

# SWANSEA BAY LHB FINANCE DEPT. PERFORMANCE & FINANCE COMMITTEE – P09 FINANCE REPORT

Period 09 Data (December 2019)

# EXECUTIVE SUMMARY: PERIOD 09

## In Month

£ 1,256,046 **overspent**

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-22,127	-22,311	-184	0.83%
Pay	46,578	46,182	-396	0.85%
Non Pay	50,291	52,126	1,835	3.65%
Total	74,741	75,997	1,256	1.68%

## Cumulative

£ 11,101,037 **overspent**

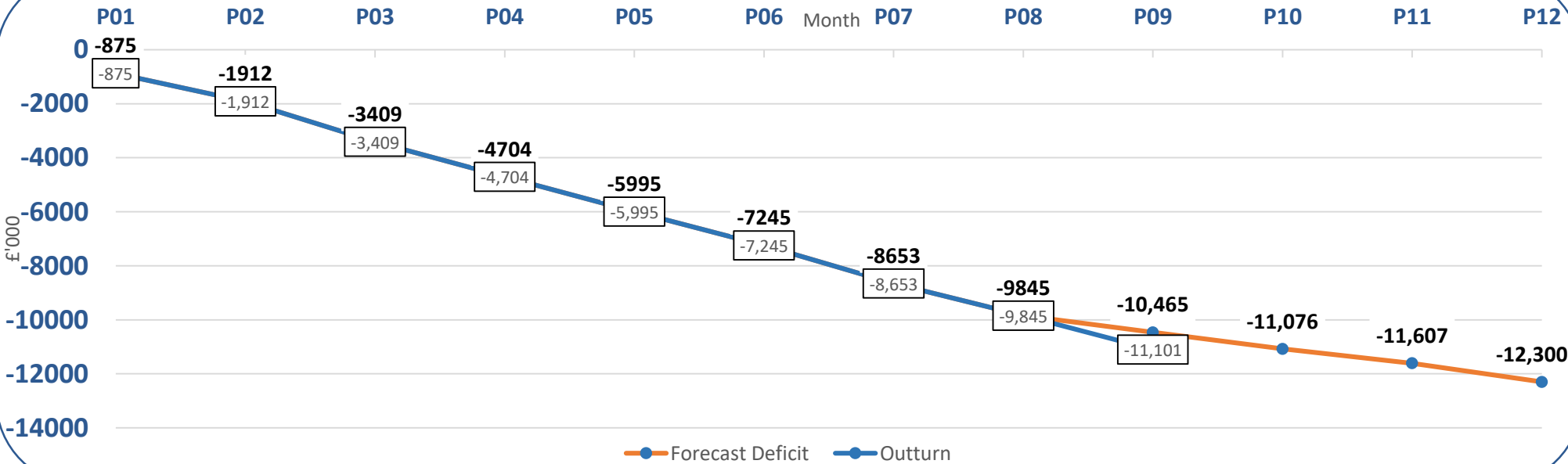
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	-196,298	-197,668	-1,370	0.70%
Pay	414,164	413,313	-850	0.21%
Non Pay	439,473	452,794	13,321	3.03%
Total	657,339	668,440	11,101	1.69%

## Forecast

£12,300,000

Type	Full Year Budget (£'000)	Full Year Forecast (£'000)	Forecast Variance (£'000)	% Variance
Income	(242,653)	(247,432)	(4,779)	(1.97%)
Pay	527,657	529,307	1,650	0.31%
Non Pay	564,764	580,193	15,429	2.73%
Total	849,768	862,068	12,300	1.45%

## Full Year Financial Performance and Projection



# TARGETS

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)	1,256	↑
Reported year to date financial position – deficit/(surplus)	11,101	↑
Current reported year end forecast – deficit/(surplus)	12,300	→

Capital		
Capital KPIs: To ensure that costs do not exceed the Capital resource limit set by Welsh Government		
Current reported year end forecast – deficit/(surplus) – Forecast Green	Breakeven	→
Reported in-month financial position – deficit/(surplus) – Forecast Amber	(1,449)	↑
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	94.3	↓

## Revenue

- The Health Board committed to achieving financial balance in 2019/20. and developed a balanced core financial plan. This however excluded the impact of the diseconomies of scale associated with the clinical and corporate management costs following the Bridgend Boundary Change, which were identified as £5.4m.
- Throughout the financial year, the Health Board has been reporting an overspend and as the year progressed the ability to recover this overspend and deliver financial balance became more challenging. In Month 8 the Health Board revised it's year-end forecast outturn from financial balance to a deficit of £12.3m. This position is supported by the KPMG review, which assessed the year-end forecast to be between £12m-£14m. The £12.3m forecast deficit included the delivery of the series of actions agreed by the Health Board in November.
- The Month 9 reported position is an overspend of £1.256m, which whilst broadly in line with recent performance is significantly above the £0.62m forecast trajectory. This will seriously challenge the delivery of the £12.3m year-end forecast if not recovered quickly.
- The key movements from forecast profile are :
  - Activity related income loss due to operational pressures, particularly Cardiology and Thoracics;
  - Secondary care drugs costs; increased ophthalmology activity and operational pressures;
  - GPOOH additional hours related to an employment issue;
  - Variable pay improvements not as significant as planned.

