

# Public Finance Committee

Wed 18 January 2023, 14:30 - 16:30

## Agenda

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### 14:30 - 14:30 1. Standing Items

0 min


*Rhian Thomas*

#### 1.1. Welcome and Introductions

#### 1.2. Apologies for Absence

#### 1.3. Declarations of Interest

#### 1.4. Minutes of the previous Committee meeting –14 December 2022

 1.4 Draft Public Finance Minutes - DecemberMD.pdf (8 pages)

#### 1.5. Action log following the meeting held on 14 December 2022

 1.5 Draft Public Finance Action Log - JanMDv2.pdf (2 pages)

#### 1.6. Chair's Actions since previous meeting

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### 14:30 - 14:30 2. Items for Review and Assurance

0 min

#### 2.1. Financial Report – Month 9

*Robert Mahoney*

 2.1 Summary Finance Position Report for Month 9.pdf (12 pages)

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### 14:30 - 14:30 3. Items for Approval / Ratification

0 min

No items

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### 14:30 - 14:30 4. Items for Information and Noting

0 min

#### 4.1. Financial Monitoring Return – Month 9

*Robert Mahoney*

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### 14:30 - 14:30 5. Agenda for Private Finance Committee Meeting

0 min

#### 5.1. Approval of Private Minutes

Mohamed Saad  
10/01/2023 15:36:58

## 5.2. Financial Plan 2023/24 Presentation

## 5.3. Deep Dive on Financial performance of Clinical Boards

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### 14:30 - 14:30 6. AOB

0 min

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### 14:30 - 14:30 7. Review and Final Closure

0 min

*Rhian Thomas*

#### 7.1. Items to be deferred to Board / Committee

#### 7.2. Date, time and venue of the next Committee meeting:

Wednesday 15th February 2023 at 2pm via MS Teams

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### 14:30 - 14:30 8. Declaration

0 min

To consider a resolution that representatives of the press and other members of the public be excluded from the remainder of this meeting having regard to the confidential nature of the business to be transacted, publicity on which would be prejudicial to the public interest [Section 1(2) Public Bodies (Admission to Meetings) Act 1960]

Mohamed Sarah  
10/01/2023 15:36:58

**Unconfirmed Minutes of the Public Finance Committee Meeting  
Held On 14 December 2022 at 2pm  
Via MS Teams**

|                       |    |  |
|-----------------------|----|--|
| <b>Chair:</b>         |    |  |
| Rhian Thomas          | RT | Independent Member - Capital and Estates |
| <b>Present:</b>       |    |  |
| John Union            | JU | Independent Member – Finance             |
| <b>In Attendance:</b> |    |  |
| Charles Janczewski    | CJ | UHB Chair                                |
| Abigail Harris        | AH | Executive Director of Strategic Planning |
| Catherine Phillips    | CP | Executive Director of Finance            |
| Nicola Foreman        | NF | Director of Corporate Governance         |
| Robert Mahoney        | RM | Deputy Director of Finance (Operational) |
| Andrew Gough          | AG | Deputy Director of Finance (Strategy)    |
| Paul Bostock          | PB | Chief Operating Officer                  |
| <b>Observers:</b>     |    |  |
| Marcia Donovan        | MD | Head of Corporate Governance             |
| <b>Secretariat</b>    |    |  |
| Sarah Mohamed         | SM | Corporate Governance Officer             |
| <b>Apologies:</b>     |    |  |
| David Edwards         | DE | Independent Member – ICT                 |
| Tim Davies            | TD | Head of Corporate Business               |
| Jason Roberts         | JR | Executive Nurse Director                 |

| Item No                 | Agenda Item   | Action |
|-------------------------|---|--------|
| <b>FC<br/>14/12/001</b> | <b>Welcome &amp; Introduction</b><br><br>The Committee Chair (CC) welcomed everyone to the meeting.   |        |
| <b>FC<br/>14/12/002</b> | <b>Apologies for Absence</b><br><br><b>The Finance Committee resolved that:</b><br><br>a) Apologies were noted.   |        |
| <b>FC<br/>14/12/003</b> | <b>Declarations of Interest</b><br><br><b>The Finance Committee resolved that:</b><br><br>a) No Declarations of Interest were noted.  |        |
| <b>FC<br/>14/12/004</b> | <b>Minutes of the meeting Held on 16 November 2022</b><br><br>The minutes of the meeting held on 16 November 2022 were received.<br><br><b>The Finance Committee resolved that:</b> |        |

|                                |   |  |
|--------------------------------|---|--|
|                                | <p>a) The minutes of the meeting held on 16 November 2022 were held as a true and accurate record of the meeting.</p>   |  |
| <p><b>FC<br/>14/12/005</b></p> | <p><b>Action Log following the meeting held on 16 November 2022</b></p> <p>The Action Log was received.</p> <p>FC 16/11/007 - The Executive Director of Finance (EDF) stated that the Director of Corporate Governance (DCG) wrote an Accountable Officer's letter for the cash element and the revised deficit. That had been submitted to Welsh Government (WG).</p> <p><b>The Finance Committee resolved that:</b></p> <p>a) The Action Log was up to date.</p>  |  |
| <p><b>FC<br/>14/12/006</b></p> | <p><b>Chairs Action since previous meeting</b></p> <p>There had been no Chair's Actions taken since the last meeting.</p>   |  |
|                                | <p><b>Items for Review and Assurance</b></p>  |  |
| <p><b>FC<br/>14/12/007</b></p> | <p><b>Financial Report – Month 8</b></p> <p>The Deputy Director of Finance (Operational) (DDFO) presented the Financial Report – Month 8 and highlighted the following:</p> <ul style="list-style-type: none"> <li>• The Health Board had forecast a £26.9m deficit for 2022-23.</li> <li>• The reasons for that had been included in the Accountable Officer's letter to WG which had requested cash to cover the deficit.</li> </ul> <p><u>Core Financial Plan – Month 8 Cumulative Position</u></p> <ul style="list-style-type: none"> <li>• The Health Board had overspent by £18.147m against its core financial plan. Of that overspend, £11.400m was planned as part of the underlying financial deficit, and £6.747m was unplanned, as an overspend in delegated and central positions.</li> <li>• The rate of unplanned overspend increased in month, by £1.192m from the cumulative Month 7 unplanned overspend of £5.455m.</li> <li>• Table 3 provided a summary of the Month 8 position.</li> </ul> <p>It was noted that a number of cost pressures had emerged or increased in the year to date that were not foreseen in the original financial plan. Table 4 summarised the year to date</p> |  |

position across the Clinical Boards and delegated areas of the Health Board. Those placed the Health Board's ability to remain within the revised plan's forecast £17.1m deficit under severe pressure and had caused the Health Board to reassess the most likely year end out-turn.

