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Iechyd Cyhoeddus
Cymru
Public Health
Wales

Name of Meeting

Board

Date of Meeting

24 June 2021

Agenda item:

3.1

Financial Plan and Budgetary Control Framework 2021/22

Executive lead: Huw George, Deputy Chief Executive / Executive Director Operations and Finance

Authors: Angela Fisher, Deputy Director of Finance

Approval/Scrutiny route: Updates on budget principles and financial plan previously provided to Business Executive Team.

Purpose

The purpose of this report is to outline to the Executive Team and the Board the updated Public Health Wales revenue and capital financial plan for 2021/22 and budgetary control framework. This is following submission of the draft annual plan and subsequent feedback from Welsh Government and Finance Delivery Unit.

Recommendation:

APPROVE

CONSIDER

RECOMMEND

ADOPT

ASSURANCE

The Board is asked to approve the updated Financial Plan and Budgetary Control Framework 2021/22, noting the ongoing review and scrutiny process.

Link to Public Health Wales [Strategic Plan](#)

Public Health Wales has an agreed strategic plan, which has identified seven strategic priorities and well-being objectives.

This report contributes to the following:

Strategic Priority/Well-being Objective	All Strategic Priorities/Well-being Objectives
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Summary impact analysis

Equality and Health Impact Assessment	An EQIA is not required as the paper is an update on previously agreed strategies.
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Risk and Assurance	Risks are included in the paper.
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Health and Care Standards	This report supports and/or takes into account the Health and Care Standards for NHS Wales Quality Themes All themes
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Financial implications	Financial implications are set out in the document
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People implications	The paper takes account of the workforce planning activity.
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Our Budget Strategy 2021-22

1. Introduction

In March 2021, Public Health Wales approved its 2021/22 financial plan and budget strategy. That document contributed to the draft Annual Plan submitted to Welsh Government in March 2021.

The Welsh Government planning process requires all NHS organisations to submit a final version of the Annual Plan by 30th June 2021.

This paper seeks to provide an outline of the updated financial plan highlighting key changes from the draft plan and detail of financial risks.

2. Financial Planning and Budget Setting Principles

Financial Planning and Budget Setting Principles were set out and approved in the March Budget Strategy. These principles have not changed and will not be revisited within this paper

3. Welsh Government Core Allocation

On the 21 April 2021 Welsh Government provided Public Health Wales with an updated core allocation of £117.004m. This reflects a reduction of £1.076m from £118.079m, which was the core allocation identified by Welsh Government on 29 January 2021 and was reflected in the Public Health Wales draft Financial Plan.

The reason for the reduced core allocation is that Welsh Government have instead agreed to fund several Public Health Wales developments based on reimbursing on actual costs.

The changes to the core allocation are detailed in **Table 1** below:

Table 1

2021/22 CORE FUNDING ALLOCATION IN DRAFT PLAN		£118.079
Less Funding Removed to be Reimbursed Based on Actual Costs 21/22:		
IP5 Lab Business Case		-0.830
Early Years Health Prevention		-1.080
Obesity Plan		-1.200
FIT Optimisation		-4.534
Sub Total		110.436
Funding Added to Draft Core Allocation for 21/22		
Strengthening Health Protection Services		6.147
Improvement Cymru		0.438
Sub Total		117.021

Other Adjustments for 21/22

Adjustment to 2% Inflationary Uplift (due to change in Core Allocation quantum)

-0.017

2021/22 Baseline Funding Allocation (revised figure)

£117.004

The costs associated with the developments to be reimbursed on an actual basis have been estimated for the financial planning purposes. The associated funding is summarised in the following two tables. **Table 2** below shows the expected non-Covid funding based on actuals and **Table 3** shows the expected Covid funding based on actuals.

It is important to note that a number of these are recurrent commitments that have had prior Welsh Government approval, so we are requesting that these form part of our core baseline funding going forward.

