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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	30 May 2019	Agenda Item	3.4
Report Title	Financial Report – Period 1		
Report Author	Samantha Lewis, Assistant Director of Finance		
Report Sponsor	Lynne Hamilton, Director of Finance		
Presented by	Lynne Hamilton, Director of Finance		
Freedom of Information	Open		
Purpose of the Report	The report advises the Board of the Health Board financial position for Period 1 (April 2019).		
Key Issues	<p>The report invites the Board to note the detailed analysis of the financial position for Period 1 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 <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 Health Board year-end breakeven forecast and the risks associated with the delivery. • CONSIDER and comment upon the Board's Period 1 financial performance, in particular: <ul style="list-style-type: none"> i. the revenue outturn position; cumulative overspend of £0.875m, the revenue outturn forecast and the revenue risk profile; ii. the capital forecast position; iii. balance sheet movements; iv. cash position; and v. performance against the Public Sector Payment Policy compliance. 		

FINANCIAL REPORT – PERIOD 1

1. INTRODUCTION

The report advises the Board that the Period 1 (April 2019) revenue financial position is an overspend of £0.875m.

The report invites the Board to note the detailed analysis of the revenue financial position.

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 Breakeven forecast

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 year to date financial position – deficit/(surplus)	875
Reported year to date financial position compared to forecast deficit plan	875
Current year-end Forecast – deficit/(surplus)	0
Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government	Value

	£000
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)	96.1

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board is committed to delivering a breakeven financial position. The Health Board has developed a balanced core financial plan, however this excludes the impact of the corporate and clinical management diseconomies of scale following the Bridgend boundary change

The Health Board has reported an in-month overspend of £0.875m in Period 1 (April 2019).

The key reasons for the overspend are the corporate and clinical management diseconomies of scale, required savings not being fully identified, ongoing costs associated with the Bridgend boundary change and operational pressures, particularly the impact of winter surge capacity having to remain open during April and early May.

3.1.2 Income

Income budgets have reported an over-achievement of £0.129m to Period 1.

3.1.3 Pay

Pay budgets have reported an underspend of £0.272m. This underspend reflects vacancy levels across most staff groups. Whilst we are reporting an underspend, this is a misleading view because it does not reflect savings not fully delivered. This is because CIPs, and therefore the effect of non-delivery, are classified as non-pay within the All Wales financial reporting structure. If the non-delivery impact was attributed

on a 70/30 basis across pay and non-pay, the pay position underspend would be move to a slight overspend.

The pay award for agenda for change staff has been applied. This has effectively increased pay costs by around £0.9m per month. **Slide 5.**

3.1.4 Non Pay

Non-pay budgets have reported an overspend of £1.275m. The key non-pay overspends are savings and ChC.

3.1.5 Savings Requirement

The Health Board financial plan identified a £21.3m savings requirement for 2019/20 to support the delivery of a balanced financial plan. These savings do not include any 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 comprises of three elements; local savings, cost containment and management and High Value Opportunities.

To date the Health Board has identified £17.7m of savings. The anticipated profile of savings delivery for month 1 was £1.027m against which £0.877m was delivered, resulting in slippage of £0.15m.

The Health Board is continuing to work to identify the balance of savings required.

To support savings delivery the Health Board has continued its regular Service Delivery Unit Financial Recovery meetings and has also established a Financial Management Group and a Health Care Value and Efficiency Group to support ongoing financial management and the delivery of savings opportunities both in-year and for future years. **Slide 4**

3.1.6 Revenue Risks and Opportunities

A number of financial risks and opportunities have been identified and are being monitored. The key risks and opportunities are shown in **Slide 7**. These risks are updated each month and are reported to Welsh Government and reviewed by the Performance and Finance Committee.

3.2 Capital

The approved CRL value at Month 1 is £21.916m. This includes Discretionary Capital and the schemes under the All Wales Capital Programme. Approval has also been received for a replacement MRI at NPT Hospital, additional funding of £3.113m is therefore anticipated.

The Discretionary Capital plan was approved by the Health Board on the 31st January 19. Amendments to this plan were approved by the Investment and Benefits Group on the 30th April 2019. These amendments were required to reflect events such as scheme slippage and additional allocations in 2018/19.

3.2.1 Performance to Date

The spend across all schemes in Month 1 totalled £1.766m. Profiles for all schemes are currently being confirmed and performance against these profiles will be reported in the Month 2 position in line with previous years and Welsh Government requirements.

3.2.2 Forecast Outturn

The forecast outturn against the current CRL shows a break-even position once anticipated allocations are taken into account.

3.3 Balance Sheet

For the period ended 30th April 2019 there was an increase of £6.129m in net assets employed (1.33%). Total assets reduced by £2.606m with total liabilities reducing by £8.735m.

The main reduction in assets was in respect of trade and other receivables, with the level of receivables reducing following the settlement of invoices raised by the health board at the end of the 2018/19 financial year.

The reduction in liabilities was primarily due to the reduction in the tax, NI and pension creditors due to HMRC following the transfer of staff to Cwm Taf Morgannwg Health Board as a result of the Bridgend boundary change. There was also a reduction in capital creditors following payment of invoices for capital equipment delivered late in the 2018/19 financial year for which invoices were not received prior to 31st March.

The health board is currently in the process of disaggregating the balance sheet as at 31st March 2019, to identify the assets and

liabilities to transfer to Cwm Taf Morgannwg Health Board as a result of the Bridgend boundary change. This process can only be finalised when the accounts audit is complete. Following completion of this exercise it is proposed to report to the board on only the Swansea Bay Health Board element of the balance sheet although the balances relating to Cwm Taf Morgannwg will not transfer until the formal audit of the transferring balances by Wales Audit Office which is scheduled for September 2019.

3.4 Cash

The closing April cash balance amounted to £2.964m which is slightly higher than the planned amount of between £1m and £2m of cash at the end of the month in accordance with the Welsh Government best practice figure. The higher cash balance was due to higher than forecast cash receipts from local authorities and other NHS bodies following work undertaken to chase up outstanding invoices relating to the Bridgend transfer.

Forecasting the cash position at present is extremely challenging as a result of the Bridgend boundary change as Swansea Bay Health Board continues to process invoices for goods and services received before 31st March 2019 for services that have transferred to Cwm Taf as agreed through the Finance Workstream. Identifying the amount of cash required to discharge these creditors and that will be received as a result of settlement of debts relating to services which have transferred is particularly difficult.

At this stage it is too early to pull together a cashflow forecast for the year. As outlined above, the health board is currently in the process of disaggregating the balance sheet as at 31st March 2019, to identify the assets and liabilities to transfer to Cwm Taf Morgannwg and this can only be finalised when the accounts audit is complete. This process drives the cash forecast as any receipts and payments post 1st April in respect of assets and liabilities transferring to Cwm Taf will require a formal cash transfer to discharge and at this moment the value and timing of this cash transfer cannot be confirmed.

3.5 Public Sector Payment Policy (PSPP)

During April the health board achieved the 95% PSPP target with 96.1% of supplier invoices paid within the 30 day target.

4. RECOMMENDATION

Members are asked to:

- **NOTE** the Health Board year-end breakeven forecast and the risks associated with the delivery.

- **CONSIDER** and comment upon the Board's Period 1 financial performance, in particular:
 - vi. the revenue outturn position; cumulative overspend of £0.875m, the revenue outturn forecast and the revenue risk profile;
 - vii. the capital forecast position;
 - viii. balance sheet movements;
 - ix. cash position; and
 - x. performance against the Public Sector Payment Policy compliance.

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 balanced end year 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 – Appendix 2 –	