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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	26th November 2020	Agenda Item	4.3
Report Title	Financial Report – Period 7 2020/21		
Report Author	Samantha Lewis, Deputy Director of Finance		
Report Sponsor	Darren Griffiths, Interim Director of Finance		
Presented by	Darren Griffiths, Interim Director of Finance		
Freedom of Information	Open		
Purpose of the Report	The report advises the Board of the Health Board financial position for Period 7 (October) 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 7 (October) 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 <i>(please choose one only)</i>	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 7 (October) 2020/21, in particular: <ul style="list-style-type: none"> i. the revenue outturn position of £14.825m 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 7 2020/21 and the £25.431m deficit forecast revenue year end outturn. • NOTE the risks and opportunities. 		

FINANCIAL REPORT – PERIOD 7

1. INTRODUCTION

The report advises the Board that the Period 7 (October 2020) revenue financial position is an overspend of £14.825m.

The report invites the Board to note the detailed analysis of the Period 7 (October 2020) revenue financial position.

The report provides an analysis of the revenue impact of the COVID-19 response to October 2020 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)	2,016
Reported cumulative financial position – deficit/(surplus)	14,825
Variance from Planned Deficit – deficit/(surplus)	592
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)	(2,958)
Forecast outturn financial position – deficit/(surplus)	785

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)	92.86%

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 7 reported in-month position was an overspend of £2.016m and a cumulative overspend for the first seven months of the financial year of £14.825m.

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	5.291	-4.381	0.910
Pay	5.051	-10.948	-5.897
Non-Pay	-16.988	15.329	-1.659
Savings Slippage	9.936		9.936
Slippage on Planned Investments	-2.696		-2.696
Planned Deficit	14.231		14.231
Total Position	14.825	0.000	14.825

The year to date position includes £68.5m of the £117.5m additional confirmed and anticipated funding.

The key drivers of the residual £14.825m overspend are:

- The 2020/21 £24.4m planned deficit, with 7/12ths (£14.2m shown in the year to date position)
- The impact of the TAVI service demand growth, which is £0.6m for the year to date and £2m for full year.

3.1.2 Income

Income budgets have reported an under-achievement of £5.291m after seven months, of which £4.381m 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. Much of this reduction in income would also see a reduction in cost

3.1.3 Pay

Pay budgets have reported a £5.051m overspend after seven 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 £10.948m, which would result in a £5.897m underspend. The underspend predominantly relates to vacancies which are not fully covered. This 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 £4.484m, 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 £19.813m overspend.

The overspend includes the planned deficit of £14.2m plus a balance of savings delivery, less planned investment slippage and cost reductions due to COVID.

This results in a residual net non-pay overspend which is being further examined to ensure clear recording of COVID costs and to understand any impact on the underlying financial position.

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 7 is £3.245m against a planned delivery of £13.770m. The impact of non-delivery of savings to Month 7 is therefore £9.925m.

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 seven months along with the attribution of additional WG funding.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
	£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	9.936
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	5.972	7.111	70.095
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-0.852	-0.642	-8.306
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-0.450	0.095	-2.696
TOTAL COVID-19 IMPACT	3.338	8.192	25.657	12.070	5.780	6.064	7.928	69.029
Funding Contribution	-0.060	-0.060	-26.888	-9.445	-0.612	-23.985	-7.441	-68.491
Net COVID-19 IMPACT	3.278	8.132	-1.231	2.625	5.168	-17.921	0.487	0.538

The Health Board recorded additional COVID-19 response costs of £7.111m during October 2020, with a cumulative gross expenditure of £70.095m. These cumulative gross costs are partially offset by reduced expenditure related to the restriction of planned care activity £8.306m. This resulted in a net cumulative additional expenditure of £61.789m for the first seven months of the financial year.

The Health Board has also reported a £9.936m adverse impact on savings delivery and a £2.696m positive impact on investment slippage. These items combined with the net cumulative additional expenditure result in a total COVID impact of £69.029m.

These costs have been offset by £68.491m 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, testing and contract tracing, adult ChC provision and optimising flows.

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

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	
	£m	£m	£m	£m	£m	£m	£m	£m
Workforce	0.606	2.949	3.337	2.723	2.499	2.181	3.484	17.779
Field Hospital Set Up	0.088	1.431	20.026	6.427	0.046	0.102	0.890	29.010
Other Equipping	0.037	1.162	0.045	0.204	0.146	0.123	0.242	1.959
PPE	0.662	1.455	0.168	0.212	0.561	0.692	0.751	4.501
Testing Programme	0.000	0.004	0.076	0.361	0.264	0.546	0.530	1.781
Primary Care Prescribing	0.250	0.150	1.172	0.437	0.759	0.337	0.064	3.169
Care Homes	0.000	0.000	0.000	0.000	0.000	0.995	0.205	1.200
Loss of Income	0.500	0.300	0.856	0.741	0.676	0.563	0.745	4.381
TOTAL COVID-19 IMPACT	2.143	7.451	25.680	11.105	4.951	5.539	6.911	63.780

The other £6.315m additional costs cover such items as clinical consumables, accommodation, staff uniforms, cleaning and catering services, IT, mortuary and transport services.

