



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	26th March 2020		Agenda Item	2.5
Report Title	Financial Report – Period 11			
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 Board of the Health Board financial position for Period 11 (February 2020).			
Key Issues	<p>The report invites the Board to note the detailed analysis of the financial position for Period 11 2019/20.</p> <p>The report also invites the Board to note the capital budget forecast position, cash position and key balance sheet movements.</p>			
Specific Action Required (please choose one only)	Information	Discussion	Assurance	Approval
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • CONSIDER and comment upon the Board's Period 11 financial performance, in particular: <ul style="list-style-type: none"> i. the revenue outturn position; cumulative overspend of £13.493m and the revenue outturn forecast; ii. the capital forecast position; iii. balance sheet movements; iv. cash position; and v. performance against the Public Sector Payment Policy compliance. • NOTE the current year-end forecast and the potential risks. 			

FINANCIAL REPORT – PERIOD 11

1. INTRODUCTION

The report advises the Board that the Period 11 (February 2020) revenue financial position is an overspend of £13.493m.

The report invites the Board to note the detailed analysis of the revenue financial position and the year-end forecast.

The report also invites the Board to note the capital budget forecast 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.**

2017/18 No Approved Plan

2018/19 No Approved Plan

2019/20 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.**

2017/18 £32.4m Overspend

2018/19 £9.9m Overspend

2019/20 £16.3m Forecast Overspend

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)	1,197
Reported year to date financial position	13,493
Current year-end Forecast – deficit/(surplus)	16,300
Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government	Value £000
Reported cumulative financial position – deficit/(surplus)	(1,910)
Forecast Outturn – deficit/(surplus)	0
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 %
Cumulative year to date % of invoices paid within 30 days (by number)	93.9

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board committed to delivering a breakeven financial position. The Health Board has developed a balanced core financial plan. However, the £22m savings plan to deliver the balanced core financial plan did not include a detailed plan to address the impact of the corporate and clinical management diseconomies of scale following the Bridgend boundary change. This required a further £5.4m of mitigating actions to be identified and delivered.

Throughout the year the Health Board has been reporting an overspend and as the year has progressed the ability to recover this overspend and deliver financial balance have become increasingly challenging.

The Health Board meeting on 28th November 2019 considered the actions required to deliver breakeven and whilst agreeing a number of improvement actions, did not support the actions that would detrimentally impact on patient care. Therefore following the Period 8 the Health Board adjusted its year-end forecast to an overspend of £12.3m.

The impact of the improvement actions and savings delivery were closely monitored. In Period 10 it was necessary to increase the forecast overspend to £16.3m.

The Health Board reported an overspend of £1.197m in Period 11 (February 2020), this results in a cumulative overspend to the end of December of £13.493m

The key reasons for the overspend are:

- i. Increased expenditure and delegated budget overspends as a consequence of sustained operational pressures, particularly the workforce and contract income impact of the continuing unscheduled care pressures and also Continuing Healthcare (CHC); and
- ii. required savings not being fully identified and delivered;
- iii. corporate and clinical management diseconomies of scale linked to the Bridgend Transfer.

3.1.2 Income

Income budgets have reported an over-achievement of £1.077m for the first eleven months of the financial year. Despite the over-achievement, there are pressures associated with contract income as delivery is being adversely impacted on by unscheduled care pressures and the need to cease all private patient income.

3.1.3 Pay

Pay budgets are £1.5m underspent after eleven months however this is a significant movement from the £9.7m pay underspend reported in 2018/19. The movement of almost £10m can be attributed to three main issues:

- £5m diseconomies of scale following Bridgend boundary change;
- £2m admin and clerical as a result of vacancies, rather than actual costs being released to support the Bridgend boundary change, which has effectively increased the Health Board underlying deficit by eroding underspends;
- £2m nursing in excess of Nurse Staffing Act and surge capacity funding. This is being driven by service demand and patient acuity.

The significant underspend in 2018/19 should be considered in the context of savings not being delivered as given that pay is 70% of Health Board expenditure a significant element of the savings requirement should have been met through pay budgets. Budgets are being reviewed for 2020/21 to ensure they better reflect workforce requirements and affordability.

3.1.4 Non Pay

Non-pay budgets have reported an overspend of £16m in the first eleven months of the financial year. The key non-pay overspends are ChC costs associated with the increasing patient numbers, clinical consumables including blood products and savings non-identification and delivery.

3.1.5 Savings and Recovery Challenge

The Health Board financial plan identified a £22m savings requirement for 2019/20 to support the delivery of a balanced financial plan. This savings requirement does not include actions required to mitigate and manage the clinical and corporate management diseconomies of scale resulting from the Bridgend Boundary Change.

