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Iechyd Cyhoeddus
Cymru
Public Health
Wales

Name of Meeting
Board
Date of Meeting
25 November 2021
Agenda item:
3.2

2021/22 Financial Position

Executive lead:	Huw George, Deputy Chief Executive and Executive Director of Finance and Operations
Author:	Angela Fisher, Deputy Director and Head of Finance Ruth Maddern, Head of Financial Management & Business Partnering Suzanne David, Senior Finance Business Partner

Approval/Scrutiny route:	Huw George, Deputy Chief Executive and Executive Director of Finance and Operations; Business Executive Team – 16 November 2021
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Purpose

The purpose of this report is to outline to the Executive Team and the Board the revenue and capital position for Public Health Wales as at 31st October 2021, which includes the position on COVID-19.

Recommendation:

APPROVE <input type="checkbox"/>	CONSIDER <input checked="" type="checkbox"/>	RECOMMEND <input type="checkbox"/>	ADOPT <input type="checkbox"/>	ASSURANCE <input type="checkbox"/>
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The Board is asked to:

- **CONSIDER** the financial position of Public Health Wales as at 31st October 2021, which includes the position on COVID-19.

1. Introduction and Context

The purpose of this report is to outline to the Executive Team and the Board the revenue and capital position for Public Health Wales as at 31st October 2021 (M7). The content of this report is reflected in the Director of Finance commentary that has been submitted to Welsh Government on 11th November 2021 as part of the full financial monitoring return for Month 7. The monitoring returns are included at Appendix A.

The following table highlights the performance against the key revenue and capital financial targets.

Target	Current Month	Year to Date	Year-end Forecast
Revenue financial target Deficit/(Surplus)	(£8k)	(£57k)	Breakeven
Capital financial target	£5.328m	£1.593k	Breakeven
Public Sector Payment Policy	97%	96.27%	>95%

The cumulative reported position for Public Health Wales is a net surplus of £57k.

2. Update on Operational Plan

Since we fixed our 2021/22 financial plan at Month 3, the Welsh Government funding for Covid-19 changed from £77.057m to £74.456m due to the actual costs for M4 to M7 being factored in and the forecast updated. The movement can be seen in the table below:

COVID Spend	M3 Plan £000's	M6 Forecast £000's	Movement £000's
Testing	71,499	67,022	-4,477
TTP contact tracing operation	2,000	2,000	0
Vaccination Programme	1,458	1,352	-106
Online Testing STIs (First 6 Months)	850	2,982	+2,132
PPE - Shared Services Recharge	156	0	-156
Screening Recovery Net Cost	1,094	1,100	+6
	77,057	74,456	-2,601

The Testing forecasts for antigen testing and rapid molecular testing have been revised further in Month 7, which has resulted in a movement from £65.108m to £61.289, an overall decrease of £3.819m. In line with correspondence between the Directors of Finance of PHW and Welsh Government (10th and 11th November 2021) an additional £2m of internal funding is being re-directed to fund COVID-19 costs, which has reduced the requirement for claiming additional testing funding from Welsh Government.

Also within the Testing figures, the request from Welsh Government to increase the numbers of COVID-19 samples to be genome sequenced has resulted in an increase to the forecast expenditure for Genomics Sequencing from £6.392m to £7.733m in total, an increase of £1.341m. The revised forecast still falls well within the funding range of the approved Genomics Sequencing business case.

The Mass Vaccination Programme expenditure plans have been refined and total planned spend for the year has reduced by £106k. There has been no change since the M06 reporting.

The change to the current forecast for Online STI Testing has increased by £2.132m following confirmation of full funding being made available from Welsh Government for 2021/22.

Funding is no longer required for PPE as additional PPE costs will be afforded through internal funding sources for costs to date and for the remainder of the year.

3. Overview of Financial Performance at Month 7

3.1 Financial Performance by Directorate

Table A outlines the Financial Performance by Directorate.

Table A – Overview of Financial Performance by Directorate

Directorate	Income Cumulative Variance £000s	Pay Cumulative Variance £000s	Non-Pay Cumulative Variance £000s	Grand Total £000s
Central Budgets Directorate	40	-9	-4	27
People & Organisational Development	0	55	-34	21
Operations and Finance Directorate	-0	-24	41	16

Board and Corporate	-0	-1	2	1
Population Health Directorate	0	-2	2	0
ACE's Hub Directorate	0	-0	-0	-0
Hosted Directorate	-0	-7	7	-0
Knowledge Directorate	0	-0	-2	-2
WHO Collaborating Centre	0	-7	1	-6
Quality Nursing & Allied Health Professionals	-3	0	-15	-18
Health & Wellbeing Directorate	-1	-0	-17	-19
Improvement Cymru	-0	-0	-20	-20
Health Protection and Screening Services	128	-77	-110	-59
Directorate Total	164	-73	-148	-57
Covid 19 Directorate	0	-120	120	0
COVID19 Total	0	-120	120	0
Grand Total	164	-193	-28	-57

As the table above indicates, the surplus at Month 7 is a combination of small variances across a number of Directorates.