Table 2

2021/22 Welsh Government Funding – To be Reimbursed on Actual Cost Basis (NON-COVID)	£000's
Early Years Health Prevention	1.080
Obesity Plan	2.800
FIT Optimisation	1.755
Total	5.635

Table 3

2021/22 Welsh Government Funding – To be Reimbursed on Actual Cost Basis (COVID)	Pay £000s	Non Pay £000s	Total £000s
Test Trace Protect – non-pay testing costs Covid		51.395	51.395
Test Trace Protect – non-pay testing costs Rapid Testing		7.141	7.141
Test Trace Protect – Contact Tracing	2.000		2.000
Pathogen Genomics	0.705	5.832	6.537
Turnaround Times & Resilience	5.874		5.874
IP5 Lab Business Case	0.689	0.141	0.830
Vaccination Programme	0.752	0.706	1.458
Online Testing STIs (Apr – Sept Only)	0.071	0.779	0.850
Total	10.091	65.994	76.085

There are two anticipated Welsh Government Income Stream within the plan, which have not yet been approved. This is in relation to the reactivation/recovery of Screening Services and Shared Services PPE recharges which are included below in table 4, this contributes to our total anticipated Welsh Government income of £199.975m:

Table 4

2021/22 Anticipated Welsh Government Funding – Not Yet Approved		£000's
Screening Recovery Programme		1.094
PPE – Shared Services Recharges		156
Total PHW Approved and Anticipated WG Funding		199.975

We will keep Welsh Government informed of changes to these ongoing costs and funding requirements through the monthly monitoring arrangements.

4. Our 2021/22 Revenue Plan

Our 2021/22 Revenue Plan has been updated from the previous Financial Plan and Budget Control Framework due to changes to Welsh Government allocations and revised expenditure forecasts for COVID and Non-COVID testing modelling assumptions, Pathogen Genomics sequencing requirements and recovery plans for Screening programmes.

The updated financial plan is set out in **Table 5**.

Table 5

Item	Non-Covid	Covid	Total
<u>Income</u>			
2020/21 Income	135,540		135,540
2021/22 Allocation Letter Uplift	10,681	0	10,681
Other WG Funding Based on Actuals 2021/22	5,635	76,085	81,720
Anticipated WG Income - Not approved Screening Recovery		1,250	1,250
Additional 2021/22 Non-Core Income	2,029		2,029
Total Anticipated 2021/22 Income	153,885	77,335	231,220
<u>Expenditure</u>			
2020/21 Expenditure + Additional Non-Core Spend	137,569		137,569
<u>Cost of New Developments Funded Through Allocation letter</u>			
Pay Award & Inflation	2,165		2,165
Strengthening the National Health Protection Service	1,931		1,931
Improvement Cymru	438		438
Health Protection Business Case	6,147		6,147
<u>Cost of New Developments Not Funded Through Allocation Letter</u>			
Early Years Prevention	1,080		1,080
Obesity Plan	1,200		1,200
Obesity Strategy :Targeted Children and Families Intervention	600		600
Obesity Strategy : Diabetes	1,000		1,000
FIT Optimisation	1,755		1,755
PHW Microbiology Lab IP5 approved business case		871	871
Covid related Pathogen Genomics (fixed costs- staff, I.T. etc)		705	705
Covid related Pathogen Genomics (variable costs - consumables)		5,832	5,832

TTP contact tracing operation	2,538	2,538
Turn Around Time and Resilience	5,874	5,874
Vaccination Programme	1,458	1,458
Online Testing STIs (First 6 Months)	850	850
Testing Non-Pay Costs Covid Testing	51,961	51,961
Testing Non-Pay Costs for Non-Covid Rapid Testing	7,141	7,141
PPE - Shared Services Recharge	156	156
Pay underspends due to Covid	-1,145	-1,145
Screening Recovery Net Cost	1,094	1,094

Total Anticipated 2021/22 Expenditure	153,885	77,335	231,220
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2021/22 Variance	-0	0	-0
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It is worth noting the financial planning assumptions that have been made for the following key areas of forecast expenditure within the revenue plan:-

- **COVID Non-Pay Testing**

Planning and modelling for demand is complex and is impacted by several factors all of which can have cumulative or multiplying effects on each other and therefore the outcome. The single biggest driver will be national policy and its application – who needs testing, by which methodology and what frequency.

