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Bwrdd Iechyd Prifysgol  
Bae Abertawe  
Swansea Bay University  
Health Board



<b>Meeting Date</b>	<b>24<sup>th</sup> September 2020</b>	<b>Agenda Item</b>	<b>4.2</b>
<b>Report Title</b>	<b>Financial Report – Period 5 2020/21</b>		
<b>Report Author</b>	Samantha Lewis, Deputy Director of Finance		
<b>Report Sponsor</b>	Darren Griffiths, Interim Director of Finance		
<b>Presented by</b>	Darren Griffiths, Interim Director of Finance		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	The report advises the Board 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 Board 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> <p>The report also invites the Board to note the capital budget, cash position and key balance sheet movements.</p>		
<b>Specific Action Required</b> <i>(please choose one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <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>i. the revenue outturn position of £28.711m deficit;</li> <li>ii. the capital outturn position;</li> <li>iii. balance sheet movements;</li> <li>iv. cash position; and</li> <li>v. performance against the Public Sector Payment Policy compliance.</li> </ul> </li> <li>• <b>NOTE</b> the COVID-19 revenue impact for Period 5 2020/21 and the current estimated revenue year end outturn.</li> <li>• <b>NOTE</b> the risks and opportunities.</li> </ul>		

## FINANCIAL REPORT – PERIOD 5

### 1. INTRODUCTION

The report advises the Board that the Period 5 (August 2020) revenue financial position is an overspend of £28.711m.

The report invites the Board to note the detailed analysis of the Period 5 (August 2020) revenue financial position.

The report provides an analysis of the revenue impact of the COVID-19 response in August 2020 and the assessment of the impact on the year-end revenue forecast.

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 1<sup>st</sup> April 2017 and will end on 31<sup>st</sup> 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

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported in-month financial position – deficit/(surplus)	7,582
Reported cumulative financial position – deficit/(surplus)	28,711
Variance from Planned Deficit – deficit/(surplus)	18,542
<b>Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported year to date financial position – deficit/(surplus)	850
Forecast outturn financial position – deficit/(surplus)	2,336
<b>PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice</b>	<b>Value %</b>

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
Cumulative year to date % of invoices paid within 30 days (by number)	93.4%

### 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.

	<b>2020/21 £m</b>
2020/21 Underlying Deficit	28.0
Inflationary/Demand Pressures	35.5
WG Allocation Uplift	-21.6
Investment Commitments	5.4
Planned Savings	-23.0
<b>Planned Forecast Deficit for 2020/21</b>	<b>24.4</b>

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

	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Cumulative</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
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 a significant reduction in the level of overspend in Month 3, which reflects the provision of Welsh Government funding for excess COVID-19 workforce costs for Quarter 1 which was provided in Month 3 along with an initial revenue allocation for field hospital set up.

No funding has been applied for COVID-19 workforce costs in Month 4 or Month 5, however some further funding is anticipated, the scale of this funding is as yet unknown.

A further £8.9m funding was received for Field Hospital construction and the equipping of the field hospitals and internal surge capacity. This funding is matched with costs.

During Month 5 a further £2.9m funding has been allocated to the Health Board to support the COVID-19 cost impacts in Adult Social Care. Welsh Government 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**

Pay budgets have reported a £1.872m overspend after five months after the application of £6.831m WG funding. This funding supported the additional COVID-19 costs incurred during Quarter 1.

The pay expenditure incurred in Month 1 to 5 2020/21 is over £12m higher than that of the same period of the previous financial year.

The most significant increases have been Students £3.3m, Medical and Dental £2.9m, Nursing and HCSW £2.7m and Admin and Clerical £1.3m.

The cost of newly recruited staff for COVID-19, other than students is around £1.7m.

Over £7m of the increased workforce costs relates to costs of existing substantive, bank and agency staff who have been working in excess of previous working arrangements. These additional costs have increased significantly during August, which reflects peak annual leave and also increasing service demands, whilst numbers of staff remain unavailable for work due to shielding and self-isolation requirements.

### **3.1.4 Non Pay**

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 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

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.

### 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 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 £5.755m 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 include £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.

### 3.2 Capital

The approved CRL value, issued on 16/08/20 is £32.930m. During August additional funding for the CAMHS ICF scheme of £0.660m was received. 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 £2.336m. This plan takes account of the latest estimates for COVID-19 expenditure across our surge capacity, Field Hospitals and new ways of working, including a home working. We are anticipating funding from Welsh Government for a number of 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.

We are experiencing some delays with financial impacts across a number of our building and engineering schemes due to the COVID outbreak. This applies to schemes on-site due to the impact of social distancing and the unavailability of Health Board premises. It is also likely that we will experience increased costs as we go out to tender for new schemes.

### **3.3 Balance Sheet**

As at 31<sup>st</sup> August 2020, there has been a reduction of £10.211m in net assets employed compared to the balances as at 1<sup>st</sup> April 2020 (3%). Total assets reduced by £0.441m, with total liabilities increasing by £9.770m.

The main asset movements were increases in fixed assets of £2.205m with asset additions for the year to date being higher than the depreciation and £7.272m in cash balances held due to lower than anticipated supplier payment runs, particularly during the last week of August. These increases, however, were more than offset by reductions of £9.302m in trade and other receivables, with debtor invoices being settled more quickly than anticipated and a small reduction of £0.436m in stock balances primarily due to a reduction in drugs stocks at all sites.

