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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	28th January 2021	Agenda Item	4.2
Report Title	Financial Report – Period 9 2020/21		
Report Author	Samantha Lewis, Deputy Director of Finance		
Report Sponsor	Darren Griffiths, Interim Director of Finance and Performance (interim)		
Presented by	Darren Griffiths, Interim Director of Finance and Performance (interim)		
Freedom of Information	Open		
Purpose of the Report	The report advises the Board of the Health Board financial position for Period 9 (December) 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 9 (December) 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 (please choose one only)	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 9 (December) 2020/21, in particular: <ul style="list-style-type: none"> i. the revenue outturn position of £18.680m 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 9 2020/21 and the £24.405m deficit forecast revenue year end outturn. • NOTE the risks and opportunities. 		

	<ul style="list-style-type: none">• NOTE the emerging picture on the 2021/22 financial outlook and the further work planned develop this.
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FINANCIAL REPORT – PERIOD 9

1. INTRODUCTION

The report advises the Board that the Period 9 (December 2020) revenue financial position is an overspend of £18.680m.

The report invites the Board to note the detailed analysis of the Period 9 (December 2020) revenue financial position.

The report provides an analysis of the revenue impact of the COVID-19 response to December 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)	1,944
Reported cumulative financial position – deficit/(surplus)	18,680
Variance from Planned Deficit – deficit/(surplus)	376
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)	(2,800)
Forecast outturn financial position – deficit/(surplus)	342
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 %

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
Cumulative year to date % of invoices paid within 30 days (by number)	93.11%

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 9 reported in-month position was an overspend of £1.944m and a cumulative overspend for the first nine months of the financial year of £18.680m.

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	6.216	-5.637	0.579
Pay	7.705	-17.715	-10.010
Non-Pay	-22.355	23.352	0.997
Savings Slippage	12.584		12.584
Slippage on Planned Investments	-3.767		-3.767
Planned Deficit	18.297		18.297
Total Position	18.680	0.000	18.680

The year to date position includes £83.7m of the £131.5m additional confirmed and anticipated funding.

3.1.2 Income

Income budgets have reported an under-achievement of £6.216m after nine months, of which £5.637m 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

Pay budgets have reported a £7.705m overspend after nine 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 £17.715m, which would result in a £10.010m underspend. The underspend predominantly relates to vacancies which are not fully covered. This underspend is a core component of the Health Board underlying position, pay budgets should therefore be realigned to this level of expenditure in order to maintain and manage the position and to manage service expectations.

The Health Board has reported significant additional workforce costs in 2020/21 in response to the pandemic and the ability to reduce costs back to pre-COVID levels 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 £4.760m, 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 £28.1m overspend.

The overspend includes the planned deficit of £18.3m plus savings non-delivery of £12.6m, less planned investment slippage and cost reductions due to COVID.

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 9 is £4.512m against a planned delivery of £17.117m. The impact of non-delivery of savings to Month 9 is therefore £12.6m.

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 nine months along with the attribution of additional Welsh Government (WG) funding.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actual	Actuals
	£m	£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	1.338	12.584
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	5.972	7.111	6.294	8.835	85.224
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-0.852	-0.642	-0.735	-1.050	-10.091
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-0.450	-0.099	-0.672	-0.399	-3.961
TOTAL COVID-19 IMPACT	3.338	8.192	25.657	12.070	5.780	6.064	7.734	6.197	8.724	83.756
Funding Contribution	-0.060	-0.060	-26.888	-9.445	-0.612	-23.985	-7.441	-6.518	-8.724	-83.733
Net COVID-19 IMPACT	3.278	8.132	-1.231	2.625	5.168	-17.921	0.293	-0.321	0.000	0.023

The Health Board recorded additional COVID-19 response costs of £8.835m during December 2020, with a cumulative gross expenditure of £85.224m. These costs were partially offset by reduced expenditure related to the restriction of planned care activity £10.091m. This resulted in a net cumulative additional expenditure of £75.133m for the first nine months of the financial year.

The Health Board has also reported a £12.584m adverse impact on savings delivery and a £3.961m positive impact on investment slippage. These items combined with the net cumulative additional expenditure result in a total COVID-19 impact of £83.756m.