Those concerns were shared with WG colleagues in the mid-year review meeting with the Financial Delivery Unit on the 10th November 2022 and were discussed through the Health Board's governance structure, including the Finance Committee and Board, during November. The Health Board had now forecast a deficit of £26.9m.

The Independent Member – Finance (IMF) queried whether the £26.9m forecast had been agreed by WG.

The DDFO responded that WG had not agreed it. In the meetings with WG, it was acknowledged and stated that an Accountable Officer's letter was required.

The DDFO added that in yesterday's JET meeting, WG had acknowledged that they had a requirement to reply to the Accountable Officer's letter.

The UHB Chair queried the cost pressures that were not in the original financial forecast plan as noted on page 2 of the papers. The UHB Chair queried what had not been foreseen, what had the Health Board learnt from that, and what actions had been taken to address that.

The DDFO responded that the table on page 5 explained the cost pressures. The DDFO stated that nurse/staff recruitment was a difficult area to address. The international nurse recruitment costs had been far more than had been anticipated. A lot of the unforeseen cost pressures related to macro-economics, massive inflation caused by the war in Ukraine and changes in the relationship between the UK and other countries. In addition, the Health Board was still dealing with the consequences of Covid.

The UHB Chair stated that it would be useful for the Committee to look at the lessons learnt and putting actions into place as the Health Board entered next year.

The Chief Operating Officer (COO) added that the amount of additional capacity had not been foreseen and had driven up a lot of the costs.

The EDF stated that it had been hoped that investing in Urgent Care would have reduced the bed base, but that has not been the case. She agreed that a "lessons learnt" exercise would be

**DDFO**

valuable because the Health Board had just gone back to planning after two years of not planning (due to Covid).

The EDF added that the Health Board should stop looking at historic budgets and look at the “run rate” instead.

The UHB Chair stated it would be a good opportunity to build that into the Board Development session in February. It would be helpful for the Board to look at the forecast for the next financial year in a meaningful light.

The Independent Member – Finance (IMF) queried whether the cost of prescribing was a national UK issue.

The DDFO responded that the movement in prescribing had reflected the volatility within that area. There had been major supply issues for drugs in the UK and that had caused the pharmacists to source drugs “out of contract” which was more expensive than purchasing the drugs via their standard contracts.

Table 4: Financial Performance for the period ended 30th November 2022

- The operational deficit of £11.117m against delegated budgets was offset by a £4.370m underspend against central budgets leaving a total operational & Covid overspend of £6.747m before the addition of the cumulative £11.400m planned deficit to leave a total overspend of £18.147m.

The UHB Chair queried the increasing Mental Health CHC placements figure.

The DDFO responded that the Finance team had hoped it would be a corporate led initiative to reduce Mental Health CHC placements. However, that had not happened yet and was in progress. There had also been a massive increase in demand for Mental Health services.

The UHB Chair stated that it was important that the Nurse Director led initiatives to reduce the Mental Health CHC placements. From having spoken to Mental Health colleagues, it was apparent that they are obliged to find placements externally and the cost could be higher than thought.

The COO stated there was a meeting planned that week between the relevant Executive Directors and Local Authority colleagues to understand how to arrange and fund the Mental Health CHC placements and the high cost Children’s placements. The END had been involved. There was currently an intensive individual in Hafan Y Coed who was taking a lot of

**DCG**

Mohamed Sarah  
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capacity from the intensive care unit and that had been forecast into the Medicine Clinical Board's costs.

The UHB Chair queried the WHSCC situation. It seemed inequitable to introduce punitive financial measures when the Health Board was the major Tertiary provider and was under pressure. The UHB Chair queried if better arrangements could be negotiated.

The DDFO responded that there had been pressure from WG and other Health Boards. The arrangements were as good as the Health Board could achieve by negotiating with others to have a hybrid model.

The UHB Chair queried what the Executive performance reviews with Clinical Boards had delivered in additional savings so far.

The DDFO responded that each Clinical Board had a programme of long-term actions and short-term actions they could take.

The COO stated that they had reinstated more discipline with regards to finance and had created targets that they could deliver against. There was also an understanding of the risks associated with meeting those targets.

The UHB Chair stated it would be good to have the remedial actions that are being undertaken quantified for the Committee.

The DDFO responded that he could share a list of actions that had contributed to the control totals.

The UHB Chair stated that looking at the quantitative data and context in a deep dive would be more useful.

The EDF added that there was a list of ideas to start driving next year's savings now and to accelerate them.

The UHB Chair queried how confident was the Finance team that the Health Board could deliver the £26.9m deficit or less.

The EDF responded that her team was highly confident that they would be able to hit that figure.

The CC queried the patient catering in the EU column in the covering report. The mitigation measure stated it would benefit from "throughput initiatives" and queried what that meant.

The DDFO responded that it could mean increased activity on site or marketing to staff. It was hoped that as activity picked

**DDFO/COO**

up, there would be more demand at the Aroma outlets. However, the food inflation had been significant.

The CC queried if there were any plans to save money on the security arrangements at the Rockwood and Whitchurch Hospitals.

The EDF responded that a report was due to be presented to Board of Trustees in January for discussion concerning those sites. However, it would not resolve the situation in the next 12 months but would provide a way forward.

Table 6 – Exceptional Cost forecast for 2022-23

- There was the assumption that it would be funded.
- Energy prices were starting to rise slightly.

Table 7: Summary of Forecast COVID 19 Net Expenditure

- WG had acknowledged the assumption of financial support for Covid response costs by Health Boards in the 2022-23 financial year but had been consistent in stating that assumption was carried at risk.
- WG had recently indicated to Health Boards that local Covid response funding support would be capped at a maximum of Month 6 reported costs for each Health Board.
- Based on the month 8 assessment, that potentially carried a £1.269m financial risk for the Health Board based on forecast out-turn for Covid Response.
- That ongoing risk would be mitigated through a review of the risks and opportunities facing the Health Board and sat outside the forecast £26.9m operational deficit for the Health Board.

The CC queried whether any regular forums existed which looked at cost reduction ideas.

The DDFO responded that it was being monitored carefully to reduce it to £1.269m.

Table 9: Risk Register at November 2022

At month 8, the Health Board was forecasting £19.343m of savings to deliver against the revised £19.400m savings target which left a further £1.057m schemes to identify.

The Health Board expected to finalise the balance of savings plans required to deliver the revised forecast deficit of £26.9m.