3.2 Budget Scrutiny

As per our financial plan and budgetary control framework 2021/22 we continue to remove in month pay underspends from Directorate positions and review non-pay spending plans. Resources are redirected, as required, to deal with the ongoing impact of COVID-19. Budgets associated with pay underspends to Month 7 have been removed non-recurrently as follows:

Directorate	Total Pay Budgets Removed M1-7 £000s
Health & Wellbeing	1,345
Knowledge	192
QNAPs	88
Improvement Cymru	488
HPSS	361
Ops & Finance	93
Total Pay Budgets removed	2,567

An element of these budgets have been re-directed to fund PHW contribution to the costs associated in delivering the response to Covid-19, along with the costs of the Coronavirus Wales Survey totalling £134k.

Non-recurring investment bids have been received and approved to utilise the remaining pay underspends as follows:

Directorate	Non-Recurring Investments £000's
Knowledge	150
Ops & Finance	162
P&OD	336
WHO CC	110
Grand Total	758

There remains a clear finance focus to ensure underlying financial balance is maintained throughout 2021/22.

4. Forecast position

Spending plans have been received and reviewed and will continue to be monitored closely.

Spending plans will continue to be discussed in detail with Executive Directors to ensure that Public Health Wales delivers a breakeven position in accordance with its financial strategy and the assumptions within the IMTP.

Directorate	Year-End Forecast @ Mth 7 £000s
Board & Corporate	0
Health & Wellbeing	-718
Improvement Cymru	-130
Knowledge	-33
Ops & Finance	16
People & OD	88
Health Protection & Screening Services	-47
QNAPs	-40
WHO CC	0
Population Health	0
Covid-19 Response	0
Central Budgets	864
Total PHW Position	0

Central Budgets are being used to manage the additional investments that have been agreed, along with a small number of financial risks and opportunities to ensure a breakeven forecast position.

5. COVID-19

Table C outlines the operational expenditure and funding sources of the Public Health Wales COVID-19 response. Actual costs are shown for April to October 2021 with forecasts for November 2021 through to March 2022.

Table C – Covid-19 actual spend and financial forecast at month 7

PHW - COVID-19 Summary	Actual	Forecast	TOTAL
	Apr-21 to Oct-21	Nov-21 to Mar-22	2021/22
	£000	£000	£000
Expenditure			
Test Trace Protect			
COVID-19 Antigen Testing	31,458	22,679	54,137
Turn Around Times and Resilience - Pay	2,828	2,402	5,230
Turn Around Times and Resilience - Rapid Testing	0	1,982	1,982
IP5 Laboratory	868	606	1,474
Genomics Sequencing for COVID-19	2,445	5,288	7,733
Testing Courier Costs	141	251	392
Results	100	88	188
Case Management	1,029	978	2,007
Communications	35	0	35
Surveillance	44	0	44
TOTAL TTP	38,948	34,274	73,222
Other			
Vaccination Programme	700	652	1,352
PPE	43	50	93
STI Business Case	1,600	1,382	2,982
Screening Recovery (Gross)	652	1,123	1,775
Total Gross Additional Cost	41,943	37,481	79,424
Funding			
PHW Funding			
Delay to recruitment of vacant posts	-1,701	-2,592	-4,293
Screening budget re-directed for Recovery	-652	-23	-675
Assumed WG Funding			
Test Trace Protect - Non-Pay	-30,127	-22,458	-52,585

Genomics Sequencing	-2,445	-5,288	-7,733
Microbiology Lab IP5	-437	-393	-830
TAT & Resilience	-3,259	-2,615	-5,874
Online Testing for STIs	-1,600	-1,382	-2,982
Mass Vaccination programme	-700	-652	-1,352
TTP Contact Tracing	-1,022	-978	-2,000
PPE	0	0	0
Screening Recovery (Awaiting Approval)	0	-1,100	-1,100
Total Funding	-41,943	-37,481	-79,424

£79.424m is the total planned expenditure on the Covid-19 response, including screening recovery. Public Health Wales contribution towards the costs is £4.968m, made up of £4.293m of pay slippage due to delays in recruitment, as well as £0.675m of core screening programmes underspend which is to be re-directed to support the Screening Recovery Programme. The balance of £74.456m is the planned funding requirement from Welsh Government.

The increased Public Health Wales contribution from pay slippage due to delays in recruitment reflects the impacts both the labour market and our own workload has had on recent ability to recruit. The effects of Brexit, remote working and the impact of COVID-19 has made recruitment more difficult than anticipated. Whilst public health staff across the world remain heavily involved in the pandemic then COVID loyalty has resulted in a reluctance to leave public health organisations. Service pressures have further impacted on recruitment timescales and specialist roles have typically taken longer to find suitable candidates.

