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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	30 April 2020	Agenda Item	2.5
Report Title	Update on Key Financial Matters		
Report Author	Andrew Biston, Head of Accounting and Governance Sam Lewis, Deputy Director of Finance Charlie Mackenzie, Head of Financial Service Intelligence Darren Griffiths, Director of Finance (interim)		
Report Sponsor	Darren Griffiths, Director of Finance (interim)		
Presented by	Darren Griffiths, Director of Finance (interim)		
Freedom of Information	Open		
Purpose of the Report	The purpose of this report is to brief the Health Board on key matters of financial control and reporting moving through the 2019/20 year end and into 2020/21.		
Key Issues	<p>This paper is supported by five appendices setting out key matters of financial control and reporting. Due to the unique nature of the year end process for 2019/20 and the requirement for a responsive financial approach for 2020/21 it is important that the Board is appraised of, and then approves, the proposed arrangements.</p> <p>The report covers: -</p> <ul style="list-style-type: none"> • 2019/20 Year end report • Annual accounts timetable update and revised approach • 2020/21 budget review, financial reporting and monitoring • Approach to funds flow for quarter 1 for Longer Term Agreements (LTAs) and Service Level Agreements (SLAs) – All Wales Arrangement <p>An assessment of the COVID-19 financial impact forecast 2020/21 will be considered in committee.</p>		
Specific Action Required <i>(please choose one only)</i>	Information	Discussion	Assurance
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input checked="" type="checkbox"/>
Recommendations	<p>The Health Board is asked to:</p> <ul style="list-style-type: none"> • NOTE the proposed approaches in each of the key areas 		

	<ul style="list-style-type: none"> • SUPPORT the approaches set out on each of the individual appendices: <p><u>2019/20 Year end report</u></p> <ul style="list-style-type: none"> • CONSIDER and comment upon the Board's financial performance for the 2019/20 financial year, in particular: <ul style="list-style-type: none"> i. the revenue outturn position of £16.284m deficit; ii. the capital outturn position; iii. balance sheet movements; iv. cash position; and v. performance against the Public Sector Payment Policy compliance. • NOTE the COVID revenue and capital implications for 2019/20. <p><u>Annual Accounts Timetable Update and Revised Approach</u></p> <ul style="list-style-type: none"> • NOTE the Finance Department plans to deliver the year-end accounts in line with the revised timetable. <p><u>2020/21 Budget Review, Financial Reporting And Monitoring</u></p> <ul style="list-style-type: none"> • NOTE the revised budget setting plan for 2020/21 • NOTE the financial reporting and monitoring proposal for 2020/21 <p><u>Approach to Funds Flow for Quarter 1</u></p> <ul style="list-style-type: none"> • SUPPORT the All Wales approach to the management of LTAs and SLAs for Quarter 1
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UPDATE ON KEY FINANCIAL MATTERS

1. INTRODUCTION

The purpose of this report is to brief the Board on key matters of financial control and reporting moving through the 2019/20 year end and into 2020/21.

2. BACKGROUND

This paper is supported by five appendices setting out key matters of financial control and reporting. Due to the unique nature of the year end process for 2019/20 and the requirement for a response finance approach for 2020/21 it is important that the Board is apprised of, and then supports and/or approves, the proposed arrangements.

The report covers: -

- 2019/20 Year end report
- Annual accounts timetable update and revised approach
- 2020/21 budget review, financial reporting and monitoring
- Interim approach to funds flow for Quarter 1 for Longer Term Agreements (LTAs) and Service Level Agreements (SLAs) – All Wales Arrangement

An assessment of the COVID-19 financial impact forecast 2020/21 will be considered in committee.

3. GOVERNANCE AND RISK ISSUES

The Health Board has a statutory duty to produce accounts in line with guidance and this paper sets out the Health Board's plan to comply with this guidance. The report also sets out the 2019/20 year end position subject to scrutiny by audit.

The Health Board is required to have a robust financial reporting and monitoring regime for 2020/21 as set out in correspondence from the Director General of NHS Wales and also in support of the findings of the recent KPMG report.

The significant risk to the 2020/21 outlook is the impact of the Health Board's response to COVID-19 and its impact on increased cost in service pressure areas as well the risk of loss of focus on savings schemes due to the exceptional nature of the service challenge faced.

4. FINANCIAL IMPLICATIONS

Supporting the All Wales LTA position will reduce risk in Quarter 1 for the Health Board. The revised accounts process and the revised financial reporting and monitoring process have no direct financial requirement but they will enable transparent resorting of the financial behaviours of the organisation for 2020/21. The Health Board is working with Welsh Government to transparently identify and share the forecast of the financial impact of COVID-19 on core costs,

additional COVID-19 response costs and on the Health Board's savings plan for 2020/21.

5. **RECOMMENDATION**

The Health Board is asked to:

- **NOTE** the proposed approaches in each of the key areas
- **SUPPORT** the approaches set out on each of the individual appendices:

2019/20 Year end report

- **CONSIDER** and comment upon the Board's financial performance for the 2019/20 financial year, in particular:
 - i. the revenue outturn position of £16.284m deficit;
 - ii. the capital outturn position;
 - iii. balance sheet movements;
 - iv. cash position; and
 - v. performance against the Public Sector Payment Policy compliance.
- **NOTE** the COVID revenue and capital implications for 2019/20.

Annual Accounts Timetable Update and Revised Approach

- **NOTE** the Finance Department plans to deliver the year-end accounts in line with the revised timetable.