**The Finance Committee resolved that:**

Mohamed Sarah  
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|                         |  |            |
|-------------------------|--|------------|
|                         | <ul style="list-style-type: none"> <li>a) The reported year to date overspends of £18.147m and the forecast deficit of £26.900m were noted.</li> <li>b) The financial impact of forecast COVID 19 Response costs which was assessed at £36.822m with assumed Welsh Government funding of £35.553m, was noted.</li> <li>c) The financial impact of forecast COVID 19 National and Specific Programme costs which was assessed at £22.605m with assumed Welsh Government funding of £22.605m were noted.</li> <li>d) The financial impact of forecast Exceptional Inflationary Pressures which was assessed at £20.174m with assumed Welsh Government funding of £20.174m, was noted.</li> <li>e) The forecast deficit of £26.900m, which comprised of the £17.1m planned deficit identified in the Final Financial plan and £9.800m of additional operational pressures recognised by the UHB Board, was noted.</li> <li>f) The 2021/22 brought forward Underlying Deficit of £29.7m and the planned forecast carry forward of £20.0m to 2023/24, was noted.</li> </ul> |            |
| <b>FC<br/>14/12/008</b> | <p><b>Financial Performance of Clinical Boards</b></p> <p>The COO covered the discussion in the earlier part of the meeting and would provide a further update at January's Committee meeting.</p> <p><b>The Finance Committee resolved that:</b></p> <ul style="list-style-type: none"> <li>a) The Financial Performance of Clinical Boards was noted.</li> </ul>   | <b>COO</b> |
|                         | <b>Items for Information and Noting</b>  |            |
| <b>FC 14/12/009</b>     | <p><b>Financial Monitoring Return – Month 8</b></p> <p>The Financial Monitoring Return – Month 8 was received.</p> <p><b>The Finance Committee resolved that:</b></p> <ul style="list-style-type: none"> <li>a) The extract from the UHB's Monthly Financial Monitoring Return was noted.</li> </ul>   |            |
|                         | <b>Agenda for Private Finance Committee Meeting</b>  |            |
| <b>FC<br/>14/12/010</b> | <ul style="list-style-type: none"> <li>i. Approval of Private Minutes</li> <li>ii. Update on the Financial plan</li> </ul>   |            |
| <b>FC<br/>14/12/011</b> | <p><b>Any Other Business</b></p> <p>No Other Business was discussed.</p>   |            |

|                         |   |  |
|-------------------------|---|--|
|                         |   |  |
|                         | <b>Review and Final Closure</b>   |  |
| <b>FC<br/>14/12/012</b> | <b>Items to be referred to Board / Committee</b><br><br>No Items to be referred to Board / Committee. |  |
|                         | <b>Date &amp; time of next Meeting</b><br><br>Wednesday 18th January 2022 at 2:30pm Via MS Teams      |  |

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## Public Action Log

Following Finance Committee Meeting  
14 December 2022  
(For the Meeting 18 January 2023)

| Completed actions   |  |   |                                 |               |   |
|---------------------|--|---|---------------------------------|---------------|---|
| REF                 | SUBJECT                                  | AGREED ACTION   | ACTIONED TO                     | DATE          | STATUS/COMMENTS   |
| FC<br>16/11/007     | 2022-23 Forecast deficit                 | A confirmation of the year end forecast and an Accountable Officer's letter to be sent to WG. | Catherine Phillips              | December 2022 | <b>Completed</b><br><br>The DCG wrote an Accountable Officer's letter regarding the cash element and revised deficit, and that has been sent to WG. |
| Actions in progress |  |   |                                 |               |   |
| REF                 | SUBJECT                                  | AGREED ACTION   | ACTIONED TO                     | DATE          | STATUS/COMMENTS   |
| FC<br>16/11/009     | Financial performance of Clinical Boards | Deep dive on how the clinical boards are following through with their actions.                | Paul Bostock/Catherine Phillips | January 2023  | Update on 18 January 2023<br><br>- Private Committee Agenda item 2.2  |
| FC<br>14/12/007     |  | To include quantitate data and context.   |                                 |               |   |
| FC<br>14/12/007     | <b>Financial Report – Month 8</b>        | Unforeseen cost pressures – to undertake a lessons learnt exercise and report                 | Catherine Phillips/Rob Mahoney  | February 2023 | Update on 15 February 2023  |

|                                      |                                 | back to the Committee.  |                |                  |  |
|--------------------------------------|---------------------------------|---|----------------|------------------|--|
| Actions referred to Board/Committees |                                 |   |                |                  |  |
| <b>FC<br/>24/8/008</b>               | High-level funding resource map | The high-level funding resource map would be presented at a future Board Development Session.   | Nicola Foreman | 23 February 2023 | Now scheduled to go to Board Development Session in February 2023 as the Board Development Session planned for December was rescheduled. |
| <b>FC<br/>14/12/007</b>              | Run rates                       | To consider in detail the feasibility of basing the Health Board's longer term financial plan using run rates rather than historical budgets at the next Board Development Session. | Nicola Foreman | 23 February 2023 | Scheduled to be brought to February's Board Development Session  |

Mohamed Sarah  
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|  |  |                                     |                                     |                          |                               |
|--|--|-------------------------------------|-------------------------------------|--------------------------|-------------------------------|
| Report Title:                            | Finance Report for the Period Ended 31 <sup>st</sup> December 2022 |                                     |                                     | Agenda Item no.          | 2.1                           |
| Meeting:                                 | Finance Committee  | Public                              | <input checked="" type="checkbox"/> | Meeting Date:            | 18 <sup>th</sup> January 2022 |
|  |  | Private                             | <input type="checkbox"/>            |                          |                               |
| Status<br><i>(please tick one only):</i> | Assurance  | <input checked="" type="checkbox"/> | Approval                            | <input type="checkbox"/> | Information                   |
| Lead Executive:                          | <b>Executive Director of Finance</b>                               |                                     |                                     |                          |                               |
| Report Author<br>(Title):                | <b>Interim Deputy Director of Finance (Operational)</b>            |                                     |                                     |                          |                               |

## Main Report

### Background and current situation:

#### Summary

At month 9 the UHB is reporting an overspend of £20.491m against its submitted draft plan. This is comprised of £7.666m of operational overspend and the planned deficit of £12.825m (nine twelfths of the annual planned deficit of £17.1m set out in 2022/23 financial plan).

The UHB forecasts a £26.9m deficit for 2022-23.

It is assumed that Welsh Government funding will be provided to support COVID National Programme costs and exceptional inflationary costs arising up to month 9 and for the remainder of the year. Welsh Government has now indicated that Covid Local Response funding will be capped to a maximum of the UHB's month 8 forecast.

