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Bwrdd Iechyd Prifysgol  
Bae Abertawe  
Swansea Bay University  
Health Board



<b>Meeting Date</b>	<b>27<sup>th</sup> May 2021</b>	<b>Agenda Item</b>	<b>4.2</b>
<b>Report Title</b>	<b>Financial Report – Period 1 2021/22</b>		
<b>Report Author</b>	Samantha Lewis, Deputy Director of Finance		
<b>Report Sponsor</b>	Darren Griffiths, Director of Finance and Performance (interim)		
<b>Presented by</b>	Darren Griffiths, Director of Finance and Performance (interim)		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	The report advises the Board of the Health Board financial position for Period 1 (April) 2021/22.		
<b>Key Issues</b>	<p>The report invites the Board to note the detailed analysis of the financial position for Period 1 (April) 2021/22.</p> <p>The report also invites the Board to note the capital budget, cash position and key balance sheet movements.</p> <p>The report sets out key actions in relation to the month 1 position and for the forthcoming period.</p>		
<b>Specific Action Required</b> <i>(please choose one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to: -</p> <ul style="list-style-type: none"> <li>• <b>NOTE</b> the agreed 2021/22 financial plan</li> <li>• <b>CONSIDER</b> and comment upon the Board's financial performance for Period 1 (April) 2021/22</li> <li>• <b>NOTE</b> the key actions in relation to the month 1 position and for the forthcoming period.</li> </ul>		

## FINANCIAL REPORT – PERIOD 11

### 1. INTRODUCTION

The report advises the Board that the Period 1 (April 2021) revenue financial position is an overspend of £3.541m.

The report invites the Board to note the detailed analysis of the Period 1 (April 2021) revenue financial position.

The report provides an analysis of the revenue impact of the COVID-19 response to April 2021 and provides an assessment of the year-end revenue forecast following agreed and anticipated additional 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.**

2019/20 No Approved Plan  
2020/21 No Approved Plan  
2021/22 Draft Annual Plan submitted

The Health Board will fail to achieve this Statutory Duty.

- **To achieve financial breakeven over a rolling three-year period, which commenced on 1<sup>st</sup> April 2019 and will end on 31<sup>st</sup> March 2022.**

2018/20 £9.879m Overspend  
2019/20 £16.284m Overspend  
2020/21 £24.305m Overspend  
2021/22 Draft plan currently under review

The Health Board will fail to achieve this Statutory Duty.

#### 2.2 Summary of Performance against Key Financial Targets

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported in-month financial position – deficit/(surplus)	3,541
Reported cumulative financial position – deficit/(surplus)	3,541
Variance from Planned Deficit – deficit/(surplus)	35
<b>Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported year to date financial position – deficit/(surplus)	47
Forecast outturn financial position – deficit/(surplus)	1,223

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
<b>PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice</b>	<b>Value %</b>
Cumulative year to date % of invoices paid within 30 days (by number)	95.4%

### 3. FINANCIAL IMPLICATIONS

#### 3.1 Revenue Position

##### 3.1.1 Summary Revenue Position

The Health Board agreed the **Draft** Annual Plan for 2021/22 at its meeting on 30<sup>th</sup> March 2021. This included a financial plan which indicated that in-year cost pressures and investment commitments could be met by WG allocation uplift and planned savings as summarised in the table below.

Discussions around the treatment of the Health Board's underlying deficit will be developed in the early part of June 2021 prior to inclusion in the agreed plan at the end of June 2021.

	<b>2021-22 Plan Update £m</b>
Cost pressures	25.60
WG Allocation	-15.10
Investment Commitments	8.50
Planned Savings	-27.70
Investments to enable Savings	8.70
<b>In-year Impact</b>	<b>0.00</b>

The savings requirement for 2021/22 of £27.7m is a gross saving position, which recognises and allows for the investments to support the delivery of efficiency opportunities.

The Health Board is also anticipating around £99m of COVID funding for this financial year, this is based on assumed costs for 12 months.

