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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	09 July 2020	Agenda Item	6.1
Report Title	Revenue impact of COVID19 in 2020-21, our financial management arrangements and decision log		
Report Author	Geraint Norman, Head of Strategic Financial Planning		
Report Sponsor	Darren Griffiths, Director of Finance (interim)		
Presented by	Darren Griffiths, Director of Finance (interim)		
Freedom of Information	Open		
Purpose of the Report	<p>This report sets out the revenue impact of COVID19 on our 2020-21 revenue position and the decisions the Health Board made to respond to COVID-19.</p> <p>It also sets out the changes we have made to our financial management arrangements.</p>		
Key Issues	<p>The report sets out that the Health Board forecast cost assessment in Month 2 shows an anticipated additional impact of COVID-19 of £116m in 2020/21 – although this forecast subject to routine review as planning assumptions change as part of the Health Board’s COVID-19 response.</p> <p>The report also sets out our governance and financial management arrangements during the pandemic and how this have been adapted.</p> <p>Further work is required to refine our financial forecast and also ensure that all COVID19 decisions are correctly recorded and approved.</p>		
Specific Action Required (please choose one only)	Information	Discussion	Assurance
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Recommendations	Members are asked to consider the report.		

REVENUE IMPACT OF COVID19 IN 2020-21 AND OUR FINANCIAL MANAGEMENT ARRANGEMENTS

1. INTRODUCTION

This report sets out the revenue impact of COVID19 on our 2020-21 revenue position and the decisions the Health Board made to respond to COVID-19. Future iterations of this report will update the revenue position and also update the Audit Committee on the capital position.

2. BACKGROUND

COVID-19 has presented a significant challenge to the Health Board. Throughout the pandemic we have ensured that robust financial management has been achieved.

At the highest level of the organisation we have ensured that the Board, Committees and Executives receive suitable financial and non-financial information for decision making. We have rationalised the Board and committee structure and agendas – alongside these a number of meetings have been successfully undertaken virtually. These arrangements remain under review as the Health Board continues to consider its appropriate service response to COVID-19, along with the developing work around the reset and recover of essential services.

COVID-19 issues have been managed by the Executives through the Gold command. The COVID-19 Coordination centre (CCC) was established to deal with more operational issues alongside the Silver commands in the delivery units.

We have reviewed our standing orders and standing financial instructions. This includes our delegated financial limits. No changes were made as it was decided that the arrangements and limits were adequate to support good governance without presenting a possible barrier to the swift decision making necessary to flex services to respond to the pandemic. A small number of additional COVID-19 cost centres and expenditure codes have been established to support accurate financial reporting.

2020/21 budgets were issued to the Health Board's Delivery Units and Corporate Directorates in April 2020 and month end closure processes have reported our income, expenditure, capital and cash flow position to the Health Board and also Welsh Government through the monitoring returns.

COVID-19 expenditure decisions

We have ensured that COVID19 decisions logs have been maintained across the Delivery Units and Corporate Directorates. Significant decisions have been formally documented and approved.

We have ensured that authorisation and procurement limits continue to be enforced and that financial procedures have been complied with. The cost of COVID-19 in 2019/20 was some £0.7m. In 2020/21, at month 2 we were anticipating net additional expenditure of some £116m, although this remains a flexible figure as the planning assumptions to respond to COVID-19 change as the understanding of the required

service response develops locally and nationally. The detail is set out in **Appendix 1** although this forecast remains very fluid as assumptions are frequently changing.

2020/21 Expenditure/Savings areas	£m	Commentary
Pay	40.8	Additional staff including returners, students overtime, bank and agency and temporary staff
Non-pay	72.9	Field hospital set up, decommissioning costs, lost income, drugs, PPE, testing, consumables, estates, facilities etc
Non-delivery of planned savings	17.6	Original 2020-21 savings plan £23m, reduced to £5m
Savings on planned activity	(12.6)	Reduced non-pay expenditure, drugs and variable pay.
Savings on planned investments	(2.6)	Planned investment decisions delayed.
Net additional cost of COVID19	116.1	

The key areas of forecast spend in 2020/21 (all areas over £1m) are set out in the following table.



