	Financial Plan	Change
	£m	£m	£m	£m	£m
Programme costs					
Public Health Response - TTP	0.1	0.1	2.7	2.7	0.0
Public Health Response - Mass Vaccination	0.4	0.4	6.4	6.4	0.0
PPE	0.1	0.1	1.0	0.0	1.0
Adferiad (Long COVID)	0.0	0.0	1.0	0.0	1.0
Nosocomial Investigation	0.0	0.0	0.6	0.0	0.6
Confirmed funding	(0.6)	(0.6)	(11.7)	(9.1)	(2.6)
Total	0.0	0.0	0.0	0.0	0.0

Key Points:

- Programme Costs – the M1 spend of £0.6m was marginally lower than the forecast of £0.97m (1/12th of £11.7m).





Savings



	Month 1			
	M1	M1 YTD	23/24	Rec
	£m	£m	£m	£m
Savings targets as at M1	2.3	2.3	27.3	27.3
Actual and Forecast Savings	(0.3)	(0.3)	(9.0)	(9.3)
Total	2.0	2.0	18.3	18.0

- Key Points:**
- The actual savings in M1 was £0.3m which is £2.0m below the M1 target of £2.3m.
 - The M1 forecast In year savings is £9.0m. This is £18.3m below the annual savings target.
 - The M1 forecast Recurrent savings of £9.3m is £18.0m below the required target.
 - Urgent work is needed to develop robust plans to close the forecast gap of £18.3m In year and £18.0m recurrently.
 - The financial plan for 2023/24 also includes planned accountancy gains of £3.0m





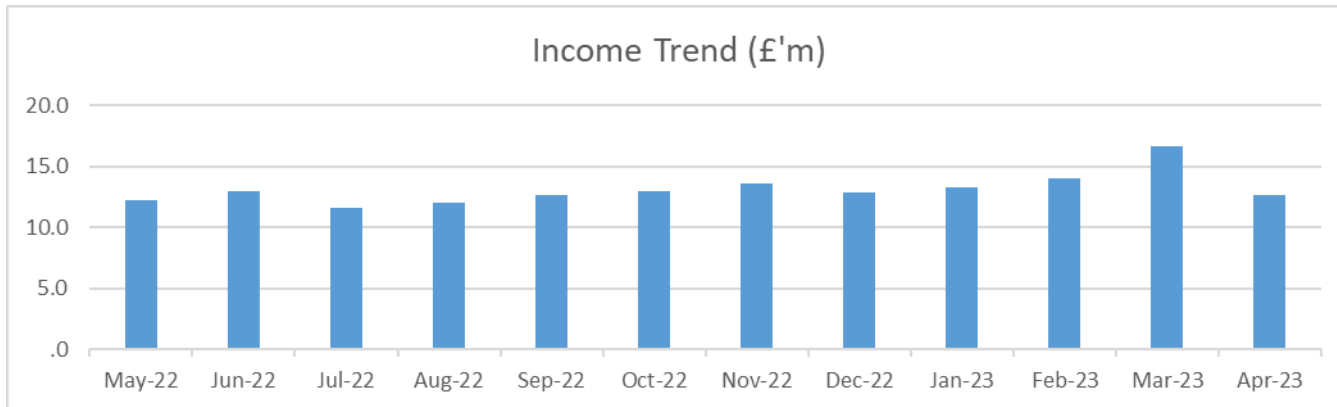
Income



Income Group	Plan £'m	M01 YTD Actual £'m	M01 YTD Variance £'m
Health Organisations Income	7.8	7.9	(0.1)
Local Authorities Income	1.4	1.3	0.1
Catering Income	0.3	0.2	0.0
Private Patients	0.0	0.0	0.0
Other Income	3.0	3.1	(0.1)
Total	12.5	12.6	(0.1)

Key Points:

- The M1 year to date income position is reporting a £0.1m over recovery/favourable variance.





Income Assumptions WG



	REVENUE RESOURCE LIMIT				Resource Limit £'m
	HCHS £'m	Pharmacy £'m	Dental £'m	GMS £'m	
Confirmed Welsh Government Allocations	1,043.2	28.5	23.5	83.3	1,178.5
Anticipated Allocations:					
RLW Social Care Workers	4.8				4.8
Substance Misuse	3.9				3.9
COVID Programme costs	11.7				11.7
1.5% Consolidate NHS Pay Award 22/23	8.9				8.9
Regional PCR Cataracts	3.8				3.8
Mental Health Investment Funding	3.3				3.3
Six Goals and Same Day Emergency Care (SDEC)	3.0				3.0
Regional PCR Mobile Endoscopy	2.9				2.9
23/24 Pay award	tbc				tbc
Other	8.8		2.0		10.8
Total Allocations	1,094.3	28.5	25.5	83.3	1,231.6

Key Points:

- As at M1 the confirmed Revenue Resource allocation was £1,178.5m.
- The forecast position assumes a further £52.6m of Anticipated allocations to give a Total allocation of £1,231.6m.
- Our planning assumption is that the 23/24 pay award will be fully funded.
- Until formally confirmed, there are a number of risks associated with some of the anticipated allocations. These are included in the Risk table on Page 18.