2020/21 Budget Review, Financial Reporting And Monitoring

- **NOTE** the revised budget setting plan for 2020/21
- **NOTE** the financial reporting and monitoring proposal for 2020/21

COVID 19 - Interim Approach to Funds Flow for Quarter 1

- **SUPPORT** the All Wales approach to the management of LTAs and SLAs for Quarter 1

Governance and Assurance		
Link to Enabling Objectives <i>(please choose)</i>	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 type="checkbox"/>
	Partnerships for Care	<input type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
Health and Care Standards		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input type="checkbox"/>
Quality, Safety and Patient Experience		
There are no direct quality, safety and patient experience consequences of this paper.		
Financial Implications		
The production of accounts and revised arrangements for 2020/21 have no financial consequences. Support of the LTA/SLA paper will mitigate the risk of loss of income to the Health Board from underperformance on elective elements of the LTAs in particular.		
Legal Implications (including equality and diversity assessment)		
The Health Board has a statutory duty to produce accounts in line with Standing Orders		
Staffing Implications		
There are no direct staffing implications as a result of this paper		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
Ensuring the most stable and accurate financial framework for the Health Board in 2020/21, recognising the scale of the challenge to meet the needs of the population to address the COVID 19 pressures, will support informed decision making and will inform future financial sustainability.		
Report History	A report on budget setting for 2020/21 was received and approved by the Health Board on 26 th March 2020.	
Appendices	Appendix 1 – 2019/20 Year end report (plus slide deck annex)	

	<p>Appendix 2 - Annual accounts timetable update and revised approach</p> <p>Appendix 3 - 2020/21 budget review, financial reporting and monitoring</p> <p>Appendix 4 - Interim approach to funds flow for quarter 1 for Longer Term Agreements (LTAs) and Service Level Agreements (SLAs) – All Wales Arrangement</p>
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FINANCIAL REPORT – PERIOD 12

1. INTRODUCTION

The report advises the Board that the Period 12 (March 2020) revenue financial position is an overspend of £16.284m.

The report invites the Board to note the detailed analysis of the 2019/20 revenue financial position and the performance against the forecast position.

The report provides an analysis of the revenue and capital impact of the COVID19 response within the 2019/20 financial year.

The report also invites the Board to note the capital budget position, cash position and key balance sheet movements.

It must be noted that this position is subject to Audit review and should be considered a draft position at this point. Annex A to this reporting set is the usual Health Board slide deck summarising the content of this report.

2. BACKGROUND

a. **The Health Board has two key statutory duties to achieve. These are:**

-
- **To submit an Integrated Medium Term Plan (IMTP) to secure compliance with breakeven over 3 years.**

2017/18	No Approved Plan
2018/19	No Approved Plan
2019/20	No Approved Plan

The Health Board will fail to achieve this Statutory Duty.

- **To achieve financial breakeven over a rolling three year period, which commenced on 1st April 2017 and will end on 31st March 2020.**

2017/18	£32.4m Overspend
2018/19	£9.9m Overspend
2019/20	£16.284m Overspend

The Health Board will fail to achieve this Statutory Duty.

b. Summary of Performance against Key Financial Targets

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
Reported in-month financial position – deficit/(surplus)	2,791
Reported year-end outturn financial position	16,284
Current year-end Forecast – deficit/(surplus)	16,300
Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government	Value £000
Reported outturn financial position – deficit/(surplus)	(27)
PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice	Value %
Cumulative year to date % of invoices paid within 30 days (by number)	94.3

3. FINANCIAL IMPLICATIONS

a. Revenue Position

Summary Revenue Position for 2019/20

The Health Board committed to delivering a breakeven financial position. The Health Board has developed a balanced core financial plan. However, the £22m savings plan to deliver the balanced core financial plan did not include a detailed plan to address the impact of the corporate and clinical management diseconomies of scale following the Bridgend boundary change. This required a further £5.4m of mitigating actions to be identified and delivered.

Throughout the year the Health Board has been reporting an overspend and as the year has progressed the ability to recover this overspend and deliver financial balance have become increasingly challenging.

The Health Board meeting on 28th November 2019 considered the actions required to deliver breakeven and whilst agreeing a number of improvement actions, did not support the actions that would detrimentally impact on patient care. Therefore following the Period 8 the Health Board adjusted its year-end forecast to an overspend of £12.3m.

The impact of the improvement actions and savings delivery were closely monitored. In Period 10 it was necessary to increase the forecast overspend to £16.3m.

The Health Board reported an overspend of £2.791m in Period 12 (March 2020), this results in a cumulative overspend for the financial year of £16.284m

The key reasons for the overspend are:

- Increased expenditure and delegated budget overspends as a consequence of sustained operational pressures, particularly the

- workforce and contract income impact of the continuing unscheduled care pressures and also Continuing Healthcare (CHC); and
- required savings not being fully identified and delivered;
 - corporate and clinical management diseconomies of scale linked to the Bridgend Transfer.

Income

Income budgets have reported an over-achievement of £1.287m for the 2019/20 financial year. Despite the over-achievement, there have been pressures associated with activity related income as delivery is being adversely impacted on by unscheduled care pressures and the need to cease all private patient income.

Pay

Pay budgets underspent by £1.451m in the financial year 2019/20, however this is a significant movement from the £9.7m pay underspend reported in 2018/19. The movement of over £8m can be attributed to three main issues:

- £5m diseconomies of scale following Bridgend boundary change;
- £2m admin and clerical as a result of vacancies, rather than actual costs being released to support the Bridgend boundary change, which has effectively increased the Health Board underlying deficit by eroding underspends;
- £2m nursing in excess of Nurse Staffing Act and surge capacity funding. This is being driven by service demand and patient acuity.

The significant underspend in 2018/19 should be considered in the context of savings not being delivered as given that pay is 70% of Health Board expenditure a significant element of the savings requirement should have been met through pay budgets.

Non Pay

Non-pay budgets have reported an overspend of £19m in 2019/20. The key non-pay overspends are ChC costs associated with the increasing patient numbers, clinical consumables including blood products and savings non-identification and delivery.

Savings and Recovery Challenge

The Health Board financial plan identified a £22m savings requirement for 2019/20 to support the delivery of a balanced financial plan. This savings requirement did not include actions required to mitigate and manage the clinical and corporate management diseconomies of scale resulting from the Bridgend Boundary Change.

