

SWANSEA BAY LHB FINANCE DEPT. PERFORMANCE & FINANCE COMMITTEE – FINANCE POSITION

Period 05 Data (August 2019)

In Month

Cumulative

Forecast

£ 1,290,897 overspent

£ 5,995,159 overspent

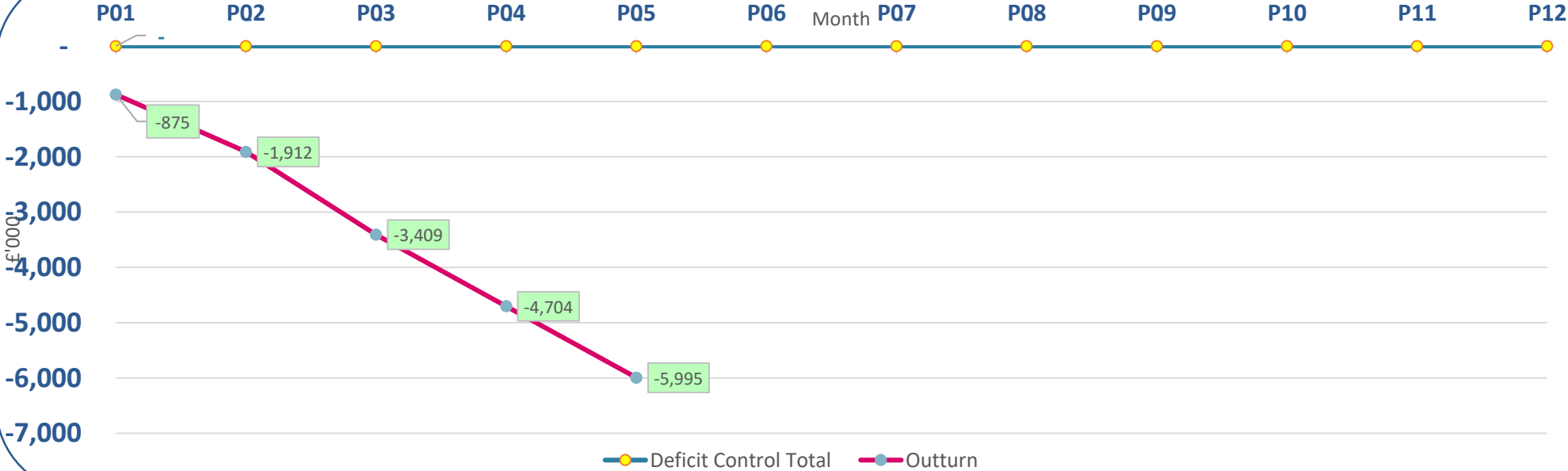
Breakeven

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	(22,970)	(23,264)	(294)	-1.28%
Pay	45,571	45,923	352	0.77%
Non Pay	49,345	50,578	1,233	2.50%
Total	71,946	73,237	1,291	1.79%

Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	(106,239)	(106,713)	(474)	-0.45%
Pay	227,411	227,940	529	0.23%
Non Pay	240,110	246,050	5,940	2.47%
Total	361,282	367,277	5,995	1.66%

Type	Full Year Budget (£'000)	Full Year Forecast (£'000)	Forecast Variance (£'000)	% Variance
Income	(242,653)	(243,640)	(987)	(0.41%)
Pay	527,657	527,657	0	0%
Non Pay	564,764	565,751	987	0.17%
Total	849,768	849,768	0	0%

Full Year Financial Performance and Projection



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)	1,291	↓
Reported year to date financial position – deficit/(surplus)	5,995	↑
Current reported year end forecast – deficit/(surplus)	0	→

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 Green	96.3	↑

Revenue

- The Health Board is committed to achieving financial balance in 2019/20. The Health Board has a balanced core financial plan, this however excludes the impact of the diseconomies of scale associated with the clinical and corporate management costs following the Bridgend Boundary Change, which are £5.4m. This adds a significant additional pressure to the Health Board's delivery requirement and will require significant support to deliver savings of this.
- The Month 5 reported position is an in-month overspend of £1.291m, which is broadly the same as the previous month's performance. The key drivers of the position continue to be:
 - Identified savings being below required level and slippage against planned savings
 - Operational pressures, most significantly workforce costs, ChC and activity related income.
 - Bridgend Boundary Change diseconomies of scale impact
- Significant progress on has been made on identifying Recovery Actions to improve performance, however this is being closely monitored along to ensure forecast improvements are delivered. At this point the delivery of a breakeven financial outturn remains a significant risk.