The period 1 reported in-month position was an overspend of £3.541m, which is £0.035m above the forecast position.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income	- 100,309	- 99,990	319
Pay	49,755	50,393	638
Non-Pay	53,610	53,138	- 472
<b>Delegated Position</b>	<b>3,056</b>	<b>3,541</b>	<b>485</b>
Corporate Plan			- 450
<b>Total Position</b>			<b>35</b>

The corporate plan variance reflects the offset of savings gap from COVID funding and also the release of corporate support to the financial position.

### **3.1.2 Income**

Income budgets have reported an under-achievement of £0.319m. The most significant element of this under-achievement relates to dental income recovery, which is £0.194m in-month. This loss of income is partially offset by reduced dental charges, however there is a net adverse financial impact of £0.079m per month. This net financial impact has been funded however for the purpose of reporting, this has been reflected within non-pay.

Over £0.7m of COVID funding support was provided to meet the ongoing impact of the pandemic. This support will be reviewed through monthly performance meetings to consider the recovery mechanisms and potential longer term impacts.

### **3.1.3 Pay**

Pay budgets have reported a £0.638m overspend in-month. There are three key areas driving this overspend: -

- Medical and Dental £0.275m
- Nursing (including HCSW) £0.399m
- Estates and Ancillary £0.190m

In all three areas the overspend is being driven by the use of variable pay. These three areas will be subject to review in forthcoming months by relevant Executive Directors to ensure the overspend is recovered and tackled going forward for 2021/22 consistent with budgets.

Around £1.2m of COVID funding has been issued, excluding funding for vaccination, TTP and cleaning standards. This significant cost is supporting changed service models and requirements, surge capacity and other additional support. The management of ongoing legacy of costs will be crucial in the development of a sustainable financial model going forward.

### **3.1.4 Non Pay**

Non-pay budgets have reported an underspend of £0.472m. Within this position there are underspends within clinical consumables due to reduced activity. However, there are growing pressures on ChC budgets particularly in Mental Health and Learning Difficulties due to growing case numbers and complexity. A review is underway to determine whether further support is required from central reserves whilst further work is undertaken on ChC within the Service Delivery Group.

The level of COVID support to general non-pay is much lower, around £0.18m. In addition, around £0.45m funding support has been provided to Primary Care Prescribing to support the increased costs being experienced.

### **3.1.5 Savings and Recovery Challenge**

The Health Board financial plan identified a £27.7m savings requirement for 2021/22 to support the delivery of its in-year financial plan.

The Health Board has identified £22.942m of savings that have been assessed as green and amber. In addition to the green and amber savings a further £3.5m of red schemes have been identified and these are being further assessed and developed at present with clear plans required in June 2021 to eradicate red category of schemes.

Month 1 has reported savings delivery of £2.071m against a planned saving of £2.136m. This minor slippage is being investigate to ensure recovery or mitigation.

Further work is underway to ensure all savings opportunities presented by KPMG and those identified previously have been considered and plans developed where appropriate.

### 3.1.6 COVID-19

The Health Board is assuming £99.004m of additional funding to support COVID response and recovery. This is based on high level planning assumptions and will be refined during the forthcoming months. The table below provides a summary of the additional funding anticipated.

The system of financial management for 2021/22 will be allocate COVID response and recovery funding to meet the areas where expenditure is incurred. This will allow for more transparent management of budget variance and will support the required levels of accountability required as the Health Board continues its response and recovery activities.

	<b>Anticipated COVID Funding £m</b>
General	43.200
PPE	5.789
Care Homes	2.809
Cleaning Standards	2.304
Extended Flu	0.900
Vaccinations	13.161
Trace	11.700
Testing	2.898
<b>COVID Response</b>	<b>82.761</b>
COVID Recovery	16.243
<b>Total Allocation</b>	<b>99.004</b>

It is expected that the any COVID funding provided will be fully deployed. The COVID recovery funding has been allocated by Welsh Government following bids by the Health Board in May 2021. This is the first tranche of resource anticipated for COVID recovery. The primary focus of this first wave of funding is on increasing capacity to improve access for patients across cancer services, outpatients, diagnostics and surgical treatment. Costs will be incurred in line with agreed funding.

