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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	25th March 2021	Agenda Item	4.2
Report Title	Financial Report – Period 11 2020/21		
Report Author	Samantha Lewis, Deputy Director of Finance		
Report Sponsor	Darren Griffiths, Interim Director of Finance and Performance (interim)		
Presented by	Darren Griffiths, Interim Director of Finance and Performance (interim)		
Freedom of Information	Open		
Purpose of the Report	The report advises the Board of the Health Board financial position for Period 11 (February) 2020/21 and sets out the current estimated revenue year end outturn.		
Key Issues	<p>The report invites the Board to note the detailed analysis of the financial position for Period 11 (February) 2020/21.</p> <p>The report also includes an analysis of the COVID-19 revenue impact and the forecast year end revenue position based on current planning assumptions.</p> <p>The report also invites the Board to note the capital budget, cash position and key balance sheet movements</p>		
Specific Action Required (please choose one only)	Information	Discussion	Assurance
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • CONSIDER and comment upon the Board's financial performance for Period 11 (February) 2020/21, in particular: <ul style="list-style-type: none"> i. the revenue outturn position of £22.333m 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-19 revenue impact for Period 11 2020/21 and the £24.405m deficit forecast revenue year end outturn. • NOTE the risks and opportunities. 		

FINANCIAL REPORT – PERIOD 11

1. INTRODUCTION

The report advises the Board that the Period 11 (February 2021) revenue financial position is an overspend of £22.333m.

The report invites the Board to note the detailed analysis of the Period 11 (February 2021) revenue financial position.

The report provides an analysis of the revenue impact of the COVID-19 response to February 2021 and provides an assessment of the year-end revenue forecast following agreed and anticipated additional Welsh Government (WG) funding.

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

2. BACKGROUND

2.1 The Health Board has two key statutory duties to achieve:

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

2018/19 No Approved Plan

2019/20 No Approved Plan

2020/21 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.**

2018/19 £9.9m Overspend

2019/20 £16.284m Overspend

2020/21 £24.4m Forecast Overspend prior to impact of COVID-19

The Health Board will fail to achieve this Statutory Duty.

2.2 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)	1,758
Reported cumulative financial position – deficit/(surplus)	22,333
Variance from Planned Deficit – deficit/(surplus)	38
Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government	Value £000
Reported year to date financial position – deficit/(surplus)	(4,964)
Forecast outturn financial position – deficit/(surplus)	2,101

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
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)	93.58%

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board plan for 2020/21 which was agreed by the Board for submission to Welsh Government in March 2020, including a financial plan with a forecast deficit of £24.4m.

	2020/21 £m
2020/21 Underlying Deficit	28.0
Inflationary/Demand Pressures	35.5
WG Allocation Uplift	-21.6
Investment Commitments	5.4
Planned Savings	-23.0
Planned Forecast Deficit for 2020/21	24.4

This plan did not include any impact of the COVID-19 pandemic.

The £28m underlying deficit which had in the previous year been reflected as overspends within the Service Delivery Units and Corporate Directorates has been transferred to the Corporate Plan. This has enabled the Service Delivery Unit and Corporate Directorate budgets to be established at a level that broadly reflects the 2019/20 expenditure profiles.

The period 11 reported in-month position was an overspend of £1.757m and a cumulative overspend for the first eleven months of the financial year of £22.333m.

The revenue position against the Health Board baseline financial plan is shown in the table below. In the current ledger position, most of the additional funding allocations are attributed to non-pay, despite also covering pay costs and income losses. An assessment has been made of the funding that should be attributed to income and pay to give an adjusted year to date variance from baseline plan.

	Cumulative Ledger Position	Funding Adjustment	Adjusted Cumulative Position
	£m	£m	£m
Income	7.583	-6.835	0.748
Pay	11.976	-26.960	-14.984
Non-Pay	-30.197	33.795	3.598
Savings Slippage	15.275		15.275
Slippage on Planned Investments	-4.667		-4.667
Planned Deficit	22.363		22.363
Total Position	22.333	0.000	22.333

The year to date position includes £102.292m of the £131.750m additional confirmed and anticipated funding.

3.1.2 Income

Income budgets have reported an under-achievement of £7.583m after eleven months, of which £6.835m has been identified as the impact of the pandemic. This reflects reductions in income from key activities undertaken by the Health Board as a result of COVID-19. This reduction can be seen both in terms of direct service activity, including private patients, injury cost recovery scheme, overseas patients, non-contracted activity and dental income and also other income sources for example catering income.

The residual income pressure reflects underlying private patient shortfalls and changes to other SLA income such as screening services.