3.2 Capital

The approved CRL value, issued on 13/10/20, is £33.664m. During October funding for the Replacement Gamma Cameras at Singleton Hospital £0.620m and EDCIMS £0.270m was returned to WG due to underspend and in-year slippage to be re-provided in future years. 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 £0.785m. There are a number of known funding adjustments for submitted schemes, which will neutralise this position. 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.

Following on from the quarter 2 planning guidance and agreement by Welsh Government, a revised discretionary plan was approved by the Board at its July meeting. The plan remains balanced, but has been adjusted through changes to schemes profiles and reductions in some discretionary allocations and switching between AWCP schemes to mitigate the adverse national funding position, while trying to maintain delivery and pace on a number of critical priority projects. The Board approved continuation with the design works on the Singleton cladding and maintaining the cancer clinical pathways through the letting of contracts for the replacement of the ageing CT-Simulator at the West Wales Cancer Centre. In making these changes, we have assumed that once the national funding situation improves, the plan can then revert to its original intentions.

We are experiencing some delays with financial impacts across a number of our building and engineering schemes due to the COVID outbreak. This applies to schemes on-site due to the impact of social distancing and the unavailability of Health Board premises. It is also likely that we will experience increased costs as we go out to tender for new schemes. The plan also reflects the Q3/Q4 planning guidance.

3.3 Balance Sheet

As at 31st October 2020, there has been an increase of £6.675m in net assets employed compared to the balances as at 1st April (1.94%). Total assets increased by £10.873m, and total liabilities increased by £4.198m.

The main asset movements were increases in fixed assets of £0.896m with asset additions for the year to date being higher than depreciation. There were also increases of £4.506m in cash balances held due to lower than anticipated supplier payment runs, particularly during the last week of October and £6.032m in trade and other receivables mainly due to the income accrual in respect of 7/12 of the anticipated allocations from Welsh Government. These increases, were offset by a reduction of £0.561m in stock balances primarily due to a reduction in drugs stocks and blood products.

The liabilities increase comprised an increase of £3.928m in trade and other payables, mainly due to an increase in expenditure accruals for CHC, and in the tax and NI creditors payable to HMRC due to the pay award in October. There was also an increase of £0.270m in provisions, following receipt of the latest clinical negligence and personal injury quantum reports from NWSSP Legal and Risk Services.

3.4 Cash

At the end of October 2020, the Health Board had a cash balance of £4.992m which was above the planned month end cash balance of between £1m and £2m. This was due to lower than forecast creditor payment runs in month.

Whilst there remains some uncertainty with regard to the forecast cash movements, particularly in relation to working capital balances, the current forecast year-end cash deficit amounts to £14.117m as detailed in the table below. The forecast is based on the forecast year end revenue deficit, receipt of anticipated allocations from Welsh Government of £80.951m and an estimate of movements in working capital balances on the cash position.

	£000
Forecast I&E Deficit	(25,431)
Forecast movement in revenue working balances (Payables, receivables and inventories)	11,523
Forecast movement in capital payables	(1,945)
Forecast cash impact of movement in provisions	1,250
Opening cash balance	486
Forecast cash Deficit	(14,117)

The forecast cash deficit assumes a cash benefit from movement in working capital balances during 2020/21 meaning that the deficit will need to be funded by strategic cash support from Welsh Government, which will be repayable in future years.

The cash flow is updated daily and a full review of the forecast is undertaken at the end of each month taking into account movements in the forecast year end deficit and the latest estimates of the movement in working capital balances.

3.5 Public Sector Payment Policy (PSPP)

The number of invoices paid within 30 days in October 2020 was again below the 95% target, with in month performance being a very disappointing 89.99%. The failure to achieve the 95% target in month was primarily due to delays in the payment of nurse agency invoices, with 1,359 of the 3,265 nurse agency invoices paid in month being paid after 30 days.

Other health boards in Wales also have issues with PSPP performance for nurse agency invoices and the health board is part of an all Wales project to develop a new process for the payment of nurse agency invoices based on a model used in BCU Health Board that has dramatically improved their PSPP performance in this area.

The October performance has reduced the cumulative compliance for the year to date from 93.41% at the end of September to 92.86% at the end of October.

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 year-end forecast was reduced £96.180m to £26.431m in Month 6. This reduction reflected both refinement of expenditure profiles and the funding allocations and anticipated funding from national allocations.