These costs have been offset by £83.733m 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 nine months of the financial year are: -

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	
	£m	£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	3.806	24.546
Field Hospital Set Up	0.088	1.431	20.026	6.427	0.046	0.102	0.890	0.018	0.000	29.028
Other Equipping	0.037	1.162	0.045	0.204	0.146	0.123	0.242	0.504	0.154	2.617
PPE	0.662	1.455	0.168	0.212	0.561	0.692	0.751	0.784	0.809	6.094
Testing Programme	0.000	0.004	0.076	0.361	0.264	0.546	0.530	0.784	0.896	3.461
Primary Care Prescribing	0.250	0.150	1.172	0.437	0.759	0.337	0.064	0.502	0.719	4.390
Care Homes	0.000	0.000	0.000	0.000	0.000	0.995	0.205	0.042	0.526	1.768
Loss of Income	0.500	0.300	0.856	0.741	0.676	0.563	0.745	0.650	0.650	5.681
TOTAL COVID-19 IMPACT	2.143	7.451	25.680	11.105	4.951	5.539	6.911	6.245	7.560	77.585

The other £7.6m additional costs cover such items as clinical consumables, accommodation, staff uniforms, cleaning and catering services, IT, mortuary, essential service provision and transport services.

3.2 Capital

The approved CRL value, issued on 11/01/21, is £40.816m. The main changes this month are for additional funding received for; Re-Fit Solar Farm £2.077m, Singleton Cladding £0.998m, EMRTS Equipment £0.656m and Covid-19 £0.564m. 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 £0.342m. Allocations on 4 schemes are anticipated from WG which will balance this position as follows:

Scheme	£m	Narrative
Open Eyes Ophthalmology System	0.021	Anticipated funding in line with Fiona Jenkins funding letter 19/10/20.
PHW COVID Hot Labs at Morriston	0.090	Anticipated funding as submitted to Ian Gunney 6 Nov.
COVID Immunisation	0.131	Anticipated funding as per correspondence with Ian Gunney.
Business Intelligence – National Digital	0.100	Anticipated funding as per correspondence with Ian Gunney.

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.

3.3 Balance Sheet

As at 31st December 2020, there has been an increase of £7.320m in net assets employed compared to the balances as at 1st April (2.13%). Total assets increased by £11.112m, and total liabilities increased by £3.792m.

The main asset movements were increases in fixed assets of £0.498m with asset additions for the year to date being higher than depreciation. There were also increases of £1.131m in cash balances held and £9.408m in trade and other receivables mainly due to the income accrual in respect of 9/12 of the anticipated allocations from Welsh Government. The stock balances have also increased by £0.075m due to an increase in drug stocks.

The liabilities increase comprised an increase of £4.371m in trade and other payables, mainly due to an increase in expenditure accruals for CHC and increases in NHS accruals for invoices not yet received particularly in respect of the stores issues from Welsh Health Supplies and the single lead employer invoices from Velindre NHS Trust. This increase was offset by a reduction of £0.579m in provisions as result of payments against existing provisions and minimal movement in clinical negligence and personal injury 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 December 2020, the Health Board had a cash balance of £1.617m, in line with the planned month-end cash balance of between £1m and £2m.

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.

As at the end of November, the forecast cash deficit amounted to £12.155m. In accordance with WG requirements, the Health Board formally requested

£12.655m of cash support comprising £2.378m for movements in working capital balances and £10.677m strategic cash support to support the forecast revenue deficit. To date no response has been received to this request.

The forecast cash deficit has reduced slightly and as at the end of December stands at £11.515m as detailed in the table below. In the event that the cash support requested from WG is received, this will leave a forecast year end cash balance of £1.14m.

	£000
Forecast I&E Deficit	(24,405)
Forecast movement in revenue working balances (Payables, receivables and inventories)	13,232
Forecast movement in capital payables	(2,078)
Forecast cash impact of movement in provisions	1,250
Opening cash balance	486
Forecast cash Deficit	(11,515)

It must be noted that the health board is anticipating further cash allocations of £27.915m and the year-end cash position is predicated on receipt of all of these anticipated allocations.

3.5 Public Sector Payment Policy (PSP)

The number of invoices paid within 30 days in December 2020 was again below the 95% target, with in month performance being 93.63%. This represented a slightly poorer performance than in November 2020 when 94.52% of invoices were paid within 30 days. December 2020 saw a further reduction in the number of nurse agency invoices paid after 30 days from 171 in November 2020 to 153 in December 2020. The in-month failure to achieve the 95% target was mainly due to delays in receipting of goods and delays in the processing of pharmacy invoices.

