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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	28th July 2020	Agenda Item	3.1
Report Title	Revenue Financial Report – Period 3 202		
Report Author	Samantha Lewis, Deputy Director of Finance		
Report Sponsor	Darren Griffiths, Interim Director of Finance		
Presented by	Darren Griffiths, Interim Director of Finance		
Freedom of Information	Open		
Purpose of the Report	The report advises the Performance and Finance Committee of the Health Board financial position for Period 3 (June) 2020/21 and sets out the current estimated revenue year end outturn.		
Key Issues	<p>The report invites the Performance and Finance Committee to note the detailed analysis of the financial position for Period 3 (June) 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 capital position is reported under separate cover</p>		
Specific Action Required <i>(please choose one only)</i>	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"> • NOTE the agreed 2020/21 financial plan. • CONSIDER and comment upon the Board’s financial performance for Period 3 (June) 2020/21, in particular: <ul style="list-style-type: none"> i. the revenue outturn position of £16.328m deficit; ii. the Welsh Government allocations issued in Quarter 1; iii. the COVID-19 revenue impact for Period 3; and iv. the assessed revenue forecast based on current planning assumptions. 		

FINANCIAL REPORT – PERIOD 3

1. INTRODUCTION

The report provides the Performance and Finance Committee with an account of the month 3 revenue position and an update on the revisions to the 2020/21 agreed financial plan.

The report informs the Performance and Finance Committee that the Period 3 (June 2020) revenue financial position is an overspend of £16.328m and invites the committee to note the detailed analysis of the Period 3 (June 2020) revenue financial position.

The report provides the committee with an analysis of the further Welsh Government (WG) allocations issued to the Health Board in Quarter 1.

The report also provides the committee with an analysis of the COVID-19 costs committed in Quarter 1 and provides an assessment of the forecast based on current planning assumptions

2. BACKGROUND

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

	2020/21 £m	2021/22 £m	2022/23 £m
2020/21 Underlying Deficit	28.0	24.4	12.6
Inflationary/Demand Pressures	35.5	26.6	26.2
WG Allocation Uplift	-21.6	-15.1	-15.4
Investment Commitments	5.4	0.8	-0.2
Planned Savings	-23.0	-24.0	-24.0
Forecast Deficit	24.4	12.6	-0.8

The financial plan provided for a limited level of already committed investments (£5.4m) and whilst further investment priorities were identified, including those supporting frailty and unscheduled care the investments were unable to be supported without additional Welsh Government (WG) funding support, further savings delivery or a deterioration in the forecast deficit.

The COVID-19 pandemic has had a significant impact on service delivery, workforce and financial position of the Health Board, however it is critical that we recognise the agreed plan and are able to monitor and assess the impact of the movement from this plan.

3. FINANCIAL OVERVIEW

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board £24.4m deficit plan is being held within the Corporate Plan. This would result in a £2.033m planned overspend each month.

The £28m underlying deficit which had in the previous year been reflected as overspends within the Service Delivery Units and Corporate Directorates is incorporated with the Corporate Plan £24.4m deficit plan. This has enabled the Service Delivery Unit and Corporate Directorate budgets to be established at a level that broadly reflects the 2019/20 expenditure profiles.

The Month 3 reported in-month position was an overspend of £0.699m and a cumulative overspend for Quarter 1 of £16.328m.

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

	Month 1	Month 2	Month 3	Cumulative
	£m	£m	£m	£m
Income	1.261	1.074	0.188	2.523
Pay	0.577	2.859	-4.630	-1.194
Non-Pay	0.244	3.255	2.770	6.269
Savings Slippage	1.749	1.480	1.318	4.547
Slippage on Planned Investments	-0.468	-0.468	-0.980	-1.916
Planned Deficit	2.033	2.033	2.033	6.099
Total Position	5.396	10.233	0.699	16.328

The table shows a significant reduction in the level of overspend in Month 3, this reflects the provision of WG funding for excess COVID workforce costs for Quarter 1 which was provided in Month 3 along with an initial revenue allocation for field hospital set up.

Following the issue of funding to support COVID workforce costs the key drivers of the overspend in excess of planned deficit are income and non-pay impacts of COVID-19 response and the savings delivery slippage which has also been impacted by COVID-19.