The forecast has been reduced to £25.431m in Month 7 following the advice from WG that a further £1m funding support for the decommissioning of internal surge capacity should be assumed.

The year-end forecast now reflects the £24.4m 2020/21 planned deficit plus the £2m impact of TAVI service demand and delivery, less the additional £1m funding assumption. On Thursday 5th November 2020 the Health Board attended a month 6 monitoring return review with Welsh Government Finance and Finance Delivery Unit colleagues. This was a formal review to provide assurance on the granularity of the Health Board's financial forecast, links to operational plans and cost and funding assumptions. The meeting was very positive and built on the developing transparency around Health Board finances. A formal response letter has been received and this is attached as **Appendix 2** to this report for the consideration of the committee.

The Committee will be aware of the current work being undertaken to formulate the Health Board's COVID vaccination plan. At the time of writing this report Board approval is being sought to enable the primary vaccination hub to be located at Bay Field Hospital. Locating the hub at Bay Field Hospital looks likely to extend the intended life of the Field Hospital beyond this financial year. Should this occur, £2m of decommissioning cost will be avoided in 2020/21 (but will need to feature in 2021/22) and the funding assumed to cover this will not be needed (or if retained will improve the financial forecast and reduce the deficit). The full implications of the revenue requirement to implement the plan are being worked through at the time of writing and a further verbal update will be given at committee. The potential for this modification in forecast has been communicated to the Director general and Chief executive of NHS Wales from the Chief Executive of the Health Board as Accountable Officer. Notification has also been given to Welsh Government Finance and Finance Delivery Unit.

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

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-established the Scrutiny Group to ensure clear understanding and decision-making for any investment service proposals and considerations.
- Re-aligned financial governance and engagement through the Senior Leadership Team (SLT).

In light of the WG funding and the submission of the revised forecast, the process of establishing clear financial performance targets for Service Groups, Directorates and the Health Board as a whole will be worked through during the forthcoming month. This will enable enhanced accountability to be established.

The focus remains on the key cost drivers; medical staff costs, nurse staff costs, ChC, Income impacts and Medicines Management. These are subject to specific work programmes to enable issues, opportunities, risks and mitigations to be identified and considered.

The Health Board is also reviewing the potential recurrent or longer term impacts of actions taken in response to the pandemic to ensure these are clearly understood, agreed and reflected within the Health Board underlying financial position.

Work has commenced to consider the nature of the possible finance framework for 2021/22 and beyond. 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. Having said that, there are key elements of grip and control and key financial matters where the Health Board can act and this is the focus of the work commencing within the finance team. A session is planned with Service Director for early December 2020 and a further update will be shared with the Committee in December 2020.

7. RECOMMENDATION

Members are asked to:

- **CONSIDER** and comment upon the Board's financial performance for Period 7 (October) 2020/21, in particular:
 - i. the revenue outturn position of £14.825m 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 7 2020/21 and the £25.431m deficit forecast revenue year end outturn.
- **NOTE** the risks and opportunities.

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		
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 7 2020/21 Appendix 2 – Financial Review Letter	

SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT

Period 07 Data (October 2020)

Darren Griffiths

In Month

£ 2,015,861 overspent

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-23,230	-22,585	645	2.78%
Pay	50,761	53,134	2,373	4.67%
Non Pay	55,367	54,366	-1,002	1.81%
Total	82,898	84,914	2,016	2.43%

Cumulative

£ 14,824,845 overspent

Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance	COVID Funding Adjustments	Adjusted YTD Variance
Income	-160,177	-154,886	5,291	3.39%	-4,381	910
Pay	342,051	347,102	5,051	0.92%	-10,948	-5,897
Non Pay	391,382	395,866	4,484	1.63%	15,329	19,813
Total	573,257	588,082	14,825	2.61%	0.00	14,825

- The Health Board has reported an in-month overspend of £2.016m in Month 7, which gives a cumulative overspend of £14.825m. This position compares to the planned deficit of £14.233m (7/12ths of the £24.4m deficit plan).
- The £0.6m overspend above the planned deficit reflects the TAVI demand and service delivery impact for the year to date.
- The cumulative position includes the inclusion the additional WG funding allocations and anticipated funding from national allocations, which support the additional expenditure incurred and the savings delivery impacts of the pandemic.
- To date most of the additional funding is shown through non-pay, despite also supporting income and pay. The final two columns of the cumulative table, provide an assessment of the funding allocations to income and pay and the adjusted year to date variance.
- This highlights a residual underachievement on income, an underspend on pay and an overspend on non-pay, which includes the planned deficit and savings non-delivery.