3.1.3 Pay

Pay budgets have reported a £11.976m overspend after eleven months. This position is net of the application of £6.831m WG funding, which supported additional staff costs incurred during Quarter 1. No funding has been applied for subsequent months. The assessed funding attribution is £26.960m, which would result in a £14.984m underspend. The underspend predominantly relates to vacancies which are not fully covered. This underspend is a core component of the Health Board underlying position. It is recommended that pay budgets should be realigned to this level of expenditure in order to maintain and manage the position and to manage service expectations.

The Health Board has reported significant additional workforce costs in 2020/21 in response to the pandemic and the ability to reduce costs back to pre-COVID levels will be extremely important for the assessment of the underlying financial position.

3.1.4 Non Pay

Non-pay budgets have reported an overspend of £2.774m, however most of the additional funding has currently been attributed to non-pay. When adjusted to reflect more appropriate funding attribution, non-pay moves to a £36.567m overspend.

The overspend includes the planned deficit of £22.363m plus savings non-delivery of £15.275m, less planned investment slippage and cost reductions due to COVID.

3.1.5 Savings and Recovery Challenge

The Health Board financial plan identified a £23m savings requirement for 2020/21 to support the delivery of the £24.4m deficit financial plan.

The Health Board initial financial plan identified £11.5m of savings scheme that were assessed as Green and Amber, with a further £11.5m of schemes that are linked to the opportunities pipeline that was developed with the support of KMPG. The level of green and amber schemes had increased to £13m by the start of the financial year.

The initial response to COVID-19 and the planning for essential services and a further potential wave has required all management capacity and focus and this has resulted in progress on savings being halted, which has impacted both on the delivery of the Green and Amber schemes and also in the development of the further schemes.

The savings delivery to Month 11 is £5.747m against a planned delivery of £21.022m. The impact of non-delivery of savings to Month 11 is therefore £15.275m.

The savings opportunities presented by KPMG and those identified previously are being reviewed to enable a clear line of sight to in-year delivery and more importantly to the recurrent impacts and benefits to support the Health Board's financial sustainability.

All Service Groups have reinvigorated their financial governance infrastructure to ensure both recurrent and non-recurrent opportunities are maximised and also to ensure efficiency improvements are included within service reset plans.

It should however be recognised that many of the historic efficiency measures are not able to be utilised in the current environment due to requirements of the pandemic e.g. theatre turnaround times will have significantly increased due to PPE requirements.

3.1.6 COVID-19

The COVID-19 pandemic started to impact on the Health Board's financial position during March 2020. The key areas of cost impact have been reviewed and assessed for the first eleven months along with the attribution of additional Welsh Government (WG) funding.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Cumulative
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Impact on Savings Delivery	1.749	1.480	1.318	1.321	1.310	1.394	1.364	1.310	1.338	1.307	1.384	15.275
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	5.972	7.111	6.294	8.835	10.111	8.405	103.740
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-0.852	-0.642	-0.735	-1.050	-0.918	-0.831	-11.840
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-0.450	-0.099	-0.672	-0.399	-0.451	-0.448	-4.860
TOTAL COVID-19 IMPACT	3.338	8.192	25.657	12.070	5.780	6.064	7.734	6.197	8.724	10.049	8.510	102.315
Funding Contribution	-0.060	-0.060	-26.888	-9.445	-0.612	-23.985	-7.441	-6.518	-8.724	-10.049	-8.510	-102.292
Net COVID-19 IMPACT	3.278	8.132	-1.231	2.625	5.168	-17.921	0.293	-0.321	0.000	0.000	0.000	0.023

The Health Board recorded additional COVID-19 response costs of £8.405m during February 2021, with a cumulative gross expenditure of £103.740m. These costs were partially offset by reduced expenditure related to the restriction of planned care activity £11.840m. This resulted in a net cumulative additional expenditure of £91.900m for the first eleven months of the financial year.

The Health Board has also reported a £15.275m adverse impact on savings delivery and a £4.860m positive impact on investment slippage. These items combined with the net cumulative additional expenditure result in a total COVID-19 impact of £102.315m.

These costs have been offset by £102.292m WG funding, which includes the additional general funding allocation, Field Hospital and internal surge set up and construction costs, specific workforce costs for quarter 1, PPE, extended flu campaign, testing and contract tracing, adult ChC provision and optimising flows.