The Health Board savings plan comprised of three elements: local savings, cost containment and management, and High Value Opportunities.

At the start of the financial year, the Health Board had identified £18.2m of savings and by the end of Quarter 1, this had increased to £21.4m. However £4.6m slippage was identified against these identified schemes, resulting in a forecast delivery of £16.8m.

In light of the savings shortfall and the operational financial pressures all Service Delivery Units and Directorates were asked to develop Recovery Plans to support an improvement in financial performance. The Health Board also established a Delivery Support Team, which is a multi-disciplinary team focussing on :

- Accelerating the delivery of current plans with immediate focus on USC plans and High Value Opportunities;
- Accelerating the development of pipeline plans and opportunities;
- Developing a battle rhythm from monthly progress to daily and weekly focus, unblocking issues, problem solving and supporting system wide working; and
- Ensuring robust “grip and control” in place throughout the Health Board.

One of the early priorities of the Delivery Support Team was to review the financial Recovery Plans. The submitted plans were assessed as those suitable for immediate implementation, those considered reasonable but requiring Quality Impact Assessment and those that would require further work to fully assess cross system impacts.

The current Health Board forecast is savings delivery is £19.3m, which has reduced slightly from the figure previously reported due to some of the service change schemes being unable to be implemented. It should be highlighted that this level of delivery is an improvement on previous years.

It should be noted that whilst the shortfall against the initial savings requirement is £2.7m, the savings requirement does not fully mitigate the requirements of the Bridgend diseconomies and the in-year operational pressures and risks.

The Health Board has been supported by KPMG who were commissioned by Welsh Government (WG) to enhance in-year financial delivery and develop a pipeline of opportunities for financial sustainability. This work has been a key focus in the development of the 2020/21 plan.

3.1.6 Year-End Forecast

The year-end forecast was revised from £12.3m deficit to a £16.3m deficit in Period 10. This movement reflects further savings slippage, increased delivery risk on the improvement actions agreed by the Board in November, continued operational pressures and also two specific technical issues related to personal injury and pensions.

3.1.7 Revenue Risks and Opportunities

The key revenue risks and opportunities previously reported to the Board have largely been crystallised and included in the revised year-end forecast.

The impact of COVID19 should be considered a potential risk in 2019/20 but it is currently assumed that any impact will be supported by Welsh Government.

3.2 Capital

The approved CRL value at Period 11 is £32.032m. This includes Discretionary Capital and the schemes under the All Wales Capital Programme.

3.2.1 Performance to Date

The reported financial performance at Period 11 is a £1.91m under spend to plan. The key reasons for the under spend are:

- **Ward 11 & 12 Asbestos, Singleton.** Following completion of the main asbestos strip on wards 11 and 12, savings have been identified of c£300k in comparison to the plan with these work packages. There has also been a four week delay with some unanticipated asbestos removal on ward 11.
- **MRI Scanner @ Neath.** Scheme has been delayed due to issues with the PFI contractor and their contractor. In relation to the works element the PFI partner has identified issues with the integrity of the existing building where the MRI Scanner will be located.
- **Discretionary –** Delays with RFID rollout and EDCIMS but not anticipated to impact the forecast outturn. Delays with appointment of design team on Morriston Access Road.

3.2.2 Risk Assessment

The risk assessments on schemes which are not considered to be low risk are:

Scheme	Risk Profile	Risk Value £'000	Comments
Cladding Removal Works Singleton Hospital	High	204	Scheme is forecasting an overspend of £21k against the original allocation plus additional fees for phase 2 which have been agreed by Welsh Government and will be funded within the phase 2 allocation.
Ward 11 and 12 Asbestos Removal, Singleton	High	317	Following completion of the main asbestos strip on wards 11 and 12, savings have been identified of c£300k. Following discussion with WG on 10 February, it was agreed that the underspend on these work packages will be managed by the Health Board and re-provided to the scheme from discretionary next year.

Scheme	Risk Profile	Risk Value £'000	Comments
NPT MRI	High	1,062	Scheme has been delayed due to issues with the PFI contractor. Risk Value relates to agreed transfer of spend for items that can't be capitalised as well as a works element in relation to issues identified with the integrity of the building under the PFI where the MRI Scanner will be located, as discussed at the February CRM. The impact is that installation of the replacement MRI is unlikely to commence until Q2.
Re:Fit	High	511	As agreed with WG, we are managing the scheme across 19/20 and 20/21 within the Health Board capital position.
Gamma Cameras	High	185	Design work requirements reduced this year awaiting service decision on control room location.
Invest to Save – Theatre Stock Omnicell	High	98	Ministerial approval now received for award of the contract. However, spend this year has been reduced as we are awaiting of the procurement standstill period. Some funding also related to design fees incurred in prior year.
Neonatal/TCU	Medium	93	Small overspend linked to the ongoing Ward 11 and 12 Asbestos Removal works at Singleton.
Murton & Penclawdd	Medium	50	Schemes substantially complete. Working through final accounts and as discussed in the February CRM a proposal for reinvestment will be submitted.
Eye Care Simulator	Medium	41	Order placed with a company in Germany. Risk is due to potential for exchange rate differences at point of billing as discussed at February CRM.

