



Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	27th October 2020		Agenda Item	4.1
Report Title	Financial Report – Period 8 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 Performance and Finance Committee of the Health Board financial position for Period 8 (November) 2020/21 and sets out the current estimated revenue year end outturn.			
Key Issues	<p>The report invites the Performance and Finance Committee to note the detailed analysis of the financial position for Period 8 (November) 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>			
Specific Action Required <i>(please choose one only)</i>	Information	Discussion	Assurance	Approval
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • NOTE the agreed 2020/21 financial plan. • CONSIDER and comment upon the Board’s financial performance for Period 8 (November) 2020/21, in particular: <ul style="list-style-type: none"> • the revenue outturn position of £16.736m deficit; • the COVID-19 revenue impact to Period 8; and • the assessed revenue forecast based on refined Q3/Q4 planning assumptions. 			

FINANCIAL REPORT – PERIOD 8

1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the period 8 revenue position and an update on the revisions to the 2020/21 agreed financial plan.

The report informs the Performance and Finance Committee that the Period 8 (November 2020) revenue financial position is an overspend of £16.736m and invites the committee to note the detailed analysis of the Period 8 (November 2020) revenue financial position.

The report provides the committee with an analysis of the COVID-19 costs committed during this reporting period and provides an assessment of the forecast based on Quarter 3/4 planning assumptions.

2. BACKGROUND

The Health Board agreed the IMTP/Annual plan at its meeting on 16th March 2020. This included a financial plan which indicated a £24.4m year-end deficit for 2020/21 as summarised in the table below.

	2020/21 £m	2021/22 £m	2022/23 £m
2020/21 Underlying Deficit	28.0	24.4	12.6
Inflationary/Demand Pressures	35.5	26.6	26.2
WG Allocation Uplift	-21.6	-15.1	-15.4
Investment Commitments	5.4	0.8	-0.2
Planned Savings	-23.0	-24.0	-24.0
Forecast Deficit	24.4	12.6	-0.8

The financial plan provided for a limited level of already committed investments (£5.4m) and whilst further investment priorities were identified, including those supporting frailty and unscheduled care the investments were unable to be supported without additional Welsh Government (WG) funding support, further savings delivery or a deterioration in the forecast deficit.

The COVID-19 pandemic has had a significant impact on service delivery, workforce and financial position of the Health Board, however it is critical that we recognise the agreed plan and are able to monitor and assess the impact of the movement from this plan.

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board £24.4m deficit plan is being held within the Corporate Plan. This would result in a £2.033m planned overspend each month.

The £28m underlying deficit which had in the previous year been reflected as overspends within the Service Delivery Units and Corporate Directorates is incorporated with the Corporate Plan £24.4m deficit 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 8 reported in-month position was an overspend of £1.911m and a cumulative overspend for the first eight months of the financial year of £16.736m.

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	5.896	-5.031	0.865
Pay	6.286	-13.238	-6.952
Non-Pay	-19.588	18.269	-1.319
Savings Slippage	11.246		11.246
Slippage on Planned Investments	-3.368		-3.368
Planned Deficit	16.264		16.264
Total Position	16.736	0.000	16.736

This adjusted cumulative position will be key to understanding and managing the Health Board underlying financial position.

The year to date position includes £74.6m of the £118.4m additional confirmed and anticipated funding.

The key drivers of the residual £16.736m overspend are:

- The 2020/21 £24.4m planned deficit, with 8/12ths (£16.3m shown in the year to date position)
- The impact of the TAVI service demand growth, which is £0.68m for the year to date and £1.1m for full year.
- Slippage on planned WG supported expenditure.

3.1.2 Income

Income budgets have reported an under-achievement of £5.896m after eight months, of which £5.031m 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.

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

3.1.3 Pay (Slide 5)

Pay budgets have reported a £6.286m overspend after eight 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 £13.238m, which would result in a £6.952m underspend. The underspend predominantly relates to vacancies which are not fully covered. The ability to reduce costs back to pre-COVID levels will be extremely important for the assessment of the underlying financial position.

