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Bwrdd Iechyd Prifysgol  
Bae Abertawe  
Swansea Bay University  
Health Board



<b>Meeting Date</b>	<b>18<sup>th</sup> May 2021</b>	<b>Agenda Item</b>	<b>2.1</b>
<b>Report Title</b>	<b>Draft Annual Accounts 2020/21</b>		
<b>Report Author</b>	Andrew Biston, Head of Accounting & Governance		
<b>Report Sponsor</b>	Darren Griffiths, Interim Director of Finance		
<b>Presented by</b>	Darren Griffiths, Interim Director of Finance		
<b>Freedom of Information</b>	Closed		
<b>Purpose of the Report</b>	To provide the Audit Committee with the draft annual accounts for Swansea Bay University Health Board for 2020/21 and to provide an opportunity for the Audit Committee to raise any questions or concerns in relation to the accounts.		
<b>Key Issues</b>	<p>The draft accounts were submitted to Welsh Government by midday on Friday 30<sup>th</sup> April in line with the deadline issued by Welsh Government (WG).</p> <p>This was particularly challenging as during the accounts preparation process, WG in agreement with Audit Wales advised health boards that they would need to include notional income and expenditure in the draft accounts in respect of items issued free of charge by NWSSP during the COVID-19 pandemic. The figures to be included in the draft accounts changed 3 times during the accounts preparation process, requiring the health board to reopen the financial ledger and amend the accounts notes on 3 occasions, the last of these being on Tuesday 27<sup>th</sup> April 2021.</p> <p>Audit Wales commenced their audit of the accounts on Tuesday 4<sup>th</sup> May 2021. The accounts will be audited remotely using the electronic working paper files saved on the secure file sharing portal. Audit Wales have also been provided with Oracle ledger and Qlikview financial reporting access and will provide their report on the accounts to the Audit Committee and Board on 7<sup>th</sup> June 2021.</p> <p>Following a meeting between WG and NHS Wales organisations on Wednesday 5<sup>th</sup> May 2021, WG have advised that there may be changes required to the draft</p>		

	<p>accounts due to the requirement to include information received on 29<sup>th</sup> April 2021 from the Government Actuary Department and NHS Pensions Agency in respect of scheme pays. As at today (5<sup>th</sup> May) it is unclear if this will require NHS bodies to make provisions for the amounts advised by WG in their accounts backed off by a debtor with WG or if the amounts are to be disclosed as contingent liabilities. In the event that a provision and debtor is required, this will impact all of the main financial statements within the draft accounts as well as a number of supporting notes. All detailed changes which will be required will be reported to the Audit Committee as part of the final accounts in the event that the accounts notes are changed.</p> <p>Discussions are also ongoing between Audit Wales and WG regarding the suggestion from Audit Wales that the cost of COVID-19 vaccines should be included in the accounts of NHS bodies rather than centrally in WG, even though these vaccines have been issued free of charge. This would require further changes to the draft accounts as well as a potential allocation adjustment if there is a requirement to account for vaccines held as stock at 31<sup>st</sup> March at a value other than zero.</p> <p>The audited accounts, ratified by the Board will need to be submitted to Welsh Government by midday on Friday 11<sup>th</sup> June 2021.</p>			
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>	<b>Approval</b>
			✓	
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>DISCUSS</b> and <b>NOTE</b> the draft annual accounts for 2020/21 which are currently subject to audit by Audit Wales.</li> </ul>			