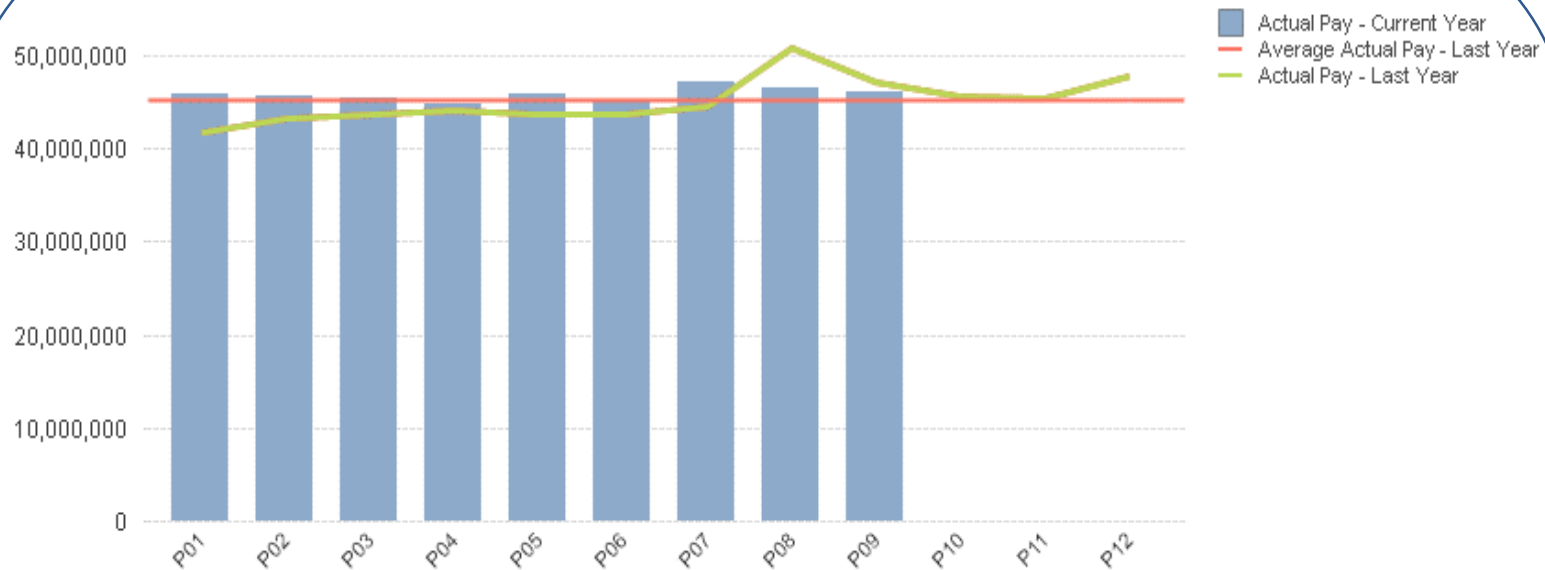
## Capital Narrative

- Approved CRL value for 19/20 issued on 13/01/20 is £29.685m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
- Underspend to date relates to a number of schemes as detailed in the Annex, there is no anticipated impact on the year end forecast due to these underspends to date.
- There are 3 All Wales Capital schemes reported to Welsh Government as high risk. There are 2 schemes classified as medium risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government.
- The forecast outturn of breakeven is dependent of assumed income of £0.754m being received from WG whilst returning £0.800m to WG, as agreed, for re-provision next year.

## PSPP Narrative

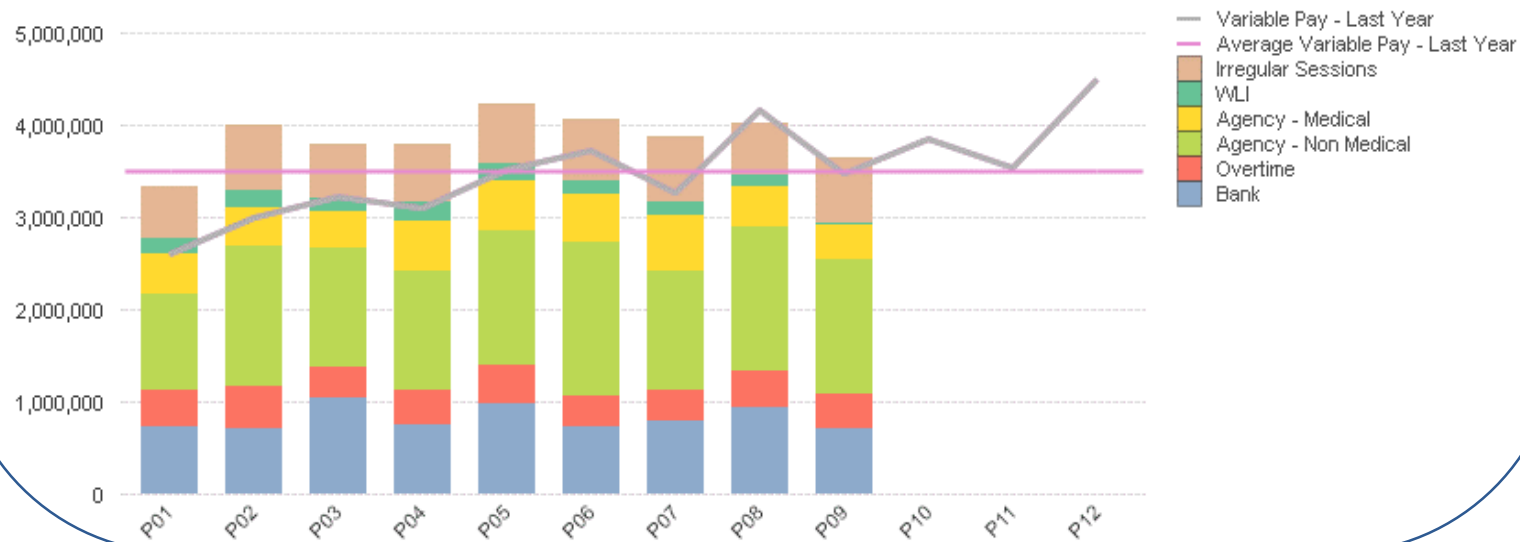
- The number of invoices paid within 30 days in December was significantly below the 95% target, with in month performance being 87.02% The non compliance in December was due to the availability of cash with the supplier payment runs on 23<sup>rd</sup> and 24<sup>th</sup> having to be reduced in value due to a shortage of cash. This resulted in 2,103 invoices which were due for payment on these dates not being paid until 31<sup>st</sup> December, thereby missing the 30 day target for payment.
- The poor performance in December resulted in the cumulative compliance for the year reducing from 95.2% to 94.3% meaning that cumulative compliance is now below the target. Given the current forecast cash deficit and the as yet unapproved request for cash support from Welsh Government, it is probable that in January further restrictions on the amount of cash available for supplier payment runs will need to be put in place and it is therefore unlikely that the 95% target will be achieved for the remainder of the financial year.