In simple terms, we have looked at the history of the testing and this has provided a reasonably constant average of ~3,500 tests per day. There has been a proportion of time where this has been above 4,000 tests and on only a handful of occasions, the demand has exceeded 5,000 tests a day. We have taken this as default and then considered the likelihood of change against a range of factors.

Factor Affecting testing Volume	Impact on Modelling	Confidence
Vaccination	Reduction in demand	Medium
Variants	Immaterial Change	High
Lighthouse Networks	Immaterial Change	Medium
Lateral Flow testing	Immaterial Change	High
Hospital Flow	Immaterial Change	Medium
Streaming of Patients	For purposes of current modelling – An increase in demand which accounts for some of the difference between 3,500 and 5,000 a day during winter months.	High

Outbreaks	For purposes of current modelling – An increase in demand which accounts for some of the difference between 3,500 and 5,000 a day during winter months.	High
Public Behaviour	Immaterial Change	Medium

Clearly, we cannot predict day-by-day demand and our financial planning assumptions are based on flattened averages of 3,500 tests per day during April to August and then 5,000 tests per day during September to March. For planning purposes, it is suggested that a 20% variable is used to provide a low, medium and high range, however, for the revenue plan we have used the medium range.

Testing Volumes

Period	-20%	Average	+20%
April 2021 – August 2021	2,800	3,500	4,200
September 2021 – March 2022	4,000	5,000	6,000

Testing Costs

Period	-20%	Average	+20%
April 2021 – March 2022	£42.828m	£51.393m	£61.672m

Our assumptions are based on:

- No fundamental changes to current policy
- No fundamental changes to technology or testing capacity / capability
- No vaccine escape variant
- No dramatic increase in hospital capacity

- **Non-COVID Non-Pay Testing**

In August 2020 Public Health Wales submitted a business case to Welsh Government to improve Turn Around Times for COVID-19 testing and to increase the resilience of the network of NHS laboratories. This considered the challenge of not just providing rapid testing for COVID testing but also what other pathogens might additionally help the streaming of both scheduled and unscheduled care. The case was approved on 7 August 2020.

The business case involved the following aspects:

- Establishing 24/7 regional testing (Cardiff, Swansea and Rhyl)
- Establish six new 'hot labs' to extend rapid molecular testing to acute sites without a microbiology laboratory presence.
- Extend the rapid molecular offer across all sites

- Extend the rapid molecular offer repertoire to include non-COVID tests to assist patient streaming

There are a number of clinical pathways that benefit from the rapid molecular offer in the business case and the model adopted sees a tiered approach to our 'hot lab' offering across the network which provides an equitable and reasonable level of service:-

- Biofire platforms for respiratory testing. It has the widest pathogen panel and provides greatest benefit to the clinician and clinical site management team for managing patients with a respiratory infection presentation;
- Cepheid platforms would be utilised to provide fast testing for MRSA, VRE, C diff, Norovirus and CPO, and
- Eplex platforms would be used to undertake blood culture testing.

To date the service has focused on establishing rapid COVID testing and then preparations for the blood culture testing. The next phase has been the validation and verification for the other targets included in the case. Discussions with Chief Operating Officers, Medical Directors, Infection Prevention and Control Teams as well as clinical site teams have confirmed that the provision of these tests are seen as high value and part of NHS Wales' overall response and reactivation to the pandemic (and onwards).

The levels of activity within the business case were calculated on a service provision across the sites with hot lab functions, and our plan includes the assumption of 320 tests per day across all labs.

	Low (272 tests per day)	Medium (320 tests per day)	High (352 tests per day)
Testing Volumes July 2021 – March 2022	74,528	87,680	96,448
Testing Costs July 2021 – March 2022	£6.070m	£7.141m	7.855m

The commissioning model in mind was to provide a testing level using this core funding but that demand beyond this volume will be picked up via normal arrangements with the Health Boards within our Service Level Agreements.

