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Health Board



<b>Meeting Date</b>	<b>22<sup>nd</sup> September 2020</b>		<b>Agenda Item</b>	<b>3.1</b>
<b>Report Title</b>	Financial Report – Period 5 2020/21			
<b>Report Author</b>	Samantha Lewis, Deputy Director of Finance			
<b>Report Sponsor</b>	Darren Griffiths, Director of Finance (interim)			
<b>Presented by</b>	Darren Griffiths, Director of Finance (interim)			
<b>Freedom of Information</b>	Open			
<b>Purpose of the Report</b>	The report advises the Performance and Finance Committee of the Health Board financial position for Period 5 (August) 2020/21 and sets out the current estimated revenue year end outturn.			
<b>Key Issues</b>	<p>The report invites the Performance and Finance Committee to note the detailed analysis of the financial position for Period 5 (August) 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>			
<b>Specific Action Required (please choose one only)</b>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>	<b>Approval</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>NOTE</b> the agreed 2020/21 financial plan.</li> <li>• <b>CONSIDER</b> and comment upon the Board's financial performance for Period 5 (August) 2020/21, in particular: <ul style="list-style-type: none"> <li>○ the revenue outturn position of £28.711m deficit;</li> <li>○ the COVID-19 revenue impact for Period 5; and</li> <li>○ the assessed revenue forecast based on current planning assumptions.</li> </ul> </li> </ul>			

## FINANCIAL REPORT – PERIOD 5

### 1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the month 5 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 5 (August 2020) revenue financial position is an overspend of £28.711m and invites the committee to note the detailed analysis of the Period 5 (August 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 current planning assumptions

### 2. BACKGROUND

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

	£m
2020/21 opening underlying deficit	28.0
Inflation and demand cost pressures	35.5
Funding from Welsh Government	(21.6)
Investment commitments	5.4
Savings planned	(23.0)
<b>Year end forecast deficit</b>	<b>24.4</b>

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 results 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 Month 5 reported in-month position was an overspend of £7.582m and a cumulative overspend for the first five months of the financial year of £28.711m.

The revenue position can be analysed as follows and shows the movement from the Health Board baseline financial plan.

	Month 1	Month 2	Month 3	Month 4	Month 5	Cumulative
	£m	£m	£m	£m	£m	£m
Income	1.261	1.074	0.188	0.494	0.972	3.989
Pay	0.577	2.859	-4.630	1.124	1.943	1.873
Non-Pay	0.184	3.195	2.710	0.184	1.574	7.847
Savings Slippage	1.749	1.480	1.318	1.321	1.310	7.178
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-2.341
Planned Deficit	2.033	2.033	2.033	2.033	2.033	10.165
<b>Total Position</b>	<b>5.396</b>	<b>10.233</b>	<b>0.699</b>	<b>4.801</b>	<b>7.582</b>	<b>28.711</b>

The table highlights increased overspends in income, Pay and Non Pay in Month 5 and this is considered later in this report.

No funding has been applied for COVID workforce costs in Month 4 or Month 5, however some further funding is anticipated, the scale of this funding is as yet unknown.

During Month 5 a further £2.9m funding has been allocated to the Health Board to support the COVID cost impacts in Adult Social Care. WG has issued guidance on payment mechanisms, which are being worked through and it is currently anticipated that the costs will be met within the £2.9m allocated funding.

The key drivers of the financial position are loss of income, additional workforce costs and the levels of savings delivery, all of which have been impacted by the COVID-19 pandemic.

### 3.1.2 Income

Income budgets have reported an under-achievement of £3.989m after five months. 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 (Slide 5)

Pay budgets have reported a £1.872m overspend after five months after the application of £6.831m WG funding. This funding supported the additional costs incurred during Quarter 1.

The table below shows the Month 1 to Month 5 2020/21 pay cost compared to the same period of the previous year (adjusted for inflation). This highlights that pay expenditure this year is £12.261m higher than the same period last year.