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	2,016	↑
Reported year to date financial position – deficit/(surplus) – Red	14,825	↑
Reported year to date compared to forecast financial plan deficit – Red	592	↓
Year End Forecast surplus/(deficit) - Red	25,431	→

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	785	↑
Reported in-month financial position – deficit/(surplus) – Forecast Red	(2,958)	↓
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	92.86	↓

Revenue

- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast deficit of £26.431m reflected the Health Board £24.4m pre-COVID deficit plan plus an unplanned £2m impact of TAVI demand.
- The forecast identified that the additional costs incurred as a result of the pandemic, offsetting cost reductions due to activity restrictions and the impact on savings delivery were able to be managed within the additional WG funding allocations, agreed and anticipated.
- The forecast has been further reduced to £25.431m this month following WG advice of a further £1m allocation to support decommissioning costs.
- The Health Board has reported a £2.016m in-month deficit. This reflects the Health Board's opening deficit plan. There has been no adverse impact of TAVI in month, due to activity constraints.

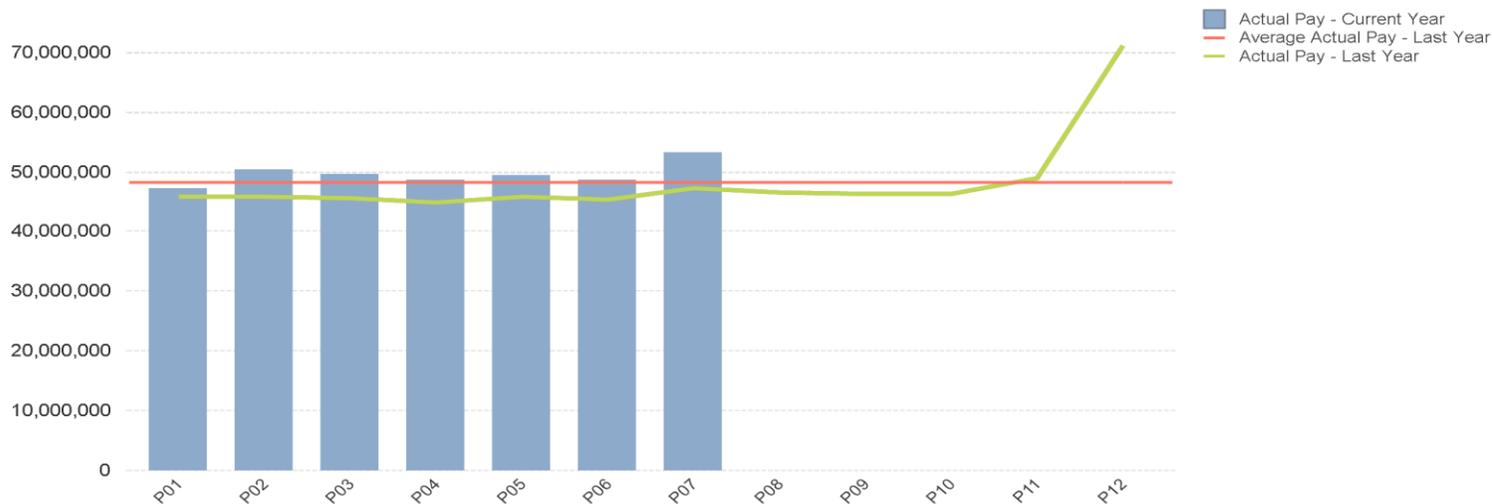
PSPP Narrative

- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast deficit of £26.431m reflected the Health Board £24.4m pre-COVID deficit plan plus an unplanned £2m impact of TAVI demand.
- The forecast identified that the additional costs incurred as a result of the pandemic, offsetting cost reductions due to activity restrictions and the impact on savings delivery were able to be managed within the additional WG funding allocations, agreed and anticipated.
- The forecast has been further reduced to £25.431m this month following WG advice of a further £1m allocation to support decommissioning costs.
- The Health Board has reported a £2.016m in-month deficit. This reflects the Health Board's opening deficit plan. There has been no adverse impact of TAVI in month, due to activity constraints.

Capital Narrative

- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast deficit of £26.431m reflected the Health Board £24.4m pre-COVID deficit plan plus an unplanned £2m impact of TAVI demand.
- The forecast identified that the additional costs incurred as a result of the pandemic, offsetting cost reductions due to activity restrictions and the impact on savings delivery were able to be managed within the additional WG funding allocations, agreed and anticipated.
- The forecast has been further reduced to £25.431m this month following WG advice of a further £1m allocation to support decommissioning costs.
- The Health Board has reported a £2.016m in-month deficit. This reflects the Health Board's opening deficit plan. There has been no adverse impact of TAVI in month, due to activity constraints.

Actual Pay Expenditure This Year and Last Year



Variable Pay Expenditure This Year and Last Year



- Pay costs have increased by £4m. The most significant element of the increase is accounted for through medical and dental pay award which was paid in Month 7 along with arrears to April and the enhancement phasing.