The December 2020 performance has marginally increased the cumulative compliance for the year to date from 93.04% at the end of November to 93.11% at the end of December 2020, but performance will need to be significantly above 95% for the last quarter of the financial year in order to reach 95% cumulative compliance by financial year end.

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 Health Board forecast has been refined over recent months to reflect the impact of funding allocations and clearly expenditure profiles.

The Health Board has a year-end forecast deficit of £24.4m, which is recognised by Welsh Government.

This month the forecast has been updated to reflect revised TTP and vaccination costs and the assessed increased impact of the untaken annual leave accrual. In addition, the cost and funding assumptions related to the decommissioning of internal surge has been removed from the forecast following the review of

technical guidance on the accounting treatment of these costs. All of these additional costs are assumed to be matched by funding allocations, therefore having no impact on overall forecast position.

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. 2021/22 OUTLOOK

The Welsh Government draft budget was issued in December 2020. This included £430m additional growth funding for Health and Social Service budget. This £430m has been allocated in the following way: -

- £10m contract tracing
- £35m social care and child care
- £140m allocated in core uplift
- £245m held centrally for wage awards, ATMPs, education and training, digital, new digital health authority, primary care contractor services.

In addition a further £9m has been identified for Mental Health, Wellbeing and Welsh Language.

This funding excludes any allocation of funding secured for COVID 19 response.

The 2021/22 Revenue Allocation letter was issued to Health Boards on 22nd December 2020. This provided detail on the allocation of the £140m core uplift funding. The Health Board has received £15.1m to support pay, prices and service pressures, this is broadly equivalent to 2%.

Work is currently underway to assess what the impact of COVID-19 has been on the overall run rate of the Health Board and this will underpin the financial context for 2021/22 along with an assessment of inflationary pressures, savings opportunities and choices available to the Board to improve its financial performance in 2021/22. Updates will come to the Board as part of the integrated planning process.

This provides the Health Board with a basis for financial planning for core service delivery, however there are further financial planning guidance is expected from WG in respect of other potential funding streams. This will include treatment of ongoing pandemic response and service recovery plans.

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).

Following the clarification and issue of WG funding and the submission of the revised £24.4m forecast, the focus of the remaining months of this financial year will be on monitoring variation from that forecast and the management of risks and opportunities to enable the delivery of the forecast.

The focus remains on the key cost drivers; medical staff costs, nurse staff costs, ChC, Income impacts and Medicines Management.

The Health Board planning process for 2021/22 is underway and within that is the development of a financial plan for 2021/22.

The development of a deliverable 2021/22 financial plan, that does not worsen the Health Boards financial position, will be dependent on: -

- Management of the underlying position, ensuring baseline costs are not allowed to escalate.
- Management of the in-year cost pressures through the delivery of cost containment measures, grip and control and value, efficiency and savings opportunities
- Constraining further investment choices to ensure clear benefit realisation track and alignment to key WG priorities and potential funding sources.
- Clear assessment and recognition of ongoing impacts of the response to the pandemic, including those directly attributable such as TTP, Vaccination plan and additional capacity as well as those that are more indirect impacts such as income impacts, increased use of single use items and workforce costs.

Next financial year will be a year of continued 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. RECOMMENDATION

Members are asked to:

- **CONSIDER** and comment upon the Board's financial performance for Period 9 (December) 2020/21, in particular:
 - vi. the revenue outturn position of £18.680m deficit;

- vii. the capital outturn position;
 - viii. balance sheet movements;
 - ix. cash position; and
 - x. performance against the Public Sector Payment Policy compliance.
- **NOTE** the COVID-19 revenue impact for Period 9 2020/21 and the £24.405m deficit forecast revenue year end outturn.
- **NOTE** the risks and opportunities.
- **NOTE** the emerging picture on the 2021/22 financial outlook and the further work planned develop this.

