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Iechyd Cyhoeddus
Cymru
Public Health
Wales

Name of Meeting
Board

Date of Meeting
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Agenda item:
4.3a

2021/22 Financial Position (month 9)

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Approval/Scrutiny route: Huw George, Deputy Chief Executive and Executive Director of Finance and Operations
Business Executive Team – 17 January 2022

Purpose

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

Recommendation:

APPROVE

CONSIDER

RECOMMEND

ADOPT

ASSURANCE

The Board is asked to:

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

1. Introduction and Context

The purpose of this report is to outline to the Board the revenue and capital position for Public Health Wales as at 31st December 2021 (M9). The content of this report is reflected in the Director of Finance commentary that has been submitted to Welsh Government on 14th January 2022 as part of the full financial monitoring return for Month 9. 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)	(£10k)	(£73k)	Breakeven
Capital financial target	£7.606m	£1.916k	Breakeven
Public Sector Payment Policy	97%	96.24%	>95%

The cumulative reported position for Public Health Wales is a net surplus of £73k.

2. Update on Operational Plan

Since we fixed our 2021/22 financial plan at Month 3, the Welsh Government funding for Covid-19 has changed from £77.057m to £74.095m due to the actual costs for M4 to M9 being factored in and the forecast updated. The movement can be seen in the table below:

COVID Spend	M3 Plan £000's	M9 Forecast £000's	Movement £000's
Testing	71,499	66,820	-4,679
TTP contact tracing operation	2,000	1,758	-242
Vaccination Programme	1,458	1,628	+170
Online Testing STIs (First 6 Months)	850	2,789	+1,939
PPE - Shared Services Recharge	156	0	-156
Screening Recovery Net Cost	1,094	1,100	+6
	77,057	74,095	-2,962

The Testing forecasts for antigen testing (including IP5 and R&TAT) have been revised to reflect updated forecasts for testing episodes and implementation of latest policy advice which has resulted in a movement from £65.107m in the original plan to £62.762m. In line with correspondence between the Directors of Finance of PHW and WG (10th and 11th November 2021) an additional £2m of internal funding is being re-directed to fund Covid-19 and has further reduced the requirement for testing funding from Welsh Government to £60.762m, an overall decrease of £4.345m. Following the emergent of the Omicron variant, Variant 1 assay testing is being rapidly rolled-out to regional laboratories as a reflex test to deliver 100% coverage of probable Omicron samples. Additional costs of £0.647m have been included in the revised forecast.

Also within the Testing figures forecasts for Genomics Sequencing have been revised resulting in a movement from £6.392m in the original plan to £6.058m, a decrease of £0.334m. This reflects the current level of sampling of circa. 7,500 samples per week continuing for the remainder of the year.

Contact Tracing plans have been refined at month 9 and the forecast total cost has reduced from £2m to £1.758m.

The Mass Vaccination Programme plan was revised in month 8 to respond to the rapid expansion of the COVID-19 booster programme following the emergence of the Omicron variant with forecast expenditure £170k higher than the original plan.

The change to the current forecast for Online STI Testing has increased by £1.939m 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 9

3.1 Financial Performance by Directorate

Table A outlines the Financial Performance by Directorate.

Table A – Overview of Financial Performance by Directorate

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Directorate	Income Cumulative Variance £000s	Pay Cumulative Variance £000s	Non-Pay Cumulative Variance £000s	Grand Total £000s
Operations and Finance Directorate	-4	-11	43	27
Central Budgets Directorate	43	10	-41	12
People & Organisational Development	0	40	-37	3
Board and Corporate	-0	-9	11	2
Population Health Directorate	0	-2	2	0
Hosted Directorate	-0	0	-0	0
ACE's Hub Directorate	-0	-0	0	0
Improvement Cymru	-0	0	-0	-0
Health & Wellbeing Directorate	-1	0	-1	-1
WHO Collaborating Centre	-0	-7	3	-3
Quality Nursing & Allied Health Professionals	-1	-14	1	-14
Knowledge Directorate	0	-20	4	-16
Health Protection and Screening Services	198	-132	-149	-83
Directorate Total	236	-145	-164	-73

As the table above indicates, the surplus at Month 9 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 9 have been removed non-recurrently as follows:

Directorate	Total Pay Budgets Removed £000s
Health & Wellbeing	1,736
HPSS	444
Improvement Cymru	869
Knowledge	192
Ops & Finance	153
QNAPs	88
Grand Total	3,482

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	263
Board & Corp	51
Grand Total	962

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 9 £000s
Board & Corporate	2
Health & Wellbeing	-327
Improvement Cymru	-511
Knowledge	-30
Ops & Finance	49
People & OD	0
Health Protection & Screening Services	-250
QNAPs	-18
WHO CC	0
Population Health	0
Covid-19 Response	0
Central Budgets	1,085
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 December 2021 with forecasts for January through to March 2022.