The most significant areas of expenditure for the first eleven months of the financial year are: -

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Cumulative
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Workforce	0.606	2.949	3.337	2.723	2.499	2.181	3.484	2.961	3.806	4.863	4.382	33.791
Field Hospital Set Up	0.088	1.431	20.026	6.427	0.046	0.102	0.890	0.018	0.000	0.318	0.000	29.346
Other Equipping	0.037	1.162	0.045	0.204	0.146	0.123	0.242	0.504	0.154	0.000	0.008	2.625
PPE	0.662	1.455	0.168	0.212	0.561	0.692	0.751	0.784	0.809	0.510	0.481	7.085
Testing Programme	0.000	0.004	0.076	0.361	0.264	0.546	0.530	0.784	0.896	1.096	1.372	5.929
Primary Care Prescribing	0.250	0.150	1.172	0.437	0.759	0.337	0.064	0.502	0.719	0.663	0.145	5.198
Care Homes	0.000	0.000	0.000	0.000	0.000	0.995	0.205	0.042	0.526	0.185	0.469	2.422
Loss of Income	0.500	0.300	0.856	0.741	0.676	0.563	0.745	0.650	0.650	0.545	0.609	6.835
Vaccination Programme										0.914	0.718	0.914
TOTAL COVID-19 IMPACT	2.143	7.451	25.680	11.105	4.951	5.539	6.911	6.245	7.560	9.094	8.184	93.231

The other £10.5m additional costs cover such items as clinical consumables, accommodation, staff uniforms, cleaning and catering services, IT, mortuary, essential service provision and transport services.

3.2 Capital

The approved CRL value, issued on 04/03/21, is £45.883m. The main changes this month are additional funding received for; Oxygen Infrastructure £0.020m, Digital Eyecare (Open Eyes Ophthalmology System) £0.272m, Digital Priorities Investment Fund (DPIF) £0.975m, Ventilators from NWSSP £0.278m and PHW COVID Hot Labs £0.090m. The approved CRL value includes Discretionary Capital and the schemes under the All Wales Capital Programme.

3.2.1 Outturn Performance

The forecast outturn shows an overspend position of £2.101m. Allocations on 5 schemes are anticipated from WG which will balance this position as follows:

Scheme	£m	Narrative
COVID Decommissioning Costs	0.994	Funding letter received from WG
Children's Centre ICF	0.100	Funding letter received from WG

Scheme	£m	Narrative
COVID Immunisation Digital	0.126	Funding letter received from WG
Community Nursing Digital	0.232	Funding letter received from WG
Imaging	0.649	Funding letter received from WG

This plan takes account of the latest estimates for COVID expenditure across our surge capacity, Field Hospitals and new ways of working, including home working.

3.3 Balance Sheet

As at 28th February 2021, there has been an increase of £10.667m in net assets employed compared to the balances as at 1st April (3.11%). Total assets increased by £49.907m, and total liabilities increased by £39.240m.

The asset movements comprised increases in fixed assets of £3.205m with asset additions for the year to date being higher than depreciation. There were also increases of £12.084m in cash balances held and £34.636m in trade and other receivables mainly due to increases in the Welsh Risk Pool debtor following receipt of the latest clinical negligence and personal injury quantum reports from NWSSP Legal and Risk Services and the income accrual in respect of anticipated allocations from Welsh Government. There was minimal movement in stock balances, these having reduced by £0.018m.

The liabilities increase comprised increases in both trade and other payables and provisions. Trade and other payables increased by £14.844m. This was made up of increases of £2.6m in CHC accruals, £4.2m in accruals for primary care contracts and plus service group accrual for invoices not yet received or paid for Morriston (£5.2m), Neath Port Talbot (£1.3m) and Singleton (£1.8m). There was also an increase of £24.396m in provisions as result of the increase in the clinical negligence and personal injury provisions following receipt of the latest quantum reports from NWSSP Legal and Risk Services.

3.4 Cash

The closing February cash balance of £12.570m was significantly above the WG best practice cash target for the health board of £6m. The higher cash balance was due to lower than forecast supplier payments during February 2021. This was attributable to NWSSP Accounts Payable experiencing difficulties in processing OCR transactions in February 2021 resulting in a backlog of invoices to be processed. As a consequence of these issues, NWSSP Accounts Payable lost up to a week's processing. Accounts Payable have trained up additional resources and a number of Accounts Payable staff are working overtime to tackle this backlog to ensure that the backlog will be cleared by the end of March 2021, possibly earlier.

On 25th January 2021, confirmation was received from Welsh Government that cash support amounting to £12.655m, comprising £2.378m of cash support for movement in working capital balances and £10.277m strategic cash support had been approved and would be available for draw down in March.

The latest capital forecast position estimates a closing capital creditor balance broadly in line with the balance as at 31st March 2020, partly as a result of items funded from recent capital allocations not due to be delivered until the last week of March and therefore not paid in cash until early April. As a result the working capital cash available for the movement in capital creditors available through the CRL will not be drawn down in cash prior to 31st March.