Governance and Assurance		
Link to Enabling Objectives (please choose)	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		
(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"/>
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 9 2020/21	

SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT

Period 09 Data (December 2020)

Darren Griffiths



In Month

£ 1,944,217 overspent

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-23,256	-22,935	320	1.38%
Pay	49,222	50,640	1,419	2.88%
Non Pay	55,291	55,496	205	0.37%
Total	81,257	83,201	1,944	2.39%

Cumulative

£ 18,679,825 overspent

Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance	COVID Funding Adjustments	Adjusted YTD Variance
Income	-206,392	-200,176	6,216	3.01%	-5,637	579
Pay	439,894	447,599	7,704	1.75%	-17,715	-10,011
Non Pay	500,950	505,709	4,760	0.95%	+23,352	28,112
Total	734,452	753,132	18,680	2.54%	0	18,680

- 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 was reduced to £24.405m in Month 8, due to further refinement of TAVI demand and the deployment of Welsh Government (WG) funding allocations.
- **The Health Board is on track to deliver the £24.4m forecast deficit.**
- The adjusted variance highlights that there is an underlying underspend on pay. This reflects inherent vacancies within service provision. However this level of underspend would need to be maintained to support the Health Board underlying non-pay overspend.

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	1,944	↑
Reported year to date financial position – deficit/(surplus) – Red	18,680	↑
Reported year to date compared to forecast financial plan deficit – Red	376	↓
Year End Forecast surplus/(deficit) - Red	24,405	↔

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	342	↓
Reported in-month financial position – deficit/(surplus) – Forecast Red	(2,800)	↑
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	93.11	↑

Revenue

- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast revised its forecast in Month 8 to reflect the costs and funding associated with the pandemic response and management and mitigation of risks and opportunities.
- The Health Board is now reporting a forecast position aligned to the £24.4m pre-COVID deficit plan.
- The Month 9 in-month position has maintained the trajectory to deliver the £24.405m year-end forecast..