Table C – Covid-19 actual spend and financial forecast at month 9

PHW - COVID-19 Summary	Actual Apr-21 to Dec-21 £000	Forecast Jan-22 to Mar-22 £000	TOTAL 2021/22 £000
Expenditure			
Test Trace Protect			
COVID-19 Antigen Testing	41,766	14,614	56,380
Turn Around Times and Resilience - Pay	3,631	1,363	4,994
Turn Around Times and Resilience - Rapid Testing	0	1,538	1,538
IP5 Laboratory	1,190	520	1,710
Genomics Sequencing for COVID-19	3,771	2,287	6,058
Testing Courier Costs	201	90	291
Results	100	188	288
Case Management	1,261	511	1,772
Communications	33	0	33
Surveillance	55	11	66
TOTAL TTP	52,008	21,122	73,130
Other			
Vaccination Programme	921	707	1,628
PPE	45	8	53
STI Business Case	2,046	743	2,789
Screening Recovery (Gross)	973	727	1,700
Total Gross Additional Cost	55,993	23,307	79,300
Funding			
PHW Funding			
Delay to recruitment of vacant posts	-2,911	-1,694	-4,605
Screening budget re-directed for Recovery	-387	-213	-600
Assumed WG Funding			
Test Trace Protect - Non-Pay	-39,300	-14,758	-54,058
Genomics Sequencing	-3,771	-2,287	-6,058
Microbiology Lab IP5	-584	-246	-830
TAT & Resilience	-4,237	-1,637	-5,874
Online Testing for STIs	-2,046	-743	-2,789
Mass Vaccination programme	-921	-707	-1,628
TTP Contact Tracing	-1,250	-508	-1,758
PPE	0	0	0
Screening Recovery	-586	-514	-1,100
Total Funding	-55,993	-23,307	-79,300

£79.300m is the total planned expenditure on the Covid-19 response, including screening recovery. Public Health Wales contribution towards the costs is £5.205m, made up of £4.605m of pay slippage due to delays in recruitment, as well as £0.6m of core screening programmes underspend which is to be re-directed to support the Screening Recovery Programme. The balance of £74.095m 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 of 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 modelling were updated in month 7. Further updates in month 8 and 9 reflect the actual costs to date plus the inclusion of additional expenditure for Omicron variant testing. The key changes to note are as follows:

- It is now the assumption that Antigen testing numbers will remain at an average of 5,000 per day through January to March 2022. January and February forecasts have been lowered from 5,500 to reflect recent policy change with LFTs no longer requiring confirmation through a PCR test. This is expected to result in a reduction in testing episodes.
- 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 320 tests per day across all labs from February 2022.
- Following the emergent of the Omicron variant, Variant 1 assay testing is being rapidly rolled-out to regional laboratories as a reflex test to deliver 100% coverage of probable Omicron samples. Additional costs of £0.647m have been included in the revised forecast.

Screening Recovery Programme

The costs based on current plans to recover the screening programmes are currently forecast to be £1.7m for 2021/22 with recurrent impacts of approximately £0.6m. An assessment of screening budgets has identified £0.6m to re-direct towards the recovery plan in 2021/22. Welsh Government funding of £1.1m has been secured to fund the remaining balance.

6. Capital

Public Health Wales capital funding for 2021/22 totals £10.142m, summary of the capital allocation by division is detailed in Table D, with a summary of the individual schemes provided in **Appendix B**.

Table D – Summary of Capital schemes by Division

Fund	Division	2021/22 Allocation £000s	YTD Spend 2021/22 £000s
Discretionary	CSIMS	0	98
Discretionary	Estates	295,081	22,572
Discretionary	IT	851,216	278,038
Discretionary	Microbiology	84,549	75,934
Discretionary	Screening	186,164	16,505
Discretionary	Contingency	162,990	0
Discretionary Total		1,580,000	393,148
Strategic	Collaborative - Laboratory Information Network Cymru (LINC)	1,331,000	708,665
Strategic	Collaborative - Radiology Information System Programme (RISP)	125,000	95,528
Strategic	Estates	278,000	50,600
Strategic	Health Protection	221,000	201,762
Strategic	Microbiology	1,838,000	445,918
Strategic	Screening	4,769,000	20,806
Strategic Total		8,562,000	1,523,278
Grand Total		10,142,000	1,916,427

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

Capital Replacement Programme

PHW currently has four Mald-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. The tender process is complete and the contract ratification papers have been sent for approval.

Also, the full requirement of mammography sets can be delivered this financial year as part of the Digital Mammography Replacement Programme and so our allocation has increased accordingly.

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 December 2021.