The Health Board savings plan comprised of three elements: local savings, cost containment and management, and High Value Opportunities.

At the start of the financial year, the Health Board identified £18.2m of savings and by the end of Quarter 1, this had increased to £21.4m. However £4.6m

slippage was identified against these identified schemes, resulting in a forecast delivery of £16.8m.

In light of the savings shortfall and the operational financial pressures all Service Delivery Units and Directorates were asked to develop Recovery Plans to support an improvement in financial performance. The Health Board also established a Delivery Support Team, which is a multi-disciplinary team focussing on :

- Accelerating the delivery of current plans with immediate focus on USC plans and High Value Opportunities;
- Accelerating the development of pipeline plans and opportunities;
- Developing a battle rhythm from monthly progress to daily and weekly focus, unblocking issues, problem solving and supporting system wide working; and
- Ensuring robust “grip and control” in place throughout the Health Board.

One of the early priorities of the Delivery Support Team was to review the financial Recovery Plans. The submitted plans were assessed as those suitable for immediate implementation, those considered reasonable, but requiring Quality Impact Assessment and those that would require further work to fully assess cross system impacts.

The Health Board is now able to report a 2019/20 savings delivery of £19m, which whilst being £3m short of the initial savings requirement, is an improvement on savings delivery in previous years against a larger financial baseline budget.

The Health Board has been supported by KPMG who were commissioned by Welsh Government (WG) to enhance in-year financial delivery and develop a pipeline of opportunities for financial sustainability. This work has been a key focus in the development of the 2020/21 plan.

COVID-19

The COVID19 pandemic started to impact on the Health Board's financial position during March 2020. The key areas of impact included :

- Minor equipping and set up of new and amended service models;
- PPE;
- Clinical consumables; and
- Staffing, due to increasing unavailability of staff.

The Health Board recorded additional costs of £0.935m during March 2020 as part of its preparedness for the COVID-19 pressures. These costs were partially offset by reduced expenditure related to the restriction of planned care activity. This resulted in a net additional expenditure of £0.698m, which WG has supported with an additional funding allocation. This has therefore not impacted on the Health Board reported financial position.

b. Capital

The approved CRL value at Period 12 close, issued on 14/04/20 is £30.901m. This includes Discretionary Capital and the schemes under the All Wales Capital Programme.

Outturn Performance

The reported financial performance at Period 12 close is a £0.027m under spend to plan.

The under spend for the year relates to a combination of factors. A number of schemes were unable to fully complete due to the impact of COVID-19. This was a common situation across NHS Wales and WG agreed to take back funding of £2.077m and to re-provide for those schemes in 2020/21. WG also provided funding of £0.908m to meet unplanned spend on COVID-19, which included Estates work and additional IT devices. The net impact resulted in a closing under spend for the year of £0.027m

c. Balance Sheet

All balances requiring transfer to Cwm Taf Morgannwg University Health Board as a result of the Bridgend boundary change have now been transferred and removed from the Swansea Bay University Health Board balance sheet, the remaining balances as at 24th March 2020 being cleared by a £3m cash transfer to Cwm Taf Morgannwg Health Board. The table below shows the closing balance sheet for ABMU Health Board, together with the opening balances and closing balances for the Swansea Bay UHB Health Board.

Item	Closing Balance ABMU @ 31 st March 2019 (£000)	Opening Balance SBU @ 1 st April 2019 (£000)	Closing Balance SBU @ 31 st March 2020 (£000)
Assets			
Fixed Assets	614,888	464,547	495,997
Trade & Other Receivables	175,211	170,868	168,609
Inventories	10,234	8,522	10,012
Cash	830	796	486
Total Assets	801,163	644,733	675,104
Liabilities			
Trade & Other Payables	191,349	166,406	164,519
Provisions	150,506	149,299	136,455
Total Liabilities	341,855	315,705	300,974
Net Assets	459,308	329,028	374,130

For the 2019/20 financial year, there was a reduction of £85.178m in net assets employed (18.54%). Total assets reduced by £126.059m, with total liabilities reducing by £40.881m.

The main movements are due to the transfer of the balances to Cwm Taf Morgannwg Health Board as a result of the Bridgend boundary change as detailed in the table above. When these factors are removed the asset balance movements become an increase of £45.102m in net assets employed, comprising an increase of £30.371m in total assets and a reduction of £14.731m in total liabilities.

The increase in assets was due to the increase in fixed assets, the fixed asset base increasing by £31.450m during the year. The reduction in liabilities was primarily due to provisions which reduced in year by £12.844m as a result of reductions in the clinical negligence and retrospective CHC provisions.

d. Cash

The Health Board had a year-end cash balance of £0.486m, slightly below the local target of holding between £1m and £2m in cash at month end.

To achieve the year-end cash balance the health board drew down all cash sums allocated to it by Welsh Government. This included £15.300m strategic cash support, £10.107m capital cash working balances support and £23.687m revenue working capital cash support.

Whilst the working capital cash support is not repayable, strategic cash support is repayable. The £15.300m strategic cash support received in 2019/20 takes the cumulative amount of strategic cash support received to £78.571m. As the rules currently stand, repayment of this strategic cash assistance will be in accordance with the health board's future integrated medium term plan

e. Public Sector Payment Policy (PSPP)

The number of invoices paid within 30 days in March was above the 95% target, with in month performance being 97.79%.

The performance in March resulted in the cumulative compliance for the year increasing from 93.8% to 94.3%. However, the board will recall that performance in December and January was around 90%, due to delays in invoices being processed as a result of the health board needing to manage its cash position prior to approval of the requested working capital and strategic cash support.

The performance in December and January meant that despite achievement of the 95% target in both February and March, the cumulative position fell just below the 95% target for the 2019/20 financial year.