Expenditure/Income area	£m	Comments
Field hospitals (including pay and decommissioning costs of some £3m)	66.9	Expenditure on our Field Hospitals was approved by the Board in April 2020. This cost is likely to reduce significantly in future months as demand for the field hospitals has been lower than originally estimated.
Pay (excluding field hospitals and testing)	19.9	Departments and Delivery Units have incurred additional COVID-19 pay costs through additional staff, bank and agency use and overtime. Pay costs have been authorised through our 'business as usual' processes with flags attached to anything COVID-19 related.
Lost income	3.8	Estimate of lost income through SLAs and other income sources. Work is planned to assess whether any of this income can be recovered.
Drugs	3.8	Additional cost estimate for drugs expenditure. Again this expenditure has been authorised using our business as usual processes.
COVID-19 testing	3.5	Estimate of expenditure to support the testing at Margam and the Liberty Stadium along with other testing including Track & Trace. This estimate is likely to reduce as testing activity is consolidated. The model

Expenditure/Income area	£m	Comments
		has been developed and assured by the Test, Trace, Protect silver cell.
PPE	3.5	There is a national procurement and distribution process for PPE resulting in most PPE being provided to Health Boards free of charge. However due to fragilities in the PPE supply chain early in the pandemic and some service specific PPE requirements, some expenditure has been directly procured. This has been managed through the PPE cell.
Mortuary/Funeral Expenses	2.2	Additional capacity introduced to cope with the forecast increase in COVID-19 deaths. The first phase of this expenditure was approved by Executives and has recently been reviewed and reduced in light of changed assumptions through Senior Leadership Team.
Accommodation Costs	1.9	Hotel costs for staff who are shielding or working in COVID-19 areas. This expenditure has allowed a number of staff to remain in work. Demand is reducing for hotel accommodation and it is likely that the cost estimate will reduce significantly. This expenditure was recommended by the Workforce Cell and approved by Executives.
Transportation	1.3	Additional costs across the delivery units relating to patient and non-patient COVID-19 activity. This expenditure has been approved across the delivery units.
Laundry Costs	1.2	Additional laundry costs due to COVID-19. This expenditure has been approved across the delivery units.
Equipment costs	1.1	Additional equipment costs to COVID-19. This expenditure has been approved across the delivery units.
Cleaning Costs	1.1	Additional cleaning costs due to COVID-19. This expenditure has been approved across the delivery units.
Decommissioning Costs	1.0	This is a cost estimate of the decommissioning of internal surge capacity.
Other Non-pay Costs	2.5	This includes such things as clinical consumables, primary care costs, IT costs.
Total Additional COVID expenditure	113.7	

Departments and Delivery Units have been maintaining detailed COVID-19 decision logs. These are currently being reviewed and consolidated as they contain a considerable amount of operational detail. An analysis of the decision logs across the Health Board can be brought to the next Audit Committee meeting, should the Committee wish to scrutinise the detailed content therein.

Non-pay procurement and prepayments

The Health Board has clear procedures in place to deal with Single Tender Actions (STAs), Single Quote Actions (SQAs) and Prepayments and these have not changed under COVID19. The table below sets out the requirements and the COVID-19 related items to date.

