

# SWANSEA BAY LHB FINANCE DEPT. PERFORMANCE & FINANCE COMMITTEE – P07 FINANCE REPORT

Period 07 Data (October 2020)



## 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%
<b>Total</b>	<b>82,898</b>	<b>84,914</b>	<b>2,016</b>	<b>2.43%</b>

## 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
<b>Total</b>	<b>573,257</b>	<b>588,082</b>	<b>14,825</b>	<b>2.61%</b>	<b>0.00</b>	<b>14,825</b>

- 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 number of invoices paid within 30 days in October 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 which 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.

## Capital Narrative

- Approved CRL value for 20/21 issued on 13/10/20 is £33.664m 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 5 All Wales Capital schemes reported to Welsh Government as high risk. There is 1 scheme reported to Welsh Government as medium risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government.
- The forecast outturn position for 20/21 is £0.785m overspent. There are a number of known funding adjustments for submitted schemes, which will neutralise this position.
- 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. The plan also reflects the Q3/Q4 planning guidance.

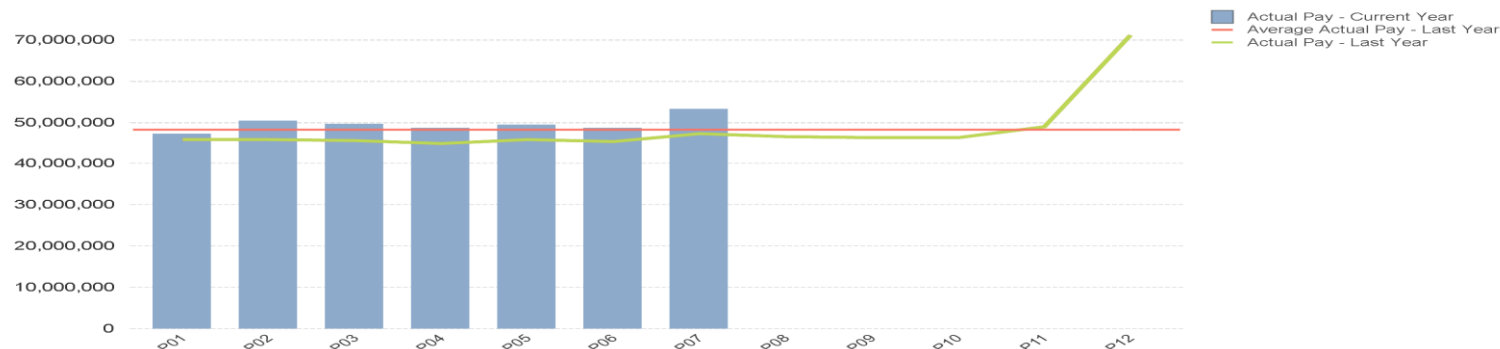
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Cumulative
	In Month	In Month	In Month	In Month	In Month	In Month	In Month	Position
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Service Groups</b>								
Mental Health & LD	192	294	18	449	323	349	385	2,010
Morrison	-286	77	226	806	955	1,282	1,873	4,933
NPT & Singleton	509	779	1,203	1,140	1,551	1,014	945	7,141
PC & Community	308	93	-109	568	501	221	710	2,292
<b>Directorates</b>								
Board Secretary	15	21	29	27	28	30	15	165
Chief Operating Officer	-102	95	-60	111	98	84	171	397
Director of Strategy (excluding COVID)	1	8	-6	22	24	-44	8	13
COVID	2,047	6,176	-3,314	-969	1,620	151	787	6,498
Director of Transformation	6	12	23	25	20	28	28	142
Finance	5	-1	-3	7	2	-3	-58	-51
Digital	153	218	172	-38	105	114	105	829
Medical Director	23	34	16	72	11	-78	11	89
Nurse Director	9	17	9	18	16	10	10	89
Workforce & OD	98	217	145	148	24	82	81	795
Clinical Medical School	-31	-14	-14	-15	-4	-26	10	-94
Research & Development	0	0	37	13	13	12	13	88
Corporate I&E	97	143	255	373	227	210	302	1,607
<b>Delegated Budget Position</b>	<b>3,044</b>	<b>8,169</b>	<b>-1,373</b>	<b>2,757</b>	<b>5,514</b>	<b>3,436</b>	<b>5,396</b>	<b>26,943</b>
Corporate Plan	2,367	2,079	2,077	2,078	2,077	-19,303	-3,362	-11,987
								0
<b>Hosted Services</b>								
Delivery Support Unit	-15	-15	-5	-35	-9	-35	-18	-132
EMRTS	0	0	0	1	0	0	0	1
<b>Health Board Position</b>	<b>5,396</b>	<b>10,233</b>	<b>699</b>	<b>4,801</b>	<b>7,582</b>	<b>-15,902</b>	<b>2,016</b>	<b>14,825</b>

The second phase of the organisational restructure has been actioned, this has transferred theatres from NPT and Singleton to Morrison. This has meant that the retrospective positions of the service groups have had to be restated.