**Table 1: Month 9 Financial Position 2022/23**

|   | Cumulative<br>to Month 9<br>£m | Forecast<br>Year-End<br>Position<br>£m |
|---|--------------------------------|--|
| Planned deficit                                     | 12.825                         | 17.100                                 |
| Operational position (Surplus) / Deficit            | 7.666                          | 9.800                                  |
| <b>Financial Position £m (Surplus) / Deficit £m</b> | <b>20.491</b>                  | <b>26.900</b>                          |

#### Financial Plan Approved by Board and submitted to Welsh Government

The Health Board submitted an initial draft financial plan to Welsh Government at the end of March 2022 and a revised plan on 30 June 2022. The plan is structured in three parts, in line with Welsh Government discussions, as follows:

- Core Financial Plan including recovery
- Exceptional inflationary cost increases
- Ongoing COVID response costs (Local and Welsh Government Covid Programmes)

This resulted in an initial 2022-23 planning deficit of £20.8m. The revised plan submitted in June incorporated additional savings totaling £3.7m, resulting in a revised planning deficit of £17.1m.

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## Core Financial Plan – Month 9 Cumulative Position

The UHB is overspent by £20.491m against its core financial plan. £12.825m of this was planned as part of the underlying financial deficit. £7.666m is unplanned, as an overspend in delegated and central positions. Table 2 provides a summary of the Month 9 position.

A number of cost pressures have emerged or increased in the year to date that were not foreseen in the original financial plan. Table 3 summarises the year to date position across the Clinical Boards and delegated areas of the UHB. These placed the UHB's ability to remain within the revised plan's forecast £17.1m deficit under severe pressure causing the UHB to reassess the most likely year end out-turn.

These concerns were shared with Welsh Government colleagues in the mid-year review meeting with the Financial Delivery Unit on the 10th November 2022 and were discussed through the UHB's governance structure, including the Finance Committee and Board, during November. The UHB now forecasts a deficit of £26.9m.

**Table 2: Finance - Key Performance Indicator Dashboard at December 2022**

| Measure  | STATUS REPORT  |        |              |   |                      |
|--|--|--------|--------------|---|----------------------|
|  | December/ November 2022  | Rating | Latest Trend | Target  | Time Period          |
| Deliver 2022/23 Draft Financial Plan                 | £20.491m deficit at month 9. £12.825m planned deficit and £7.666m operational deficit  | R      | ↓            | Deliver 2022/23 £17.1m Planned Deficit                          | M9 2022-23           |
| Remain within capital resource limits.               | Expenditure at the end of November was £17.872m against a plan of £19.995m.  | G      | ⊙            | Remain within approved planned expenditure £46.686m             | M8 2022-23           |
| Maintenance (no deterioration) of Underlying Deficit | £29.7m assessed underlying deficit (ULD) position b/f to month 1. Planned Year End ULD £20.0m.   | R      | ⊙            | 2022/23 plan to reduce from £29.7m to £20.0m underlying deficit | M9 2022-23           |
| Delivery of recurrent £15.400m savings target        | £12.477m forecast at month 8.  | R      | ⊙            | £15.400m  | M8 2022-23           |
| Delivery of £4m non recurrent savings target         | £6.867m forecast at month 8.   | G      | ⊙            | £4.000m   | M8 2022-23           |
| Creditor payments compliance 30 day Non NHS          | Cumulative 94.6% at the end of December  | R      | ↑            | 95% of invoices paid within 30 days                             | M9 2022-23           |
| Remain within Cash Limit                             | The UHB's working capital and strategic cash requirement has been relayed to Welsh Government via an Accountable Officer Letter,. At month 9 the UHB forecast is a year end cash deficit of £31.014m. £26.900m is required to support the forecast deficit and a further £4.234m in respect of working balances. | A      | ⊙            | To remain within Cash Limit                                     | M9 2022-23           |
| Maintain Positive Cash Balance                       | Cash balance = £9.683m   | G      | ⊙            | To Maintain Positive Cash Balance                               | End of December 2022 |

Approved by Sarah  
10/01/2023 15:36:58

## Financial Performance of Clinical Boards

Budgets were set in the anticipation that they were sufficient to deliver the UHB's plan. Financial performance for month 9 by Clinical Board is shown in Table 3.