## 3.2 Capital

The approved CRL value, issued on 30/04/21, is £38.511m. The changes from the opening 21/22 CRL (value £27.497m), received this month are; National Programmes – Fire £0.560m, National Programmes – Infrastructure £1.396m, National Programmes – Decarbonisation £2.336m, National Programmes – Mental Health £1.171m and National Programmes – Imaging £5.551m. 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 £1.223m. Allocations are anticipated from WG which will balance this position as follows:

Scheme	£m	Narrative
<b>Business Case Fees</b>	<b>1.223</b>	<b>Funding expected from WG to neutralise</b>

The reported forecast outturn position assumes that £0.552m of disposal income will be received.

### 3.3 Balance Sheet

As at 30th April, there has been an increase of £3.459m in net assets employed compared to the balances as at 31st March (1.11%). Total assets increased by £0.948m, and total liabilities reduced by £2.511m.

The main asset movements were reductions in fixed assets of £0.904m with asset additions for the year to date being lower than the depreciation and £0.218m in cash balances. These reductions were offset by increases of £20.17m in trade and other receivables mainly due to an increase in NHS debts with April 2021 invoices being largely outstanding as usually happens in April due to the focus on completion of year end accounts within finance departments, and a small increase of £0.053m in drugs stocks.

The liabilities reduction comprised a reduction of £2.550m in trade and other payables, primarily due to the reduction in goods received not invoiced, with a small increase of £0.059m in provisions.

### 3.4 Cash

The health board had a cash balance at the end of April 2021 of £1.052m in line with its planned month end cash balance and significantly below the Welsh Government allowable month end balance of £6m.

With only the base line allocations from Welsh Government having been received to date and only one month's cash receipts and payments, it is very difficult at this stage to predict a forecast year end cash position. Receipts and payments trends only begin to come clear at the end of the first quarter and to the current cash projection is very high level.

However, as at the end of April based on the forecast I&E deficit and historical receipts and payments and working capital balances trends, the forecast cash deficit as at 31st March 2022 is £55.160m.

### 3.5 Public Sector Payment Policy (PSPP)

The number of invoices paid within 30 days in April exceeded the 95% target with in month performance being 95.40%. This continued the improvement since December 2020 and represents the second consecutive month that the target has been achieved.

The Finance Team will continue to work with the service groups to ensure that manual invoices are authorised and oracle purchase orders are receipted promptly to ensure that compliance continues to exceed the 95% target.

#### **4. REVENUE FORECAST**

All Health Board's submitted draft annual plans by the 31<sup>st</sup> March 2021 and are required to submit final annual plans by 30<sup>th</sup> June 2021. This will include the finalised Health Board financial plan and planned year-end position.

#### **5. RISKS AND OPPORTUNITIES**

The Health Board forecast includes a number of opportunities and risks, which may impact on the current forecast assessment. These are being regularly reviewed and mitigation options considered.

#### **6. ACTIONS AND NEXT STEPS**

The new financial year will see the following actions:

##### **In relation to month 1 position**

- Review CHC position and agree recovery – 16<sup>th</sup> June 2021
- Review COO position and agree recovery – 16<sup>th</sup> June 2021
- Agree overall whole system business cases and benefits realisation to “release the plan” and move red savings to green
- Provide forecast position in future business reporting
- WG and FDU review of financial plan – 2<sup>nd</sup> June 2021
- Issue delegation letters – week commencing 24<sup>th</sup> May 2021

##### **In-year actions**

- Broader monthly performance reviews to replace financial reviews, this will enable greater triangulation of service, workforce and financial performance.
- Increased focus on compliance with key control measures.
- Implementation of the Performance Framework for escalation.
- Implementation of Business Case Assurance Group to support the scrutiny of business cases.
- Implementation of a revised system of internal financial control
- Enhanced PMO function to support service model changes and realisation of benefits.
- Development of Savings Delivery team to support monitoring, identification and implementation of savings.

#### **7. RECOMMENDATION**

Members are asked to: -

- **NOTE** the agreed 2021/22 financial plan

- **CONSIDER** and comment upon the Board's financial performance for Period 1 (April) 2021/22
- **NOTE** the key actions in relation to the month 1 position and for the forthcoming period



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	n/a for month 1 reporting	