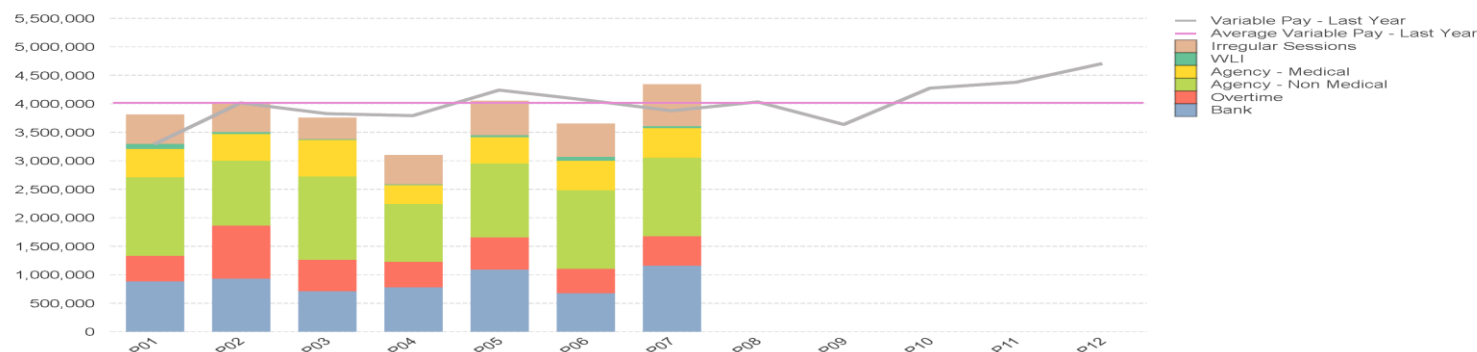
The Service Group and Directorate positions include operational position, COVID costs and savings impacts. The COVID costs are becoming more challenging to fully identify.