At this stage, it is probable that the £10.277m strategic cash support available to the Health Board will also not need to be drawn down from Welsh Government. The latest cash forecast with the strategic cash support and working capital cash support not being drawn down is a closing cash balance of £11.730m. Daily cash team meetings are taking place to monitor the cash position and Finance staff are working with Accounts Payable and service managers and budget holders across the health board to identify, authorise and process invoices for payment as quickly as possible with the aim of reducing this forecast year-end cash balance.

A final decision will be made and communicated to Welsh Government on 19th March 2021 as to whether any of the strategic cash support will be drawn down,

3.5 Public Sector Payment Policy (PSPP)

The number of invoices paid within 30 days in February exceeded the 95% target for only the 2nd time this financial year, with in month performance being 96.26%. This continued the improvement of recent months with December and January being 93.63% and 94.62% respectively.

The February performance has increased the cumulative compliance for the year to date from 93.25% at the end of January to 93.58% at the end of February. However, the cumulative position to the end of February means that whatever the compliance figure achieved in month in March, it will not be possible to achieve a cumulative compliance of 95% for the 2020/21 financial year.

4. REVENUE FORECAST

The Health Board revised forecast was developed building on the current financial profiles and in conjunction with the Quarter 3 and 4 Operational Plan.

The Health Board forecast has been refined over recent months to reflect the impact of funding allocations and clearly expenditure profiles.

The Health Board has a year-end forecast deficit of £24.4m, which is recognised by Welsh Government.

This month the forecast has been updated to reflect revised TTP and vaccination costs and funding allocations.

5. RISKS AND OPPORTUNITIES

As we are now approaching the end of the financial year, there is a high degree of confidence of delivering £24.405m forecast deficit position, with any previously reported risks able to be managed.

6. ACTIONS AND NEXT STEPS

Following the period of immediate response to the COVID-19 pandemic the Health Board:

- Reinstated financial review meetings from month 2
- Routine weekly meetings with Finance Business Partnering Teams
- Issued a clear approach to the in-year financial framework: -
 - Focus on remaining within base budget and controlling the run rate within this
 - Focus on exploring all savings opportunities to mitigate savings loss risk
 - Ensure clear analysis and accounting for COVID-19 costs and controlling these proportionately to the need to respond whilst maintaining good governance and value for money
- Specific reassessment of service assessments driving cost forecasts to identify opportunities to cost avoid and appropriately reduce possible future costs.
- Re-aligned financial governance and engagement through the Senior Leadership Team (SLT).

Following the clarification and issue of WG funding and the submission of the revised £24.4m forecast, the focus in March 2021 will now be on delivering the revised forecast

The focus remains on the key cost drivers with potential to impact on 2021/22 financial performance; medical staff costs, nurse staff costs, ChC, Income impacts and Medicines Management.

The Health Board planning process for 2021/22 is underway and within that is the development of a financial plan for 2021/22.

The development of a deliverable 2021/22 financial plan, that does not worsen the Health Boards financial position will be dependent upon: -

- Developing a clear link between budget, cost, activity and capacity based on 2019/20 as a baseline year.
- Management of the underlying position, ensuring baseline costs are not allowed to escalate. This includes maintaining current levels of pay underspend through service, quality and financial review and rebasing of budgets.
- Management of the in-year cost pressures through the delivery of cost containment measures, grip and control and value, efficiency and savings opportunities
- Constraining further investment choices to ensure clear benefit realisation track and alignment to key WG priorities and potential funding sources.
- Clear assessment and recognition of ongoing impacts of the response to the pandemic, including those directly attributable such as TTP, Vaccination plan and additional capacity as well as those that are more indirect impacts such as income impacts, increased use of single use items and workforce costs.

- Effective management of recurrent savings of 4% or £24m, which will require a fundamental shift in culture, attitudes, behaviours, systems and processes.

Next financial year will be a year of significant financial uncertainty in terms of potential funding for the NHS, vaccination plans, presence and impact of COVID, availability of capital, workforce resilience and service productivity and efficiency.

7. RECOMMENDATION

Members are asked to:

- **CONSIDER** and comment upon the Board's financial performance for Period 11 (February) 2020/21, in particular:
 - vi. the revenue outturn position of £22.333m deficit;
 - vii. the capital outturn position;
 - viii. balance sheet movements;
 - ix. cash position; and
 - x. performance against the Public Sector Payment Policy compliance.
- **NOTE** the COVID-19 revenue impact for Period 11 2020/21 and the £24.405m deficit forecast revenue year end outturn.
- **NOTE** the risks and opportunities.
- **NOTE** the emerging development of the 2021/22 financial plan and the actions required.