- **Screening Programmes Recovery**

There were four phases of the screening programmes during the pandemic, pause, reinstatement, continuation and recovery. All screening programmes were reinstated over summer 2020 following the necessary pause for the adult programmes in the first wave of the pandemic. The reinstatement was undertaken with risk stratified approach to reduce harm.

Capacity of screening was reduced following reinstatement due to requirement for covid safe pathways and reduction in availability of venues.

In March 2021 the recovery phase commenced, with plans to enable the services to increase the screening activity to above baseline pre pandemic levels to reduce the backlog resulting from both the pause and the reduced activity following reinstatement.

To plan the recovery, the following key actions have been undertaken

- Backlog and length of delay has been quantified
- Metrics for monitoring each programme service levels to measure recovery have been identified
- Costed prioritised programme specific actions identified that will increase screening capacity and throughput to enable the programmes to be recovered.

The estimated costs based on current plans to recover the programmes are currently forecast in the region of £1.7m for 2021/22 with recurrent impacts to be determined. An assessment of screening budgets has been completed, and approximately £0.7m has been identified to cover the additional recovery costs in 2021/22. There is a shortfall of approximately £1m, which has been included as anticipated funding from Welsh Government.

5. Cost Pressure and Investment Funding

The creation of an internal investment fund for 2021/22 and the planned allocation of these funds was approved in the March Budget Strategy. There are no changes to this approach and all values remain as approved in the March paper.

6. 2021/22 Revenue Plan by Directorate

We manage our financial risk on a monthly basis, which includes scrutiny of Directorate budgets and spending plans. These are risk assessed and regularly reviewed as part of the ongoing governance and assurance framework.

Table 6

Directorate	Pay £000s	Non Pay £000s	Grand Total £000s
Board and Corporate	2,004	115	2,119
Central Budgets	3,008	4,898	7,906
ACEs	370	170	540
COVID-19			
Resilience & TAT	5,874		5,874
IP5	689	141	830
Genomics Sequencing	705	5,832	6,537
Laboratory Testing	0	58,537	58,537
Contact Tracing	2,000	0	2,000
Vaccination Programme	752	706	1,458
STI Business Case	71	779	850
PPE Shared Services Recharge		156	156
Screening Recovery	861	233	1,094
Health & Wellbeing	17,465	9,842	27,306
Improvement Cymru	6,098	1,364	7,462
Knowledge	4,580	581	5,161
Operations and Finance	5,497	3,631	9,128
Population Health	146	0	146
Health Protection & Screening Services			
Health Protection Division	7,444	1,067	8,511
Microbiology Division	20,893	12,816	33,708
Health Protection & Screening services Corporate	5,453	333	5,786
Screening Division	18,204	19,533	37,736
SPRs Division	1,217	41	1,258
Quality Nursing & Allied Health Professionals	2,361	115	2,476
WHO Collaborating Centre	2,634	313	2,947
Workforce & Org Development	1,398	296	1,693
Grand Total	109,722	121,499	231,220

1. 2% Inflationary Uplift for Pay and Prices £2.165m has been added to Central Budgets along with the Investment Fund £2.415m whilst work is ongoing to allocate across the Directorates

Table 6 above shows the updated position in respect of the revenue budget plan by Directorate for 2021/22. Health & Wellbeing Directorate includes additional funding for Early Years Prevention and Obesity. Health Protection and Screening Services Directorate includes additional funding in relation to National Health Protection Service, FIT Optimisation and the Transformation of Health Protection Services. COVID-19 Directorate includes IP5, Immunisation, Genomics, Turn around time & Resilience, Online testing STIs, Contract Tracing and Testing Non-Pay costs.

7. Financial Risk

There are a number of risks associated with the financial plan impacting both the in-year 2021/22 plan and the recurrent position. These risks are identified below.