**Table 3: Financial Performance for the period ended 31st December 2022**

| Clinical Board                                       | Gross Expenditure Due To COVID 19 £m | Welsh Government Covid 19 Funding £m | Exceptional Inflationary Expenditure £m | Welsh Government Exceptional Inflationary Pressure Funding £m | Operational & Covid Position (Surplus) / Deficit £m | Total (Surplus) / Deficit £m |
|--|--------------------------------------|--------------------------------------|---|---|---|------------------------------|
| <b>In Month</b>                                      |                                      |                                      |   |   |   |                              |
| Clinical Diagnostics & Therapies                     | 0.285                                | (0.285)                              | 0.000                                   | 0.000   | 0.009   | 0.009                        |
| Children & Women                                     | 0.213                                | (0.213)                              | 0.000                                   | 0.000   | 0.088   | 0.088                        |
| Capital Estates & Facilities                         | 0.548                                | (0.548)                              | 1.676                                   | (1.676)   | (0.118)   | (0.118)                      |
| Surge Hospitals                                      | 0.000                                | 0.000                                | 0.000                                   | 0.000   | (0.000)   | (0.000)                      |
| Executives   | 0.130                                | (0.130)                              | 0.000                                   | 0.000   | (0.415)   | (0.415)                      |
| All Wales Genomics Service                           | 0.000                                | 0.000                                | 0.000                                   | 0.000   | (0.013)   | (0.013)                      |
| Medicine   | 1.058                                | (1.058)                              | 0.000                                   | 0.000   | 0.190   | 0.190                        |
| Mental Health  | 0.116                                | (0.116)                              | 0.000                                   | 0.000   | (0.074)   | (0.074)                      |
| PCIC   | 1.047                                | (1.047)                              | 0.242                                   | (0.242)   | 0.238   | 0.238                        |
| Specialist   | 0.378                                | (0.378)                              | 0.000                                   | 0.000   | (0.534)   | (0.534)                      |
| Surgery  | 0.380                                | (0.380)                              | 0.000                                   | 0.000   | (0.019)   | (0.019)                      |
| <b>SubTotal Delegated Position £m</b>                | <b>4.155</b>                         | <b>(4.155)</b>                       | <b>1.918</b>                            | <b>(1.918)</b>  | <b>(0.649)</b>                                      | <b>(0.649)</b>               |
| Central Budgets                                      | 0.026                                | (0.026)                              | 0.000                                   | 0.000   | 1.567   | 1.567                        |
| Central Budgets - Planning Deficit                   |                                      |                                      |   |   | 1.425   | 1.425                        |
| <b>Total Deficit/(Surplus) £m</b>                    | <b>4.181</b>                         | <b>(4.181)</b>                       | <b>1.918</b>                            | <b>(1.918)</b>  | <b>2.344</b>  | <b>2.344</b>                 |
| Draft 2022/23 Planning Deficit                       |                                      |                                      |   |   | (1.425)   | (1.425)                      |
| <b>Operational Deficit/(surplus Against Plan) £m</b> | <b>4.181</b>                         | <b>(4.181)</b>                       | <b>1.918</b>                            | <b>(1.918)</b>  | <b>0.919</b>  | <b>0.919</b>                 |
| <b>Cumulative</b>                                    |                                      |                                      |   |   |   |                              |
| Clinical Diagnostics & Therapies                     | 1.921                                | (1.921)                              | 0.380                                   | (0.380)   | 0.165   | 0.165                        |
| Children & Women                                     | 1.321                                | (1.321)                              | 0.447                                   | (0.447)   | 1.197   | 1.197                        |
| Capital Estates & Facilities                         | 4.126                                | (4.126)                              | 9.281                                   | (9.281)   | 2.399   | 2.399                        |
| Surge Hospitals                                      | 0.000                                | 0.000                                | 0.001                                   | (0.001)   | 0.004   | 0.004                        |
| Executives   | 1.081                                | (1.081)                              | 0.177                                   | (0.177)   | (0.046)   | (0.046)                      |
| All Wales Genomics Service                           | 0.000                                | 0.000                                | 0.049                                   | (0.049)   | (0.031)   | (0.031)                      |
| Medicine   | 14.127                               | (14.127)                             | 0.506                                   | (0.506)   | 3.721   | 3.721                        |
| Mental Health  | 1.411                                | (1.411)                              | 0.255                                   | (0.255)   | 2.020   | 2.020                        |
| PCIC   | 13.860                               | (13.860)                             | 2.343                                   | (2.343)   | 1.098   | 1.098                        |
| Specialist   | 2.281                                | (2.281)                              | 0.482                                   | (0.482)   | (2.438)   | (2.438)                      |
| Surgery  | 3.485                                | (3.485)                              | 0.628                                   | (0.628)   | 2.378   | 2.378                        |
| <b>SubTotal Delegated Position £m</b>                | <b>43.613</b>                        | <b>(43.613)</b>                      | <b>14.549</b>                           | <b>(14.549)</b>   | <b>10.468</b>                                       | <b>10.468</b>                |
| Central Budgets                                      | 0.242                                | (0.242)                              | 0.144                                   | (0.144)   | (2.803)   | (2.803)                      |
| Central Budgets - Planning Deficit                   |                                      |                                      |   |   | 12.825  | 12.825                       |
| <b>Total Deficit/(Surplus) £m</b>                    | <b>43.855</b>                        | <b>(43.855)</b>                      | <b>14.693</b>                           | <b>(14.693)</b>   | <b>20.491</b>                                       | <b>20.491</b>                |
| Draft 2022/23 Planning Deficit                       |                                      |                                      |   |   | (12.825)  | (12.825)                     |
| <b>Operational Deficit/(surplus Against Plan) £m</b> | <b>43.855</b>                        | <b>(43.855)</b>                      | <b>14.693</b>                           | <b>(14.693)</b>   | <b>7.666</b>  | <b>7.666</b>                 |

The operational deficit of £10.468m against delegated budgets is offset by a £2.803m underspend against central budgets leaving a total operational & Covid overspend of £7.666m before the addition of the cumulative £12.825m planned deficit to leave a total overspend of £20.491m

The largest operational overspends are in the Medicine Clinical Board (£3.721m deficit) where the main pressure areas are nursing and medical staffing, in Capital Estates & Facilities (£2.399m deficit) where there are pressures against security costs, patient catering in EU and commercial income and in Surgery (£2.378m deficit) where there are medical staff and nursing pressures.

Table 4 provides details of some of the cost pressures impacting operational positions. These pressures are incorporated within the financial tables included within the body of the report and within the appendices. The cost pressures have the effect of removing budgetary surpluses that the UHB has partially relied on to achieve break even positions in previous financial years.