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 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		
(please choose)	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		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
Legal Implications (including equality and diversity assessment)		
No implications for the Board to be aware of.		
Staffing Implications		
No implications for the Board to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Board to be aware of.		
Report History	Board receives an update on the financial position at every meeting	
Appendices	Appendix 1 – Board Slide Pack – Month 11 2020/21	

SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT

Period 11 Data (February 2021)

Darren Griffiths



In Month

£ 1,757,124 **overspent**

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-23,393	-22,817	577	2.47%
Pay	50,705	52,227	1,522	3.00%
Non Pay	64,092	63,750	-341	0.53%
Total	91,403	93,161	1,757	1.92%

Cumulative

£ 22,332,588 **overspent**

Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance	COVID Funding Adjustments	Adjusted YTD Variance
Income	-251,743	-244,160	7,583	3.01%	6835	748
Pay	540,836	552,811	11,976	2.21%	26,690	-14,984
Non Pay	621,145	623,919	2,774	0.45%	-33,795	36,567
Total	910,238	932,571	22,333	2.45%	0	22,333

Overall Analysis

- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast has moved significantly through the course of the financial year as COVID costs and funding sources have become more certain.
- The Health Board forecast has been held at £24.4m deficit since Month 8. In delivering a £24.4m deficit the Health Board will achieve its original planned deficit.
- The in-month position is consistent with the delivery trajectory of the £24.4m forecast deficit.

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) – Red	1,757	↓
Reported year to date financial position – deficit/(surplus) – Red	22,333	↑
Reported year to date compared to forecast financial plan deficit – Red	38	↓
Year End Forecast surplus/(deficit) - Red	24,405	↔

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 Red	2,101	↑
Reported in-month financial position – deficit/(surplus) – Forecast Red	(4,964)	↑
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	93.58	↑

Revenue

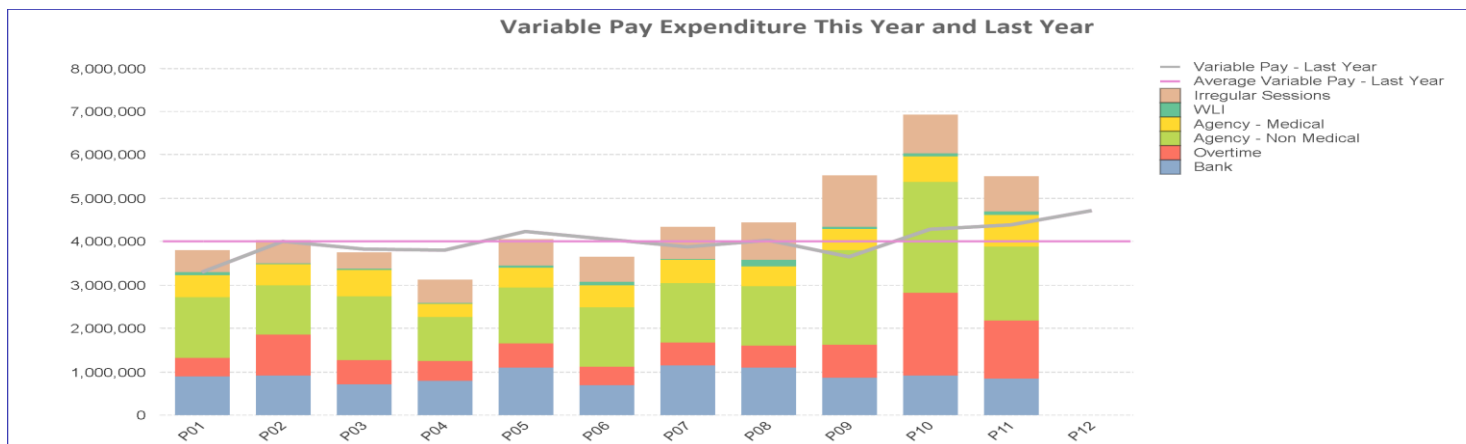
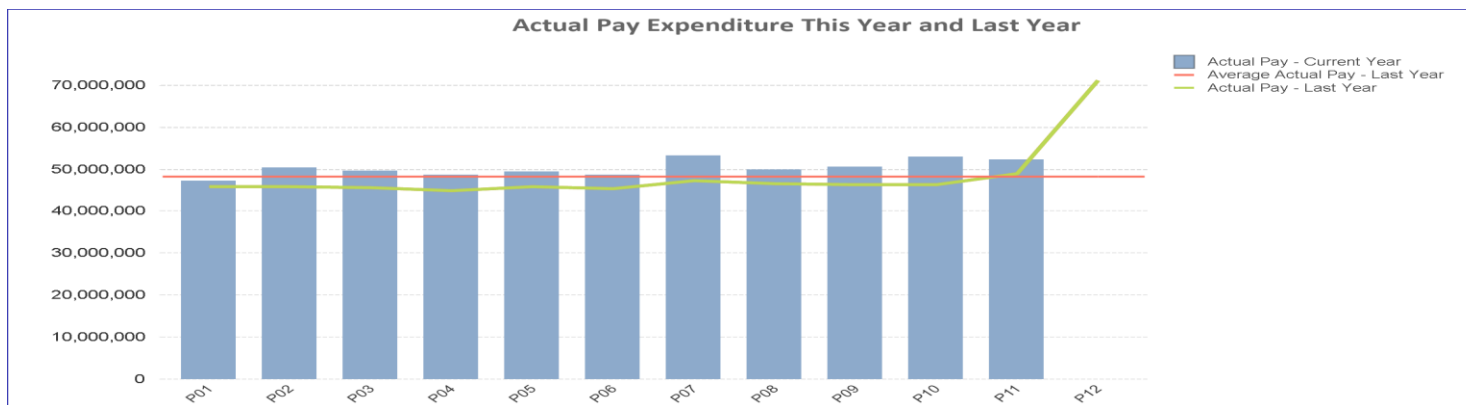
- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast has moved significantly through the course of the financial year as COVID costs and funding sources have become more certain.
- The Health Board forecast has been held at £24.4m deficit since Month 8. In delivering a £24.4m deficit the Health Board will achieve its original planned deficit.
- The in-month position is consistent with the delivery trajectory of the £24.4m forecast deficit.