## Actual Pay Expenditure This Year and Last Year



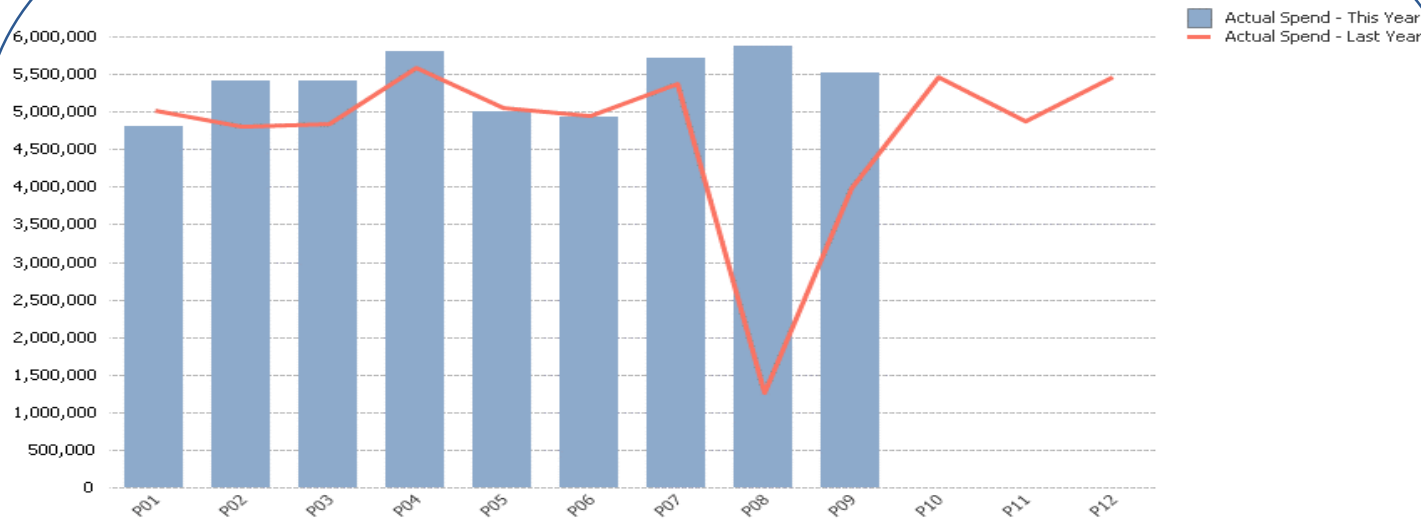
- The overall pay spend in P9 is broadly static from the previous month.
- Generally spend is above that of the average for the previous year.