	2019-20 Month 1-5 Adjusted for inflation	2020-21 Month 1-5	Increase	Increase
	£000	£000	£000	%
Additional Clinical Services	30,211	31,444	1,233	4.08%
Admin & Clerical	31,385	32,731	1,346	4.29%
Aliied Health Professionals	15,623	16,256	633	4.05%
Estates & Ancillary	12,761	13,356	595	4.66%
Healthcare Scientists	7,056	7,156	100	1.42%
Medical and Dental	55,574	58,713	3,139	5.65%
Nursing and Midwifery	72,841	74,344	1,503	2.06%
Prof, Scientific and Technical	7,479	8,199	720	9.63%
Students	1	2,993	2,992	
<b>Total</b>	<b>232,931</b>	<b>245,192</b>	<b>12,261</b>	<b>5.26%</b>

The most significant increases have been students, which reflects the costs of student nurses and medical staff, of which £0.293m relates the costs of medical students.

The cost of newly recruited staff for COVID, other than students is around £1.7m.

Over £7m of the increased workforce costs relates to costs of existing substantive and bank staff who have been working in excess of previous working arrangements.

In Month 5 pay costs increased compared to previous months, despite the reduction in the costs of students during Month 5. This is due to a significant increase in variable pay in month. This increase is in HCSW bank costs and medical and nursing agency costs. Specific discussions and interrogation of this position will take place through the month 5 Financial Review Meeting process.

### 3.1.4 Non Pay (Slides 6 & 7)

Non-pay budgets have reported an overspend of £22.850m after the first five months. This includes the impact of savings non-delivery £7.178m, the planned deficit £10.165m and the release of investments not fully committed £2.341m. This leaves £7.847m overspend on core non-pay expenditure.

The Health Board incurred significant additional non-pay costs associated with COVID-19 preparedness and operational support. The key costs

included PPE and uniforms, staff accommodation, minor works and equipping, clinical consumables and drug costs particularly the impact of NCSOs within primary care prescribing. Whilst some costs are reducing due to refined decision making, improved procurement routes and preparedness costs, costs associated with PPE, primary care prescribing and physical distancing measures continue to drive significant non-pay costs.

### 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 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. A number of these schemes are showing signs of delivery despite the plans not being fully developed and significant slippage is still anticipated.

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 £11.5m Green and Amber schemes and also in the development of the further schemes.

The savings delivery to Month 5 is £2.002m against a planned delivery of £9.180m. The impact of non-delivery of savings to Month 5 is therefore £7.178m.

The identification, planning and delivery of savings will be subject to review in the Month 5 Financial Review meetings.

## 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 four months.

The table below reflects the analysis shown earlier in the paper.

	Month 1	Month 2	Month 3	Month 4	Month 5	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
	£m	£m	£m	£m	£m	£m
Impact on Savings Delivery	1.749	1.480	1.318	1.321	1.310	7.178
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	57.012
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-6.812
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-2.341
<b>TOTAL COVID-19 IMPACT</b>	<b>3.338</b>	<b>8.192</b>	<b>25.657</b>	<b>12.070</b>	<b>5.780</b>	<b>55.037</b>

The Health Board recorded additional COVID-19 response costs of £5.780m during August 2020, with a cumulative gross expenditure of £57.012m. These costs were partially offset by reduced expenditure related to the restriction of

planned care activity £6.812m. This resulted in a net cumulative additional expenditure of £50.200m for the first five months of the financial year.

These costs have been offset by £37.065m WG funding, which includes £28.897m for Field Hospital and internal surge set up and construction costs and £6.831m for quarter 1 COVID-19 workforce costs. Other income has been phased in to align with costs incurred, this includes contact tracing, optimising flow and Mental Health Improvement fund allocations.