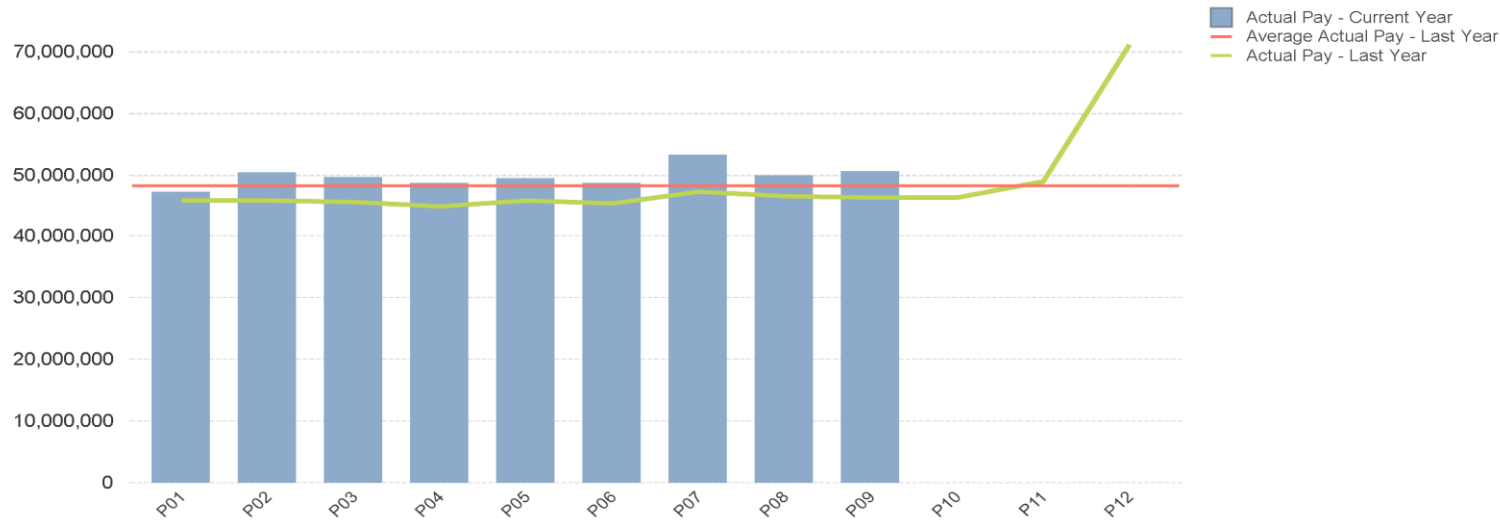
PSPP Narrative

- The number of invoices paid within 30 days in December was again below the 95% target, with in month performance being 93.63%. This represented a slightly poorer performance than in November when 94.52% of invoices were paid within 30 days. December saw a further reduction in the number of nurse agency invoices paid after 30 days from 171 in November to 153 in December. The in month failure to achieve the 95% target was mainly due to delays in receipting of goods and delays in the processing of pharmacy invoices.
- The December performance has marginally increased the cumulative compliance for the year to date from 93.04% at the end of November to 93.11% at the end of December, but performance will need to be significantly above 95% for the last quarter of the financial year in order to reach 95% cumulative compliance by financial year end.

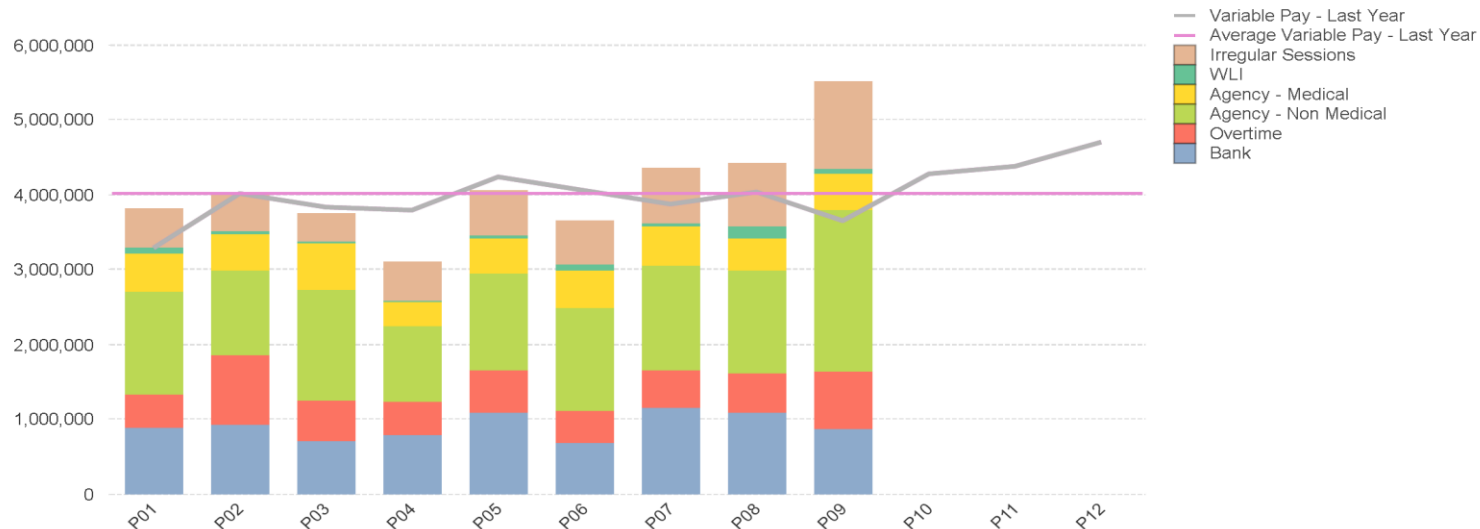
Capital Narrative

- Approved CRL value for 20/21 issued on 11/1/2021 is £40.816m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
- The underspend to date relates predominantly to discretionary schemes, which are expected to be committed by the end of the financial year.
- There are 4 All Wales Capital schemes reported to Welsh Government as high risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government.
- The forecast outturn position for 20/21 is £0.342m overspent. There are adjustments to funding on existing schemes that are expected to neutralise this overspend position.

Actual Pay Expenditure This Year and Last Year



Variable Pay Expenditure This Year and Last Year



- The overall pay spend in Month 9 is around £800k higher than the previous month.
- This increase in expenditure reflects the increased level of variable pay cost in Month 9, which was around £1m higher than the previous two months.
- The key increases in variable pay were
 - Non-Medical Agency spend, which reflects the increasing use of non-contract registered agency in place of contract agency and HCSW agency.
 - Medical Session Payments related to enhanced rotas in response to the pandemic.
 - Overtime costs increased however this was broadly matched by a reduction in bank costs.