Testing

Following discussions at the mid-year review the assumptions and costings within the testing modelling have been updated and a revised forecast has been prepared. The key changes to note are as follows:

- It is still the assumption that Antigen testing numbers will remain at an average of 5,000 per day through November and December with an increase to 5,500 for January and February to reflect additional winter pressures, returning to 5,000 for March 2022.
- A risk assessment has been completed regarding Perkin Elmer extended expiry date stock with the outcome being low risk. As a result the stock will be utilised and no write-off will be necessary.

- The cost of Perkin Elmer test kits has reduced significantly from £24.05 to £6.49 per test and this has been reflected in the revised financial plan.
- Roche singleplex consumables have been provided at nil cost to PHW but there will be an additional cost if the all Wales testing strategy supports the move to multiplex testing. It is assumed within the financial modelling that this will be the case.
- A contract with Ortho Clinical Diagnostics has been re-purposed for Antenatal Sero Prevalence Surveillance and this has been built into the revised financial plan.
- Plans to introduce rapid molecular testing across sites with hot lab functions has been delayed due to the increase in COVID-19 pressures and the ongoing validation process. The current assumption is a phased introduction of 80 tests per day in December and January increasing to 320 tests per day across all labs from February 2022.

Screening Recovery Programme

The estimated costs based on current plans to recover the screening programmes are currently forecast to be £1.775m for 2021/22 with recurrent impacts to be determined. An assessment of screening budgets has identified £0.675m to re-direct towards the recovery plan in 2021/22 Welsh Government have confirmed funding is available to fund the remaining £1.1m.

6. Capital

Public Health Wales capital funding for 2021/22 totals £9.134m, summary of the schemes detailed in Table D.

Table D – Summary of Capital schemes

Fund	Details	2021/22 Allocation £000s	YTD Spend 2021/22 £000s
Discretionary	IT - DESW SQL Database licensing	5	0
Discretionary	IT - Uninterruptible power supplies (UPSes).	38	0
Discretionary	IT - Replacement of virtual infrastructure (storage & servers)	333	212
Discretionary	IT - Environmental monitoring sensors	15	0
Discretionary	IT - Electronic HP Care pack	1	1

Discretionary	IT - Desktop PC x 100	65	0
Discretionary	SCREENING - Integrated audio visual technology at BTW Wrexham meeting room	12	0
Discretionary	SCREENING - Replace 2 stereo biopsy chairs within South East Wales division of BTW	16	0
Discretionary	SCREENING - Conversion of film store to multi-functional space for both office and clinic space	16	0
Discretionary	SCREENING - Replacement of 16 Automated Auditory Brainstem Response (AABR) within NBH	144	0
Discretionary	SCREENING - BTW Ultrasound probe	6	0
Discretionary	MICROBIOLOGY - SeqStudio Genetic Analyzer	69	69
Discretionary	MICROBIOLOGY - Replacement centrifuge	9	0
Discretionary	MICROBIOLOGY - Upright Freezer	7	7
Discretionary	ESTATES - Magden Park Air Con	40	0
Discretionary	ESTATES - Fit Out of Library	5	0
Discretionary	Covid Recovery	565	0
Discretionary	Contingency	234	0
Discretionary	Opening balance/other	0	50
Discretionary Total		1,580	339
Strategic	Genomics - expand support to the NHS response to the pandemic	486	390
Strategic	LINC	1,331	561
Strategic	Radiology Information System Programme (RISP)	125	59
Strategic	National Programmes - Decarbonisation - LED Lights	20	10
Strategic	National Programmes - Decarbonisation - Electric Vehicles	132	9
Strategic	National Programmes - Infrastructure - No 18 Cathedral Roof	110	7
Strategic	National Programmes - Fire Safety - Fire Doors	16	12
Strategic	Health Protection Wales IT Equipment	221	200
Strategic	Imaging Equipment in Breast Test Wales	3,842	6
Strategic	Maldi-Tof analyser replacement	1,270	0
Strategic Total		7,554	1,254
Total Schemes		9,134	1,593

Public Health Wales discretionary allocation of £1.580m remains the same as previous years.