# HEALTH BOARD – PAY

Actual Pay Expenditure This Year and Last Year

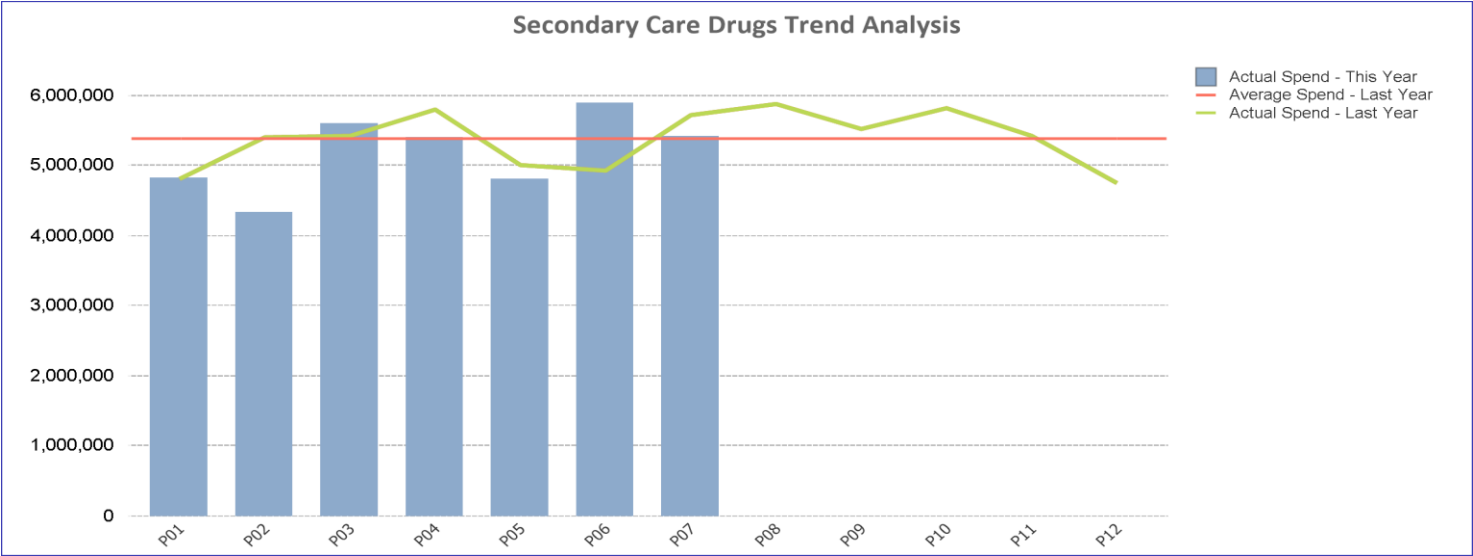


Variable Pay Expenditure This Year and Last Year

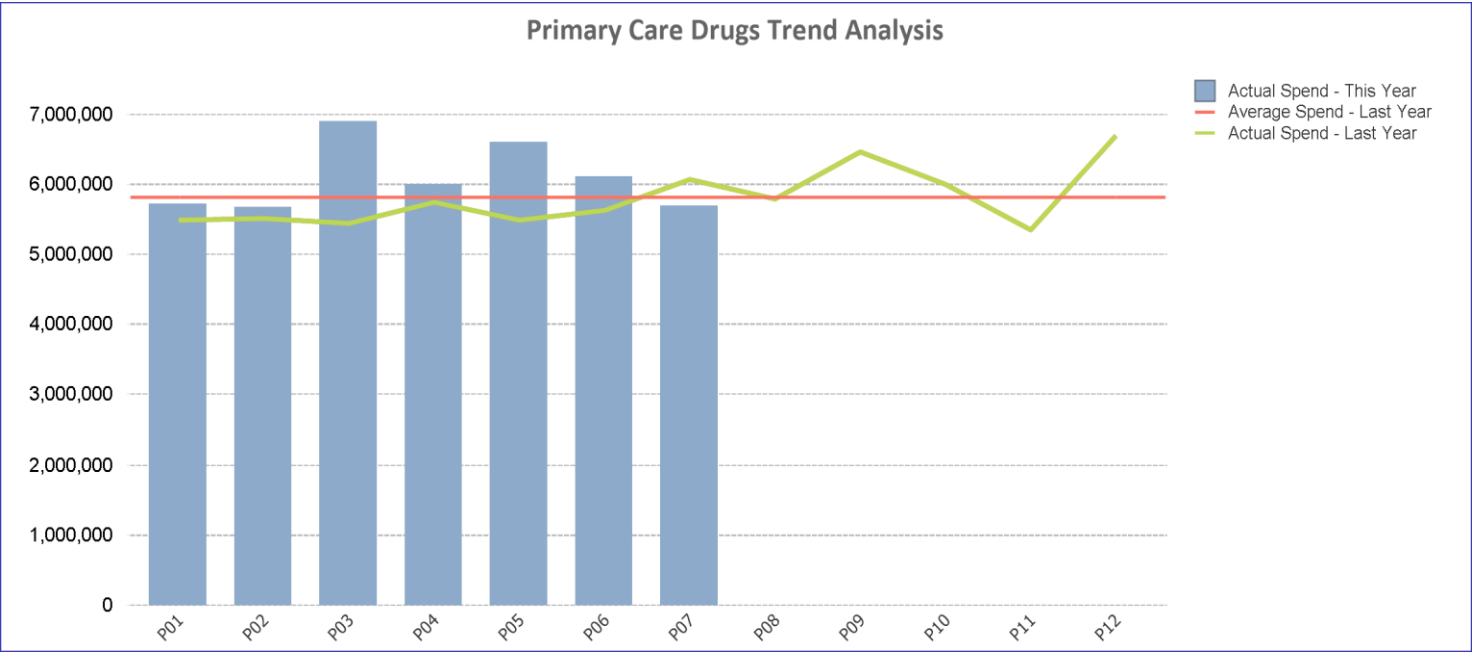


- Pay costs have increased by £4m. The most significant element of the increase is accounted for through medical and dental pay award which was paid in Month 7 along with arrears to April and the enhancement phasing.
- Variable pay costs have increased by around £700k compared with the previous month, 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.
- The table identifies a £21.7m increase in pay costs over and above inflation when comparing 2019/20 to 2020/21. The most significant % increases being in Medical & Dental and Prof, Scientific and Technical. These are the two staff groups with the greatest increases in wte above COVID specific recruitment and the reason for and impact of this increase is being further examined to clearly understand the impact on the underlying financial position.