The percentage of NHS invoices paid within 30 days amounted to 86% for the financial year. Whilst this represents an improvement against the 84% compliance achieved during the 2018/19 financial year, there remain issues with prompt authorisation of NHS invoices within the service delivery units which will need to be addressed during 2020/2

4. RECOMMENDATION

Members are asked to:

- **CONSIDER** and comment upon the Board's financial performance for the 2019/20 financial year, in particular:
 - i. the revenue outturn position; cumulative overspend of £16.284m;
 - ii. the capital position;
 - iii. balance sheet movements;
 - iv. cash position;
 - v. performance against the Public Sector Payment Policy compliance;
and
 - vi. the revenue and capital impact of the response to COVID19.

ANNUAL ACCOUNTS TIMETABLE UPDATE AND REVISED APPROACH

1. INTRODUCTION

To update the Health Board on the changes to the annual accounts timetable and the processes in place within Swansea Bay Health Board to meet the revised accounts submission deadline.

2. BACKGROUND

On Friday 27th March 2020 in response to the COVID-19 outbreak Welsh Government (WG) issued a revised timetable for the submission and audit of the 2019/20 annual accounts. Whilst the requirement to report the financial outturn of the Health Board to WG on working day 5 (7th April 2020) remains unchanged the amended accounts submission dates extends the deadlines for the agreement of NHS Wales debtor and creditor and income and expenditure balances, the submission dates for the draft accounts and the submission date for the audited accounts. The original deadlines and the revised deadlines are detailed in the table below:

Annual Accounts Task	Original Date	Revised Date
Issue debtor balances to other NHS Wales bodies	3 rd April 2020 (noon)	3 rd April 2020 (noon)
Submission of Financial Position to WG	7 th April 2020 (5pm)	7 th April 2020 (5pm)
Sign off date for agreement of NHS Wales debtors and creditors	8 th April 2020	16 th April 2020
Issue income transactions to other NHS Wales bodies	9 th April 2020	17 th April 2020
Finalise Health Board outturn financial position	9 th April 2020	20 th April 2020
Close Health Board old year financial ledger	9 th April 2020	20 th April 2020
Sign off date for agreement of NHS Wales income and expenditure	16 th April 2020	24 th April 2020
Draft accounts available for senior finance team review	24 th April 2020	1 st May 2020
Submission of draft accounts	1 st May 2020 (noon)	22 nd May 2020
Submission of audited accounts	29 th May 2020 (noon)	30 th June 2020

Since Wednesday 25th March 2020 all Finance staff have been working from home in accordance with the government request for all staff to work from home where possible. The Finance team is operating as it normally would and the internal timetable and associated processes for reporting the financial position to WG on 7th April 2020 remains unchanged. At this point the Finance team will be in a position to identify a preliminary outturn (subject to any changes in respect of agreement of balances) as it would have done in normal circumstances. As at today (3rd April 2020) the team is on track for this 7th April 2020 submission date.

Whilst the deadline for agreement of debtor and creditor balances has been extended to 16th April 2020, the Health Board intends to agree all creditor balances before Easter (by Thursday 9th April 2020) but is dependent on other Health Boards not issuing additional statements after the initial circulation of creditor statements on 3rd April 2020. In terms of agreement of debtor balances, the Health Board is dependent on the returns from other Health Boards the deadline for which has been extended to 16th April 2020.

As a result of the extension of the agreement of debtor and creditor balances the date for ledger close has been extended to 20th April 2020 and at that point the financial outturn of the Health Board will be finally confirmed, following which the Finance team will commence preparation of the detailed accounts notes.

Although the deadline for submission of the draft accounts is 22nd May 2020, the Finance team has put in place an internal deadline for completion of 11th May 2020 at which point the accounts will be submitted to WG. Working to this deadline will allow the team to start focussing as soon as possible on the 2020/21 financial year. It must be noted that this timescale is achievable as long as a number of finance staff do not become unwell during this period.

A Skype meeting was held with Wales Audit Office (WAO) on Monday 30th March 2020 at which it was confirmed that the accounts audit is likely to be undertaken remotely either from the main WAO offices or by staff working from home depending on the social distancing requirements at that time. WAO also confirmed that if the Health Board were to submit accounts on 11th May 2020 that they would commence the audit at that time, with the intention of completing the audit before 30th June 2020.

3. **RECOMMENDATIONS**

The Health Board is asked to: -

- **NOTE** the changes to the year-end accounts timetable issued by WG
- **NOTE** the Finance Department plans to deliver the year-end accounts in line with the revised timetable.

2020/21 BUDGET REVIEW, FINANCIAL REPORTING AND MONITORING

1. INTRODUCTION

The Health Board has a clear budget delegation and financial reporting and monitoring regime in place.

However due to the unprecedented impacts of COVID 19, the existing regime has been reviewed to ensure the Health Board is able to meet the financial guidance requirements set out in Andrew Goodall's letter 30th March 2020.

2. BACKGROUND

Budget Setting

The Health Board has agreed to undertake a budget review and to rebase budgets to reflect the current 2019/20 expenditure run rates and align that expenditure to the activity undertaken.

This was set out in the paper to the Health Board on 26th March which was approved by the Board. This budget rebase will facilitate the monitoring of movements in expenditure and activity between years and will aid in the identification and classification of additional costs of COVID19 and the substitution effects.

The original budget review processed planned a level of engagement with Senior Leadership Teams to consider and agree the budget allocations. This was planned to then support the issue of Accountability letters to each Service Delivery Unit and Directorate.

In recognition of the clinical and management response to COVID19 and the significant change in service models during the initial months of 2020/21, the budget review and rebase has progressed as a technical exercise to aid reporting and monitoring.

For 2020/21, the Health Board will issue revised delegated budgets as a monitoring framework based on the assumptions set out in the Board report on 26th March 2020. Budgets will be reviewed and potentially revised during 2020/21 as the organisation faces the challenges of, and recovers from the impacts of, COVID19.