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

	Quarter 1			Quarter 2		
	Month 1	Month 2	Month 3	Month 4	Month 5	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	
	£m	£m	£m	£m	£m	£m
Workforce	0.606	2.949	3.337	2.723	2.499	12.114
Field Hospital Set Up	0.088	1.431	20.026	6.427	0.046	28.018
Other Equipping	0.037	1.162	0.045	0.204	0.146	1.594
PPE	0.662	1.455	0.168	0.212	0.561	3.058
Testing Programme	0.000	0.004	0.076	0.361	0.264	0.705
Primary Care Prescribing	0.250	0.150	1.172	0.437	0.759	2.768
Loss of Income	0.500	0.300	0.856	0.741	0.676	3.073
<b>TOTAL COVID-19 IMPACT</b>	<b>2.143</b>	<b>7.451</b>	<b>25.680</b>	<b>11.105</b>	<b>4.951</b>	<b>51.330</b>

The other £5.682m additional costs cover such items as clinical consumables, accommodation, staff uniforms, cleaning and catering services, IT, mortuary and transport services.

In addition, the impact on savings delivery has also been assessed as a COVID-19 impact. This has been identified as £7.178m.

The Health Board has also identified slippage on planned investments and new funding streams which is offsetting some of the additional costs. This amounts to £2.341m for the first five months of the financial year.

## 5. FORECAST POSITION (Slide 9)

The Health Board forecast has been developed to reflect the Quarter 2 Operational Plan and the current planning assumptions for Quarter 3 and 4. Quarter 3 and 4 include the costs of utilising the field hospitals but this position is continuing to be reviewed.

The year-end forecast has been increased from £93.361m to £96.180m in Month 5. This reflects the impact of additional TAVI demand on the Swansea Bay service £2m which had been previously shown as a risk, improvement in forecast savings £0.331m and an increase in net COVID impact of £1.151m. The key drivers of the increased net COVID impact are increasing staff and PPE costs which are reflected in this month's position.

## 6. OPPORTUNITIES AND RISKS (Slide 10)

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. The only significant change to the risks and opportunities this month are:

- the removal of TAVI as a risk as this has now been included in the forecast.
- the removal of ChC COVID related costs as WG have now issued funding and guidance on the payment mechanisms. Whilst this has not yet been fully assessed it is assumed that the costs will be contained within the funding made available.
- The addition of winter protection plan which will require investment. The plans are being developed and WG support is expected for the winter protection plan, however the scale of this support is as yet unknown.

## 7. ACTIONS AND NEXT STEPS

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: -
  - 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.

In response to the escalating workforce cost pressures specific actions have been taken including: -

- Undertaking nurse staffing scrutiny assurance reviews;
- Reviewing medical staff costs to enable further scrutiny of current rota patterns and service impacts; and
- Specific review of savings opportunities through the Month 5 Financial Review meetings.

## 8. RECOMMENDATION

Members are asked to: -

- **NOTE** the agreed 2020/21 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 5 (August) 2020/21, in particular:
  - the revenue outturn position of £28.711m deficit;
  - the COVID-19 revenue impact for Period 5; and
  - the assessed forecast based on current planning assumptions.

<b>Governance and Assurance</b>		
<b>Link to Enabling Objectives</b> (please choose)	<b>Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities</b>	
	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"/>
	<b>Deliver better care through excellent health and care services achieving the outcomes that matter most to people</b>	
	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"/>
<b>Health and Care Standards</b>		
(please choose)	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input type="checkbox"/>
<b>Quality, Safety and Patient Experience</b>		
Financial Governance supports quality, safety and patient experience.		
<b>Financial Implications</b>		
The Board is reporting a £24.4m forecast year-end deficit financial outturn prior to the impact of COVID-19.		
<b>Legal Implications (including equality and diversity assessment)</b>		
No implications for the Board to be aware of.		
<b>Staffing Implications</b>		
No implications for the Board to be aware of.		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
No implications for the Board to be aware of.		
<b>Report History</b>	Board receives an update on the financial position at every meeting	
<b>Appendices</b>	Appendix 1 – P05 – 20 Financial Report Supporting Detail	