The liabilities increase comprised an increase of £11.486m in trade and other payables, primarily due to an increase in expenditure accruals for CHC, primary care contracts and invoices not yet received, together with a payment on account to reflect that the cash allocations drawn down to date from Welsh Government exceed the 5/12 profile. The remaining movement in liabilities was a reduction of £1.716m in provisions, with payments being made against clinical negligence, personal injury and redress provisions.

### **3.4 Cash**

As at the end of August 2020, the Health Board had a cash balance of £7.758m which was significantly above the planned month end cash balance of between £1m and £2m. The higher than forecast cash balance was due to lower than anticipated creditor payment run values, particularly during the last week of August 2020. The cash draw down for September 2020 has taken into account the higher than anticipated August 2020 cash balance and it is anticipated that the month end cash balance at the end of September 2020 will reduce closer to the planned month end target.

There remains a great deal of uncertainty with regard to the forecast cash movements, particularly in relation to working capital balances and it is therefore difficult at this stage to provide a robust forecast cash position for the year.

The current year end cash forecast is based on the forecast year end revenue deficit, receipt of anticipated allocations from Welsh Government and an early estimate of movements in working capital balances on the cash position. The current forecast as at the end August 2020, indicates a forecast cash deficit (taking into account anticipated allocations) of £86.018m, down from £89.139m at the end of July 2020, with the Health Board drawing down its full revenue cash drawing limit by February 2021.

The cash flow is updated daily and a full review of the forecast is undertaken at the end of each month taking into account movements in the forecast year end deficit and the latest estimates of the movement in working capital balances.

### **3.5 Public Sector Payment Policy (PSPP)**

To the end of August 2020 the Health Board had paid 93.39% of its non NHS invoices within 30 days, below the target of 95%. Compliance with the 95% target has only been achieved in June this year when performance was 96.93%. Compliance in all other months has been around 94.3% apart from April when performance was only 87.86% when the COVID-19 pandemic was at its peak. The failure to achieve PSPP continues to be due to delays in the payment of nurse bank invoices and delays in receipting of purchase orders.

In respect of NHS invoices, to the end of August 2020 90.56% of invoices have been paid within 30 days, with the % of non NHS invoices paid within 30 days following the same trend as for NHS invoices with the target only being achieved in June when 98.71% of invoices were paid within 30 days.

The Health Board is committed to working with all staff responsible for receipting orders and authorising invoices as well as Accounts Payable to increase the performance to above 95% for the remainder of the financial year.

## **4. REVENUE FORECAST**

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.

The Quarter 3/4 Operational Planning process is considering the service models to be in place until the end of the year and there may be additional revenue requirements to support these. The integrated planning process is considering these and making assessment of prioritisation in September.



## 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. 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.

## 7. RECOMMENDATION

Members are asked to:

- **CONSIDER** and comment upon the Board's financial performance for Period 5 (August) 2020/21, in particular:
  - i. the revenue outturn position of £28.711m 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 5 2020/21 and the current estimated revenue year end outturn.
- **NOTE** the risks and opportunities.

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 – P05 – 20 Financial Report Supporting Detail Appendix 2 - P05 – 20 Financial Annex pack	

# SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT

Period 05 Data (August 2020)

Darren Griffiths

# EXECUTIVE SUMMARY: PERIOD 05

## In Month

£ 7,582,019 **overspent**

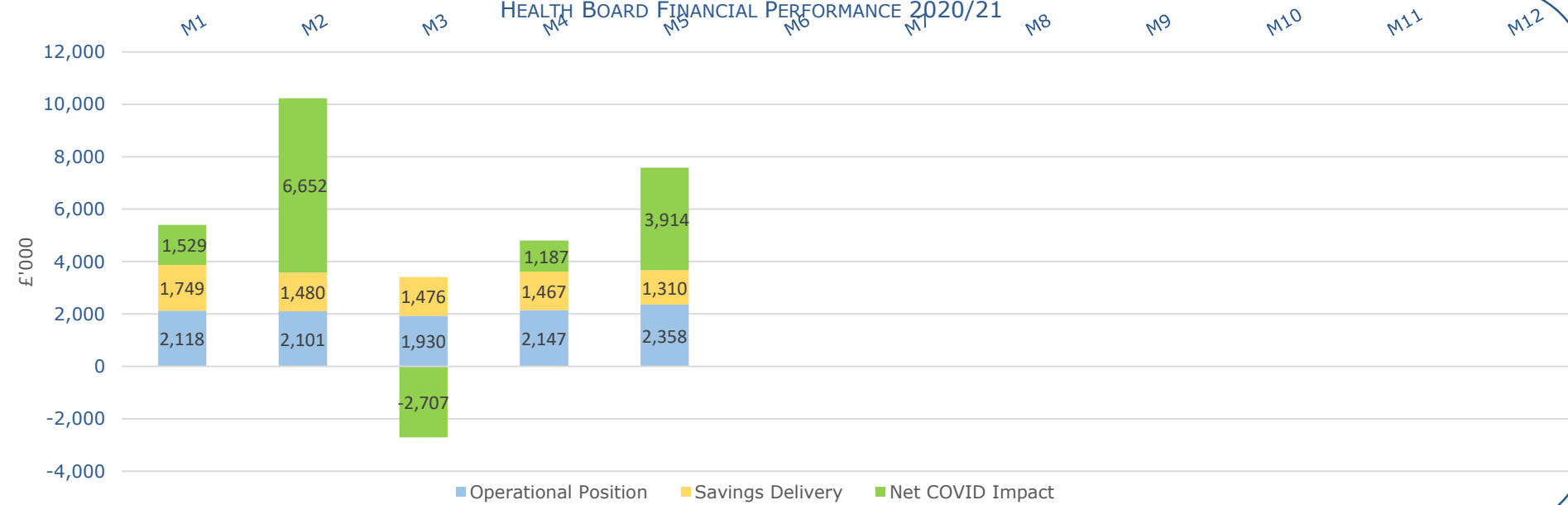
	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-23,165	-22,193	972	1.12%
Pay	47,435	49,378	1,943	0.65%
Non Pay	48,404	53,071	4,667	4.48%
<b>Total</b>	<b>72,673</b>	<b>80,255</b>	<b>7,582</b>	<b>2.20%</b>