It is proposed that the budgets will be formally issued from the Chief Executive to Unit Directors and Corporate department Directors as part of improved governance arrangements.

Financial Reporting and Monitoring

The financial guidance issued by Andrew Goodall sets out the requirement to report and monitor on the following :

- Baseline position pre COVID-19 as per previous plans;
- Year to Date & Forecast outturn position
- Risks
- Allocation & Income assumptions (recognising that this is a fast changing environment)
- Cash flow & Capital assumptions
- Additional COVID-19 expenditure incurred; and
- Planned expenditure or investments that was not incurred due to COVID-19.

The Health Board monitoring will need to clearly identify the position against the submitted plan, clearly articulating the elements of the plan that have not been able to be delivered; performance improvements, planned performance investments and savings.

The financial baseline set out in the Health Board's Annual Plan for 2020/21 will form the basis of the monitoring of core service costs to allow for an assessment of COVID-19 expenditure to be assessed. The proposed approach is set out below.

The additional COVID-19 expenditure will be monitored in a number of ways:

- Specific cost centre capture – this will be for preparedness and set up of facilities, central management of PPE, accommodation and other central costs. The field hospital sites will also be captured in a similar way.
- Unit specific service areas – where service areas have been designated for the treatment of COVID-19 patients, the costs will also be captured directly through the financial ledger.
- Expenditure Run Rate changes – the more indirect costs will be monitored through changes in run rate and activity flows e.g. medical rotas, pathology costs.

Financial reporting information will need to be able to reflect both the movement from the plan and the additional costs of COVID-19. This will require more flexible reporting as the key issues are identified. It is also essential that strong governance is maintained during this period and a series of compliance measures will be added to the financial reporting packs to ensure Executive and Health Board visibility of compliance risks and issues throughout this challenging period.

At time of writing it is not clear what the cost recovery route is for both revenue and capital costs incurred by the Health Board for COVID-19 but officers are working closely with Welsh Government to develop a transparent approach.

3. RECOMMENDATIONS

The Health Board is asked to:

- **NOTE** the revised budget setting plan for 2020/21

- **NOTE** the financial reporting and monitoring proposal for 2020/21

COVID 19 - INTERIM APPROACH TO FUNDS FLOW FOR QUARTER 1

1. INTRODUCTION

Welsh Directors of Finance have agreed an approach to mitigate the impact of COVID 19 on funding and cash flows Long Term Agreements (LTAs) and Service Level Agreements (SLAs).

A large proportion of these agreements relate to elective or planned services which in all probability will significantly underperform and under normal circumstances would not be paid for.

In order to reduce the risk of destabilising Health Board positions a pragmatic approach has been adopted for Quarter 1 of 2020/21 .

2. BACKGROUND

Inter Health Board Funding Flows

The proposed handling of inter Health Board funding flows for quarter 1 (at this stage) is set out below: -

- Health Board to Health Board or Trust LTA – Q1 cash and income based on 2019/20 agreed outturn + 2% + pay awards + agreed committed investments (this would be a 'block' agreement & not generate a performance cost variation)
- Welsh Non Contracted Activity – cash based on 2019/20 monthly average and paid in twelfths, actuals to be revisited in future to adjust and account for actual spend.
- NICE drugs and recharges – cash based on outturn and paid in twelfths. As the costs are pass through, actuals to be revisited in future to adjust and account for actual spend.
- SLAs – outturn + 2% (this would be a 'block' agreement & not generate a performance cost variation).

WHSSC/EASC

Specific arrangements have also been agreed for contracts with Welsh Health Specialised Services Committee (WHSSC) and the Emergency Ambulance Services Committee (EASC).

- Commissioners – agreement to pay into WHSSC based on 2020/21 IMTP plan
- Providers – agreement to pay providers based on expected delivery as per 2020/21 IMTP plan
- This would be a 'block' agreement & not generate a performance cost variation

- NICE drugs and recharges – cash based on outturn and paid in twelfths. As the costs are pass through, actuals to be revisited in future to adjust and account for actual spend.
- New investments committed in 2019/20 will be funded at 3/12ths of the expected full year effect, actuals to be revisited in future to adjust and account for actual spend.
- New investments proposed for 2020/21 will be considered separately to this arrangement.

These arrangements will be reviewed in the light of the developing situation and if necessary extended beyond Quarter 1.

3. **RECOMMENDATION**

The Health Board is asked to:-

- **SUPPORT** the All Wales approach to the management of LTAs and SLAs for Quarter 1



Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board

SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT

Period 12 Data (March 2020)