As referenced in previous reports we have earmarked an element of our discretionary capital for COVID-19 recovery plans. The three main areas of recovery and an update on their status is as follows:

- North Wales - Our Space North Wales has recommenced following agreement from the Executive Team. This will start with Clwydian House, Wrexham and next year will consider options for Screening Hubs. AS well as the development of other sites to meet the needs of staff in North Wales and aligned to our new ways of working following the engagement with staff earlier this year. An initial engagement session with staff took place on 4 November 2021 and will be used to inform design brief. Surveyors have been appointed and are starting work on the plans. It is anticipated that costs to modernise Clywdian House will cost circa £100-150k and plan to complete this work during this financial year. Works on the site are anticipated to commence in January 2022.
- Screening Hubs - Estates and Facilities Team are continuing to work with Screening to progress Hubs that will deliver multiple Screening programmes to support recovery and provide a more sustainable model for future delivery. Buildings in Cardiff, Mountain Ash and Carmarthen have been identified and business cases, floor plan designs and terms of leases are being progressed. Anticipated costs to fit out buildings in Mountain Ash and Cardiff will cost circa £200k. Fit out of Carmarthen building will be funded from discretionary in 2022/23.
- Remaining discretionary funding allocated for recovery has been identified to cover investments to support future ways of working. The Executive team and Leadership Team are currently considering how we will work in the future. The concept of 'Work where it works best' has been agreed and principles are being drafted to support the implementation of a 12-month pilot. The Estates and Health and Safety team are involved in this work and investment in technology to improve connectivity and support staff to work differently has been prioritised.

Capital Replacement Programme

PHW currently has four Maldi-Tofs all of which are in need of replacement during 2021/22. PHW also requires a further two additional instruments. The need for additional instruments is to support the increasing requirement for reliable, verified and a standardised approach to species identification, cost effective rapid identification of blood culture isolates from large regional laboratories and to ensure resilience for the bacteriology service into the future.

The business case submitted to Welsh Government in June 2021 has been approved with funding of £1.270m.

7. Balance Sheet

The Balance Sheet, or Statement of Financial Position, reports the assets, liabilities and reserves of the organisation at a specific point in time. Table E provides a summary as at 31st October 2021.

Table E – Balance Sheet as at 31st October 2021

	Opening Balance 1/4/2021 £000s	Movement £000s	Closing Balance 31/10/21 £000s
Non-Current Assets			
Property, plant and equipment	20,930	(370)	20,560
Intangible assets	2,350	(229)	2,121
Trade and other receivables	240	(240)	0
Non-Current Assets sub total	23,520	(839)	22,681
Current Assets			
Inventories	8,835	(3,326)	5,509
Trade and other receivables	20,776	7,472	28,248
Cash and cash equivalents	7,743	18,723	26,466
Current Assets sub total	37,354	22,869	60,223
TOTAL ASSETS	60,874	22,030	82,904
Current Liabilities			
Trade and other payables	(30,608)	(18,768)	(49,376)
Provisions	(1,920)	(2,836)	(4,756)
Current Liabilities sub total	(32,528)	(21,604)	(54,132)
NET ASSETS LESS CURRENT LIABILITIES	28,346	426	28,772
Non-Current Liabilities			
Trade and other payables	(1,575)	(309)	(1,884)
Provisions	(2,126)	266	(1,860)
Non-Current Liabilities sub total	(3,701)	(43)	(3,744)
TOTAL ASSETS EMPLOYED	24,645	383	25,028
FINANCED BY: Taxpayers' Equity			
PDC	23,386	(0)	23,386
Retained earnings	686	57	743
Revaluation reserve	573	326	899
TOTAL TAXPAYERS' EQUITY	24,645	383	25,028

Non-current Assets

Property, plant and equipment and Intangible assets have decreased by £0.559m at month 7 following upload of year to date depreciation against the fixed asset portfolio. Year to date depreciation exceeds year to date capital expenditure resulting in a decrease in non-current assets.

Current Assets

Stock has reduced by £3.326m mainly due to usage of Covid testing consumables.

Trade and other receivables has increased by £7.472m. This increase is comprised of £4.8m NHS Wales Collaborative accrued income of which £3.5m related to the Implementation Group funding. There is an additional £1.9m of accrued Welsh Government COVID-19 income compared to the beginning of the year. Welsh Risk Pool receivables have increased by £2.3m since the beginning of the year due to a new clinical negligence case in year.

Cash and cash equivalents has increased by £18.723m. Payment of November core income of £9.750m was received in October. In addition, core income drawn down in October has not yet been spent.

Current liabilities

Current trade and other payables has increased by £18.768m due mainly to deferred Welsh Government income. November core income of £9.750m that was raised in October has been deferred. In addition, all October core income of £9.750m has been deferred to November.

Current provisions has increased by £2.836m due to a new clinical negligence case this year. The Trust is only liable for £25k of the increase in provision (the first £25k of payments on each case) with the remainder being reimbursed by the Welsh Risk Pool.

Conclusion

The Board is asked to **note** the following:

- A surplus financial position of £57k reported at month 7;
- Forecasting work to ensure plans are on track to deliver a year-end breakeven position in line with IMTP;
- Status of the Capital Programme, strategic and discretionary, for 2021/22, and
- Balance Sheet, or Statement of Financial Position at 31st October 2021.