## Variable Pay Expenditure This Year and Last Year

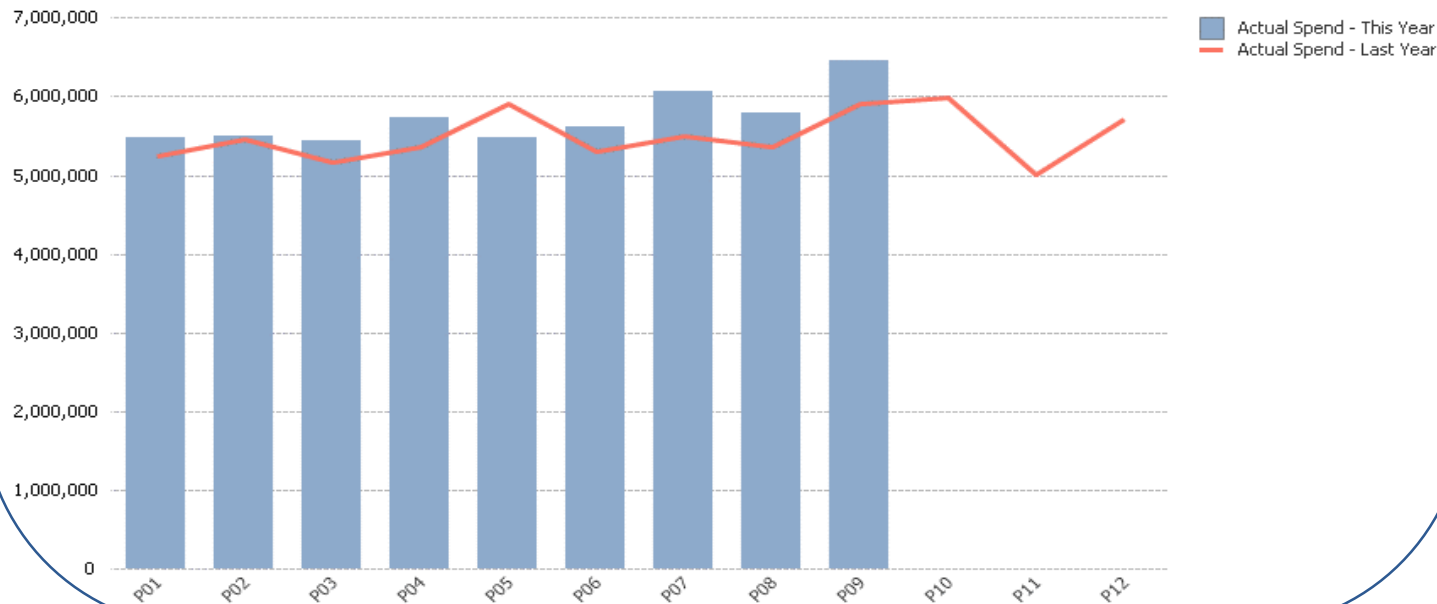


- Variable Pay spend has reduced in-month
- Medical Variable Pay (excluding WLI) has remained broadly static.
- Non-medical Variable Pay has reduced, however the reduction is less than forecast.