2021/22 Risks

Risk	Value (£K)	Likelihood
Net costs of Screening recovery plan if funding not approved	1,094	Low
Potential additional Covid-19 testing costs based on 20% volume variance	10,279	Medium
Potential additional non-Covid rapid testing costs based on 10% volume variance	714	Medium
Potential costs implications of phase 3 of vaccination programme	30	Low
PPE – Shared Services Recharge	156	Low
Total Value of 2021/22 Risks	12,273	

2022/23 & Recurrent Risks

Risk	Value (£K)	Likelihood
Turnaround Times & Resilience staff funding not approved beyond 2021/22	5,874	High
IP5 staff funding not approved beyond 2021/22	830	High
Non-Covid rapid testing funding not approved beyond 2021/22	9,512	High
Pathogen Genomics funding not approved beyond 2021/22	6,537	High
Vaccination programme funding not approved beyond 2021/22	1,458	High
Obesity Strategy funding not approved beyond 2021/22	2,800	High
Early Years Prevention funding not approved beyond 2021/22	1,080	High
FIT Testing funding not approved beyond 2021/22	1,755	High
Screening recovery is planned over a three-year period. Financial implication for 2021/22 only built into the plan.	883	High
Total Value of 2022/23 & Recurrent Risks	30,729	

Funding for a number of Covid and non-Covid investments has been approved by Welsh Government on a reimbursement of actual costs basis for 2021/22. These investments have recurrent cost implications but no funding confirmation beyond March 2022. This has resulted in a £30m risk for 2022/23 and recurrently if costs continue to be incurred and funding is not approved.

The financial risks will continue to be updated, scrutinised and acted upon as the year progresses. PHW will work with Welsh Government to resolve the funding issues beyond March 2022.

8. Capital Plan

Strategic Capital

In the March 2021 approved Financial Plan and Budget Strategy only one strategic capital bid for the Transformation of Health Protection Services for Wales had been approved for 2021-22. We have since had more strategic capital bids approved. Meetings with Welsh Government are ongoing with regards to currently unapproved strategic capital bids. **Table 7** summarises the strategic capital requirements over the next three years.

Table 7

Strategic Capital Scheme	FY21-22 £000s	FY22-23 £000s	FY23-24 £000s
Screening Informatics Systems (unapproved)		700	1,000
Transformation of Health Protection Services for Wales (approved)	221		
Genomics sequencing capacity (approved)	490		
Estate – Infrastructure, Fire Safety and Decarbonisation (approved)	437		
Laboratory Information Network Cymru (LINC) - Collaborative (approved)	1,163		
Radiology Information System Programme (RISP) - Collaborative (approved)	185		
Digital mammography replacement (awaiting formal approval)	3,842	4,003	
Colposcopy & Colonoscopy Imaging (unapproved)		1,205	
Maldi-Tof Replacement (Unapproved)	840		
Total Strategic Capital	7,178	5,908	1,000

Our plan at this stage excludes:-

- IP5 (Lab 1) – the assumption is that this will return to Public Health Wales when the Department of Health and Social Care cease to operate a Lighthouse Laboratory from IP5. The expectation is that this will take place during 2022/23 so we have not included anything in our strategic capital programme at this stage.

Discretionary Capital

Our recurrent discretionary capital funding is £1.580m. The draft plans for the discretionary capital are set out in **Table 8** below. There are assumptions made for a rolling IT replacement programme whilst

replacement of equipment elsewhere is based upon the aged asset register. For 2021/22 an element of our discretionary capital has been allocated for COVID-19 recovery plans that are yet to be confirmed. The remaining discretionary capital is to be allocated following the review of accepted statements of need.

Table 8

Capital Scheme	FY21-22 £000s	FY22-23 £000s	FY23-24 £000s
IT Replacement Programme	228	350	350
Estates & Statutory Compliance		380	380
Equipment Replacement		600	600
To be allocated following submission of bids	552		
Recovery Programme	500		
Contingency	300	250	250
Grand Total	1,580	1,580	1,580
Discretionary Funding	1,580	1,580	1,580
Shortfall / (Surplus)	0	0	0

9. Recommendation

The Board is asked to approve the updated 2021/22 Financial Plan and budgetary control framework noting the ongoing review and scrutiny process.