Darren Griffiths

In Month

£ 2,791,000 overspent

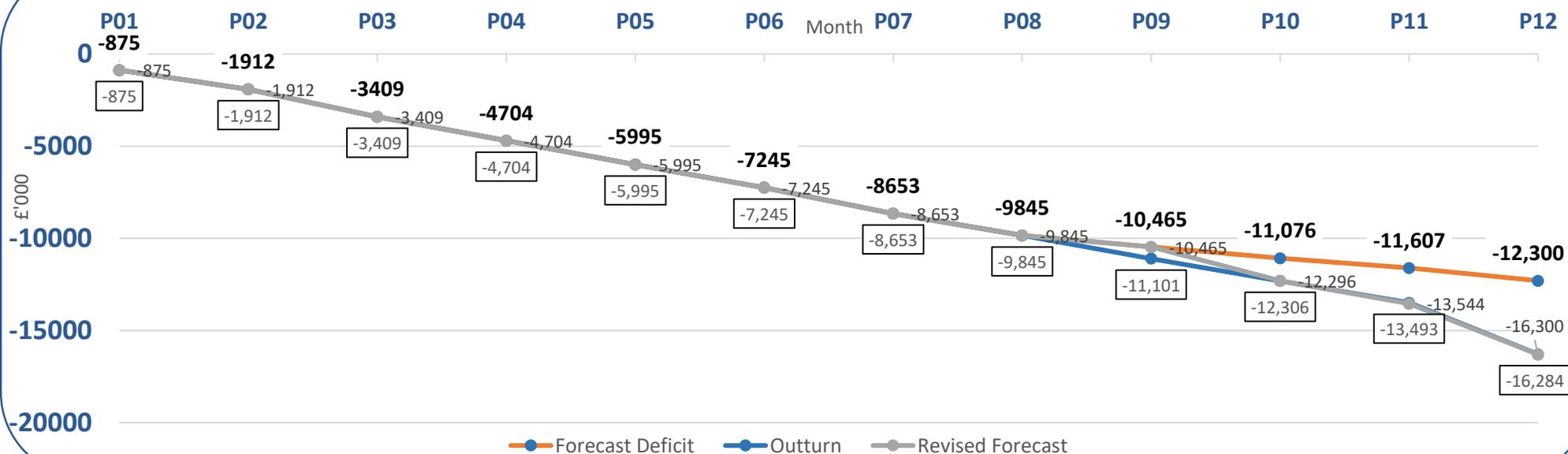
	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-30,986	-31,196	-210	-0.68%
Pay	71,111	71,165	54	0.08%
Non Pay	63,236	66,183	2,946	4.66%
Total	103,361	106,152	2,791	2.7%

Cumulative

£ 13,493,282 overspent

Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	-272,876	-274,163	-1,287	-0.47%
Pay	581,183	579,732	-1,451	-0.25%
Non Pay	604,369	623,391	19,022	3.15%
Total	912,676	928,960	16,284	1.78%

Full Year Financial Performance and Projection



Revenue		
Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £'000	Trend
Reported in-month financial position – deficit/(surplus)	2,791	
Reported year to date financial position – deficit/(surplus)	16,284	
Current reported year end forecast – deficit/(surplus)	16,300	

Capital		
Capital KPIs: To ensure that costs do not exceed the Capital resource limit set by Welsh Government		
Current reported year end forecast – deficit/(surplus) – Forecast Green	(27)	
Reported cumulative financial position – deficit/(surplus) – Forecast Green	(27)	

PSPP		
PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice	Value %	Trend
Cumulative year to date % of invoices paid within 30 days (by number) – Forecast Red	94.3	

Revenue Narrative

- The Health Board committed to achieving financial balance in 2019/20 and developed a balanced core financial plan. This however excluded the impact of the diseconomies of scale associated with the clinical and corporate management costs following the Bridgend Boundary Change, which were identified as £5.4m and added a significant additional pressure to the Health Board's delivery requirement.
- Throughout the financial year, the Health Board has been reporting an overspend and as the year progressed the ability to recover and deliver financial balance became more challenging. In Month 9 the Health Board revised its year-end forecast outturn from financial balance to a deficit of £12.3m, this position was supported by the review undertaken by KPMG, who assessed the year-end forecast to be between £12m-£14m. The £12.3m forecast deficit included the delivery of the suite of actions that the Health Board agreed in November.
- The Month 12 reported position is an in-month overspend of £2.791m, which is in line with planned performance.
- The year-end reported outturn is £16.284m, which is just below the £16.3m forecast position. It must be noted that this position is subject to audit review and should be considered draft until the audit is completed.

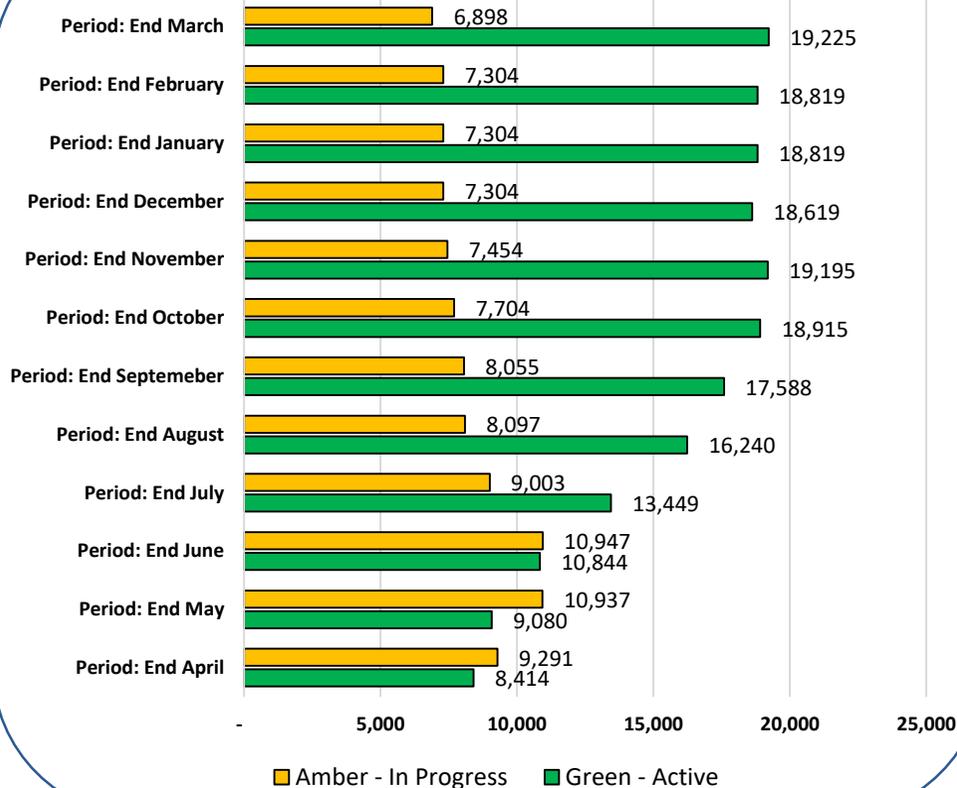
Capital Narrative

- Approved CRL value for 19/20 issued on 14/04/20 is £30.901m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
- Underspend for the year relates to a combination of factors. A number of schemes were unable to fully complete due to the impact of COVID-19. This was a common situation across NHS Wales and WG agreed to take back funding of £2.077m and to re-provide for those schemes in 20-21. WG also provided funding of £0.908m to meet unplanned spend on COVID-19, which included Estates work and additional IT devices. The net impact was a closing underspend for the year of £27k.