Secondary Care Drugs Trend Analysis

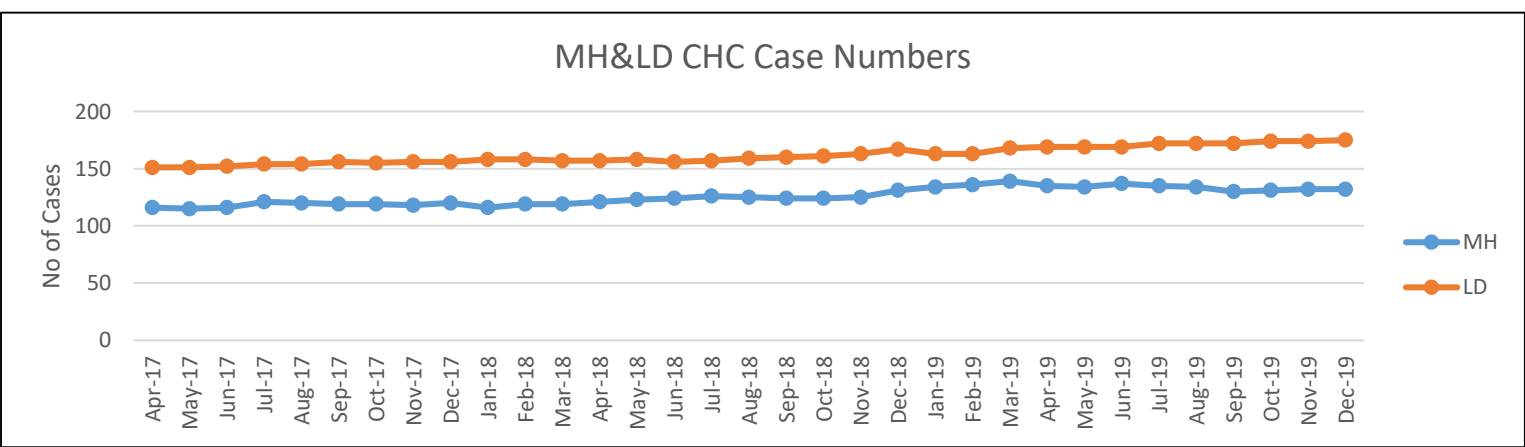
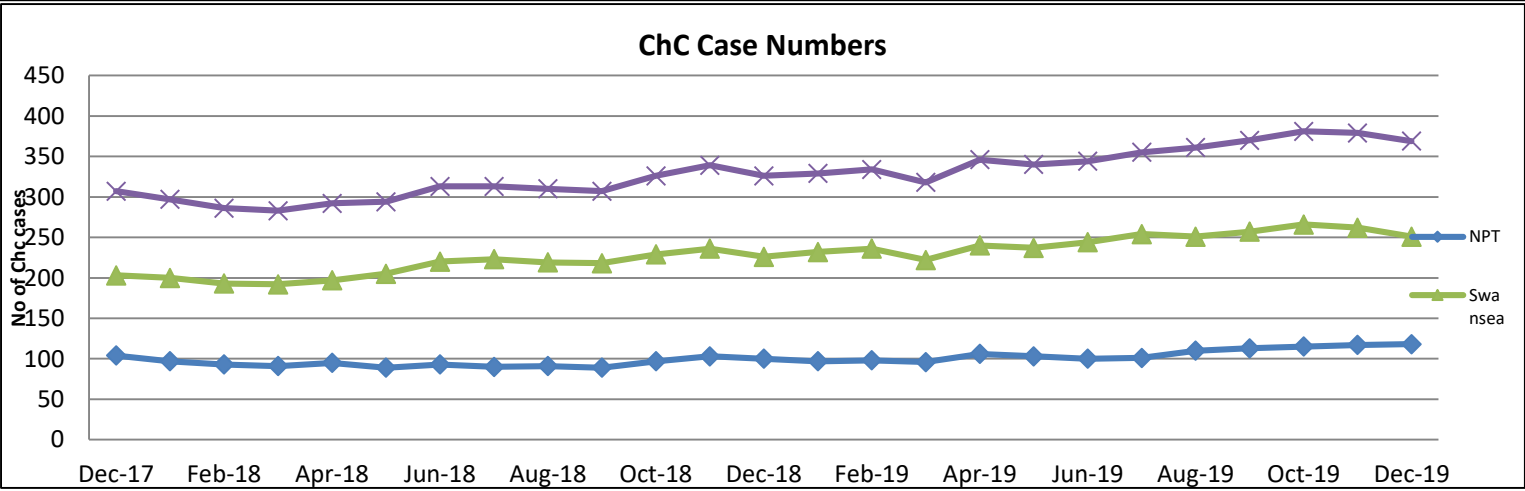
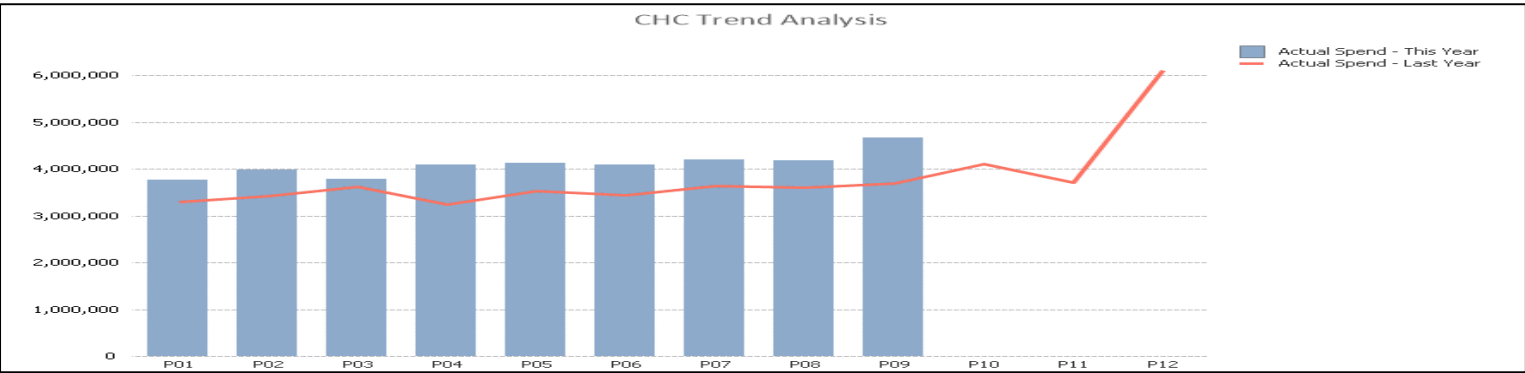


Primary Care Drugs Trend Analysis



- Secondary drugs were stable in 2018/19, with little or no increase in costs reported compared to previous year.
- This year has seen secondary care drugs running above previous year expenditure levels. This is particularly reflected in NICE/High Cost drugs, with significant new approvals and more rapid implementation of new drugs.
- The HB has also been working with HMP Swansea and Public Health Wales on Hep C within the prison population, which resulted in increased costs during P2-P4.
- The significant reduction in P8 spend in previous year reflects a one-off technical benefit.
- Whilst P09 spend is lower than previous month, there is a significant pressure on non-NICE drugs; ophthalmology treatments where activity significantly increased and impact of operational
- Primary Care drugs were less volatile in 2018/19 than the previous year, due to greater stability of NCSO price concessions.
- The Cat M drug price increases are now being seen and the impact has been included in the year-end forecast.