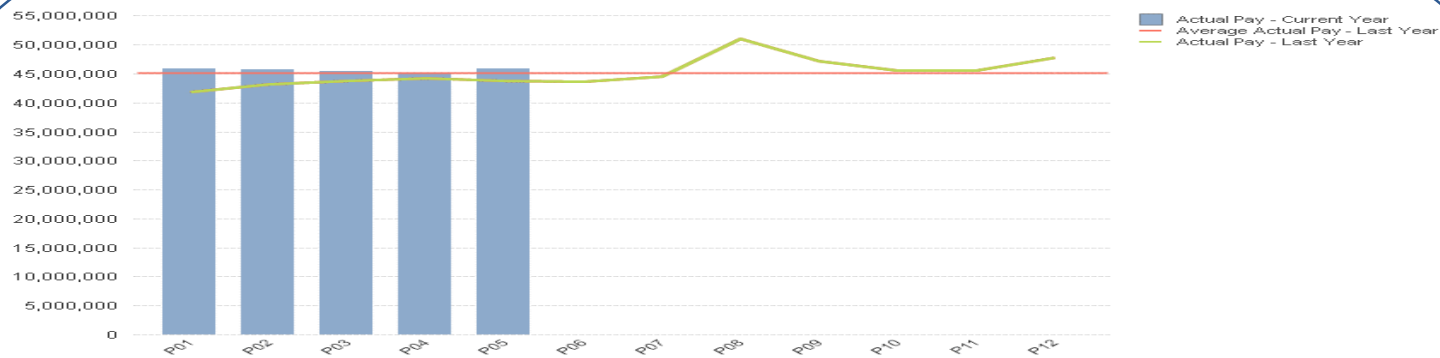
PSPP Narrative

- The number of invoices paid within 30 days in August again exceeded the 95% target, with the performance for the month being 96.6%.
- The August performance increased the cumulative compliance for the year from 96.2% at the end of July to 96.3% at the end of August.
- This improvement demonstrates the success of the work being done within the health board and with NWSSP Accounts Payable colleagues to ensure that compliance is achieved each month. Work is continuing in an attempt to improve the payment performance of NHS creditors.

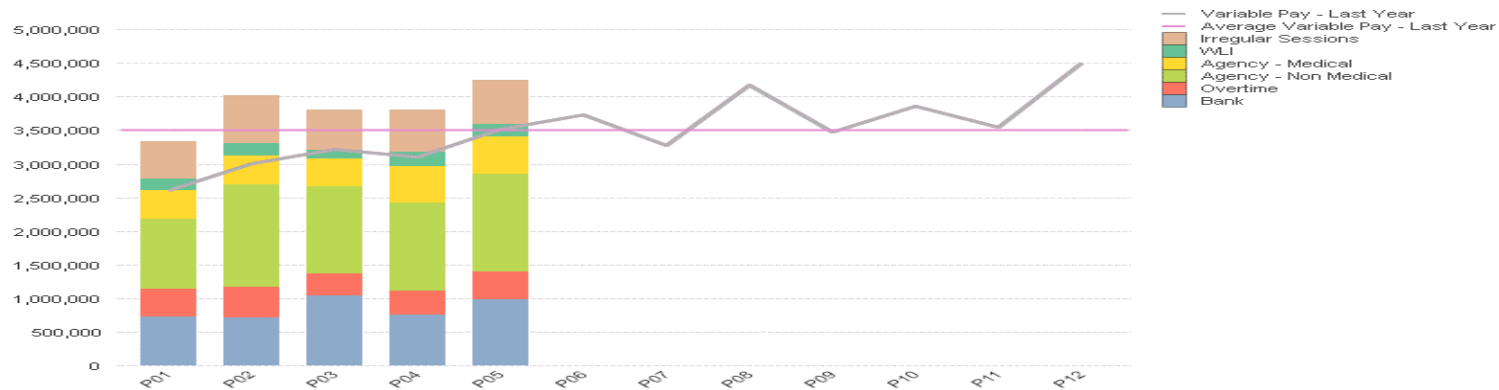
	Month 1	Month 2	Month 3	Month 4	Month 5	Cumulative
	In Month	In Month	In Month	In Month	In Month	Position
	£000	£000	£000	£000	£000	£000
Service Delivery Units						
Mental Health & LD	145	198	215	218	225	1,001
Morrison	137	236	561	553	525	2,012
NPT Unit	7	122	42	38	60	269
PC & Community	202	363	259	128	362	1,314
Singleton	124	132	143	254	190	843
Directorates						
Board Secretary	79	65	71	54	75	344
Chief Operating Officer	107	147	172	144	144	714
Director of Strategy	37	57	44	-13	-11	114
Director of Transformation	-1	-22	17	1	-2	-7
Finance	44	84	76	61	9	274
Informatics	4	-15	13	-46	-57	-101
Medical Director	6	-8	-3	-3	-3	-11
Nurse Director	3	24	23	26	20	96
Workforce & OD	84	78	122	85	57	426
Clinical Medical School	-21	-24	-21	-18	-20	-104
Research & Development	0	0	0	0	0	0
Corporate I&E	-68	0	-41	13	-82	-178
Delegated Budget Position	889	1,437	1,693	1,495	1,492	7,006
Corporate Plan	0	-400	-200	-200	-200	-1,000
Hosted Services						
Delivery Support Unit	-9	5	4	0	-1	-1
EMRTS	-5	-5	0	0	0	-10
Health Board Position	875	1,037	1,497	1,295	1,291	5,995

- The Month 5 reported position is an in-month overspend of £1.291m, which results in a cumulative overspend of £5.995m.
- The Month 5 in-month overspend is broadly consistent with that reported in Month 4. This is disappointing as this indicates that the recovery actions have had little impact to date.
- The cumulative overspend is being driven by :
 - Savings Delivery slippage
 - Bridgend Boundary Change Diseconomies impact
 - Operational pressures; workforce costs, ChC, income risks due to operational service pressures.