## Cumulative

£ 28,711,030 **overspent**

Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	-113,971	-109,982	3,989	3.50%
Pay	243,319	245,191	1,872	0.77%
Non Pay	263,393	286,243	22,850	8.68%
<b>Total</b>	<b>392,741</b>	<b>421,452</b>	<b>28,711</b>	<b>7.31%</b>

HEALTH BOARD FINANCIAL PERFORMANCE 2020/21



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	7,582	↑
Reported year to date financial position – deficit/(surplus) – Red	28,711	↑
Reported year to date compared to forecast financial plan deficit – Red	18,542	↑

Capital		
Capital KPIs: To ensure that costs do not exceed the Capital resource limit set by Welsh Government	Value £'000	Trend
Current reported year end forecast – deficit/(surplus) – Forecast Red	2,336	↓
Reported cumulative year to date financial position – deficit/(surplus) – Forecast Red	850	↓

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	93.4	↑

## Revenue

- 1. The Health Board has reported an in-month overspend of £7.582m in Month 5, which gives a cumulative overspend of £28.711m. This position compares to the planned deficit of £10.169m (5/12ths of the £24.4m deficit plan).
- WG issued a further £2.9m funding in relation to COVID-19 expenditure in Month 5. This funding is to support the COVID impact on Care Home and Adult Social Care providers. These costs have not yet been incurred by the Health Board and will be expended in future months in accordance with the WG guidance.

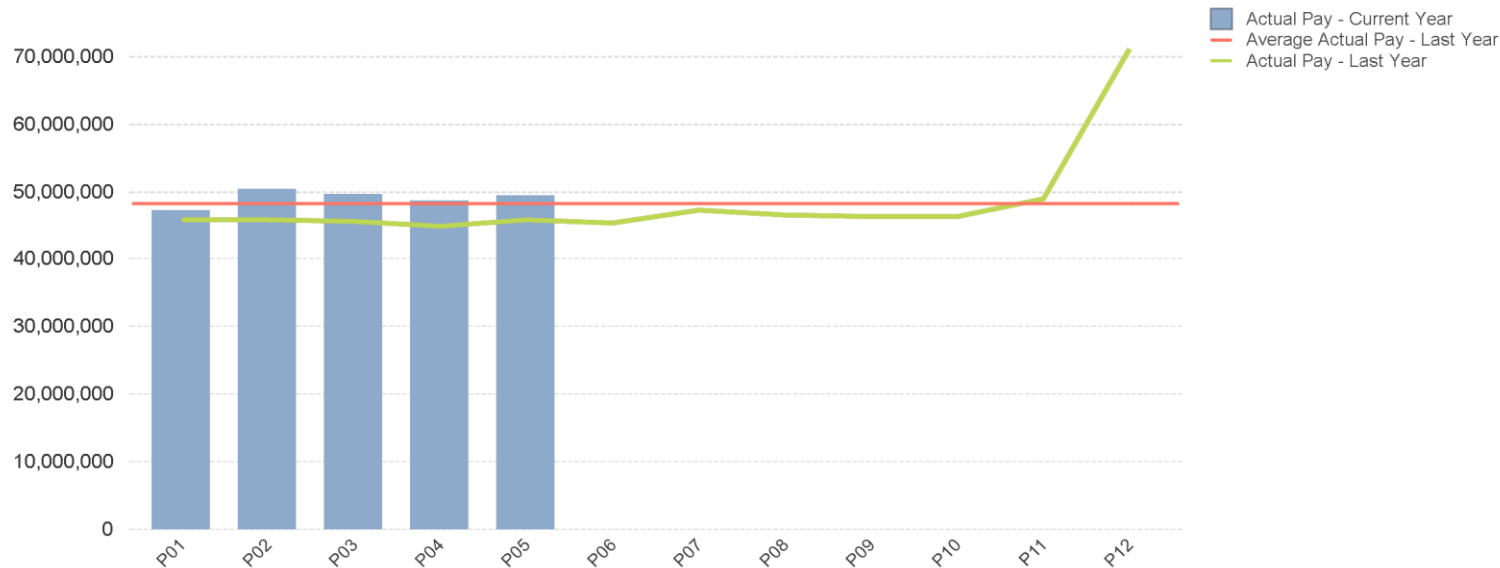
## Capital Narrative

- Approved CRL value for 20/21 issued on 16/08/20 is £32.930m 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 8 All Wales Capital schemes reported to Welsh Government as high risk. There are 3 schemes 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 £2.336m overspent, with funding expected from Welsh Government.
- 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 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.