- Variable pay costs have increased by around £700k compared with the previous month, mainly due to increased bank and overtime costs and increasing medical staff costs.
- The nursing cost increase is reflective of increasing bed capacity requirements.
- The medical increase reflects the payments made in respect of Wave 1 changes in medical staff rota patterns which are now being processed.

	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%	270	70	200	26%
Commissioned Services	99	-	99	0%	16	-	16	0%
Medicines Management	2,084	1,000	1,084	48%	1,214	500	714	41%
Non Pay	8,003	1,600	6,403	20%	4,615	697	3,918	15%
Pay	12,456	2,981	9,475	24%	6,915	1,936	4,979	28%
Income Generation	248	77	171	31%	140	42	98	30%
Total	23,440	5,778	17,662	25%	13,170	3,245	9,925	25%

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 is £5.778m (25%), giving slippage of £17.662m.
- The year to date position is planned savings £13.170m, actual delivery £3.245m, giving slippage of £9.925m. The actual delivery is therefore 25% if the planned delivery levels.
- All service delivery groups and directorates have been asked to review and refocus their savings plan opportunities and delivery.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
	£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	9.936
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	5.972	7.111	70.095
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-0.852	-0.642	-8.306
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-0.450	0.095	-2.696
TOTAL COVID-19 IMPACT	3.338	8.192	25.657	12.070	5.780	6.064	7.928	69.029
Funding Contribution	-0.060	-0.060	-26.888	-9.445	-0.612	-23.985	-7.441	-68.491
Net COVID-19 IMPACT	3.278	8.132	-1.231	2.625	5.168	-17.921	0.487	0.538

The Health Board recorded additional COVID costs of £70.095m cumulatively to October 2020. These costs were partially offset by reduced expenditure related to the restriction of other Health Board activity £8.306m. This resulted in a net additional expenditure of £61.789m.

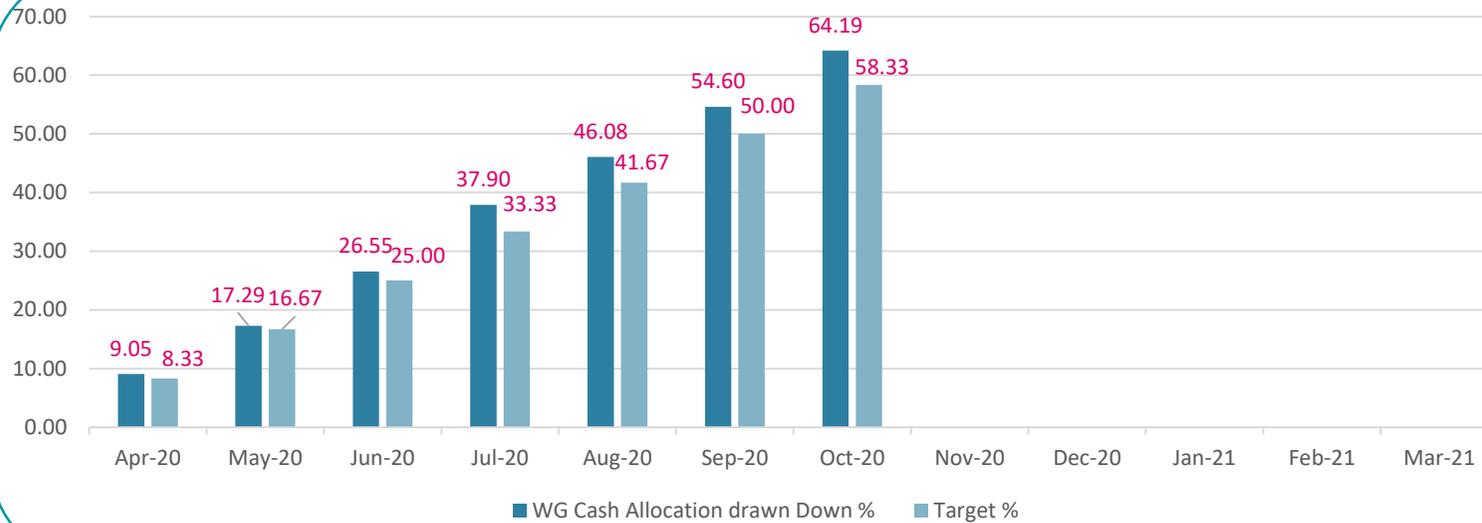
This additional cost is primarily related to :