	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%	408	90	318	22%
Commissioned Services	99	-	99	0%	48	-	48	0%
Medicines Management	2,084	1,041	1,043	50%	1,562	710	852	45%
Non Pay	8,003	1,600	6,403	20%	5,290	858	4,432	16%
Pay	12,456	3,261	9,195	26%	9,827	2,798	7,029	28%
Income Generation	248	77	171	31%	182	56	126	31%
Total	23,440	6,099	17,341	26%	17,317	4,512	12,805	26%

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 has increased slightly from £5.778m to £6.099m, giving slippage of £17.341m.
- The year to date position is planned savings £17.317m, actual delivery £4,512m, giving slippage of £12.805m. The actual delivery is therefore 26% of the planned delivery levels.
- Whilst the pandemic has impact significantly on savings delivery in 2020/21, it is crucial that work commences to enable savings to be identified, planned and delivered during 2021/22. The key themes and opportunities identified within the KPMG report are still relevant and provide a solid base on which plans can be developed.

	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.

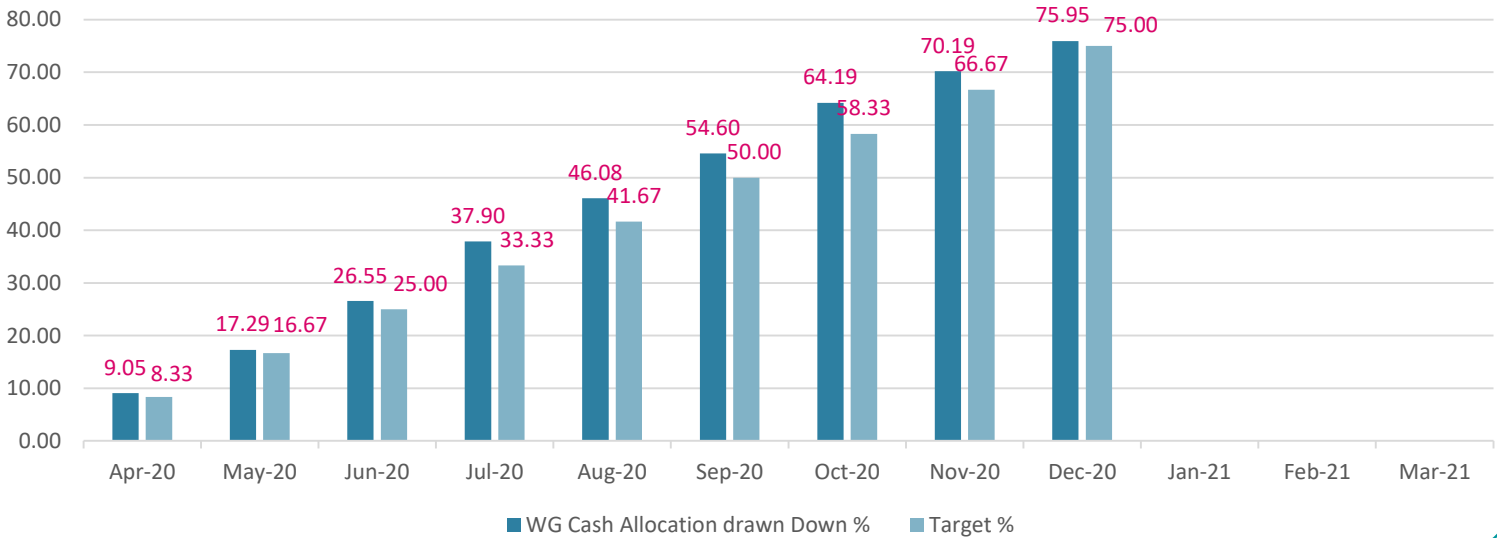
This additional cost is primarily related to :