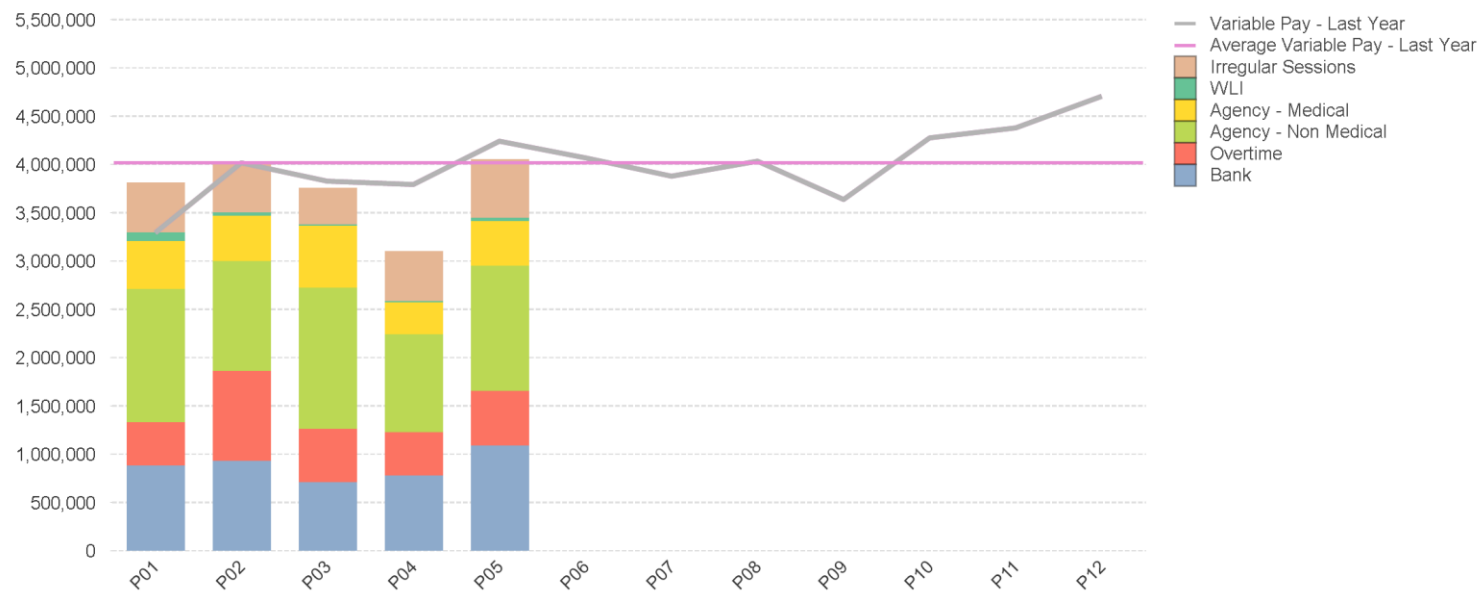
## PSPP Narrative

- The number of invoices paid within 30 days in August was again below the 95% target, with in month performance being 94.27%. The failure to achieve the 95% target in month was due to delays in receipting of purchase orders and in the authorisation of nurse agency invoices.
- Although the 95% target was not achieved, the August performance has increased the cumulative compliance for the year to date from 93.13% at the end of July to 93.39% at the end of August.
- It is now imperative that the monthly PSPP performance exceeds 95% for the remainder of the financial year in order to ensure that a cumulative compliance figure of 95% is achieved for the 2020/21 financial year.

## Actual Pay Expenditure This Year and Last Year



## Variable Pay Expenditure This Year and Last Year



- Pay costs have increased in Month 5 by just under £700k.
- Around £300k of this increase is related to enhancement payment profile.
- The financial impact of students recruited through COVID has reduced by £650k in Month5.
- However there has been a significant increase in Variable Pay costs during the period £940k.
- The key areas of increase are Agency costs £427k; with key increases in Medical £150k and Nursing £280k, Bank costs predominantly linked to HCSW £312k, Overtime £110k and Other Medical Costs £92k

# SAVINGS ANALYSIS

	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	50	500	9%	224	50	174	22%
Commissioned Services	99	-	99	0%	-	-	-	0%
Medicines Management	2,084	1,000	1,084	48%	866	300	566	35%
Non Pay	7,329	2,107	5,222	29%	2,986	454	2,532	15%
Pay	13,080	2,964	10,116	23%	4,985	1,168	3,817	23%
Income Generation	298	72	226	24%	119	30	89	25%
<b>Total</b>	<b>23,440</b>	<b>6,193</b>	<b>17,247</b>	<b>26%</b>	<b>9,180</b>	<b>2,002</b>	<b>7,178</b>	<b>22%</b>

## Narrative

- The Health Board financial plan identified a requirement to deliver £23m savings.
- At the start of the financial year around £11.5m of plans were considered green or amber, which the remaining £11.5m 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 £6.193m (26%), giving slippage of £17.247m.
- The year to date position is planned savings £9.180m, actual delivery £2.002m, giving slippage of £7.178m. The actual delivery is therefore 22% if the planned delivery levels.
- All units and directorates have been asked to review and refocus their savings plan opportunities and delivery.