Income Assumptions - NHS



	Contracted Income	Non Contracted Income	Total Income
	£'m	£'m	£'m
Swansea Bay University	31,660	888	32,548
Aneurin Bevan University	21,105	1,297	22,402
Betsi Cadwaladr University	0	230	230
Cardiff & Vale University	16,279	1,527	17,806
Cwm Taf Morgannwg University	0	0	0
Hywel Dda University	528	315	843
Powys	4,807	500	5,307
Public Health Wales	3,297	771	4,068
Velindre	0	10,165	10,165
NWSSP	0	0	0
DHCW	1,341	0	1,341
Wales Ambulance Services	0	85	85
WHSSC	11,970	1,083	13,053
EASC	0	0	0
HEIW	0	13,343	13,343
NHS Wales Executive	0	0	0
Total	90,987	30,204	121,191

Key Points :

- The Health Board is assuming that LTA arrangements for 23/24 will follow the recommendation accepted by the majority view at the Directors of Finance meeting on the 17th March 2023. The Health Board has received a letter from ABUHB indicating that they do not accept this position. The risk to our draft plan is £3.1m and this has been included in our Risk table on Page 18.



Risk Management Risks and Opportunities



	Month 1 £m	IMTP £m	Comment
Savings delivery risks:			
Shortfall against planned savings delivery of £27.3m.	9.1	7.5	The latest shortfall at M1 is £18.3m and the risk has been estimated at 50%.
Forecast recurrent overspends in Care Groups not recognised in the plan. Risk of not delivering the £7.0m of NR benefits in 22/23 again in 23/24.	3.5	3.5	
Funding risks:			
Assumed WG funding for dental – 30% abatement of the dental income target	1.0	1.0	Further clarification needed on funding assumptions for 23/24
Assumed funding for the impact of RLW in 23/24	1.2	1.2	Further clarification needed on funding assumptions for 23/24.
Assumed funding for Regional Planned care Recovery solutions	3.8	3.8	Further clarification needed on funding assumptions for 23/24.
Risk of the 23/24 pay award not being fully funded given the £1.9m recurrent shortfall in 22/23	1.0	1.0	Further clarification needed on funding assumptions for 23/24.
Risk of the additional costs for the extra bank holiday in 23/24 not being fully funded	0.6	0.6	Further clarification needed on funding assumptions for 23/24.
Cost pressure risks:			
Return to pre Covid Cost & Volume LTA arrangements in 23/24	1.0	1.0	
Contracting risks with other Health Boards	3.1	1.5	See comment on Page 17.
Provider and commissioner relationship for exceptional inflationary cost pressures such as energy – WAST and Velindre	0.0	Tbc	WAST and Velindre not assuming extra funding for energy cost pressures in their draft LTAs.
Primary care prescribing – inflation and volume growth different to plan assumptions	Tbc	Tbc	Prescribing data is 2m in arrears and we will not have Q1 data until August 2023.
Significant uncertainty surrounding the expected energy cost pressure	Tbc	Tbc	
NICE costs exceed planned growth of £3.0m	Tbc	Tbc	
Non Pay Inflation exceeds the £4.9m provision made in the plan (4.9%)	0.0	Tbc	
Pension changes – Increased pension costs if staff opt back in following changes to the 1995 scheme	0.8	0.8	
Winter plans – All schemes funded non recurrently in 22/23 need to stop by 31 March	0.8	0.8	
Total Risks	25.8	22.6	

- Key Points :**
- The draft plan highlighted several significant risks and opportunities.
 - As at M1 we are reporting total risks of £25.8m offset by total opportunities of £4m (next page) to give a net position of £21.8m.
 - The most significant risk is the savings plan position , where the latest plans are currently £18.3m short of the £27.3m savings target.
 - There are also significant risks associated with the WG funding assumptions for 23/24. The risk table includes £7.6m of funding risks where further clarification is needed on the assumptions for 23/24.
 - There is also a £3.1m risk with ABUHB which is explained on Page 17.





Risk Management Risks and Opportunities



	Month 1 £m	IMTP £m	Comment
Contingencies / Opportunities			
Further balance sheet review within 22/23	(2.5)	(2.5)	
Retrospective vat recoveries – Primary care and Microsoft contract	(0.5)	(0.5)	
Provision for an adverse movement in discount rates in 23/24 (following a positive movement in 22/23) not required	(1.0)	(1.0)	
Potential to recharge NWSSP for increased energy costs for laundry	0.0	(0.6)	The M1 position and forecast assume that the recharge is made and recovered.
Total Opportunities	(4.0)	(4.6)	
Total	21.8	18.0	

Key Points :

- No issues to note at M1.