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

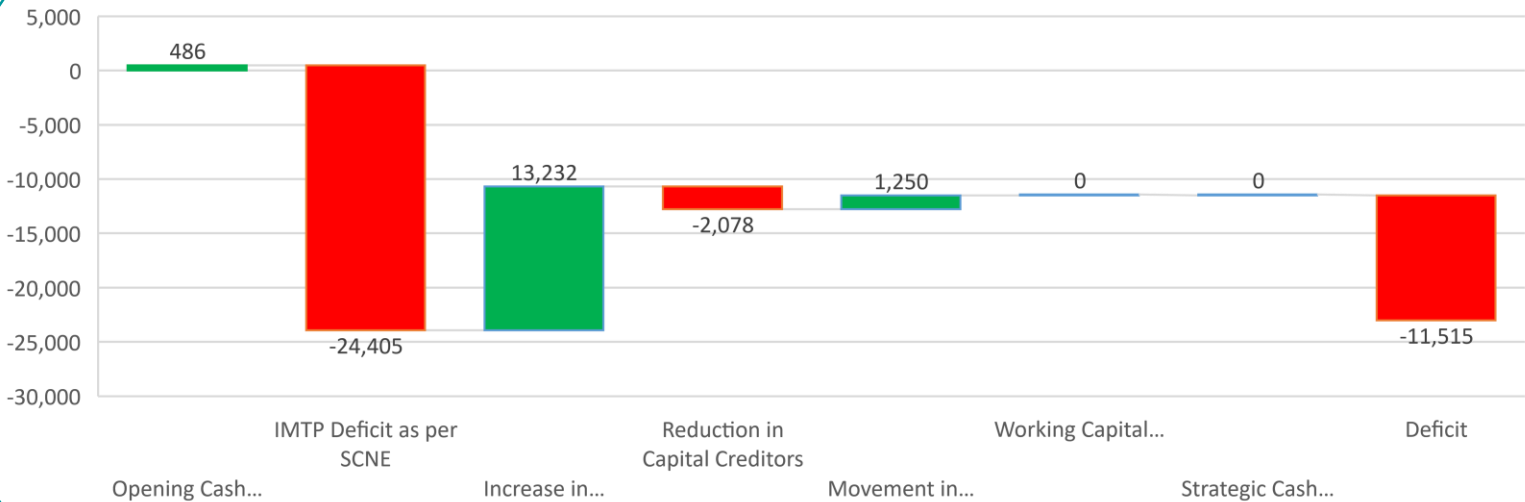
In addition, the impact on savings delivery has also been assessed as a COVID-19 impact. This has been identified as £9.936m.

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 December the Health Board had a cash balance of £1.617m which is in line with the planned month end cash balance of between £1m and £2m.
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. As at the end of November the forecast cash deficit amounted to £12.155m. In accordance with Welsh Government requirements the Health Board formally requested £12.655m of cash support ,comprising £62.378m for movements in working capital balances and £10.677m strategic cash support to support the forecast revenue deficit. The cash requested would result in a forecast year end cash balance of £0.5m. To date no response has been received to this request.
4. The forecast cash deficit has reduced slightly and as at the end of December stands at £11.515m. In the event that the cash support requested from WG is received, this will leave a forecast year end cash balance of £1.14m.
5. It must be noted that the health board is anticipating further cash allocations of £27.915m and the year end cash position is predicated on receipt of all of these anticipated allocations.

Health Board Forecast	£m	£m
COVID Cost		132.3
Impact of COVID on savings		16.9
Total impact of COVID		149.2
Funded by :		
Welsh Government funds	-131.5	
Variable costs not incurred	-12.5	
Slippage on planned investments	-3.6	
Winter bed capacity	-1.8	
Total available to cover COVID costs		-149.4
Impact of COVID on base plan		-0.2
Base Position of the Health Board		24.6
Forecast year end (surplus)/deficit		24.4

- The Health Board financial forecast includes significant additional costs of COVID including the impact on savings delivery.
- These costs have been offset by WG funding, reductions in variable costs and slippage on planned investments.
- The overall impact is broadly balanced.
- The Health Board forecast is therefore reflective of the planned deficit position pre-COVID, with risks and pressures currently offset by mitigating opportunities.

#	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, 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 Health Board cumulative financial position of £18.680m overspend is on trajectory to deliver the £24.4m year-end forecast.
- The key focus for forthcoming months will be :
 - Monitoring alignment to operational plan and managing deviations from the plan
 - Developing clear efficiency opportunities to support the underlying financial position in 2021/22
 - Strengthen current Value Based Healthcare arrangements for increase profile and impact within the Health Board
 - Supporting the development of the Operational plan for 2021/22, aligning service, workforce and financial requirements
 - Maintenance of strong governance and decision making for business as usual and major incident command structures.