Table E – Balance Sheet as at 31st December 2021

	Opening Balance 1/4/2021 £000s	Movement £000s	Closing Balance 31/12/21 £000s
Non-Current Assets			
Property, plant and equipment	20,930	(684)	20,246
Intangible assets	2,350	(299)	2,051
Trade and other receivables	240	(240)	0
Non-Current Assets sub total	23,520	(1,224)	22,296
Current Assets			
Inventories	8,835	(4,569)	4,266
Trade and other receivables	20,776	21,059	41,835
Cash and cash equivalents	7,743	14,729	22,472
Current Assets sub total	37,354	31,219	68,573
TOTAL ASSETS	60,874	29,996	90,870
Current Liabilities			
Trade and other payables	(30,608)	(26,673)	(57,281)
Provisions	(1,920)	(2,901)	(4,821)
Current Liabilities sub total	(32,528)	(29,575)	(62,103)
NET ASSETS LESS CURRENT LIABILITIES	28,346	421	28,767
Non-Current Liabilities			

Trade and other payables	(1,575)	(309)	(1,884)
Provisions	(2,126)	287	(1,839)
Non-Current Liabilities sub total	(3,701)	(22)	(3,723)
TOTAL ASSETS EMPLOYED	24,645	399	25,044
FINANCED BY: Taxpayers' Equity			
PDC	23,386	(0)	23,386
Retained earnings	686	73	759
Revaluation reserve	573	326	899
TOTAL TAXPAYERS' EQUITY	24,645	399	25,044

Non-current Assets

Property, plant and equipment and Intangible assets have decreased by £0.684m at month 9 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 £4.569m mainly due to usage of Covid testing consumables.

Trade and other receivables has increased by £21.059m. This increase is mainly consisting of Welsh Government receivables including the January invoice for £9.750m of core income raised in advance, £3.588m accrued Implementation Group income and £2.381m of other programme income for the NHS Wales Collaborative. Other accruals with Welsh Government include £0.695m relating to Genomics Resilience funding, £0.672m for capital charges income and £0.422m for additional income. Welsh Risk Pool receivables has increased by £2.511m since the beginning of the year due to two new clinical negligence cases in year.

Cash and cash equivalents has increased by £14.729m. December cash receipts from Welsh Government included £0.156m relating to the NHS Wales Collaborative programmes Imaging and Pathology, £3.000m for December interim Covid-19 testing funding and £0.928m Mass Vaccination Programme funding. In addition to this, core income drawn down for December has not yet been spent (£9.750m).

Current liabilities

Current trade and other payables has increased by £26.673m due mainly to deferred Welsh Government income. Core income for January that was raised in December has been deferred (£9.750m) and December core

income has been deferred to January (£9.750m). In addition to core income, other Welsh Government deferred income includes £3.928m for Covid-19 programmes including Mass Vaccination Programme, TTP and Resilience. Expenditure accruals for £1.223m and £0.623m were entered for Health & Wellbeing NERS and Healthy Schools respectively, and £1.835m accruals with Welsh NHS bodies for LTA's, SLA's and salary recharges across NHS Wales Collaborative and Screening Services.

Current provisions has increased by £2.901m due to two new clinical negligence cases 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 £73k reported at month 9;
- 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 December 2021.

APPENDIX B: 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	65
Discretionary	IT - 8 x Surface Hubs (1 for Screening)	88	0
Discretionary	IT - 168 x Latitude 5420 PCs from quote 109310632/3	146	0
Discretionary	IT - 42 x Latitude 5520 PCs from quote 109310632/3	34	0
Discretionary	IT - 200 x OptiPlex 5090 SFF XCTO PCs from quote 109411372	126	0
Discretionary	SCREENING - Replace 2 stereo biopsy chairs within South East Wales division of BTW	20	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 Analyser	69	69
Discretionary	MICROBIOLOGY - Replacement centrifuge	9	0
Discretionary	MICROBIOLOGY - Upright Freezer	7	7
Discretionary	Estates - Conversion of film store to multi-functional space for both office and clinic space	17	17
Discretionary	ESTATES - Magden Park Air Con	30	20
Discretionary	ESTATES - Boiler x 2	10	0
Discretionary	Covid Recovery - Fit Out of Rhos House, Mountain Ash	150	0
Discretionary	Covid Recovery - Fit Out of Barclay House, Cardiff	105	2
Discretionary	Contingency	163	0
Discretionary Total		1,580	393
Strategic	Genomics - expand support to the NHS response to the pandemic	471	446
Strategic	Genomics - additional equipment	97	0
Strategic	LINC	1,331	709
Strategic	Radiology Information System Programme (RISP)	125	96

Strategic	National Programmes - Decarbonisation - LED Lights	20	18
Strategic	National Programmes - Decarbonisation - Electric Vehicles	132	14
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	202
Strategic	Imaging Equipment in Breast Test Wales	4,769	21
Strategic	Maldi-Tof analyser replacement	1,270	0
Strategic Total		8,562	1,523
Total Schemes		10,142	1,916