	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 costs of £5.755m during August 2020. These costs were partially offset by reduced expenditure related to the restriction of other Health Board activity £1.035m. This resulted in a net additional expenditure of £4.720m.

This additional cost is primarily related to :

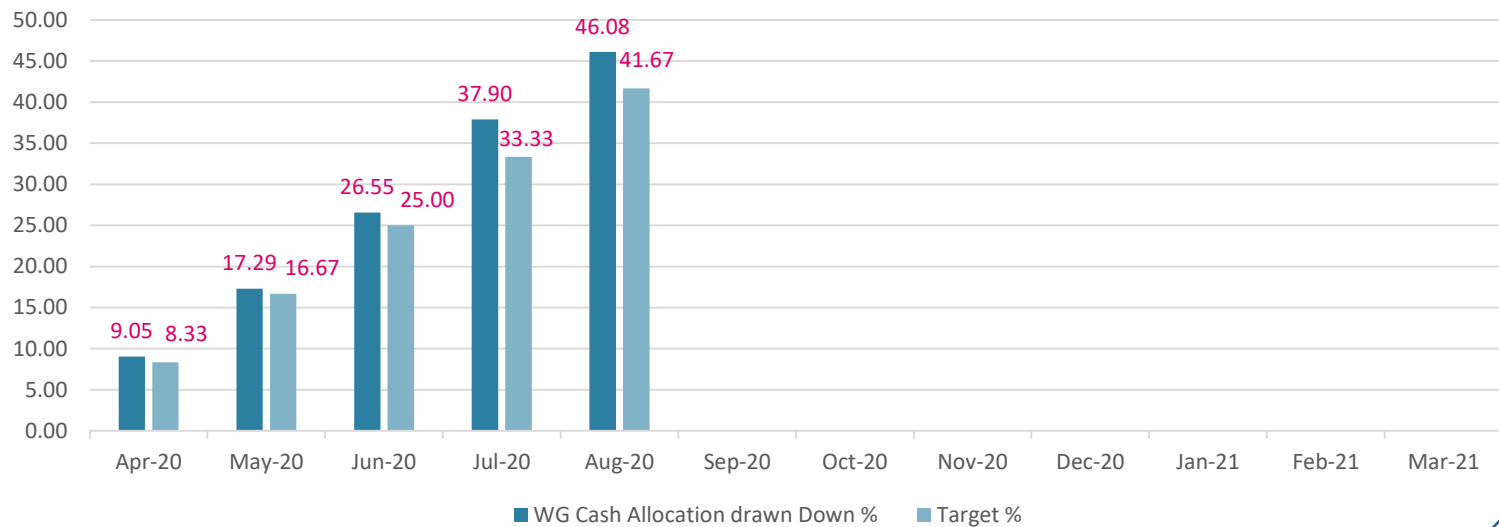
- Additional staff costs
- Loss of income
- Primary Care Prescribing
- PPE

In addition, the impact on savings delivery has also been assessed as a COVID-19 impact. This has been identified as £1.310m.

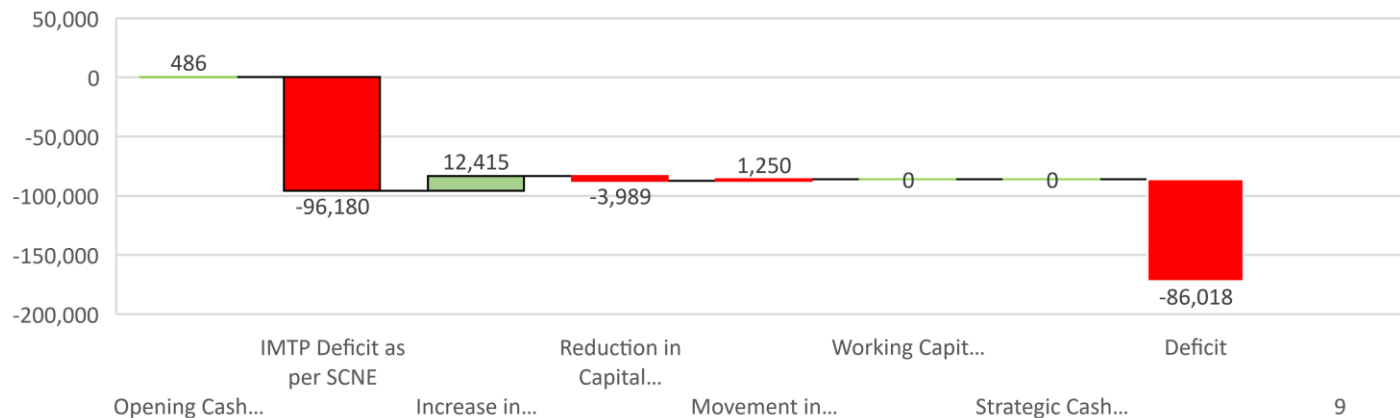
The Health Board has also identified slippage on planned investments and new funding streams which is offsetting some of the additional costs.