Requirement	COVID19 items	Supporting documents
Single quotations shall be the exception. They shall only be called for when a single firm or contractor or a proprietary item or service of a special character is required and must be formally authorised by the Director of Finance/Director of Strategy/Chief Operating Officer. A detailed record shall be maintained by the LHB and reported to the Audit Committee.	£13,968 payment to Sky for public wifi access.	 Sky
Single tender action shall only be permitted when a single firm or contractor or a proprietary item or service of a special character is required and as set out in law. Single tender action shall only be employed following a formal submission and with the express written authority of the Chief Executive, or designated deputy having taken into consideration due regard of procurement requirements. Any requests sent directly to the Chief Executive or designated deputy without the involvement of NWSSP Procurement Services shall be returned unapproved. Only requests made via the NWSSP Head of Procurement will be considered for approval. A detailed record shall be maintained by the Chief Executive. All single tender action and extension of contracts must be reported to the Audit Committee.	£39,750 payment to the British Red Cross for the Wellbeing and Homesafe Service	 BRC
Prepayments should be avoided. Where it is require Executive Director and Director of Finance approval must be obtained.	None identified	

The STA and SQA set out above will be submitted to the Audit Committee for approval alongside other STAs and SQAs. There are other STAs and SQAs relating to COVID19 which will require approval. No other areas of non-compliance with procurement processes have been identified at this stage.

A retrospective review of expenditure is now planned to ensure that procurement rules set out in the Standing Financial Instructions (e.g. STAs and SQAs) are identified and approved. This work will be completed by the end of August 2020 and reported to the next Audit Committee.

2020/21 Cost Improvement Plan (CIPs)

As set out in the table above, in April 2020 we reviewed the approved CIPs for 2020/21. As set out in the following table, this exercise resulted in a reduction in planned savings from £23m to £5m. This table reflects the current position as at the time of writing this report and remains under constant review. In Quarter 2 the KPMG pipeline of opportunities will be critically reviewed to assess whether any of the options set out in the document can be accelerated in light of the service changes and revised models of care developed in response to COVID-19.

Cost Improvement Plan area	Original Savings Plan £m	Revised Savings Plan £m
Management of surge capacity back to core bed base	4.00	0.00
Procurement	2.00	0.50
Medicines Management	2.00	1.00
Theatre Improvement	1.50	0.15
Patient Flow	1.50	0.15
Outpatients Improvement	1.50	0.15
General Efficiencies	1.00	0.26
Non-clinical, non-pay	1.00	0.25
Endoscopy	1.00	0.10
Medical Staff Rostering/Job Planning	0.50	0.00
Maintenance contracts	0.50	0.00
CHC Commissioning Team Review & Scrutiny	0.45	0.20
Improve 1:1 Care	0.40	0.00
International Nurse Recruitment	0.35	0.00
Project Management	0.33	0.17
Increase use of long shifts	0.30	0.07
Enhanced support for staff on LTS	0.30	0.00
Nurse Bank Auto Enrolment & Recruitment	0.30	0.00
A&C Agency	0.30	0.15
Collaborative Bank	0.25	0.00
Other	3.50	1.85
Total	23.00	5.00

Savings on planned activity and investments

COVID-19 has also created some savings where planned costs have not been incurred. Working with the Delivery Units we have identified some £12.6m of savings from not undertaking planned activity – this is mainly non-pay cost including drugs along with some variable pay costs. Similarly, not all of the investments we had planned will take place or will be delayed. We anticipate this will reduce planned expenditure by £2.6m in 2020/21.

Long Term Agreements and Service Level Agreements

LTAs for 2020/21 were agreed with other Health Boards, Trusts and WHSSC prior to 31st March 2020 in accordance with the timetable set by Welsh Government. The LTAs were approved by the Board and signed by the Director of Finance in compliance with SFIs and delegated limits. It is the same for the SLAs.

Welsh Directors of Finance considered the impact of the pandemic on funding flows and agreed a framework for the management of LTAs for Quarter 1 of 2020/21. Under the terms of this agreement most funding flows have been blocked on the basis of 2019/20 outturn (2020/21 plan for WHSSC commissioned services).

The Executive Board was appraised of the All Wales approach in a paper covering Financial Matters on 8th April 2020. The potential impact on the organisation is twofold:

- As a provider – Income streams are protected during a period when activity is restricted.
- As a commissioner the Board will not be recovering underperformance funding from other organisations.