3.2.3 Forecast Outturn

The forecast outturn against the current CRL shows a breakeven position with no outstanding anticipated allocations.

3.3 Balance Sheet

The S1 and S2 transfer documents detailing the balances to transfer to Cwm Taf Morgannwg Health Board as a result of the Bridgend boundary change have been signed off by Swansea Bay Health Board and forwarded to Cwm Taf Morgannwg Health Board for sign off. The Health Board is awaiting formal sign off of the S1 and S2 from Cwm Taf Morgannwg but is in the process of transacting the balances through the Health Board's financial ledgers, a process which will be completed by 31st March.

As a result, the balances included in the balance sheet at 1st April 2019 and 29th February 2020 are the balances prior to disaggregation, less those balances cleared during the period, representing the actual ledger figures at these dates.

In the period April 2019 to January 2020, there was an increase of £15.748m in net assets employed (3.43%). Total assets increased by £12.920m with total liabilities reducing by £2.728m.

The main increase in assets was in respect of trade and other receivables (£9.260m) and cash (£6.814m) with the cash balance at the end of January being very high at £7.644m as a result of lower than forecast supplier payments in the last week of February. These increases were offset by a reduction of £3.554m in tangible and intangible assets (£3.632m). The increase in receivables was due to an increase in the Welsh Risk Pool debtor based on the latest clinical negligence and personal injury quantum reports received from NWSSP Legal and Risk Services.

The reduction in liabilities is due to a reduction in payables (£11.879m) linked to a reduction in the tax, national insurance and superannuation creditors following the transfer of staff to Cwm Taf Health Board and the clearance of other creditor balances as at 31st March in respect of services which have transferred to Cwm Taf Health Board. This is offset by an increase of £9.151m in provisions based on the latest clinical negligence and personal injury quantum reports received from NWSSP Legal and Risk Services. This increase in the clinical negligence and personal injury provision is offset by the increase in the Welsh Risk Pool debtor referred to above.

3.4 Cash

At the end of February the Health Board had a cash balance of £7.644m, which is significantly above the Health Board target of holding between £1m and £2m of cash at month end. This was due to lower than forecast supplier payment runs during the last week of February.

The Health Board has now received all the cash requested for movement in working capital cash balances, comprising £23.687m for movement in revenue working capital balances and £10.107m for movement in capital working capital balances as well as £15.3m of repayable strategic cash support. The Health Board will now manage the cash position on a daily basis in line with the approved cash drawing limit, ensuring all cash allocations notified in March are drawn down by 31st March. It is worth noting that as of today (17th March) cash allocations for 2019/20 are still being received.

The latest cash forecast based on anticipated receipts and payments for the remainder of March is that of a cash surplus at year end of £3.561m.

3.5 Public Sector Payment Policy (PSPP)

The number of invoices paid within 30 days in February was above the 95% target, with in month performance being 95.29%.

The performance in February resulted in the cumulative compliance for the year increasing slightly from 93.8% to 93.9%. However, given the cumulative position at the end of February it is probable that even if performance is significantly above 95% in March that the cumulative figure will be below the 95% target for the 2019/20 financial year.

The percentage of NHS invoices paid within 30 days amounted to 85.9% for the year to 29th February. Whilst this represents an improvement against the 84% compliance achieved during the 2018/19 financial year, there remain issues with prompt authorisation of NHS invoices within the service delivery units which will need to be addressed during 2020/21.

4 RECOMMENDATION

Members are asked to:

- **CONSIDER** and comment upon the Board's Period 11 financial performance, in particular:
 - i. the revenue outturn position; cumulative overspend of £13.436m and the revenue outturn forecast;
 - ii. the capital forecast position;
 - iii. balance sheet movements;
 - iv. cash position; and
 - v. performance against the Public Sector Payment Policy compliance.
- **NOTE** the current year-end forecast and the potential risks.

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 £16.3m year-end deficit financial outturn.		
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 – P11 – 19 Health Board Report Appendix 2 – P11 – 19 Health Board Report Annex Pack	