### Welsh Government Draw Down



### Analysis of Forecast Cash Position



1. As at the end of August, the Health Board had a cash balance of £7.758m which was above the planned month end cash balance of between £1m and £2m. The higher than forecast cash balance was due lower than anticipated supplier payment run values particularly in the last week of the month.
2. There remains a great deal of uncertainty with regard to the forecast cash movements, particularly in relation to working capital balances and it is therefore difficult at this stage to provide a robust forecast cash position for the year.
3. The current year end cash forecast is based on the forecast year end revenue deficit, receipt of anticipated allocations from Welsh Government and an early estimate of movements in working capital balances on the cash position. The current forecast as at the end August, indicates a forecast cash deficit (taking into account anticipated allocations) of £86.018m, down from £89.139m at the end of July, with the health board drawing down its full revenue cash drawing limit by February 2021.
4. The cash flow is updated daily and a full review of the forecast is undertaken at the end of each month taking into account movements in the forecast year end deficit and the latest estimates of the movement in working capital balances.

- The Health Board forecast as at Month 5 is £96.180m. This is shown in the table below

	<b>Forecast</b>
	<b>Position</b>
	<b>£m</b>
Impact on Savings Delivery	17.247
COVID-19 Gross Costs	115.141
COVID-19 Cost Reductions	-9.791
Slippage on Planned Investments	-2.871
<b>TOTAL COVID-19 IMPACT</b>	<b>119.726</b>
WG Funding Allocation	-49.976
<b>TOTAL COVID-19 IMPACT AFTER FUNDING</b>	<b>69.750</b>
Operational Position	26.430
<b>Forecast Position</b>	<b>96.180</b>

- The net COVID impact after funding is £69.750m with an operational position of £26.430m. This £26.430m compares to the planned operational deficit of £24.405m. The key difference is the inclusion of the £2m impact of TAVI demand pressures.
- The Month 5 forecast is £2.82m higher than that reported in Month 4, the key drivers of this movement are £2m TAVI, £0.331 improvement in forecast savings delivery and £1.151m increased COVID costs, which are predominantly linked to increased staff and PPE costs.

#	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>		- 96,180	- 96,180	- 96,180			
1	Major Conditions Funding	Major Conditions funding has been removed from WG allocations and is being managed by NHS Collaborative, which may put the funding at risk	-	700	700	Medium	Review of costs supported by this funding and consider the implications of managing services if funding is withdrawn. Liaise with NHS Collaborative on likelihood of funding.	Chris White, Chief Operating Officer
2	HCSW Banding - Theatres	Review of staff experience and competence and impact on banding	- 200	- 1,000	- 300	Medium	Position in theatres is agreed and the impact is being worked through. There is a potential consequential impact on other areas of the Health Board	Hazel Robinson, Director of Workforce and OD
3	Final Pension Charges	Final Pension charges may be incurred linked to the changes in the pension regulations	- 250	- 2,000	- 1,000	Medium	Potential final pension charges may be incurred in year. Some awareness of potential impacts.	Hazel Robinson, Director of Workforce and OD
4	NICE and High Cost Drugs	Impact of NICE technology appraisals and changes in service models	- 250	- 2,000	- 1,000	Medium	Monitor through the NICE and HCD group.	Judith Vincent, Chief Pharmacist
5	Additional Capacity	Potential requirement for additional capacity to support essential service provision	-	- 5,000	- 3,000	Medium	Ongoing impact of COVID on service provision and the potential delivery of essential services, which might require	Chris White, Chief Operating Officer
6	Field Hospital Capacity	Review of field hospital capacity	15,000	-	10,000	High	Currently reviewing the field hospital capacity and key planning assumptions	Sian Harrop-Griffiths, Director of Strategy
7	Primary Care Prescribing Price Concessions	Price Concessions are high at the moment due to the global impacts of COVID	2,500	-	1,500	Medium	Monitored through the Medicines Management Group	Judith Vincent, Chief Pharmacist
8	Savings Delivery	Opportunities to improve savings delivery	5,000	-	3,000	Medium	Review of the KPMG pipeline of opportunities and develop clear plans for the implementation of the opportunities within service reset and recovery	Darren Griffiths, Interim Director of Finance
9	Seasonal Pressures	Requirement for planned interventions to meet WG Winter Protection Plan priorities	-	7,500	-	Medium	The planned interventions to meet the WG Winter plan priorities are being developed and are being discussed with WG colleagues. These will also be incorporated within the Q3/4 operational plan	Chris White, Chief Operating Officer
			- 74,380	- 99,380	- 87,680			

## KEY MESSAGES & ACTIONS

The Board are asked to note the Health Board position at the end of Month 5, the COVID cost assessment, impact of savings non-delivery and the assessed forecast based on the current 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.

In response to the Month 5 position and the significant workforce pressures the Health Board is :

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



GIG  
CYMRU  
NHS  
WALES

Bwrdd Iechyd Prifysgol  
Bae Abertawe  
Swansea Bay University  
Health Board

# SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT – FINANCE ANNEXES

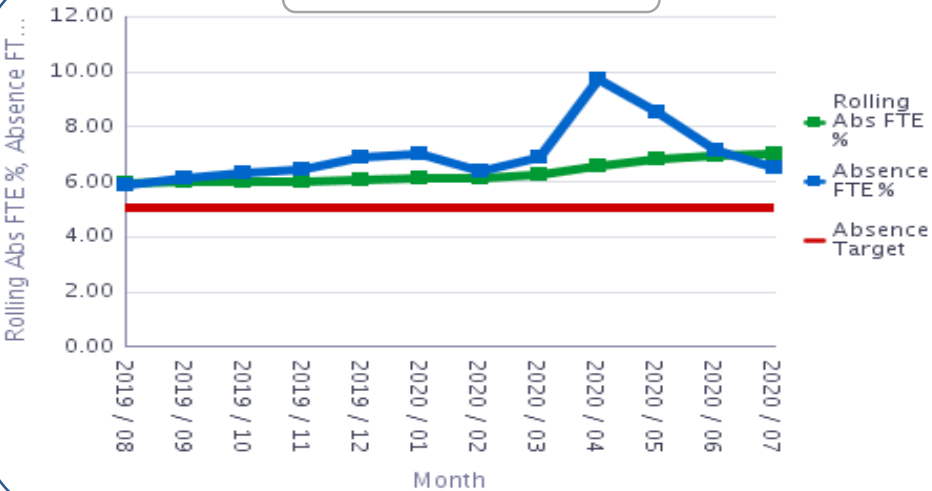
Management Accounts  
Period 05 Data (August 2020)