**Table 4: Key Cost pressures and risks within delegated positions as at Month 9**

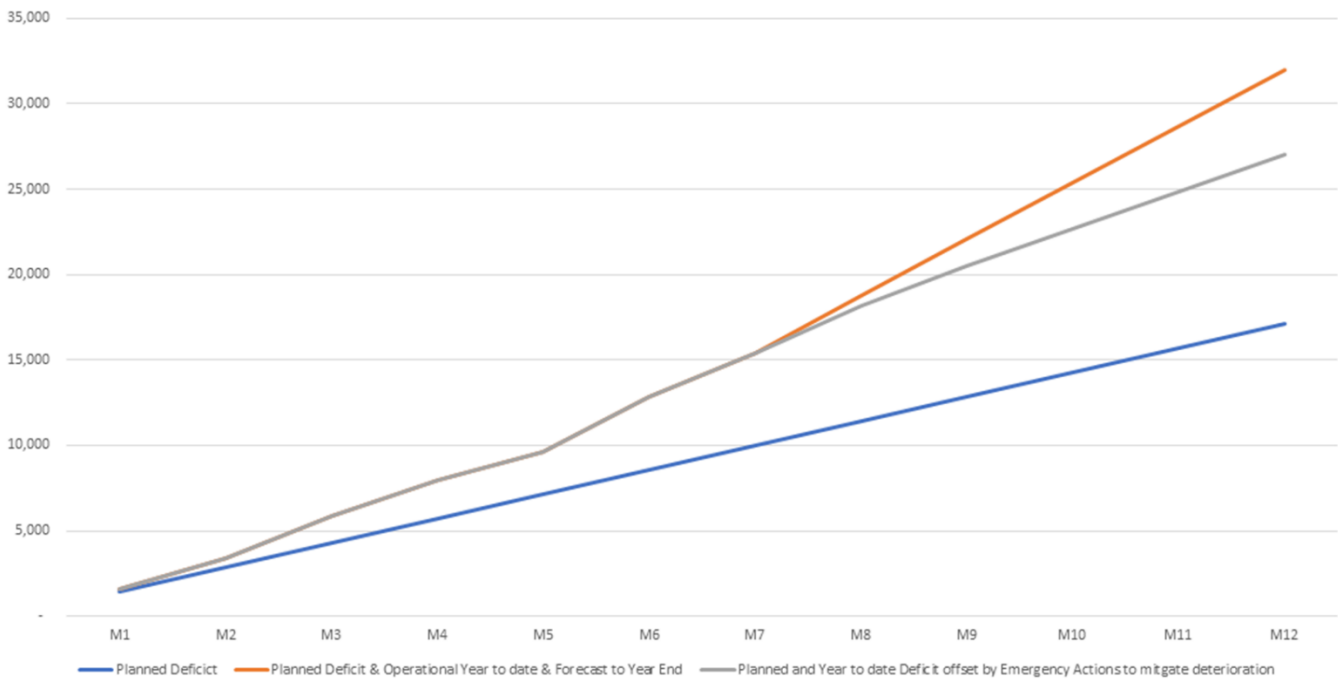
|   | Impact in Month | Year to date impact | Full Year Forecast Impact |  |
|---|-----------------|---------------------|---------------------------|--|
| Key Cost pressures incorporated in position at Month 9          | £000s           | £000s               | £000s                     | Future outlook and potential mitigations   |
| Unfunded Medical Staffing inc. Agency & Premium costs           | 514             | 3,811               | 4,815                     | Strategies to improve permanent Recruitment and Retention will improve agency dependency. Additional costs have been incurred in month in respect of the consultants pension recycling scheme. |
| Nursing Staff Agency & Premium costs                            | -66             | 3,087               | 3,944                     |  |
| International Nurse Recruitment                                 | 53              | 708                 | 944                       | Non recurrent based on unforeseen excess costs 2021-22 initiative  |
| WHSSC LTA performance   | -91             | 791                 | 1,100                     | WHSSC performance should recover towards the end of the year and will improve on return to pre Covid footprint   |
| Patient Catering to EU and food price rises                     | 102             | 731                 | 975                       | Will benefit from throughput initiatives   |
| Prescribing   | 885             | 3,847               | 6,146                     | National Pressures including exceptional costs associated with NCSOs . The Prescribing advisors have a plan in place focussed in part on further savings plans.                                |
| Mental Health CHC Placements                                    | 194             | 1,918               | 2,676                     | Nurse Director led initiative to improve CHC placement pressures   |
| Community Pharmacy increased product and practice payment costs | 135             | 687                 | 418                       | Increased product and practice payment costs.  |
| Security at Rookwood & Whitchurch                               | 92              | 883                 | 1,177                     | Will continue to be incurred until the disposal of estate  |
| Footfall impact on Aroma Sales/Concourse Leases                 | 136             | 992                 | 1,323                     | Anticipated that footfall will improve as UHB moves away from Covid footprint. Service is working through options to reduce losses   |

The UHB continues to face a significant challenge as it improves elective throughput from an operational footprint that is still dealing with Covid patients and primed for a further upswing in cases. This is coupled with difficulties in discharging patients to appropriate support packages in the community whilst experiencing increased emergency demand. This in turn has restricted the UHB's ability to deliver a full elective output when contractual obligations to recover to pre pandemic activity levels has re-introduced financial performance arrangements for under delivery of patient activity. In particular, WHSSC commissioned specialties operate to sensitive contract parameters that include high marginal rates for under and over performance.

The continued deterioration of the UHB position in Month 9 and the ongoing nature of the cost pressures highlighted in Table 4 continues to represent a risk. A central focus of Executive Performance Reviews with Clinical Boards has been on the remedial actions and additional savings that are needed to mitigate and address these cost pressures.

The revised forecast deficit of £26.9m was agreed by the Board in month 8 in recognition of year to date position. Delivery of the revised forecast will require continuing focus and downward pressure on the UHBs cost base.

Cardiff & Vale UHB - Planned versus current EOY Trajectory 2022-23 @ MONTH 9



## Exceptional Costs

In line with guidance from Welsh Government, the UHB's plan anticipated Welsh Government funding for the three National Inflationary Pressure exceptional costs:

- 1) **Increased** energy costs of £20.9m for 2022-23. The Year to date is assessment is additional energy costs of £9.173m, with further additional costs expected in the final quarter.

The UHB receives market intelligence on prices from Shared Services on a monthly basis, which in turn is based on market forecasting provided by British Gas. The Shared Services Forecasting model is based on the latest spot price and consequently provides for a high level of volatility between forecasts.

The energy forecast will remain a live piece of work involving the UHB Capital and Estates Team and Shared Services market intelligence, in light of the volatility of market intelligence.

- 2) Employers NI costs of £6.9m. Following the announcement of the discontinuation of the levy from November 6th 2022 the forecast was revised down to £3.345m and the same level of funding has been confirmed.
- 3) The impact of paying Real Living Wage (RLW) for staff working within social care and the Third Sector remains at the original estimated level of a £2.9m increase in annual costs.

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A summary of forecast exceptional costs is outlined in Table 5 below:

**Table 5 – Exceptional Cost Year to Date 2022-23**

|  | <b>Month 9</b> |
|--|----------------|
| <b>Incremental costs in 2022/23</b>                            | <b>£m</b>      |
| Energy/Fuel  | 9.173          |
| National Insurance Levy  | 3.345          |
| Living Wage - Social Care                                      | 2.175          |
| <b>Total Exceptional Costs Expenditure £m</b>                  | <b>14.693</b>  |
|  |                |
| <b>Sub Total Exceptional Cost funding confirmed/assumed £m</b> | <b>14.693</b>  |

Welsh Government funding to support the National Insurance Levy and Social Care Providers has been confirmed. Funding for Exceptional costs of Energy is assumed but has not yet been confirmed.

### **COVID 19 Expenditure and Funding**

The expenditure for the year to date is summarised in Table 6 below. Forecast costs for the year are broadly in line with expected Welsh Government Covid funding.

**Table 6: Summary of Year To Date COVID 19 Net Expenditure**

|  | <b>Month 9</b> |
|--|----------------|
|  | <b>£m</b>      |
| COVID 19 Testing   | 0.916          |
| COVID 19 Tracing   | 3.739          |
| COVID 19 Vaccination   | 6.427          |
| Extended Flu Vaccination   | 0.788          |
| PPE  | 2.277          |
| <b>Sub Total National Programmes</b>                                 | <b>14.147</b>  |
| Cleaning Standards   | 1.978          |
| COVID 19 Local Response  | 25.164         |
| <b>Sub Total Local response including Cleaning Standards</b>         | <b>27.142</b>  |
|  |                |
| Dental Income; Long Covid; Anti-Viral; Allergy Advice and Nosocomial | 2.566          |
|  |                |
| <b>Total COVID Expenditure £m</b>                                    | <b>43.855</b>  |

Welsh Government confirmed that funding for Covid National Programme costs can be assumed by health boards.