3.1.2 Income

Income budgets have reported an under-achievement of £2.523m after three months. This reflects reductions in income from key activities undertaken by the Health Board as a result of COVID-19. This reduction can be seen both in terms of direct service activity, including private patients, injury cost recovery scheme, overseas patients, non-contracted activity and dental income and also other income sources for example catering income. Much of this reduction in income would also see a reduction in cost.

3.1.3 Pay (Slide 5)

Pay budgets have reported a £1.194m underspend after three months after the application of £6.831m WG funding. Whilst the net additional COVID-19 workforce costs have been assessed as £6.892m, the HB has also seen reductions in variable pay costs linked to use of deployed staff and reduced activity levels.

The table below provides a comparison of the quarterly pay expenditure for the first three quarters of 2019/20, adjusted for pay inflation against the first quarter pay expenditure for 2020/21. This highlights that the Q1 spend is over £7m higher than previous years

Sum of Inflated	Average Quarterly	Quarter 1	Increase in
	Spend 19/20	Spend 20/21	Quarterly Spend
Row Labels	£000	£000	£000
ADDITIONAL CLINICAL SERVICES	17,995,396	18,613,224	617,829
ADMINISTRATIVE & CLERICAL	18,920,973	19,873,979	953,005
ALLIED HEALTHCARE PROFESSIONALS	9,353,772	9,710,351	356,579
ESTATES & ANCILLIARY	7,586,853	7,952,125	365,272
HEALTHCARE SCIENTISTS	4,258,164	4,290,113	31,949
MEDICAL & DENTAL	33,388,859	35,242,625	1,853,767
NURSING & MIDWIFERY	43,828,561	44,755,734	927,173
PROF SCIENTIFIC AND TECHNICAL	4,524,437	4,953,115	428,678
STUDENTS	1,781	1,729,409	1,727,629
Grand Total	139,858,795	147,120,675	7,261,880

The most significant increases have been students, which reflects the costs of student nurses and medical staff, of which £0.266m relates the costs of medical students.

The cost of newly recruited staff for COVID, other than students is around £0.750m.

Around £3m of the increased workforce costs is due to increasing costs of existing substantive and bank staff who have been working in excess of previous working arrangements. Further work will be undertaken to gain a more detailed understanding of the drivers for this and any impact on run rate.

3.1.4 Non Pay (Slides 6 & 7)

Non-pay budgets have reported an overspend of £14.999m after the first three months. This includes the impact of savings non-delivery £4.547m, the planned deficit £6.099m and the release of investments not fully committed £1.916m, the net impact of these items is £6.269m.

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, the latest assessment of primary care prescribing costs linked both to price concessions and prescribing practice has increased significantly. This will continue to be reviewed as more data becomes available.

3.1.5 Savings and Recovery Challenge (Slide 8)

The Health Board financial plan identified a £23m savings requirement for 2020/21 to support the delivery of the £24.4m deficit financial plan.

The Health Board financial plan identified £11.5m of savings scheme that were assessed as Green and Amber, with a further £11.5m of schemes that are linked to the opportunities pipeline that was developed with the support of KMPG. These further schemes however are not developed sufficiently to be considered Green or Amber.

The response to COVID-19 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 impact of non-delivery of savings in Quarter 1 is £4.547m. It is essential that over the forthcoming months the savings are re-assessed and considered against the COVID-19 recovery plan.

3.1.6 WG Allocations (Slide 9)

The Health Board has received a number of additional funding allocations from WG during Quarter 1, amounting to £34.621m. It should be highlighted that only £2.294m of the additional allocations are recurrent.

	Opening Allocation	Q1 Movements	2020/21 Allocation	Recurrent Allocation
	£m	£m	£m	£m
HCHS & Prescribing	760.310	32.750	793.060	760.998
GMS	63.341	1.334	64.675	64.463
Dental	20.422	0.484	20.906	20.906
Pharmacy	21.112	0.053	21.165	21.112
Total	865.185	34.621	899.806	867.479

4. COVID-19

The COVID-19 pandemic started to impact on the Health Board's financial position during March 2020. The key areas of cost impact have been reviewed and assessed for Quarter 1. The table below reflects the analysis shown earlier in the paper :

	Month 1	Month 2	Month 3	Cumulative
	Actuals	Actuals	Actuals	Actuals
	£m	£m	£m	£m
Impact on Savings Delivery	1.749	1.480	1.318	4.547
COVID-19 Gross Costs	3.176	8.709	27.099	38.984
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-4.608
Slippage on Planned Investments	-0.468	-0.468	-0.980	-1.916
TOTAL COVID-19 IMPACT	3.278	8.132	25.597	37.007

The Health Board recorded additional COVID-19 response costs of £27.099m during June 2020, with a cumulative gross expenditure of £38.984m. These costs were partially offset by reduced expenditure related to the restriction of planned care activity £4.608m. This resulted in a net cumulative additional expenditure of £34.376m for quarter 1 of the financial year.