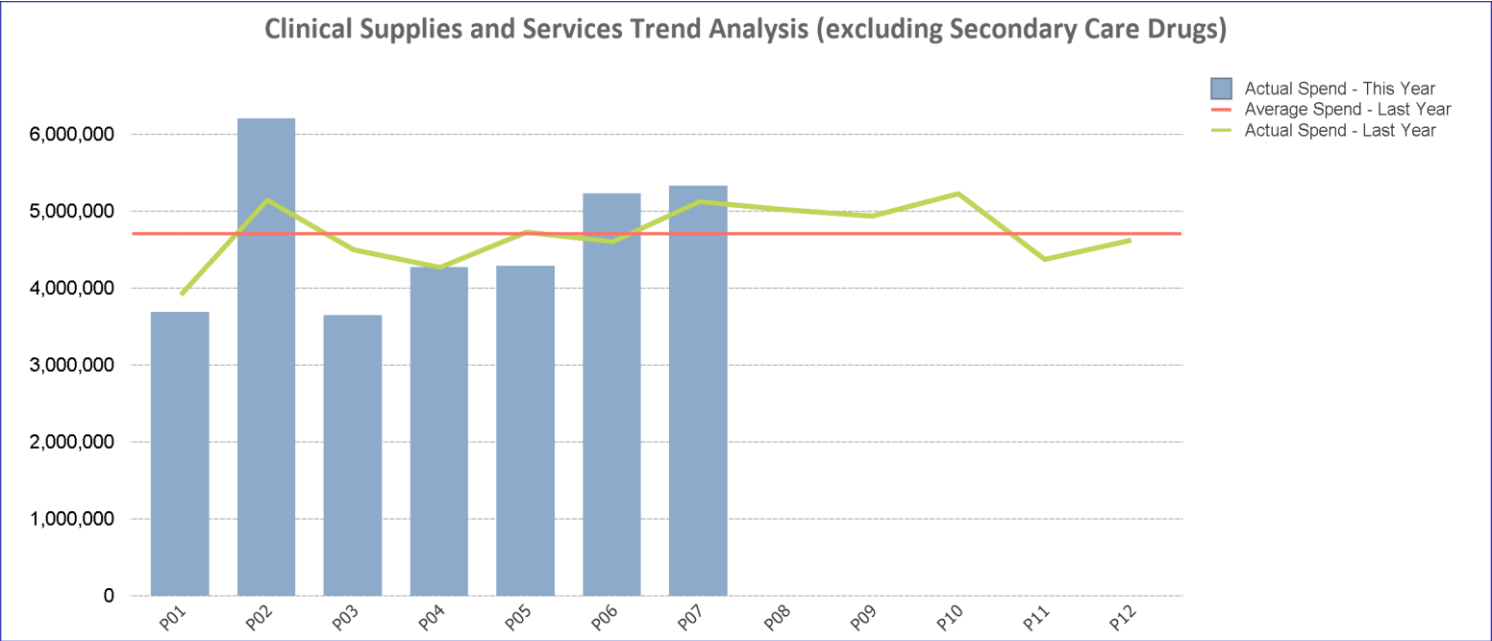
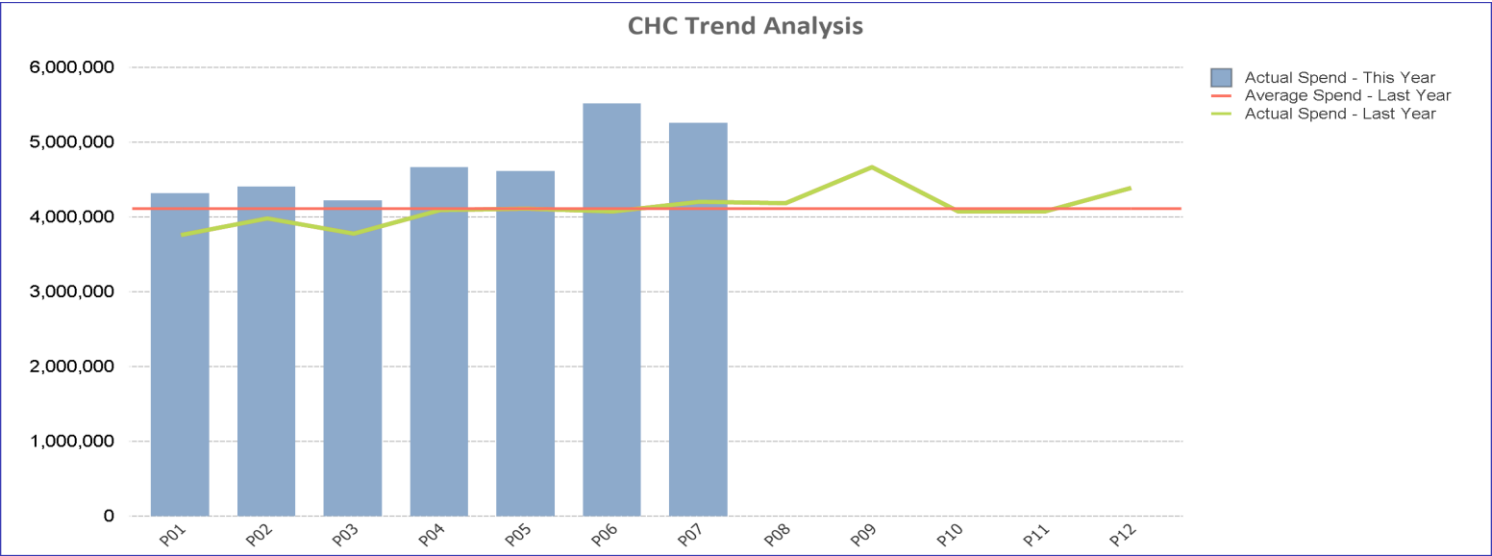
	2019-20 Month 1-7 Adjusted for inflation	2020-21 Month 1-7	Increase	Increase	2019-20 Month 1-7 Average	2020-21 Month 1-7 Average	COVID Recruitment Average over period	Adjusted 2020-21 substantive average	Increase/( decrease)	Increase/( decrease)
	£000	£000	£000	%	wte	wte	wte	wte	wte	%
Additional Clinical Services	41,976	44,285	2,309	5.50%	2287.35	2357.24	57.9	2299.34	11.99	1%
Admin & Clerical	43,938	45,887	1,949	4.44%	2094.49	2133.54	5.45	2128.09	33.6	2%
Alied Health Professionals	21,845	22,786	941	4.31%	752.08	778.02	1.19	776.83	24.75	3%
Estates & Ancillary	17,752	18,717	965	5.44%	1039.24	1078.64	31.5	1047.14	7.9	1%
Healthcare Scientists	9,895	10,236	341	3.45%	298.01	301.84	0	301.84	3.83	1%
Medical and Dental	77,729	85,513	7,784	10.01%	991.9	1051.31	17.17	1034.14	42.24	4%
Nursing and Midwifery	101,765	104,599	2,834	2.78%	3436.43	3497.74	2.6	3495.14	58.71	2%
Prof, Scientific and Technical	10,535	11,510	975	9.25%	352.54	377.71	0.74	376.97	24.43	7%
Students	5	3,568	3,563		2	209.26	209.26	0	-2	-100%
<b>Total</b>	<b>325,440</b>	<b>347,101</b>	<b>21,661</b>	<b>6.66%</b>	<b>11254.04</b>	<b>11785.3</b>	<b>325.81</b>	<b>11459.49</b>	<b>205.45</b>	<b>2%</b>