Welsh Government acknowledged the assumption of financial support for Covid Response costs by health boards in the 2022-23 financial year but has been consistent in stating that this assumption is carried at risk. Welsh Government recently reviewed guidance and indicated to health boards that funding support will be capped at a maximum of Month 8 reported costs for each health board.

## Summary Financial Table

The following table analyses the £20.491m overspend at Month 9, between Income, Pay and Non Pay.

**Table 7: Summary Financial Position for the period ended 31<sup>st</sup> December 2022**

| Income/Pay/Non Pay      | Memorandum<br>Annual<br>Budget<br>£m | Current<br>Period<br>Budget<br>£m | Current<br>Period<br>Actual<br>£m | Operational<br>Variance<br>(Fav)/Adv<br>£m |
|-------------------------|--------------------------------------|-----------------------------------|-----------------------------------|--|
| <b>In Month</b>         |                                      |                                   |                                   |  |
| Income                  | (1,759.066)                          | (158.746)                         | (159.097)                         | (0.351)                                    |
| Pay                     | 779.430                              | 67.622                            | 65.954                            | (1.668)                                    |
| Non Pay                 | 979.636                              | 91.124                            | 94.062                            | 2.937                                      |
| Sub Total £m            | 0.000                                | 0.000                             | 0.919                             | 0.919                                      |
| 2022/23 Planned Deficit | 17.100                               | 1.425                             | 1.425                             | 1.425                                      |
| Variance to Plan £m     | 17.100                               | 1.425                             | 2.344                             | 2.344                                      |
| <b>Cumulative</b>       |                                      |                                   |                                   |  |
| Income                  | (1,759.066)                          | (1,317.791)                       | (1,318.750)                       | (0.959)                                    |
| Pay                     | 779.430                              | 594.542                           | 588.273                           | (6.268)                                    |
| Non Pay                 | 979.636                              | 723.250                           | 738.143                           | 14.893                                     |
| Sub Total £m            | 0.000                                | 0.000                             | 7.666                             | 7.666                                      |
| 2022/23 Planned Deficit | 17.100                               | 12.825                            | 12.825                            | 12.825                                     |
| Variance to Plan £m     | 17.100                               | 12.825                            | 20.491                            | 20.491                                     |

## Key Financial Assumptions and Risks

Following on from Tables 6 & 7 the overall UHB position assumes:

- Local COVID response allocations from Welsh Government to support the ongoing additional COVID costs and to fund achieving the Cleaning Standards. This is based on the Welsh Government direction that funding will be capped in line with the month 8 assessment of forecast costs.
- Welsh Government funding for national COVID programmes on an actual cost basis, to cover:
  - Testing costs
  - Tracing costs (allocated from separate fund)
  - Mass vaccination programme
  - Extended Flu Vaccination
  - PPE
- Funding for exceptional cost pressures which are deemed to be outside of the UHB's direct control. The forecast cost of exceptional cost pressures will be subject to review as the year progresses mainly driven by the unpredictable nature of energy costs.

Table 8 summarises the Finance Department's Risk Register. The key risk which feeds the UHB Corporate Risk Register is the failure of the UHB to deliver a breakeven position by 2022-23 year end with a current planned deficit of £17.1m.

**Table 8: Risk Register at December 2022**

|                              | Risks  | Rating | Comment   |
|------------------------------|--|--------|---|
| <b>Key Corporate Risk</b>    | Approved Three year Financial plan (IMTP)  | 20     | A revised financial plan was submitted into Welsh Government on 30 June 2022. The plan originally projected a £17.1m deficit by the end of 2022-23. Welsh Government has now moved into Enhanced Monitoring based on financial concerns. The UHB has revised its 2022-23 year end forecast to a £26.9m operational deficit.         |
|                              | Revenue Funding Limit.   | 20     | The UHB has submitted a £17.1m deficit plan and therefore will breach breakeven duty in 2022-23. There is a high risk that this will not be recovered in years two and three of the rolling performance measure. The UHB has revised its 2022-23 year end forecast to a £26.9m operational deficit.                                 |
|                              | Capital Funding - Three Year Rolling Breakeven Duty  | 10     | The current 2022-23 UHB Capital Plan is structured to remain within the Capital Resource limit  |
| <b>Financial Performance</b> | Operational delegated positions deteriorate in year resulting from cost and service pressures and excess inflation.                  | 20     | Table 4 refers to new in year cost pressures arising from demand and staffing pressures whilst still maintaining a Covid ready environment.   |
|                              | Failure to deliver 2022-23 Savings Programme   | 12     | Most savings have been identified to address the 2022-23 programme but the shortfall of recurrent savings within this will bring pressure on the underlying carry forward deficit of the UHB. In addition, the UHB had to identify £3.4m of new savings to deliver the revised £17.1m deficit plan.                                 |
|                              | Failure to exit current Covid Response costs once Welsh Government funding ceases. Cost will transfer to the UHB underlying deficit. | 16     | The timing of full Covid exit is uncertain alongside any associated Welch Government funding. On full exit there are likely to be care model and building support costs that will maintain e.g. Lakeside Wing support costs.  |
|                              | 2022-23 One Year LTA framework in NHS Wales  | 9      | Failure to recover delivery of activity to contracted organisations (WHSSC , Welsh LHBs to a level of 90% of 2019-20 levels and beyond. Initial activity figured for 2022-23 indicate that the UHB will struggle to deliver 90% across the Board whilst the WHSSC contracts are more sensitive to any activity deficits below 100%. |
| <b>Funding Assumptions</b>   | Welsh Government has notified LHBs to assume funding for Exceptional Costs based on month 6 forecasts and this will be reviewed      | 9      | Funding for the Real Living Wage and NI levy has been confirmed. Exceptional Energy costs were circa £9m at month 9 and Welsh Government funding is assumed to cover this and further costs in the final quarter of the year.   |
|                              | Welsh Government has notified LHBs to assume funding based on month 8 forecast   | 9      | Covid Local response costs are expected to be broadly in line with confirmed Welsh Government by year end.  |

**Savings Programme**

The UHB expects to broadly deliver the revised £19.400m savings target.

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## Underlying Financial Position

A key challenge to the UHB is the elimination of the underlying deficit. The UHB's accumulated underlying deficit brought forward into 2022/23 was £29.7m.

Delivery of the UHB's draft financial plan will ensure that the underlying position does not deteriorate in 2022/23 and reduces to £20.0m as outlined in Table 9.