The table below shows the Month 1 to Month 8 2020/21 compared to the same period of the previous year (adjusted for inflation). This highlights that pay expenditure this year is £24.260m higher than the same period last year.

	2019-20 Month 1-8 Adjusted for inflation	2020-21 Month 1-8	Increase	Increase
	£000	£000	£000	%
Additional Clinical Services	48,126	50,724	2,598	5.40%
Admin & Clerical	50,347	52,439	2,092	4.16%
Aliied Health Professionals	24,902	26,071	1,169	4.69%
Estates & Ancillary	20,308	21,311	1,003	4.94%
Healthcare Scientists	11,343	11,750	407	3.59%
Medical and Dental	88,814	98,158	9,344	10.52%
Nursing and Midwifery	116,801	119,761	2,960	2.53%
Prof, Scientific and Technical	12,053	13,152	1,099	9.12%
Students	5	3,593	3,588	
Total	372,699	396,959	24,260	6.51%

Around £4.6m of the increase in pay expenditure relates to the employment of students through the first half of the financial year, this includes medical students which are shown in medical and dental expenditure. A further £16m relates to costs attributed to the pandemic, including short term recruitment, increasing agency and additional costs for substantive and bank staff who have been working in excess of previous working arrangements.

There is around £3.6m of the increase in pay expenditure which is not directly related to the pandemic response. This will include investment commitments, directed expenditure and also recruitment to posts previously vacant. The impact of this growth in expenditure will be

examined in more detail as we retest the Health Board underlying financial position.

3.1.4 Non Pay (Slides 6 & 7)

Non-pay budgets have reported an overspend of £4.554m, 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 £18.269m overspend.

The overspend includes the planned deficit of £16.3m plus a balance of savings delivery, less planned investment slippage and cost reductions due to COVID.

This results in a residual net non-pay underspend.

3.1.5 Savings and Recovery Challenge (Slide 8)

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 8 is £3.891m against a planned delivery of £15.273m The impact of non-delivery of savings to Month 8 is therefore £11.382m.

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.

4. 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 eight months along with the attribution of additional WG funding.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
	£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	11.246
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	5.972	7.111	6.294	76.389
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-0.852	-0.642	-0.735	-9.041
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-0.450	-0.099	-0.672	-3.562
TOTAL COVID-19 IMPACT	3.338	8.192	25.657	12.070	5.780	6.064	7.734	6.197	75.032
Funding Contribution	-0.060	-0.060	-26.888	-9.445	-0.612	-23.985	-7.441	-6.077	-74.568
Net COVID-19 IMPACT	3.278	8.132	-1.231	2.625	5.168	-17.921	0.293	0.120	0.464

The Health Board recorded additional COVID-19 response costs of £6.294m during November 2020, with a cumulative gross expenditure of £76.389m. These costs were partially offset by reduced expenditure related to the restriction of planned care activity £9.041m. This resulted in a net cumulative additional expenditure of £67.348m for the first eight months of the financial year.

The Health Board has also reported a £11.246m adverse impact on savings delivery and a £3.562m positive impact on investment slippage. These items combined with the net cumulative additional expenditure result in a total COVID impact of £75.032m.

These costs have been offset by £74.568m 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 seven months of the financial year are: -

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	
	£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	20.740
Field Hospital Set Up	0.088	1.431	20.026	6.427	0.046	0.102	0.890	0.018	29.028
Other Equipping	0.037	1.162	0.045	0.204	0.146	0.123	0.242	0.504	2.463
PPE	0.662	1.455	0.168	0.212	0.561	0.692	0.751	0.784	5.285
Testing Programme	0.000	0.004	0.076	0.361	0.264	0.546	0.530	0.784	2.565
Primary Care Prescribing	0.250	0.150	1.172	0.437	0.759	0.337	0.064	0.502	3.671
Care Homes	0.000	0.000	0.000	0.000	0.000	0.995	0.205	0.042	1.242
Loss of Income	0.500	0.300	0.856	0.741	0.676	0.563	0.745	0.650	5.031
TOTAL COVID-19 IMPACT	2.143	7.451	25.680	11.105	4.951	5.539	6.911	6.245	70.025

The other £5m additional costs cover such items as clinical consumables, accommodation, staff uniforms, cleaning and catering services, IT, mortuary and transport services.