## **DRAFT ANNUAL ACCOUNTS 2020/21**

### **1. INTRODUCTION**

- 1.1. The draft accounts were submitted to Welsh Government (WG) at midday on Friday 30<sup>th</sup> April 2021 in line with the deadline issued by Welsh Government.
- 1.2. Following a meeting between WG and NHS Wales organisations on Wednesday 5<sup>th</sup> May 2021, WG have advised that there will be changes required to the draft accounts due to the requirement to include information received on 29<sup>th</sup> April 2021 from the Government Actuary Department and NHS Pensions Agency in respect of scheme pays. It is not yet confirmed if this will require NHS bodies to make provisions for the amounts advised by WG in their accounts backed off by a debtor with WG or accounted for as a contingent liability. If a provision and debtor is required, this will impact all of the main financial statements within the draft accounts as well as a number of supporting notes.
- 1.3. Discussions are also ongoing between Audit Wales and WG regarding the suggestion from Audit Wales that the cost of COVID-19 vaccines should be included in the accounts of NHS bodies rather than centrally in WG, even though these vaccines have been issued free of charge. This would require further changes to the draft accounts as well as a potential allocation adjustment if there is a requirement to account for vaccines held as stock at 31<sup>st</sup> March at a value other than zero.
- 1.4. In addition to the changes detailed above, the draft accounts remain subject to audit and may therefore be amended prior to formal approval by the Audit Committee and the Health Board on 7<sup>th</sup> June 2021.

### **2. BACKGROUND**

- 2.1. The health board has prepared a set of accounts in line with the Welsh Government Manual for Accounts and relevant International Financial Reporting Standards (IFRS).
- 2.2. The audit process is currently being undertaken remotely by Audit Wales who have been provided with all working papers electronically through a secure file sharing portal. Oracle ledger access and Qlikview financial reporting access has also been provided.
- 2.3. Audit Wales aim to issue their draft ISA 260 report on the accounts for discussion with the health board on 28<sup>th</sup> May 2021 and it is envisaged that this report will be agreed and circulated to Audit Committee and Board members on Tuesday 1<sup>st</sup> June 2021 together with the final accounts in readiness for the Audit Committee and board meetings on 7<sup>th</sup> June 2021. Any changes recommended by Audit Wales and accepted by the health board will be included in the final accounts and reported to the 7<sup>th</sup> June Audit Committee. The Audit Committee will then be asked to approve the accounts at the meeting on 7<sup>th</sup> June for ratification by the Board at the meeting following the

Audit Committee. The accounts will need to be submitted to Welsh Government by midday on Friday 11<sup>th</sup> June.

- 2.4. In completing the accounts a pragmatic approach was taken on areas requiring estimations and judgements, with these approaches discussed and agreed with Audit Wales at both a local and national level and reported to the Audit Committee at its March 2021 meeting.

### **3. GOVERNANCE AND RISK ISSUES**

- 3.1. The health board is required by Welsh Government to achieve 3 financial targets and comply with the CBI prompt payment guidance for payment of its non NHS invoices. Performance against each of these areas is described below:

#### **Revenue Resource Limit**

The health board is required to remain within its revenue resource limit over a 3 year rolling period. For 2020/21 the health board did not remain within this limit, exceeding it by £24.304m. Over the rolling 3 year period from 2018/19 to 2020/21 the health board exceeded its revenue resource limit by £50.467m as detailed on page 27 of the accounts meaning that this target was not achieved.

#### **Capital Resource Limit**

Similarly the health board is required to remain within its capital resource limit over a 3 year rolling period. For 2020/21 the health board achieved this target with an under spend of £0.028m. The target was also achieved over the 3 year period from 2018/19 to 2020/21 with a cumulative under spend of £0.096m as detailed on page 27 of the accounts.

#### **Integrated Medium Term Plan**

The health board also has a financial duty to have a 3 year approved Integrated Medium Term Plan. Although this requirement was paused in spring 2020 due to the COVID-19 pandemic, the approval status of the plan remains extant at the point that the requirement was paused. On that basis the health board has not achieved this financial target for 2020/21.

#### **Public Sector Prompt Payment (PSPP) Target**

The health board is expected to comply with the CBI prompt payment guidance of paying 95% of its non NHS creditor invoices within 30 days of receipt of the goods or a valid invoice whichever is the latter. The health board did not achieve this target in 2020/21 with performance being 93.9%, this being due to issues with payment of nurse bank invoices and delays in receipting of goods and authorisation of invoices during the early months of the 2020/21 financial year.