Darren Griffiths

Summary (July 20 Data)

	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Rolling Average (12mth)
Absence Cost	2,107	2,108	2,382	2,359	2,659	2,686	2,200	2,565	3,884	3,574	2,989	2,612	2,441
% Absence	5.92%	6.14%	6.31%	6.44%	6.91%	6.99%	6.37%	6.87%	9.75%	8.55%	7.15%	6.49%	6.94%
Average No Staff Absent Per Day	787	814	845	874	926	943	869	944	1,351	1,231	1,173	933	955

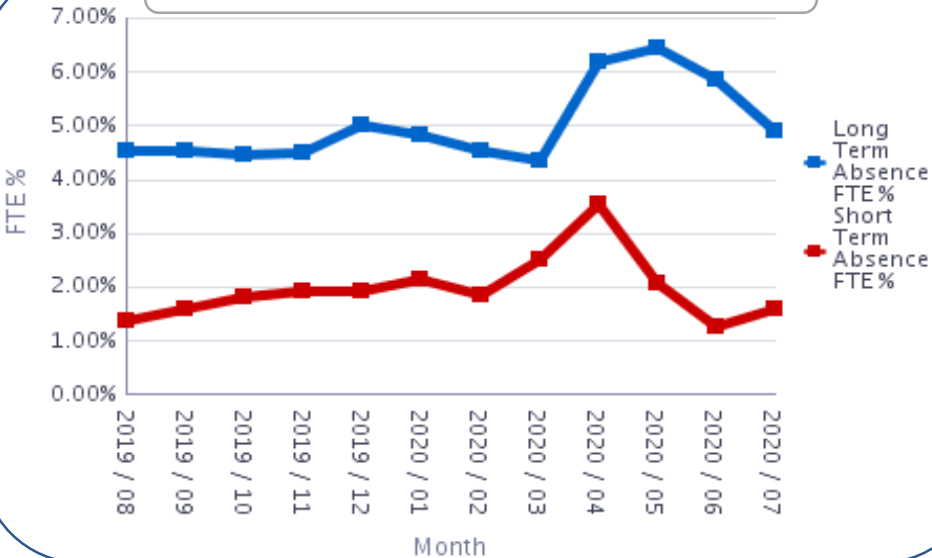
Rolling Absence



Cumulative % & £ Per Staff Group

Staff Group	Absence FTE %	Absence Estimated Cost £
Add Prof Scientific and Technic	4.04%	£757,328.36
Additional Clinical Services	9.87%	£6,365,165.73
Additional Clinical Services	6.48%	£4,497,149.02
Administrative and Clerical	3.75%	£1,616,095.08
Allied Health Professionals	9.99%	£2,679,861.64
Estates and Ancillary	3.59%	£672,613.27
Healthcare Scientists	2.54%	£2,832,476.03
Medical and Dental	7.29%	£12,281,679.66
Nursing and Midwifery Registered	1.94%	£56,214.54
Students	0.00%	£0.00
Grand Total	6.99%	£31,758,583.33

Long Term and Short Term Trends



## Section 8: Balance Sheet

Category	Balance at 31st August 2020 (£000)	Balance at 31st March 2020 (£000)	Movement (£000)	Analysis
Tangible & Intangible Assets	467,988	465,963	2,025	Movement is due to asset additions offset by depreciation.
Trade & Other Receivables	159,524	168,826	(9,302)	Main movements is reduction in outstanding trade and NHS debtors.
Inventories	9,576	10,012	(436)	Main movement is reduction of £0.336m in drug stocks across all sites and £0.065m reduction in stocks in Cardiac Omnicell cabinets.
Cash	7,758	486	7,272	Cash balance is above the local target of holding between £1m and £2m in cash at month end. The higher cash balance was due to lower than forecast supplier payments during August .
<b>Total Assets</b>	<b>644,846</b>	<b>645,287</b>	<b>(441)</b>	
Trade & Other Payables	176,253	164,767	11,486	Main movements are increases in expenditure accruals for CHC, primary care contracts and for invoices not yet received. There is also an increase in the payment on account figure reflecting the increased amount of cash drawn down from WG compared to the profile of 5/12 of allocation.
Provisions	135,346	137,062	(1,716)	Reduction is due to payments against existing clinical negligence, personal injury and redress provisions.
<b>Total Liabilities</b>	<b>311,599</b>	<b>301,829</b>	<b>9,770</b>	
<b>Total Assets Employed</b>	<b>333,247</b>	<b>343,458</b>	<b>(10,211)</b>	
Financed By				
General Fund	300,703	310,914	(10,211)	Movement is capital cash received and the I&E overspend.
Revaluation Reserve	32,544	32,544	0	
<b>Total Taxpayers Equity</b>	<b>333,247</b>	<b>343,458</b>	<b>(10,211)</b>	

## Annex: Capital

Page 2

### Forecast Outturn

The forecast outturn against the current CRL shows an overspend of £2,336k.