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

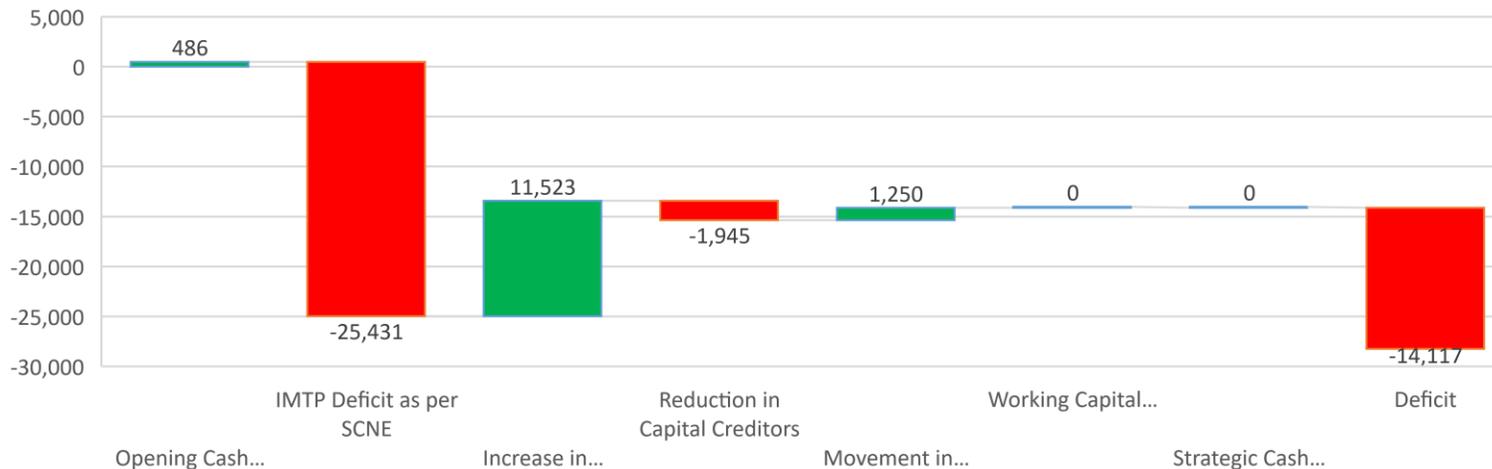
In addition, the impact on savings delivery has also been assessed as a COVID-19 impact. This has been identified as £9.936m.

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. As at the end of October the Health Board had a cash balance of £4.992m which is above the planned month end cash balance of between £1m and £2m. The higher than planned cash balance was due to lower than forecast supplier creditor payments in month.
2. The current year end cash forecast is based on the forecast year end revenue deficit, receipt of anticipated allocations from Welsh Government and the impact of estimated movements in working capital balances on the cash position.
3. The forecast as at the end of October is £14.117m, which includes anticipated allocations amounting to £80.950m, these allocations including the £48.2m general allocation uplift advised by Welsh Government.
4. The forecast cash deficit assumes a cash benefit from movement in working capital balances during 2020/21 meaning that the deficit will need to be funded by strategic cash support from Welsh Government, which will be repayable in future years.
5. The cash flow is updated daily and a full review of the forecast is undertaken at the end of each month taking into account movements in the forecast year end deficit and the latest estimates of the movement in working capital balances.

Financial Forecast as at 10/11/2020	
	£m
Year End Forecast deficit/(surplus) as at Month 5	96.18
Key Expenditure Adjustments	
Field Hospital Planning Assumptions	-13.88
Additional Surge Capacity cost estimates	2.01
PPE increased requirements	1.67
LAC financial exposure	1.20
Additional Digital requirements	0.54
Essential Services support	1.85
Extended Flu Campaign	1.99
Winter Priorities	3.89
Revised Year End Forecast deficit/(surplus)	95.44
Funding Assumptions	
Funding Allocation as per Operating Framework	-48.20
PPE	-8.25
Field Hospital - Decommissioning	-2.91
Field Hospital - consequential losses	-0.46
Internal Surge - Decommissioning	-1.00
Testing	-2.51
Extended Flu Campaign	-1.99
Winter Priorities	-3.89
Independent Sector	-0.80
Year End Forecast deficit/(surplus)	25.43

- The Health Board forecast was refined as part of the Q3/Q4 Operational Plan from £96.18m deficit in Month 5 to £26.43m in Month 6.
- The forecast has been reduced by £1m in Month 7 following the advice from WG to assume funding to meet the decommissioning costs of internal surge capacity.
- The table sets out the key movements in the forecast, which include changes in expenditure assumptions following the Q3/Q4 operational plan development and funding assumptions based on the Operating Framework.
- The £26.43m forecast reflected the £24.4m Health Board planned deficit as per the 2020/21 plan and the £2m impact of TAVI service demand, less the impact of the £1m decommissioning costs.
- The forecast should now be anchored at this point and any significant changes or crystallisation of risks or opportunities considered against this forecast.