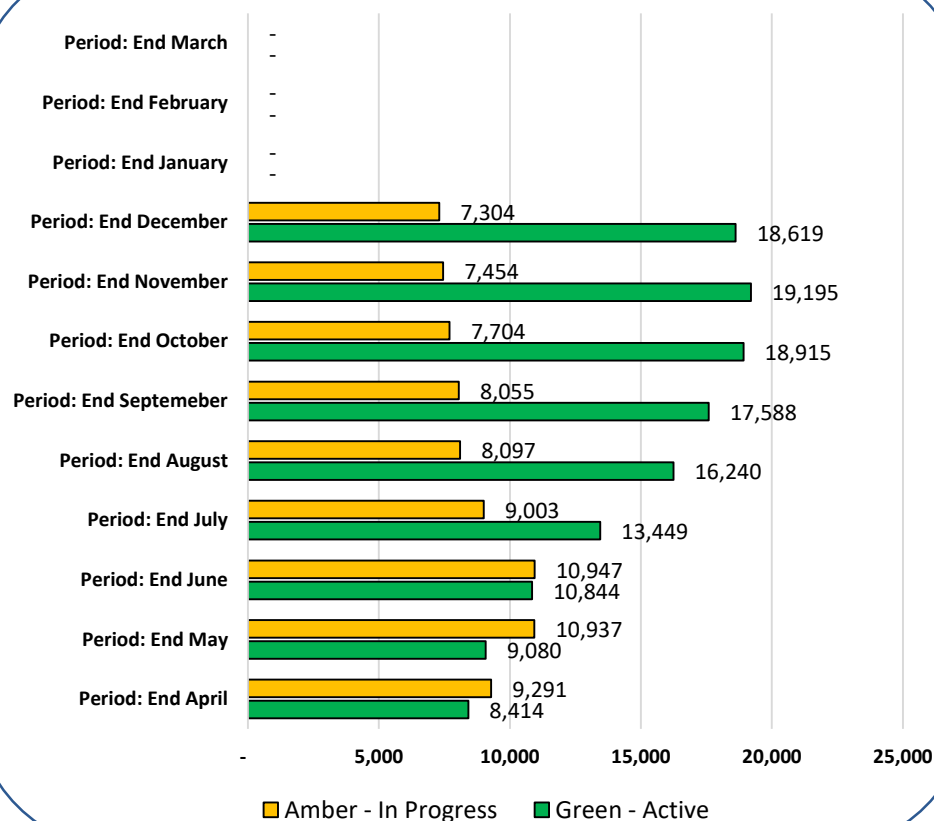
# Health Board – Non Pay



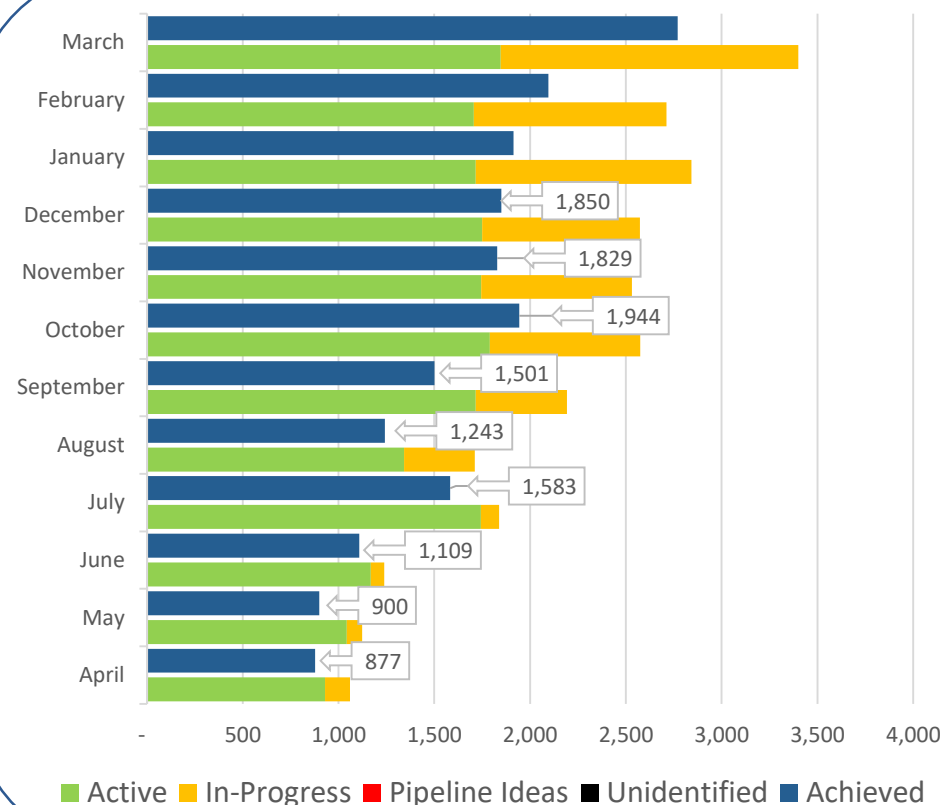
- ChC expenditure saw a steady growth in 2018/19, due to increasing case numbers across all areas.
- The expenditure for 2019/20 is significantly above that of the same period in the previous year and costs are continuing to escalate.
- This increase in expenditure reflects in P09 reflects the application of the FNC and ChC inflationary uplifts which are backdated to the 1<sup>st</sup> April 2019.
- General ChC case numbers reduced slightly in month, and there was one additional LD case recorded.

# SAVINGS ANALYSIS

## Trend over time



## Current Profile of Savings



## Narrative

- The Health Board financial plan required £22m savings to be delivered.
- To date, £26.6m of Green and Amber savings have been identified, however the forecast delivery against these schemes is £20.m, which is short of the required savings level and does not provide any mitigation of the operational pressures that have emerged throughout the year to date.
- The savings include the impact of the HVOs. An update of the HVOs is included in as an annex to this pack.
- The further recovery actions/savings that have been rated as Green or Amber are also included.
- The KPMG work has identified further opportunities to improve financial position in this financial year, these opportunities are mainly enhanced grip and control. These are supporting the Health Board actions to deliver £12.3m but are not currently reflected within savings trackers.