- Secondary care drugs costs have reduced during October.
- The key reason for this reduction is the cyclical issuing of HIV drugs.



- As Primary Care prescribing data has a two month reporting lag. The latest data reflects actual costs to the end of August, which are then used to forecast costs for the following two months.
- Whilst activity/item levels are now more normalised, there is significant growth in items such as DOACs and diabetes prescribing.
- The significant impact of price concessions is continuing and this is currently being forecast to remain for the rest of this financial year.



- General CHC numbers seem to have reached a plateau.
- The costs in Month 7 remain high as the payments in respect of the WG guidance on COVID uplifts for care home and adult social care providers continue to be paid.
- The costs are expected to be within the £2.9m funding provided to the HB.

- Whilst clinical supplies costs have been low during the first six months of this financial year, due to lower than normal activity levels, costs are now increasing as planned care activity increases.
- This can particularly be seen for high cost procedure areas such as Orthopaedics.

	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%
<b>Total</b>	<b>23,440</b>	<b>5,778</b>	<b>17,662</b>	<b>25%</b>	<b>13,170</b>	<b>3,245</b>	<b>9,925</b>	<b>25%</b>

### 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 units and directorates have been asked to review and refocus their savings plan opportunities and delivery.



Financial Forecast as at 10/11/2020	
	£m
Year End Forecast deficit/(surplus) as at Month 5	96.18
<b>Key Expenditure Adjustments</b>	
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
<b>Funding Assumptions</b>	
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
	<b>Forecast Deficit</b>		- 25,431	- 25,431	- 25,431			
1	HCSW Banding - Theatres	Review of staff experience and competence and impact on banding	- 150	- 1,000	- 150	High	Position in theatres is agreed and the updated impact estimate included. There is a potential consequential impact on other areas of the Health Board, but 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 Performance and Finance Committee is 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.
- Develop financial framework for 2021/22 for consideration and refinement