PSPP Narrative

- The number of invoices paid within 30 days in February exceeded the 95% target for only the 2nd time this financial year, with in month performance being 96.26%. This continued the improvement of recent months with December and January being 93.63% and 94.62% respectively.
- The February performance has increased the cumulative compliance for the year to date from 93.25% at the end of January to 93.58% at the end of February. However, the cumulative position to the end of February means that whatever the compliance figure achieved in month in March, it will not be possible to achieve a cumulative compliance of 95% for the 2020/21 financial year.

Capital Narrative

- Approved CRL value for 20/21 issued on 04/03/21 is £45.883m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
- Overspend to date relates to a number of schemes as detailed in the Annex.
- There are 7 All Wales Capital schemes reported to Welsh Government as high risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government.
- The forecast outturn position for 20/21 is £2.101m overspent. Allocations on 5 schemes are anticipated from WG which will balance this position.



	2019-20 Month 1-11 Adjusted for inflation	2020-21 Month 1-11	Increase	Increase
	£000	£000	£000	%
Additional Clinical Services	66,416	70,949	4,533	6.83%
Admin & Clerical	70,174	72,446	2,272	3.24%
Allied Health Professionals	34,405	36,066	1,661	4.83%
Estates & Ancillary	27,807	29,630	1,823	6.56%
Healthcare Scientists	15,701	16,289	588	3.74%
Medical and Dental	123,081	136,716	13,635	11.08%
Nursing and Midwifery	161,742	168,923	7,181	4.44%
Prof, Scientific and Technical	16,945	18,174	1,229	7.25%
Students	5	3,625	3,620	72400.00%
Total	516,276	552,818	36,542	7.08%

- The overall pay spend in Month 11 is around £0.76m lower.
- Across the two months enhancement levels are broadly consistent and this is as expected.
- There has been a reduction in variable pay costs - £1.4m and an increase in substantive workforce costs £0.6m.
- The substantive workforce increase is being examined to understand the recurrent impact on the Health Board pay run rate.
- The variable pay reduction is shown :
 - £0.56m Overtime
 - £0.85m Non medical Agency
- The Health Board pay costs are around £36.5m higher than last year after accounting for inflation. Around £33.5m of this increase relates to COVID response, with a further £3m due to recruitment and investments.

	Annual Plan	Forecast Annual Delivery	Forecast Slippage	Forecast Delivery	YTD Plan	YTD Delivery	YTD Slippage	YTD Delivery
	£000	£000	£000	%	£000	£000	£000	%
ChC	550	120	430	22%	500	110	390	22%
Commissioned Services	99	-	99	0%	82	-	82	0%
Medicines Management	2,084	1,041	1,043	50%	1,910	930	980	49%
Non Pay	7,487	1,553	5,934	21%	6,893	1,352	5,541	20%
Pay	12,532	3,519	9,013	28%	11,411	3,285	8,126	29%
Income Generation	248	77	171	31%	226	70	156	31%
Total	23,000	6,310	16,690	27%	21,022	5,747	15,275	27%