## Narrative

- The actual savings delivery for the first nine months of the years is £12.8m, with £7m forecast delivery in the last four months of the year. KPMG have assessed the delivery confidence of this increasing level of savings and whilst savings are broadly recognised, KPMG have highlighted potential delivery risks which need to be closely managed.
- All non-delivering savings schemes are being reviewed to understand if there are opportunities to drive delivery either in year or in future year and also to improve the savings planning cycle risk assessment.

# P09 UNIT PERFORMANCE

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Cumulative
	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	Position
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Service Delivery Units</b>										
Mental Health & LD	145	198	215	218	225	170	90	68	57	1,386
Morrison	137	236	561	553	525	597	583	575	592	4,359
NPT Unit	7	122	42	38	60	84	66	31	27	477
PC & Community	202	363	259	128	362	253	401	256	400	2,624
Singleton	124	132	143	254	190	151	280	270	339	1,883
<b>Directorates</b>										
Board Secretary	79	65	71	54	75	68	69	85	63	629
Chief Operating Officer	107	147	172	144	144	-30	-84	-33	-214	353
Director of Strategy	37	57	44	-13	-11	12	-18	20	60	188
Director of Transformation	-1	-22	17	1	-2	36	4	1	2	36
Finance	44	84	76	61	9	10	38	35	24	381
Informatics	4	-15	13	-46	-57	-54	-9	-30	-15	-209
Medical Director	6	-8	-3	-3	-3	-1	-1	-1	-4	-18
Nurse Director	3	24	23	26	20	48	41	41	50	276
Workforce & OD	84	78	122	85	57	129	167	104	102	928
Clinical Medical School	-21	-24	-21	-18	-20	-22	-19	-11	-29	-185
Research & Development	0	0	0	0	0	0	0	0	0	0
Corporate I&E	-68	0	-41	13	-82	0	0	0	0	-178
<b>Delegated Budget Position</b>	<b>889</b>	<b>1,437</b>	<b>1,693</b>	<b>1,495</b>	<b>1,492</b>	<b>1,451</b>	<b>1,608</b>	<b>1,411</b>	<b>1,454</b>	<b>12,930</b>
Corporate Plan	0	-400	-200	-200	-200	-200	-200	-200	-200	-1,800
<b>Hosted Services</b>										
Delivery Support Unit	-9	5	4	0	-1	-1	0	-19	2	-19
EMRTS	-5	-5	0	0	0	0	0	0	0	-10
<b>Health Board Position</b>	<b>875</b>	<b>1,037</b>	<b>1,497</b>	<b>1,295</b>	<b>1,291</b>	<b>1,250</b>	<b>1,408</b>	<b>1,192</b>	<b>1,256</b>	<b>11,101</b>

- The Month 9 reported position is an in-month overspend of £1.256m, which results in a cumulative overspend of £11.101m.
- The key drivers continue to be :
  - Operational pressures, most significantly workforce costs, ChC and activity related income.
  - Identified savings being below required level and slippage against planned savings.
  - Bridgend Boundary Change diseconomies of scale impact.
- .This monthly analysis highlights that the normalised in-month delegated position is around £1.4m per month, which needs to be considered in planning 2020/21



# FORECAST POSITION

	Risk Assessed Plan 2019-20 £m	Plan Assessment at Month 9 £m
<b>Forecast Opening Position Post Bridgend Transfer*</b>	<b>-23.3</b>	<b>-23.3</b>
Unavoidable Cost Pressures	-42.3	-42.3
Application of Core Funding Uplift	33.2	33.2
LTA Benefit	0.4	0.4
<b>Required Savings</b>	<b>-32</b>	<b>-32</b>
WG Non Recurrent Funding : supporting developments	10	10
Savings Requirement	22	20.2
<b>Position prior to Bridgend Boundary Change</b>	<b>0</b>	<b>-1.8</b>
Current Diseconomies of Scale	-5.4	-5.4
Mitigating Actions to manage Diseconomies of Scale	5.4	0.4
BBC Transitional Support	0	2
<b>Position including impact of Bridgend Boundary Change</b>	<b>0</b>	<b>-4.8</b>
<b>In Year Cost Pressures :</b>		
Income		-0.8
Workforce		-4
ChC		-3
Additional Capacity Excess Costs		-3
Final Pension Charges		-1.5
Commitments in Advance of Funding		2.5
Maximising Balance Sheet and Technical Benefits		2.5
Cat M Price Increases		-1.2
Welsh Risk Pool		-1.6
<b>Updated Forecast</b>		<b>-14.9</b>
<b>Actions Recommended to the Board</b>		
Discretionary Non Pay		0.5
Deferred Recruitment		0.3
Primary Care Prescribing		0.3
A&C 50% reduction in bank, agency and overtime		0.25
10% reduction in agency and overtime for AHP, HCS & E&A		0.1
HCSW Agency MH		0.1
Thornbury cessation		0.1
10% reduction in adh		0.2
Non substantive workforce reduction		0.15
Outpatients WLI		0.1
Surge redesign		0.2
Christmas cost reduction		0.3
<b>Forecast following further actions</b>		<b>-12.3</b>

- The table sets out the key movements from the Health Board initial financial plan, the in-year cost pressures and the actions agreed by the Health Board.
- These culminate in a year-end forecast deficit of £12.3m. This assumes £10m WG support is received and no performance claw-back.
- The work undertaken by KPMG has reviewed these actions and highlighted potential delivery risks of around £2m, which need to be managed.