These costs have been offset by £26.828m WG funding, which is made up of £19.997m for Bay Field Hospital set up and construction costs and £6.831m for quarter 1 COVID-19 workforce costs.

The most significant areas of expenditure for Quarter 1 are :

	Quarter 1			
	Month 1	Month 2	Month 3	Total
	Actuals	Actuals	Actuals	Actuals
	£m	£m	£m	£m
Workforce	0.606	2.949	3.337	6.892
Field Hospital Set Up	0.088	1.431	20.292	21.811
Other Equipping	0.037	1.162	0.045	1.244
PPE	0.662	1.455	0.168	2.285
Loss of Income	0.946	0.777	0.856	2.579
Primary Care Prescribing	0.250	0.150	1.172	1.572
TOTAL COVID-19 IMPACT	2.589	7.924	25.870	36.383

The other £2.6m 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 £4.547m.

The Health Board has also identified slippage on planned investments and new funding streams which is offsetting some of the additional costs. This has increased in Month 3 to reflect the confirmation of WHSSC commissioner slippage for Quarter 1.

5. FORECAST POSITION (Slide 10)

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 is currently assessed as £100.680m. This includes WG funding allocations for workforce costs for Quarter 1 £6.831m and the field hospital and internal surge capacity construction, set up and equipping £32.753m.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual
	Actuals	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Impact on Savings Delivery	4.547	3.937	4.387	4.517	17.388
COVID-19 Gross Costs	38.984	25.97	23.684	23.435	112.073
COVID-19 Cost Reductions	-4.608	-3.274	-1.282	-1.185	-10.349
Slippage on Planned Investments	-1.916	-1.104	-0.12	-0.11	-3.25
TOTAL COVID-19 IMPACT	37.007	25.529	26.669	26.657	115.862
WG Funding Allocation	-26.828				-26.828
WG Funded Anticipted		-12.756			-12.756
TOTAL COVID-19 IMPACT AFTER FUNDING	10.179	12.773	26.669	26.657	76.278
Operational Position	6.149	6.101	6.101	6.051	24.402
Health Board Forecast Position	16.328	18.874	32.77	32.708	100.68

The movement in the forecast since the end of month 2 can be explained by the reconciliation in the table below: -

	£m
Previous Forecast Deficit	140.518
Field Hospital Set Up Funding	-19.997
Workforce Funding	-6.831
Future Assumed Funding	-12.756
Prescribing	5.000
Field Hospital Planning Assumptions	-5.254
Revised Forecast Deficit	100.680

6. OPPORTUNITIES AND RISKS (Slide 11)

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.

7. ACTIONS AND NEXT STEPS

Following the period of immediate response to the COVID-19 pandemic the Health Board has:

- Reinstated financial review meetings from month 2
- Routine weekly meetings with Finance Business Partnering Teams
- Issued a clear approach to the in-year financial framework: -
 - Focus on remaining within base budget and controlling the run rate within this
 - Focus on exploring all savings opportunities to mitigate savings loss risk
 - Ensure clear analysis and accounting for COVID-19 costs and controlling these proportionately to the need to respond whilst maintaining good governance and value for money
- Specific reassessment of service models driving cost forecasts to identify opportunities to cost avoid and appropriately reduce possible future costs.
- Develop a revised system for the consideration of financial issues arising outside of the currently agreed plan

8. RECOMMENDATION

Members are asked to: -

- **NOTE** the agreed 2020/21 financial plan.
- **CONSIDER** and comment upon the Board's financial performance for Period 3 (June) 2020/21, in particular:
 - i. the revenue outturn position of £16.328m deficit;
 - ii. the WG allocations issued in Quarter 1;
 - iii. the COVID-19 revenue impact for Period 3; and
 - iv. the assessed revenue forecast based on current planning assumptions.

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 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		
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 – P03 – 20 Financial Report Supporting Detail	