**Table 9: Summary of Underlying Financial Position**

|   | Submitted Plan £m |
|---|-------------------|
| <b>b/f underlying deficit</b>                       | <b>(29.7)</b>     |
| Net Allocation Uplift (inc LTA inflation)           | 29.8              |
| Cost Pressures                                      | (31.8)            |
| Cost Pressures - Non recurrent                      | (1.1)             |
| Investments   | (4.0)             |
| Recurrent Cost Improvement Plans                    | 12.0              |
| Non Recurrent Cost Improvement Plans                | 4.0               |
| First Draft Submitted 2022/23 IMTP £m               | (20.8)            |
| Further Financial Recovery Plans                    | 3.7               |
| <b>Final Submitted 2022/23 IMTP £m</b>              | <b>(17.1)</b>     |
| Cost Pressures - Non recurrent                      | 1.1               |
| Non Recurrent Cost Improvement Plans                | (4.0)             |
| <b>Planned Underlying Deficit c/f to 2023/24 £m</b> | <b>(20.0)</b>     |

This position is premised on C&V UHB maintaining an out-turn position of £17.1m in 2022-23. The forecast deterioration from this position is likely to have a mainly recurrent impact and increase the underlying deficit for the UHB's 2023-24 financial plan. The UHB is re-assessing its underlying deficit through its 2023-24 financial planning work which is currently underway.

## Cash Flow Forecast

The closing cash balance at the end of December, was £9.683m.

The UHB is currently predicting a minimum cash shortfall of £31.134m in 2022/23. This reflects the £26.9m forecast deficit and an estimated working cash balance requirement of £4.234m.

Strategic cash support is required to cover the cash shortfall arising from the forecast deficit and an Accountable Officer letter has been relayed to cover this request.

In addition, the UHB has identified an estimated working cash balance requirement of £4.234m to Welsh Government. This is comprised of a £1.339m of payment in respect of the Annual Leave Buy Back Scheme, £1.455m in respect of the removal of IFRS 16 Leases and a further £1.440m in respect of 2021/22 Welsh Government funding confirmed in March 2022, which was not backed by cash because of the proximity of the end of the financial year.

## Public Sector Payment Compliance

The UHB's public sector payment compliance performance remains below the target of 95%. Performance for the 9 months to the end of December was 94.6%. Whilst this remains below the target, it represented an improvement of 0.1% in month.

The below target performance is due to the high number of invoices which were on hold and subsequently cleared following work by the Procurement department with those placing orders to clear the backlog of holds. However, this has contributed to the performance remaining below target, as holds exceeding the 30 days have been resolved and paid.

Performance is expected to continue to improve. Work is ongoing with departments within the UHB, including training, to address the level of orders not receipted, and the high number of workforce and nursing holds, which should improve the UHB's position.

#### Executive Director Opinion and Key Issues to bring to the attention of the Board/Committee:

The draft Financial Plan sets out the UHB financial strategy in three parts:

1. Core Financial Plan including recovery
2. National inflationary pressures which are out of the direct control of individual Health Boards
3. Ongoing COVID response costs and Welsh Government Covid Programmes

The planning deficit included in the UHBs Final Financial Plan for 2022/23 reduced from £20.8m to £17.1m financial plan following the inclusion of further recurrent Financial Recovery Plans totaling £3.7m.

Delivery of the core financial plan initially included a 2% (£16.0m) savings requirement, which included a recurrent savings target of £12.0m. A further recurrent savings target of £3.4m was added to the initial target and included within the final financial plan submitted to Welsh Government at the end of Quarter 1.

The UHB also needs to manage its operational position and mitigate any emerging pressures as its Covid response costs are collapsed. The rate of operational overspend was £0.919m in month 9 which is broadly in line with the trend in the first 8 months of the year. The reported operational overspend which is £7.666m for the 9 months to the end of December remains cause for concern and has prompted enhanced monitoring through the monthly Executive Performance Reviews of Clinical Boards.

The UHB position is predicated on the assumption of Welsh Government continuing to provide income support for local Covid response, exceptional costs and central Covid programmes.

These assumptions continue to be tested out in ongoing discussions with Welsh Government regarding the UHB's Financial Plan.

#### Recommendation:

At Month 9 the Committee are requested to:

- **NOTE** the reported year to date overspend of £20.491m and the forecast deficit of £26.900m.
- **NOTE** the year to date financial impact of forecast COVID 19 costs which is assessed at £43.855m with assumed Welsh Government funding of £43.855m.
- **NOTE** the financial impact of year to date Exceptional Inflationary Pressures which is assessed at £14.693m with assumed Welsh Government funding of £14.693m.
- **NOTE** the forecast deficit of £26.900m, which comprises of the £17.1m planned deficit identified in the Final Financial plan and £9.800m of additional operational pressures recognised by the UHB Board.
- **NOTE** the 2021/22 brought forward Underlying Deficit of £29.7m and the planned forecast carry forward of £20.0m to 2023/24.

**Link to Strategic Objectives of Shaping our Future Wellbeing:**

*Please tick as relevant*

|   |  |   |   |
|---|--|---|---|
| 1. Reduce health inequalities   |  | 6. Have a planned care system where demand and capacity are in balance  |   |
| 2. Deliver outcomes that matter to people   |  | 7. Be a great place to work and learn   |   |
| 3. All take responsibility for improving our health and wellbeing   |  | 8. Work better together with partners to deliver care and support across care sectors, making best use of our people and technology |   |
| 4. Offer services that deliver the population health our citizens are entitled to expect                  |  | 9. Reduce harm, waste and variation sustainably making best use of the resources available to us                                    | x |
| 5. Have an unplanned (emergency) care system that provides the right care, in the right place, first time |  | 10. Excel at teaching, research, innovation and improvement and provide an environment where innovation thrives                     |   |

**Five Ways of Working (Sustainable Development Principles) considered**

*Please tick as relevant*

|            |  |           |   |             |  |               |  |             |  |
|------------|--|-----------|---|-------------|--|---------------|--|-------------|--|
| Prevention |  | Long term | x | Integration |  | Collaboration |  | Involvement |  |
|------------|--|-----------|---|-------------|--|---------------|--|-------------|--|

**Impact Assessment:**

*Please state yes or no for each category. If yes please provide further details.*

Risk: Yes

No

Safety: Yes/No

No

Financial: Yes

As detailed in the report.

Workforce: Yes/No

No

Legal: Yes/No

No

Reputational: Yes/No

Yes, if forecast financial position is not delivered.

Socio Economic: Yes/No

No

Equality and Health: Yes/No

No

Decarbonisation: Yes/No

No

**Approval/Scrutiny Route:**

Finance Committee

Date: 18<sup>th</sup> January 2023

|  |  |
|--|--|
|  |  |
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