Narrative

- The Health Board financial plan identified a requirement to deliver £23m savings.
- At the start of the financial year around £13m of plans were considered green or amber, which the remaining £10m planned but not sufficiently progressed to be considered green and amber.
- The COVID19 pandemic has clearly impacted on the delivery and development of savings.
- The current forecast delivery has increased slightly from £6.233m to £6.310m, giving slippage of £16.690m.
- The year to date position is planned savings £21.022m, actual delivery £5.747m, giving slippage of £15.275m. The actual delivery is therefore 27% of the planned delivery levels.
- Whilst the pandemic has impact significantly on savings delivery in 2020/21, it is crucial that work commences to enable savings to be identified, planned and delivered during 2021/22. The key themes and opportunities identified within the KPMG report are still relevant and provide a solid base on which plans can be developed.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Cumulative
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Impact on Savings Delivery	1.749	1.480	1.318	1.321	1.310	1.394	1.364	1.310	1.338	1.307	1.384	15.275
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	5.972	7.111	6.294	8.835	10.111	8.405	103.740
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-0.852	-0.642	-0.735	-1.050	-0.918	-0.831	-11.840
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-0.450	-0.099	-0.672	-0.399	-0.451	-0.448	-4.860
TOTAL COVID-19 IMPACT	3.338	8.192	25.657	12.070	5.780	6.064	7.734	6.197	8.724	10.049	8.510	102.315
Funding Contribution	-0.060	-0.060	-26.888	-9.445	-0.612	-23.985	-7.441	-6.518	-8.724	-10.049	-8.510	-102.292
Net COVID-19 IMPACT	3.278	8.132	-1.231	2.625	5.168	-17.921	0.293	-0.321	0.000	0.000	0.000	0.023

The Health Board recorded additional COVID costs of £103.740m cumulatively to February 2021. These costs were partially offset by reduced expenditure related to the restriction of other Health Board activity £11.840m. This resulted in a net additional expenditure of £91.900m.

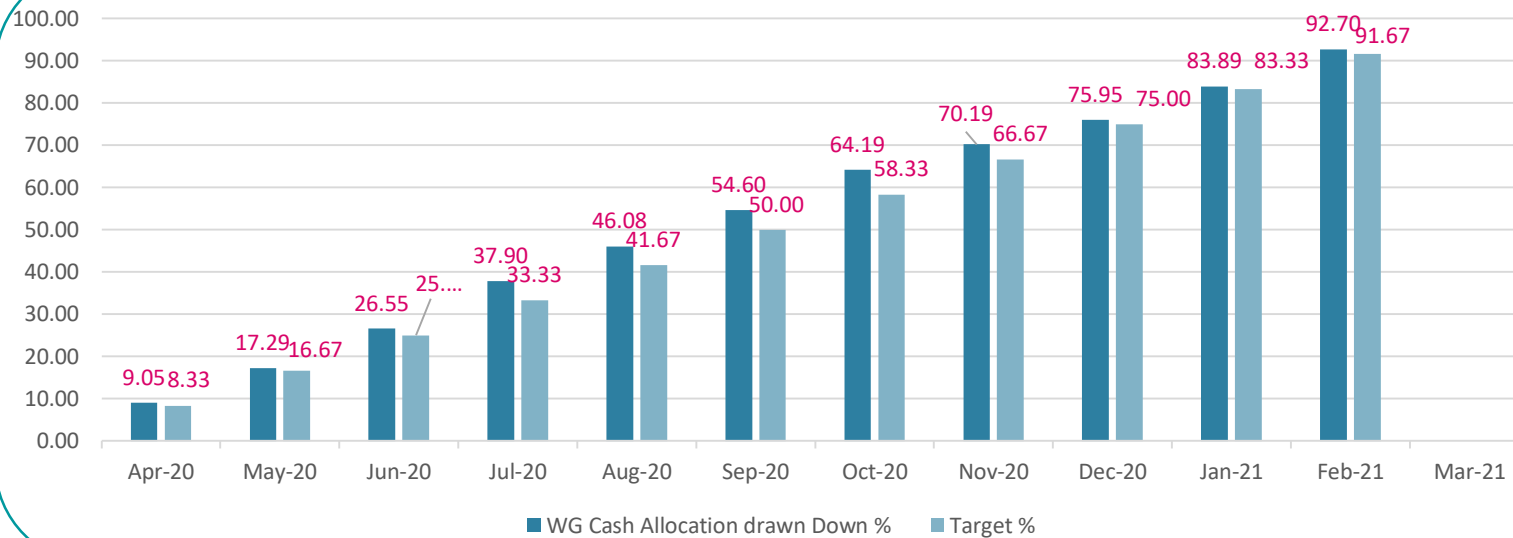
This additional cost is primarily related to :

- Additional staff costs
- Loss of income
- Primary Care Prescribing
- PPE
- Field Hospital set up
- Test, Trace, Protect