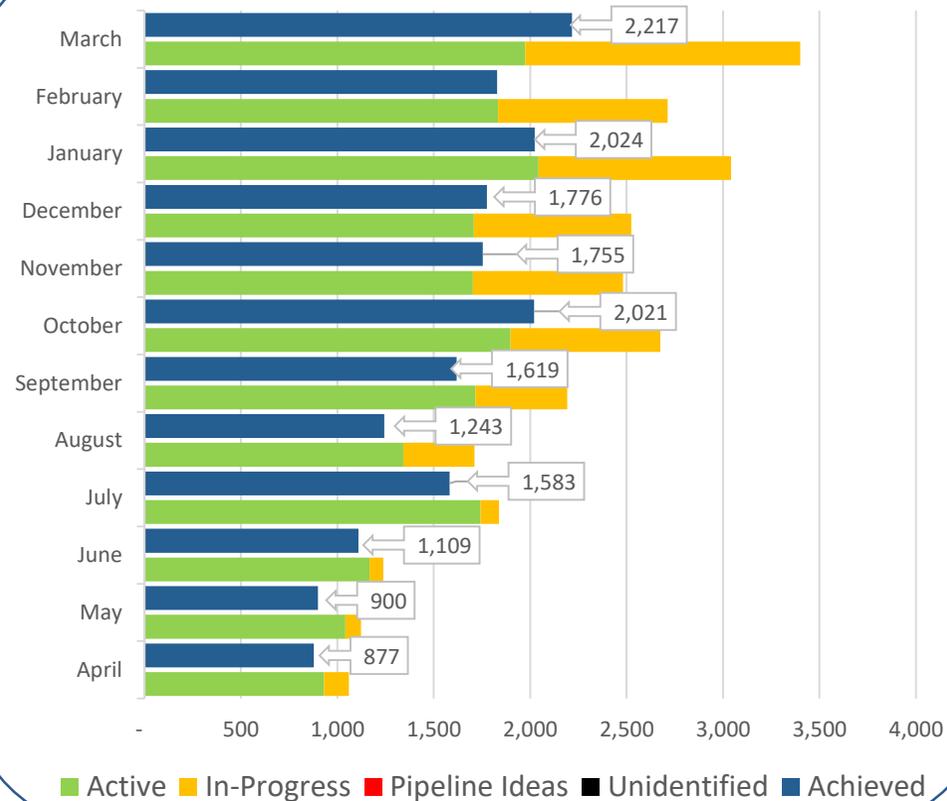
PSPP Narrative

- The number of invoices paid within 30 days in March was above the 95% target, with in month performance being 97.79%.
- The performance in March resulted in the cumulative compliance for the year increasing from 93.8% to 94.3%. However, the board will recall that performance in December and January was around 90%, due to delays in invoices being processed as a result of the health board needing to manage its cash position prior to approval of the requested working capital and strategic cash support.
- The performance in December and January meant that despite achievement of the 95% target in both February and March, that the cumulative position fell just below the 95% target for the 2019/20 financial year.

Trend over time



Current Profile of Savings



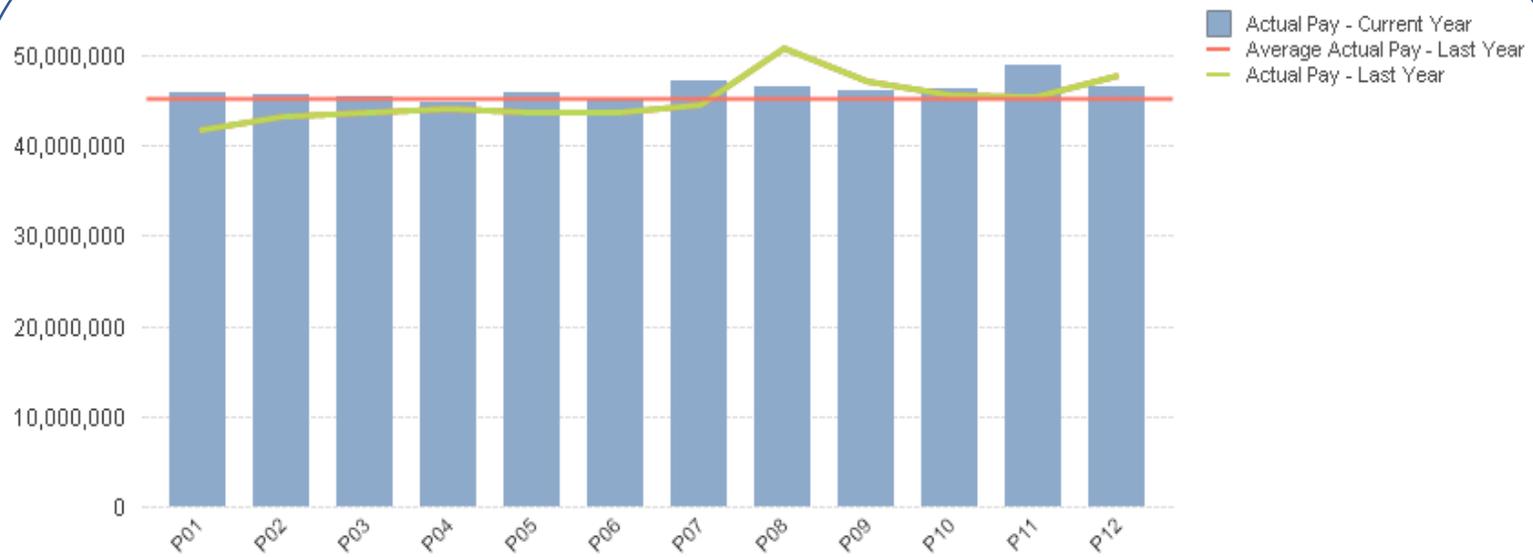
Narrative

- The Health Board financial plan required £22m savings to be delivered.
- The level of Green and Amber savings has remained broadly static for a number of months at £26m.
- It should be noted that this includes the initially identified green and amber schemes from the start of the year as WG reporting does not allow these to be reclassified once designated as green or amber.
- The full year delivery outturn against the identified schemes is £19m, which is £3m short of the required savings level.
- There is a 26% slippage rate against identified green and amber schemes, which indicates that the delivery confidence assessment was possibly too optimistic