5. FORECAST POSITION (Slide 9)

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 was reduced to £25.431m in Month 7 in light of WG advise on funding to support decommissioning costs of internal surge capacity.

The forecast has been further refined in Month 8 to £24.405m. This reflects the revised TAVI demands and slippage on directed funding.

The forecast has been updated to reflect revised TTP and vaccination costs and the assessed increased impact of the untaken annual leave accrual. All of these additional costs are assumed to be matched by funding allocations, therefore having no impact on overall forecast position.

The Committee has previously been advised that the primary mass vaccination hub for the Health Board will 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). An assessment of the financial and workforce implications of the vaccination plan has been made at a high level and has featured in a new element of the Health Board monitoring return. This will be refined as the range of vaccine options and therefore deployment options for the vaccine are understood. Consideration is also being made as to the potential ongoing utility of the two temporary ward areas in Morriston hospital and whether these will be retained beyond 31st March 2020. The financial forecast contains provision for £1m of decommissioning costs in 2020/21 and assumes that this cost would be funded in line with guidance.

6. OPPORTUNITIES AND RISKS

Through the regular review of opportunities and risks and continuing discussions with WG and following the revision of the forecast, the Health Board is endeavouring to manage opportunities and risks that may arise within the overall forecast position.

Any significant changes to income or expenditure assumptions will be highlighted to the Performance and Finance Committee.

7. 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 (and preliminary thoughts will be shared in the December Health Board briefing session) 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.

8. RISK ASSESSMENT

There are currently three Board level financial risks: -

- Funding for COVID-19 (risk 71): The total quantum for funding for addressing COVID-19 across Wales remains fluid and uncertain - Risk Rated 15
- Capital Resource/Plan (risk 72): COVID-19 impact on Capital Resource Limit and Capital Plan for 2020-21- Risk Rated 20
- Residual Cost Base (risk 73): There is a potential for a residual cost base increase post COVID-19 as a result of changes to service delivery models and ways of working - Risk Rated 20

The last Performance and Finance Committee meeting was advised that in light of the allocation of £48.2m revenue to the Health Board specifically assigned for COVID costs and the impact of COVID on savings delivery, that risk 71 has been reduced to a score of 15 with the consequence remaining at 5 and the likelihood reducing to 3 to reflect the confirmation of the funding. It is now proposed that this risk be closed as the funding has been agreed and confirmed in Welsh Government's response to our month 7 monitoring return.

The capital plan remains balanced and unchanged at this point and will remain at 20. Further dialogue is ongoing with Welsh Government and this risk will be revised in light of this. It is anticipated that this work will enable a revised risk assessment to be presented to the December Committee.

The residual cost base risk remains unchanged and whilst the Health Board is working hard to control underlying run rate and to seek out savings opportunities wherever possible, there is currently understandable uncertainty as to the resource arrangements for 2021/22.

9. RECOMMENDATION

Members are asked to:

- **NOTE** the agreed 2020/21 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 8 (November) 2020/21, in particular:
 - the revenue outturn position of £16.736m deficit;
 - the COVID-19 revenue impact for Period 8; and
 - the revised £24.405m forecast based on the revised Quarter 3 and 4 planning assumptions.

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 checked="" type="checkbox"/>
	Partnerships for Care	<input checked="" 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 checked="" 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 Committee to be aware of.		
Staffing Implications		
No implications for the Committee to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Committee to be aware of.		
Report History	The Committee receives an update on the financial position at every meeting	
Appendices	Appendix 1 – P08 – 20 Financial Report Supporting Detail	