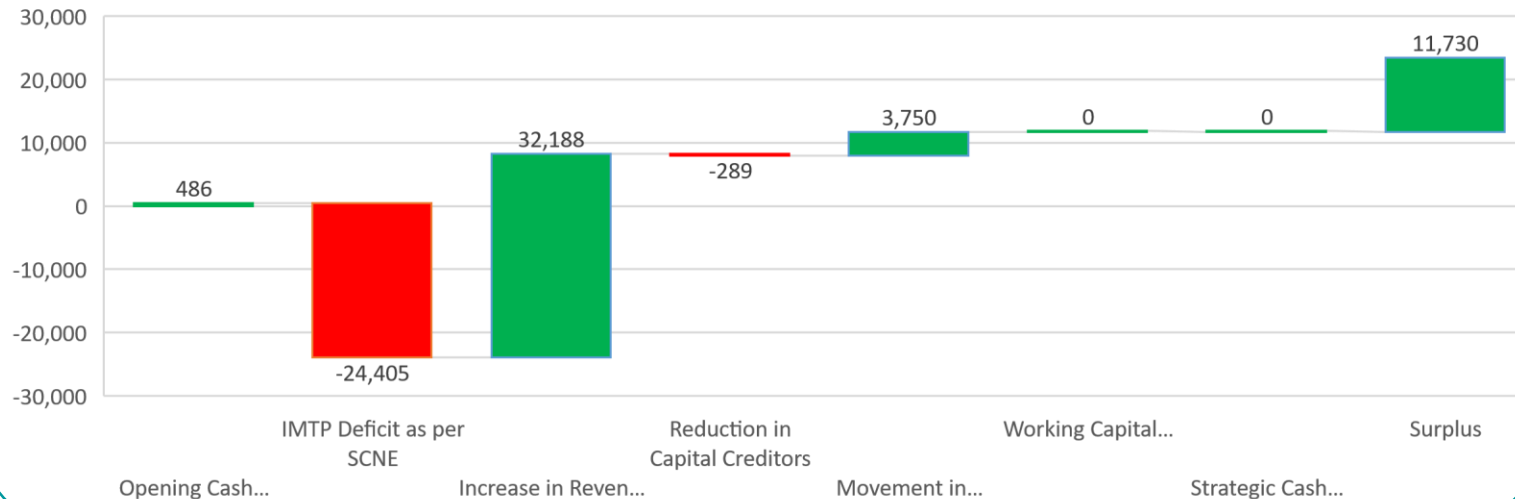
In addition, the impact on savings delivery has also been assessed as a COVID-19 impact. This has been identified as £15.275m.

The Health Board has also identified slippage on planned investments and new funding streams which is offsetting some of the additional costs.

Welsh Government Draw Down



Analysis of Forecast Cash Position



1. The closing February 2021 cash balance of £12.570m was significantly above the WG best practice cash target for the health board of £6m. The higher cash balance was due to lower than forecast supplier payments during February. This was attributable to NWSSP Accounts Payable experiencing difficulties in processing OCR transactions in February resulting in a backlog of invoices to be processed.
2. On 25th January, confirmation was received from Welsh Government that £12.655m of cash support, comprising £2.378m for movements in working capital balances and £10.677m strategic cash support to support the forecast revenue deficit had been approved and would be available for draw down from Welsh Government in mid March.
3. The latest capital forecast position estimates a closing capital creditor balance broadly in line with the balance as at 31st March 2020, partly as a result of items funded from recent capital allocations not due to be delivered until the last week of March and therefore not paid in cash until early April. As a result the working capital cash available for the movement in capital creditors will not be drawn down in cash prior to 31st March.
4. At this stage (based on actual receipts and payments to 9th March and forecast receipts and payments for the remainder of March) it is probable that the £10.277m strategic cash support available to the Health Board will also not be required to be drawn down from Welsh Government. The latest cash forecast with the strategic cash support and working capital cash support not being drawn down is a closing cash balance of £11.730m. A final decision on whether or not to draw down the strategic cash support will be taken on 19th March.

- The Health Board forecast is £24.405m, this is aligned to the pre-COVID planned deficit. The Health Board remains on track to deliver this forecast.
- The key focus for forthcoming months will be :
 - Management of the financial position to the year end, recognising the range of variables that are need to be managed to deliver the year-end forecast.
 - Developing clear efficiency opportunities to support the underlying financial position in 2021/22
 - Strengthen current Value Based Healthcare arrangements for increase profile and impact within the Health Board
 - Supporting the development of the Operational plan for 2021/22, aligning service, workforce and financial requirements
 - Maintenance of strong governance and decision making for business as usual and major incident command structures.