#### 4. ANALYSIS OF ACCOUNTS

- 4.1. A more detailed analytical review of the accounts will be presented to the Committee at the meeting on 18th May. However, the high level issues to note from the accounts main statements are as follows:

##### **Statement of Comprehensive Net Expenditure (SOCNE) - Page 2**

This statement reports the net costs of the health board's operating activities. It must be noted that the 2020/21 financial year was significantly impacted by the COVID-19 pandemic and therefore a detailed analytical review of movements for each accounts note is very difficult, a factor recognised by WG who removed the requirement for detailed COVID-19 expenditure notes in the 2020/21 accounts. Instead this was replaced by the requirement to include within the 2020/21 accounts a table provide by WG detailing all COVID-19 related allocations issued by WG. This information is detailed in Note 34.2 to the accounts and amounts to £148.887m of revenue funding as detailed below:

Revenue	£000
Sustainability Funding	48,200
C-19 Pay Costs Q1 (Future Quarters covered by SF)	6,831
Field Hospital (Set Up Costs, Decommissioning & Consequential losses)	35,985
PPE (including All Wales Equipment via NWSSP)	8,644
TTP- Testing & Sampling - Pay & Non Pay	2,461
TTP - NHS & LA Tracing - Pay & Non Pay	4,901
Vaccination - Extended Flu Programme	893
Vaccination - COVID-19	3,678
Bonus Payment	14,401
Annual Leave Accrual - Increase due to Covid	11,615
Urgent & Emergency Care	3,375
Support for Adult Social Care Providers	2,905
Hospices	0
Independent Health Sector	1,044
Mental Health	666
Other Primary Care	1,603
Other	1,684
<b>Welsh Government Covid 19 Revenue Funding</b>	<b>148,887</b>

Primary care services expenditure totalled £189.358m, an increase of £7.535m or 4.1% against the previous year. The increases were in General Medical Services of £2.816m (4.4%), Pharmaceutical Services of £1.883m (12.2%), Prescribed Drugs and Appliances of £5.075m (7.3%) and Other Primary care Expenditure of £0.073m (9.2%). There were, however, reductions in the cost of General Dental Services of £2.268m (8.4%) and Ophthalmic costs of £0.044m (0.9%).

Expenditure on healthcare from other providers totalled £287.515m, an increase of £55.454m (23.9%) against 2019/20. The largest increase was in expenditure with local authorities which increased by £39.482m primarily due to the field hospital costs for The Bay Field Hospital, through the City and County of Swansea and the Llandarcy Field Hospital through Neath Port Talbot County Borough Council.

Other significant increases in expenditure included £10.005m for continuing care which included additional funding provided by Welsh Government for care homes as a result of the COVID-19 pandemic and an increase of £7.910m in expenditure with WHSSC, largely due to pass through funding from WG in respect of the major trauma network and pharmaceutical rebates. These increases were offset by a reduction of £4.618m in expenditure with private providers, with smaller movements in expenditure across NHS bodies due to the use of block arrangements for NHS contracts as a result of the pandemic.

Expenditure on hospital and community services saw the largest increase amounting to £113.986m (14.5%). The biggest increase was in staff costs of £86.1m (15%). Included within the staff costs are accruals for untaken annual leave amounting to £14.015m (an in year increase of £13.281m due to COVID-19), the bonus payment agreed and funded by WG amounting to £14.401m and £25.321m for the 6.3% employer pension contributions paid directly by Welsh Government.

Other significant expenditure increases centred on clinical supplies and services of £14.998m, including £7.606m of items issued “free of charge” by NWSSP, but required to be accounted for in the health board’s books as advised by WG and £0.581m of donated revenue equipment from the Department of Health, accounted for as a government granted receipt. There was also a significant increase in premises costs of £10.659m linked to field hospital and mass vaccination centre running costs.