We continue to monitor performance against provider LTAs as normal and is receiving commissioner information from other organisations. The impact is reported to the Executive Board.

A summary is being produced on a monthly basis to quantify the financial risk/benefit associated with the interim arrangements.

The All Wales arrangements will be subject to quarterly review and the Health Board will continue to monitor and report the risk associated with any change in the arrangements

For quarter 1 of 2020/21 the Health Board has been granted access to additional capacity in Sancta Maria. The commissioning of this capacity has been undertaken on an All Wales basis by the Welsh Health Specialised Services Committee (WHSSC) through negotiations with the Independent Hospitals Provider Network, the membership body representing the providers. The contract was formally completed by Cwm Taf Morgannwg Health Board as WHSSC's host authority. Welsh Government has met the costs of all Independent Provider Capacity in Quarter 1. The Health Board has not extended the capacity access agreement with Sancta Maria beyond Quarter 1. Discussions are ongoing to access capacity on an ad hoc basis beyond July but the contractual basis of these arrangements has not yet been confirmed; however this is likely to be a local agreement between the Health Board and any independent capacity provider as demands dictate.

Losses and Special Payments

At the time of writing no COVID-19 related losses or special payment have been identified. These will be monitored and reported to the Audit Committee in the usual way.

Charitable Funds

The Health Board has seen a reduction in use of its delegated charitable funds during COVID-19, but the processes are exactly the same as detailed in the Financial Control Procedure (FCP) and the approval process is still being strictly controlled.

For the monies received from the NHS Charities Together organisation we have set up a specific restricted fund in line with the guidance from NHS Charities Together as the usage of these monies is strictly controlled. There is a bidding process in place for access to this money, agreed with the Chair of the Charitable Funds Committee and managed by the Fundraising Manager and Board Secretary.

For the receipting of donations, the existing FCP remains extant but with a ban on hospital visiting for some time there has been very little in the way of donations receipted on hospital sites. We have ensured that people who wish to donate do so through our JustGiving page.

Our extant arrangements for gifts and hospitality remain in place to log gifts in kind which have come through the charity that we had received in response to COVID in line with our standards of behaviour policy. The DUs are accountable for the low level of PPE or food donations.

Audit

During the April and May 2020 period, the 2019/20 financial statements were drafted and audited. The Audit Wales ISA260 report did not identify any significant issues beyond the qualified regulatory report as the Health Board did not breakeven. Counter fraud, IA and EA risk assessments have been updated in light of COVID19. Internal Audit are currently undertaking an all-Wales review of governance arrangements during COVID19. The Health Board also anticipates external scrutiny of some form regarding the development of the field hospitals based on current conversations with Welsh Government.

3. GOVERNANCE AND RISK ISSUES

The nature of the COVID-19 pandemic has meant that we have had to adapt our governance and financial management arrangements. Flexibility has been required during the pandemic but we are now in a position to look back and review the decisions made - and ensure all decisions comply with our governance arrangements. The findings of this work will be reported to the next Audit Committee.

We will also assess whether our arrangements need to be updated in light of the lessons learnt from COVID-19.

4. FINANCIAL IMPLICATIONS

This report sets out the financial impact of COVID-19 to date. Future reports will set out the updated financial forecast.

The Health Board is currently in discussions with Welsh Government to agree additional funding in 2020/21. It is anticipated that these discussions will be fluid throughout the financial year. At the time of writing this report, the Health Board has received £26.8m in funding from Welsh Government, £20m for the first phase of field

hospital establishment and £6.8m for staff costs incurrent in quarter 1 on COVID19 response.

5. RECOMMENDATIONS

There are no recommendations arising from this report. The Audit Committee is invited to discuss the report and take relevant assurance.