#	Issue	Description	Opportunity (Best Case) £000	Risks (Worse Case) £000	Most Likely £000	Risk Rating	Key Decision Point and Summary Mitigation	Risk Owner Name
	Forecast Deficit		- 25,431	- 25,431	- 25,431			
1	HCSW Banding - Theatres	Review of staff experience and competence and impact on banding	- 150	- 1,000	- 150	Medium	Position in theatres is agreed and the updated impact estimate included. There is a potential consequential impact on other areas of the Health Board, bit not likely to be this year.	Kathryn Jones, Interim Director of Workforce and OD
2	Final Pension Charges	Final Pension charges may be incurred linked to the changes in the pension regulations	- 150	- 2,000	- 500	Medium	Only one received to date this year. Risks on some key posts have now been reduced following further review and confirmation of guidance.	Kathryn Jones, Interim Director of Workforce and OD
3	NICE and High Cost Drugs	Impact of NICE technology appraisals and changes in service models	- 250	- 2,000	- 500	Medium	Monitor through the NICE and HCD group. Volatile area of expenditure and some significant drugs coming through the system, costs will depend on uptake during this financial year.	Judith Vincent, Chief Pharmacist
4	Additional Capacity	Potential requirement for additional capacity to support essential service provision over and above that included in the forecast	-	- 2,000	- 500	Medium	Ongoing impact of COVID on service provision and the potential delivery of essential services, which might require additional support in excess of the £1.85m additional funding identified for essential services	Chris White, Chief Operating Officer
5	Capacity Demands and Workforce Availability	Forecast position includes the surge capacity to meet modelled demand and provides a modelled workforce to support. If actual demand exceeds modelled demand or workforce availability changes there may be a financial impact.	-	- 5,000	- 2,000	Low	Monitor of demand and workforce levels to manage impacts of service and financial plan. Some risk to the financial position if further workforce supply at significant premium.	Chris White, Chief Operating Officer
6	Funding Assumptions	Assumptions have been made regarding funding allocations from national allocations. These have not yet been confirmed	-	- 4,000	- 1,800	Low	Maintain communication with WG to verify the allocation assumptions. No significant risks exposed through Month 6 forecast review with WG.	Darren Griffiths, Interim Director of Finance
7	LTA Arrangements	LTA arrangements have been managed on a block basis in Q1 and Q2, this is expected to continue in Q3, but no decision has been made for Q4	-	-	- 2,000	Low	Continue to manage the All Wales Directors of Finance	Darren Griffiths, Interim Director of Finance
8	Primary Care Prescribing Price Concessions	Price Concessions are high at the moment due to the global impacts of COVID	2,500	-	500	Medium	Monitored through the Medicines Management Group	Judith Vincent, Chief Pharmacist
9	Savings Delivery	Opportunities to improve savings delivery	4,000	-	1,000	Medium	Review of the KPMG pipeline of opportunities and develop clear plans for the implementation of the opportunities within service reset and recovery. Review of non-recurrent/technical opportunities.	Darren Griffiths, Interim Director of Finance
10	Demand Levels	Actual demand below modelled demand and additional capacity levels not required	2,000	-	-	Low	Monitor of demand and workforce levels to manage impacts of service and financial plan. Based on current activity and capacity requirements, this is extremely unlikely.	Chris White, Chief Operating Officer
11	Planned Expenditure Slippage	Expenditure delayed for projects and services. This includes ring fenced and directed services/funding	3,000	-	1,000	Medium	Closely monitor expenditure plans and discuss options including return of funding and reprovision with WG.	Darren Griffiths, Interim Director of Finance

- 14,481 - 41,431 - 30,381

The Health Board are asked to note the Health Board position at the end of Month 7, the COVID cost assessment, impact of savings non-delivery and the assessed forecast based on the Quarter 3 and 4 planning assumptions.

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

- 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: -
 - o Focus on remaining within base budget and controlling the run rate within this
 - o Focus on exploring all savings opportunities to mitigate savings loss risk
 - o 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-established the scrutiny group for service and investment decisions.
- Re-aligned financial governance and engagement through SLT.

Key actions for the forthcoming period are :

- Establishing clear financial performance targets in light of the updated financial forecast.
- Focus on key cost drivers; medical staff, nurse staff, ChC, income loss and medicines management, most of which form part of savings delivery framework.
- Assessment of longer term or recurrent impacts of actions resulting from the pandemic and changes to service models to ensure they support and align to the efficiency opportunities.

To: Darren Griffiths, Interim Director of Finance, Swansea Bay University Health Board

9th November 2020

Dear Darren,

Swansea Bay University Health Board Month Six Financial Review

Thank you for your time on Thursday 5th of November and the preparation that you and the team undertook in advance of the session. I took the session on behalf of Alan Brace who was unable to attend. The purpose of the review was to assess the certainty and robustness of the Swansea Bay University Health Board ('Swansea Bay') financial plan to ensure a clear financial forecast for the remainder of this financial year and key underlying assumptions.