The main areas contributing to this overspend position have been summarised below. The remaining schemes highlighted as high and medium risks are not detailed below since they are as a consequence of the revised capital plan and the recording of these schemes will be agreed at the next CRM.

Scheme	Risk Profile	Risk Value £'000	Comments
Perinatal Mother & Baby Unit at Tonna Hospital	Medium	248	Following Ministerial approval to proceed with the full design and tender of the interim solution at Tonna, costs have increased during the full design. Tenders have been issued, returns expected back by the end of August, with on-site works planned for October.
COVID-19	High	2,350	<p>This reflects the COVID return submitted to Welsh Government on 8<sup>th</sup> June 2020. This is a best estimate at this stage, as we await completion of remaining elements of our critical care surge capacity in Morriston. The estimate excludes equipment being procured through the national equipping teams, as we await an updated assessment of these costs from Shared Services. The majority of the equipping costs for the Field Hospitals have been excluded from these figures, as they have been reflected in revenue, given there will be no long term asset.</p> <p>We have an anticipated allocation of £0.359m (digital letter received). The remaining £1.991m will be requested shortly for the critical care surge capacity as we await detailed information from the contractor.</p>

Quarter 1  
Performance

Savings  
By Directorate

Workforce

Balance Sheet

Capital



# Annex 2: Capital

Page 3

	Year To Date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	F'cast £'000	Variance £'000
<b>All Wales Capital Programme:</b>						
Neonatal and Post-Natal Capacity at Singleton Hospital	1,141	1,242	101	1,549	1,740	191
Additional works linked to Neonatal Development in Singleton Hospital	727	783	56	727	790	63
EDCIMS	175	30	(145)	270	481	211
RE-FIT Carbon Reduction Project	3,307	2,246	(1,060)	5,710	5,229	(481)
Replacement Gamma Cameras - Singleton Hospital	0	9	9	2,620	1,100	(1,520)
Swansea Wellness Centre	134	14	(120)	1,044	1,075	31
National Imaging Programme – Neath Port Talbot MRI	539	35	(504)	800	865	65
Perinatal Mother & Baby Unit at Tonna Hospital	0	32	32	1,496	1,568	72
Slippage from 19/20 (Environmental Modernisation Phase 2 Morriston) into 20/21	33	83	50	33	75	42
Slippage from 19/20 (Pharmacy Equipment) into 20/21	26	(4)	(30)	20	72	52
Slippage from 19/20 (Digital Funding) into 20/21	511	581	70	614	666	52
Slippage from 19/20 (Additional end of year funding) into 20/21	529	656	127	631	668	37
Linacc B – Singleton	7	0	(7)	225	20	(205)
ICF - Neath Integrated Wellbeing Hub	1	(1)	(2)	184	184	0
ICF - Strategic Vision for CAMHS – Provision of Clinics	2	0	(2)	846	835	(11)
Invest to Save - Theatre Stock Omnicell	260	110	(149)	555	838	283
COVID 19 - Surge	3,366	3,366	0	3,452	5,795	2,343
COVID 19 - Llandarcy Field Hospital	107	195	89	107	195	89
COVID 19 - Bay Field Hospital	18	(5)	(23)	101	18	(83)
Singleton Cladding	0	259	259	0	1,300	1,300
CT Sim, Cancer Centre Singleton	0	2	2	0	1,964	1,964
<b>Sub Total</b>	<b>10,883</b>	<b>9,633</b>	<b>(1,249)</b>	<b>20,984</b>	<b>25,478</b>	<b>4,494</b>
<b>Discretionary:</b>						
I.T.	1,221	933	(289)	2,945	2,681	(263)
Equipment	(133)	1,672	1,805	2,912	2,032	(880)
Statutory Compliance			0			0
Estates	2,091	1,267	(824)	5,845	4,480	(1,366)
Other	248	(55)	(303)	750	1,101	351
<b>Sub Total</b>	<b>3,427</b>	<b>3,816</b>	<b>389</b>	<b>12,452</b>	<b>10,294</b>	<b>(2,158)</b>
<b>Total Expenditure</b>	<b>14,310</b>	<b>13,450</b>	<b>(860)</b>	<b>33,436</b>	<b>35,773</b>	<b>2,336</b>
<b>Donations:</b>						
Donated Assets			0			0
<b>Sub Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Asset Disposals:</b>						
Coelbren Disposal	0	0	0	165	165	0
Glyneath Disposal	71	71	0	71	71	0
Resolven Disposal	0	0	0	70	70	0
Fairfield Disposal	0	0	0	200	200	0
<b>Sub Total</b>	<b>71</b>	<b>71</b>	<b>0</b>	<b>506</b>	<b>506</b>	<b>0</b>
<b>CHARGE AGAINST CRL</b>	<b>14,239</b>	<b>13,378</b>	<b>(860)</b>	<b>32,930</b>	<b>35,266</b>	<b>2,336</b>
<b>PERFORMANCE AGAINST CRL (Under)/Over</b>		<b>(860)</b>			<b>2,336</b>	

Quarter 1  
Performance

Savings  
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