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 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		
This report sets out our governance and financial management arrangements. Quality, safety and patient experience are at the centre of these arrangements.		
Financial Implications		
This report sets out the forecast revenue implications of COVID19 in 2020-21. There are no new financial implications arising from this report.		
Legal Implications (including equality and diversity assessment)		
The Health Board has a legal duty to comply with its governance framework and its financial duties. The report sets out how these duties are being achieved.		
Staffing Implications		
Not directly applicable to this report.		

Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)	
The Well-being of Future Generations (Wales) Act 2015 has been considered as part our financial management and wider governance framework.	
Report History	Not applicable.
Appendices	Appendix 1 – COVID19 additional expenditure 2020-21

Appendix 1 – COVID19 additional expenditure 2020-21

Pay		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Forecast year-end
Establishment & Bank Additional Hours:		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	Administrative, Clerical & Board Members		236	200	100	100	100	100	100	100	100	88	88	1,312
2	Medical & Dental	300	312	500	624	634	634	884	884	884	884	874	874	8,288
3	Nursing & Midwifery Registered	6	460	300	300	300	300	300	300	300	300	300	300	3,466
4	Prof Scientific & Technical		77	50	63	63	63	63	63	63	63	63	63	694
5	Additional Clinical Services	48	20	30	50	178	178	356	356	356	356	356	356	2,640
6	Allied Health Professionals		167	125	100	50	50	50	50	50	50	50	50	792
7	Estates & Ancillary		200	150	150	100	100	100	100	100	100	100	100	1,300
Sub total Establishment & Bank Additional Hours		354	1,472	1,355	1,387	1,425	1,425	1,853	1,853	1,853	1,853	1,831	1,831	18,492
Agency:														
8	Medical & Dental	27	15	45	45	45	45	45	45	45	45	45	45	492
9	Nursing & Midwifery Registered	125	65	65	177	350	350	522	522	522	522	300	300	3,820
10	Other	14	100	110										224
Sub total Agency		166	180	220	222	395	395	567	567	567	567	345	345	4,536
Returners & Students:														
11	Students - Medical, Dental, Nursing & Midwifery	86	848	1,158	1,109	513	513	504						4,731
12	Returners - Medical, Dental, Nursing & Midwifery		22	65	65	65	65	65	65	65	65	65	65	672
Sub total Returners & Students		86	870	1,223	1,174	578	578	569	65	65	65	65	65	5,403
Other Temp Staff:														
13	Additional Clinical Services		169	261	439	439	617	617	617	617	617	261	261	4,915
14	Estates & Ancillary		255	150	198	433	433	669	669	669	669	198	198	4,541
15	Prof Scientific & Technical				121	121	193	193	193	193	193			1,207
16	Other		3	67	176	176	234	234	234	234	234	67	67	1,726
Sub total Other Temp Staff		0	427	478	934	1,169	1,477	1,713	1,713	1,713	1,713	526	526	12,389
TOTAL ADDITIONAL PAY EXPENDITURE		606	2,949	3,276	3,717	3,567	3,875	4,702	4,198	4,198	4,198	2,767	2,767	40,820