Narrative

- The savings delivery increase in Month 12 compared with the previous month.
- The actual savings delivery for the first twelve months of the year is £19m.

Actual Pay Expenditure This Year and Last Year



Variable Pay Expenditure This Year and Last Year



- The overall pay spend in P12 is broadly aligned with expected position despite the impacts of COVID19.
- In the majority of units, the cover for staff unable to work due to infection/self-isolation has been supported with staff deployed from areas where activity has been restricted. The exception to this was Mental Health and Learning Disabilities where additional costs were incurred.
- Variable Pay spend has reduced slightly in-month.
- The most significant reduction is in WLI due to the restriction of elective activity during the later part of March.
- All other expenditure has remained broadly consistent with the previous winter months.

COVID19 Additional Expenditure 2019-20	£000
Staff Costs	209
<i>Non Pay:</i>	
Set up Costs	130
PPE/Uniforms	125
Clinical Consumables	411
Other Non Pay	60
Total Non Pay	726
Gross Additional Expenditure	935
Planned Care cost reductions	-237
Net Additional Expenditure	698

The COVID19 pandemic started to impact on the costs of providing Health Board services during March 2020.

The key expenditure impacts were :

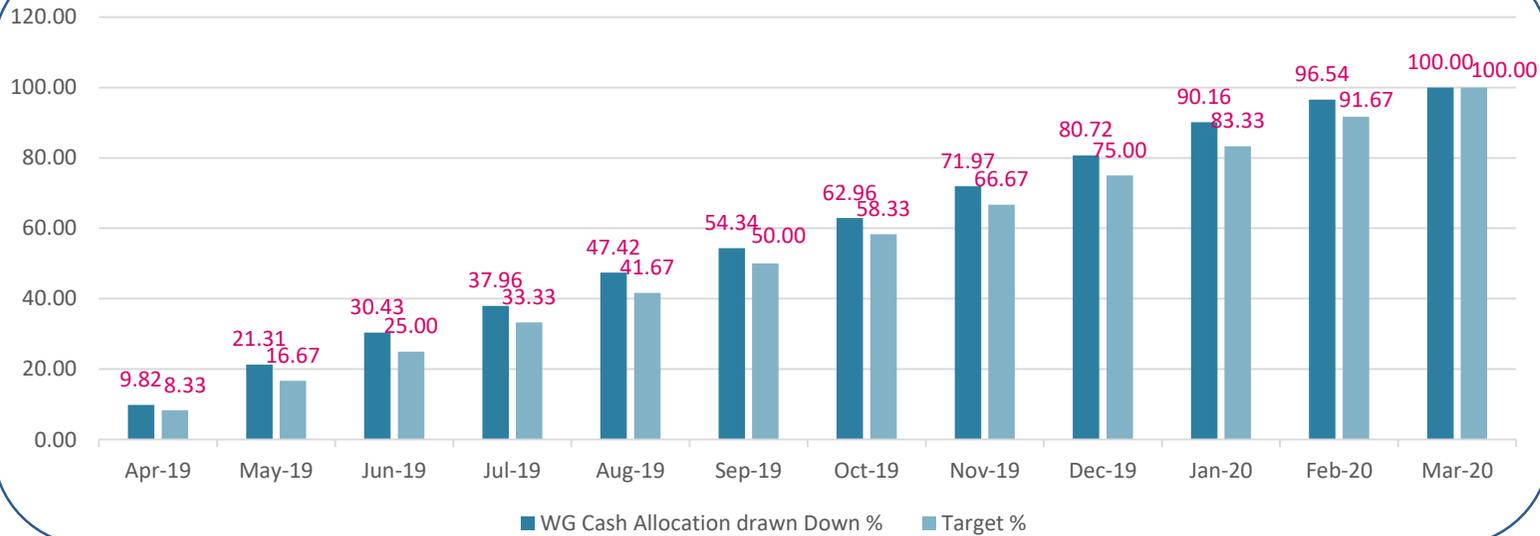
- Set up and equipping costs
- PPE/uniforms
- Clinical consumables
- Staffing costs associated with staff unavailability
- Other costs including digital

The gross additional costs in March were £0.935m.

The Health Board however also saw reductions in planned care activity as a result of COVID19 and this resulted in a reduction in clinical consumable costs.

The net additional cost impact of COVID19 was therefore £0.698m. This has been supported by an additional WG allocation.

Welsh Government Draw Down



1. The health board had a year-end cash balance of £0.486m, slightly below the local target of holding between £1m and £2m in cash at month end.
2. To achieve the year-end cash balance the health board drew down all cash sums allocated to it by Welsh Government. This included £15.3m strategic cash support, £10.107m capital cash working balances support and £23.687m revenue working capital cash support.
3. Whilst the working capital cash support is not repayable, strategic cash support is repayable. The £15.3m strategic cash support received in 2019/20 takes the cumulative amount of strategic cash support received to £78.571m. As the rules currently stand, repayment of this strategic cash assistance will be in accordance with the health board's future integrated medium term plan.

Analysis of Forecast Cash Position