#### **Statement of Financial Position – Balance Sheet - Page 4**

This statement provides a summary of the organisation’s assets and liabilities.

##### **Assets**

The total value of property plant and equipment increased by £28.149m primarily due to asset additions in year of £49.802m through the health board’s capital programme, offset by depreciation of £28.515m, with the remaining increase due to indexation of existing assets and reversal of previously impaired assets.

Trade and other receivables, current and non-current increased by £21.481m. The biggest change relates to an increase in the amounts due/recoverable from Welsh Risk Pool which increased by £27.955m, linked to an increase in clinical negligence and personal injury provisions, together with clinical negligence creditors. This was largely offset by a reduction in debtor balances with other NHS Wales health boards which reduced by £4.767m. The analysis

of other movements in trade and other receivables is provided in the presentation supporting the draft accounts.

### **Liabilities**

Trade and other liabilities current and non-current increased by £68.334m. This was almost exclusively due to non NHS accrual increases of £67.767m which is the area of the accounts that holds the accruals for such items as the bonus payment, untaken annual leave accrual and transfers from provisions to creditors of clinical negligence cases based on information provided by Welsh Risk Pool.

### **Provisions**

Provisions, current and non-current increased by £12.447m with the bulk of this increase being in clinical negligence provisions (£11.006m). There was also an increase of £0.892m in other provisions mainly due to the provision for the decommissioning costs of the Bay Field Hospital.

### **Statement of Changes in Taxpayers Equity - Page 5**

This statement reports movements in the general fund and revaluation reserve. The general fund is the cumulative year on year position of cash funding received from Welsh Government less net operating costs. Cash funding in 2020/21 amounted to £1,034.272m, with notional funding of £25.321m representing the amount paid by Welsh Government directly to the NHS Pensions Agency in respect of the 6.3% employer pension contributions. Net operating costs amounted to £1,096.986m.

The revaluation reserve records retained increases in asset values as a result of indexation or previous upward revaluations, which increased by £6.486m due to indexation of land and building assets.

### **Statement of Cash Flows –Page 7**

This statement provides a summary of the cash transactions for the year. Cash spent on revenue activities amounted to £994.525m with capital activities resulting in a cash outflow of £42.284m. These cash outflows were funded by £1,034.272m of cash from Welsh Government and £3.321m relating to the capital element of payments in respect of the PFI scheme. In 2020/21 no cash was received from WG for movement in working capital balances or strategic cash assistance.

## **5. RECOMMENDATIONS**

Members are asked to:

- **DISCUSS** and **NOTE** the draft annual accounts for 2020/21 which are currently subject to audit by Audit Wales.

Governance and Assurance		
Link to Enabling Objectives (please choose)	Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
	Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
	Partnerships for Care	<input type="checkbox"/>
	Excellent Staff	<input checked="" type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
Health and Care Standards		
(please choose)	Staying Healthy	<input checked="" type="checkbox"/>
	Safe Care	<input checked="" type="checkbox"/>
	Effective Care	<input checked="" type="checkbox"/>
	Dignified Care	<input checked="" type="checkbox"/>
	Timely Care	<input checked="" type="checkbox"/>
	Individual Care	<input checked="" type="checkbox"/>
	Staff and Resources	<input checked="" type="checkbox"/>
Quality, Safety and Patient Experience		
There are no direct quality, safety and patient experience issues associated with this report.		
Financial Implications		
There are no direct financial implications associated with this report.		
Legal Implications (including equality and diversity assessment)		
There are no direct legal implications associated with this report.		
Staffing Implications		
There are no direct staffing implications associated with this report.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
None		
Report History	This is an annual report to the Audit Committee. The previous report was presented to Audit Committee in May 2020.	
Appendices	Appendix A provides the draft accounts for the Swansea Bay University Health Board for the 2020/21 financial year.	