As we discussed, Welsh Government has secured significant additional funding to stabilise the financial position for NHS Wales and support COVID-19 national and local priorities. This allowed early notification of funding allocations to organisations to give certainty of the funding envelope to finalise Quarter 3 and 4 plans. This has enabled organisations to finalise their service and workforce plans for the rest of the year to meet population need and continue to respond to the COVID-19 pandemic within a clear resource envelope. Following the submission of quarter 3 and 4 plans, it is vital that organisations now reflect the level of funding that is required to deliver these plans. This will enable Welsh Government to make further choices on other emerging issues over future months.

You opened the meeting welcoming the opportunity to run through the position at this midpoint of the year and acknowledged the transparency and excellent engagement across our teams to date. I equally acknowledged and thanked you for this approach, noting it has supported a clear and collective understanding of the position up to month 6.

You outlined that the forecast outturn position reported at month 6 was to deliver a deficit position of £26.4 million, which included managing current risk areas, and based on an assumption that key COVID expenditure was funded through the indicative allocations. You presented a detailed assessment of the forecast and key assumptions, and our discussion focused on the key themes outlined below:

Forecast

The Health Board's forecast is clear and transparent with a read across between the Month 6 MMR and the quarter 3 and 4 plan submissions. There have been material movements in the first 6 months of the year, particularly in reference to COVID-19 surge

capacity expenditure, which have been well described. We acknowledged that timely decisions in recent months on consolidating your field hospitals and surge capacity plans have enabled a consistency of planning assumptions for the rest of the year, which we recognise. You outlined at the meeting that you are now confident that the organisation's plans reflect clear alignment between capacity, workforce and finance. Acknowledging both the forecast expenditure and funding streams associated with COVID-19, the forecast is largely attributed to the opening plan deficit of £24.4m and a £2m additional in year pressure associated with TAVI activity.

Funding Assumptions

The anticipated allocations presented are clear and acknowledged. You highlighted one area of potential change based on Welsh Government advice since the Month 6 MMR submission for the organisation to assume funding for decommissioning costs in full. Decommissioning costs associated with the field hospital and internal surge capacity, of £2m and £1m respectively, are part of the expenditure plan. Income for the field hospital component only had been anticipated at Month 6. Upon confirmation of £1m further allocation, for the internal surge decommissioning, the Health Board's forecast would reduce to £25.4m.

Workforce

The financial plan reflects a step up in quarter 3 and 4 forecast pay expenditure. You highlighted this increase and noted it reflects additional workforce of circa 300 whole time equivalents underpinned by a combined recruitment plan and intended use of agency. We discussed this at length and explored your level of confidence that this workforce plan was realistic and deliverable. You confirmed you are confident in this approach and foresee minimal financial risk to this core plan. The workforce plan will support the various programmes in response to COVID-19 including Test Trace Protect and includes internal surge capacity and field hospital capacity of 86 beds. You outlined a level of risk to the organisation's plans if additional capacity was required above the 86 field hospital beds. In that scenario, your current service and workforce plans would change which may present some financial risk.

Capital

The capital position presented was recognised and acknowledged. The recent decommissioning and consequential loss submissions are due to be reviewed. Swansea Bay have submitted all required field hospital submissions and the majority of the required funding has been allocated. As part of the recent review of capital allocations and utilisation across Wales it has been possible to support the enabling works for the cladding at Singleton for which you expressed the organisation's appreciation. An update of funding for anti-ligature works is expected imminently and Ian Gunney will be in contact in due course.

Forecast Range

Given the issues outlined and discussed in relation to the forecast, you shared that you were confident in delivery and there is a narrow risk range to that position. We collectively acknowledged the working assumption that decommissioning field hospital capacity and therefore associated costs would be implemented this financial year. We will need to keep

this under review over future months in relation to the timing of any decision to decommission this capacity.

The clarity of your assumptions and clear forecast position is helpful and understood. I would anticipate the transparency and good engagement across our teams would continue over future months on an ongoing basis.

If there is anything further you want to discuss please contact me or one of the team.

Yours Sincerely,



Hywel Jones

Director, Finance Delivery Unit

Copy:

Alan Brace, Director of Finance, Health & Social Services Group, Welsh Government

Steve Elliot, Deputy Director of Finance, Health & Social Services Group

Ian Gunney, Interim Deputy Director, Capital & Estates, Health & Social Services Group

Samantha Lewis, Deputy Director of Finance, Swansea Bay University Health Board

Tracy Myhill, Chief Executive, Swansea Bay University Health Board

Dr Andrew Goodall, Chief Executive, NHS Wales