# FORECAST POSITION IMPACT ON DELEGATED POSITION

	Control	Latest Forecast	Distance from
	Total	Review	Control Total
	£000	£000	£000
<b>Service Delivery Units</b>			
Mental Health & LD	1,218	1,350	132
Morriston	4,452	5,300	848
NPT Unit	591	785	194
PC & Community	2,387	3,349	962
Singleton	1,597	2,300	703
<b>Directorates</b>			
Board Secretary	546	728	182
Chief Operating Officer	629	611	-18
Director of Strategy	108	258	150
Director of Transformation	51	38	-13
Finance	278	431	153
Informatics	-531	-199	332
Medical Director	-45	-40	5
Nurse Director	269	276	7
Workforce & OD	1,167	1,146	-21
Clinical Medical School	-250	-250	0
Research & Development	0	0	0
Corporate I&E	-350	-350	0
	0		
<b>Delegated Budget Position</b>	<b>12,117</b>	<b>15,733</b>	<b>3,616</b>
Corporate Plan	100	100	0
<b>Hosted Services</b>			
Delivery Support Unit	0	0	0
EMRTS	0	0	0
<b>Health Board Position</b>	<b>12,217</b>	<b>15,833</b>	<b>3,616</b>

- The table sets out the control totals set for each of the Units and Directorates in order to deliver the £12.3m year-end outturn forecast.
- The table also provides the latest forecast position from the Units/Directorates and the distance from the control totals.
- The current forecasts are £3.6m above the control totals required to deliver the £12.3m forecast deficit.
- All Units and Corporate Directorates must continue to drive actions and identify further opportunities to improve expenditure trajectories and year-end forecasts to deliver the agreed control totals.
- This will be the focus of FMG on 15<sup>th</sup> January and also the Financial Recovery Meetings.

The further actions agreed by the Board in November have been communicated through Senior Leadership Team, Financial Management Group and Financial Recovery Meetings. A more general communication to the whole workforce has also been published on the Health Board intranet.

The key enhanced controls include :

- Non Pay
  - Catalogue restriction for non-essential, non-clinical expenditure
  - Travel review and increased use of Skype (including new guidance)
  - Greater scrutiny through QVC tier 2 panel
  - Medicines Management benefits
- Pay
  - Recruitment to non-rostered vacancies deferred to April 2020
  - Assessment of agency and overtime to reduce reliance
  - Cessation of HCSW agency and restriction of non-contract agency use through improved rostering
  - Improved medical cover planning through Locum on Duty
  - Assessment of all other non-substantive staff costs
  - Outpatient waits reviewed and clinically prioritised
  - Christmas/Seasonal planning
  - Surge Capacity management

	Average Spend £000	Target Max Spend £000	Month 9 Spend £000
Discretionary Non Pay Reduction	480	355	438
A&C Bank/Overtime/Agency	237	118.5	135
AHP Bank/Overtime/Agency	114	102.6	75
HCS Bank/Overtime/Agency	92	82.8	78
E&A Bank/Overtime/Agency	137	123.3	139
ADH Reduction	644	579.6	701
	Average weekly wte	Target Max weekly wte	Month 9 weekly wte
Christmas	482.74	241.37	260.07
HCSW Agency Cessation	24.29	0	16.29
Thornbury Usage Cessation	3.9	0	11.29

The table provides a summary of the performance against the control measure actions agreed by the Board in November. More detailed Unit analysis is shown in annex.

This does not include the deferred recruitment and non-substantive workforce review as this data is still being reviewed.

There are two key strategic risks which are being treated as outside of the financial position assessment as they are subject to WG consideration and decision.

- WG Performance Funding Claw Back – the Health Board has received £6.5m performance funding to support RTT improvement and ensure no more than 938 patients waiting over 36 weeks for treatment.
- Current performance has fallen below plan and based on this performance, WG could be expected to claw back some or all of this funding.
- The Health Board will consider whether to reduce outsourcing plans for Q4. This could reduce costs by around £1.8m, which would increase numbers waiting over 36 weeks by around 700.
- If all waiting list initiatives/overtime payments were also ceased for Q4, this would reduce costs by around £0.75m. The impact would predominantly be in outpatients (some of which would cross into 36 weeks) and diagnostics.
- £10m non-recurrent WG support is also at risk if the Health Board is unable to provide assurance of the delivery of financial breakeven in 2019/20.

The Key drivers of the Month 9 financial performance continue to be:

- Workforce costs, particularly the premium rate costs of contingent labour and the additional staffing requirements to support performance and operational pressures;
- ChC growth and inflation, which need to be contained;
- Delivery of the planned savings requirement;
- Diseconomies of Scale following Bridgend Boundary Change

The Month 9 position is above that forecast due to:

- Activity related income loss due to operational pressures
- Secondary Care drugs costs
- GPOOH
- Variable Pay

The Key Actions for the Executive Board are :

- To ensure all Units and Directorates have identified, implemented and delivered plans to meet the initial control total.
- To ensure that the Board agreed actions are implemented quickly and robustly to ensure maximum delivery and provide further assurance of the £12.3m deficit forecast.
- To ensure that any local cost pressures are managed within existing resources through mitigations actions, savings and prioritisation of resources.
- To ensure any slippage on investments and commitments are reflected as improvement in financial performance rather than re-invested.

These actions are supported by the Delivery Support Team and KPMG work.