Non Pay (Additional costs due to C19)		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Forecast year-end
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
17	Temporary Hospital Capacity - set up costs Field Hospitals	88	1,431	31,234				700						33,453
18	Decommissioning costs												4,500	4,500
19	Costs as a result of lost income (eg. SLAs, services, private patients)	500	300	300	300	300	300	300	300	300	300	300	300	3,800
20	Drugs inc Medical Gases	250	150	150	150	250	365	440	440	440	440	350	350	3,775
21	PPE	662	1,455	168	50	110	140	170	170	170	170	110	110	3,485
22	Covid-19 Testing Units			344	345	345	345	345	345	345	345	345	345	3,449
23	M&SE - consumables	150	190	150	200	270	295	320	320	320	320	250	250	3,035
24	Estates\Security costs		116	184	194	234	269	309	309	309	309	196	196	2,625
25	Catering Costs	91	50	50	63	169	234	299	299	299	299	180	180	2,213
26	Mortuary/Funeral Expenses		197	197	197	197	197	197	197	197	197	197	197	2,171
27	Accommodation Costs	276	323	360	250	250	250	180						1,889
28	Transportation	73	73	121	121	121	121	121	121	121	121	73	73	1,260
29	Laundry Costs	189	125	50	50	75	90	106	106	106	106	81	81	1,165
30	Equipment costs		1,117											1,117
31	Cleaning Costs	92	40	70	70	76	111	111	111	111	111	105	105	1,113
32	Potential consequential costs associated with field hospitals	12				129	60	60	60	60	60	0	420	861
33	Additional costs in Primary Care			267	56	133	56	56	56	56	56	56	56	848
34	IT Costs	135	100	50	50	50	50	50	50	50	50	50	50	735
35	Other	52	93	93	93	117	244	144	144	144	144	103	103	1,474
TOTAL ADDITIONAL NON PAY EXPENDITURE		2,570	5,760	33,788	2,189	2,826	3,127	3,908	3,028	3,028	3,028	2,396	7,316	72,967
TOTAL ADDITIONAL OPERATIONAL EXPENDITURE		3,176	8,709	37,064	5,906	6,393	7,002	8,610	7,226	7,226	7,226	5,163	10,083	113,784

B - Non Delivery of Planned Savings Due To C19		Apr £'000	May £'000	Jun £'000	Jul £'000	Aug £'000	Sep £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £'000	Forecast year-end £'000
37	Non Delivery of Finalised (M1) Savings	789	563	601	493	503	478	624	625	726	705	707	693	7,507
38	Non delivery of Savings Assumed but not finalised at M1	960	917	917	821	821	821	804	804	804	804	804	804	10,081
TOTAL NON DELIVERY OF PLANNED SAVINGS		1,749	1,480	1,518	1,314	1,324	1,299	1,428	1,429	1,530	1,509	1,511	1,497	17,588

C - Planned Operational Expenditure Cost Reduction Due To C19		Apr £'000	May £'000	Jun £'000	Jul £'000	Aug £'000	Sep £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £'000	Forecast year-end £'000
39	Reduction of non pay costs due to reduced elective activity	(823)	(704)	(650)	(650)	(650)	(650)	(775)	(775)	(775)	(775)	(775)	(775)	(8,777)
40	Secondary Care drug reductions		(500)	(400)	(250)	(250)	(250)	(150)	(150)	(150)				(2,100)
41	Reduction in Variable Pay	(271)	(300)	(200)	(200)									(971)
42	Other	(85)	(85)	(85)	(85)	(85)	(85)	(45)	(45)	(45)	(45)	(45)	(45)	(780)
TOTAL EXPENDITURE REDUCTION		(1,179)	(1,589)	(1,335)	(1,185)	(985)	(985)	(970)	(970)	(970)	(820)	(820)	(820)	(12,628)

D - Slippage on Planned Investments/Repurposing of Developmental Initiatives due to C19		Apr £'000	May £'000	Jun £'000	Jul £'000	Aug £'000	Sep £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £'000	Forecast year-end £'000
43	Investment Commitment delays	(300)	(300)	(200)	(200)	(200)	(200)	(33)	(33)	(33)	(33)	(33)	(33)	(1,598)
44	Other	(168)	(168)	(168)	(168)	(168)	(168)							(1,008)
TOTAL RELEASE/REPURPOSING OF PLANNED INVESTMENTS/ DEVELOPMENT INITIATIVES		(468)	(468)	(368)	(368)	(368)	(368)	(33)	(33)	(33)	(33)	(33)	(33)	(2,606)

NET EXPENDITURE DUE TO Covid-19		3,278	8,132	36,879	5,667	6,364	6,948	9,035	7,652	7,753	7,882	5,821	10,727	116,138
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