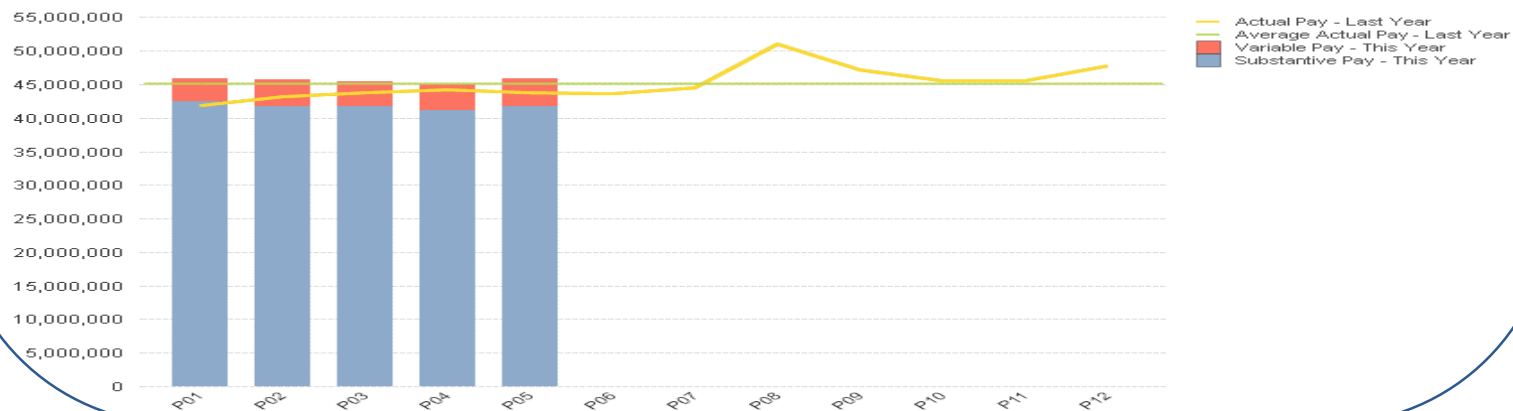
Actual Pay Expenditure This Year and Last Year



Variable Pay Expenditure This Year and Last Year

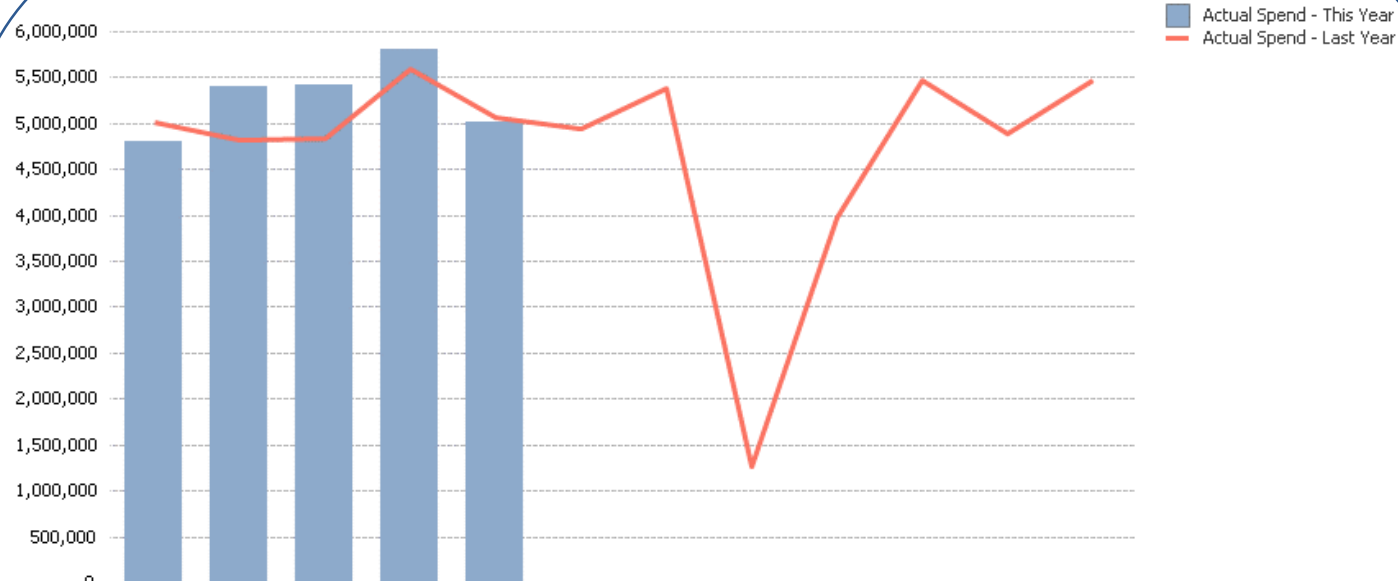


Substantive & Variable Pay Expenditure This Year and Last Year

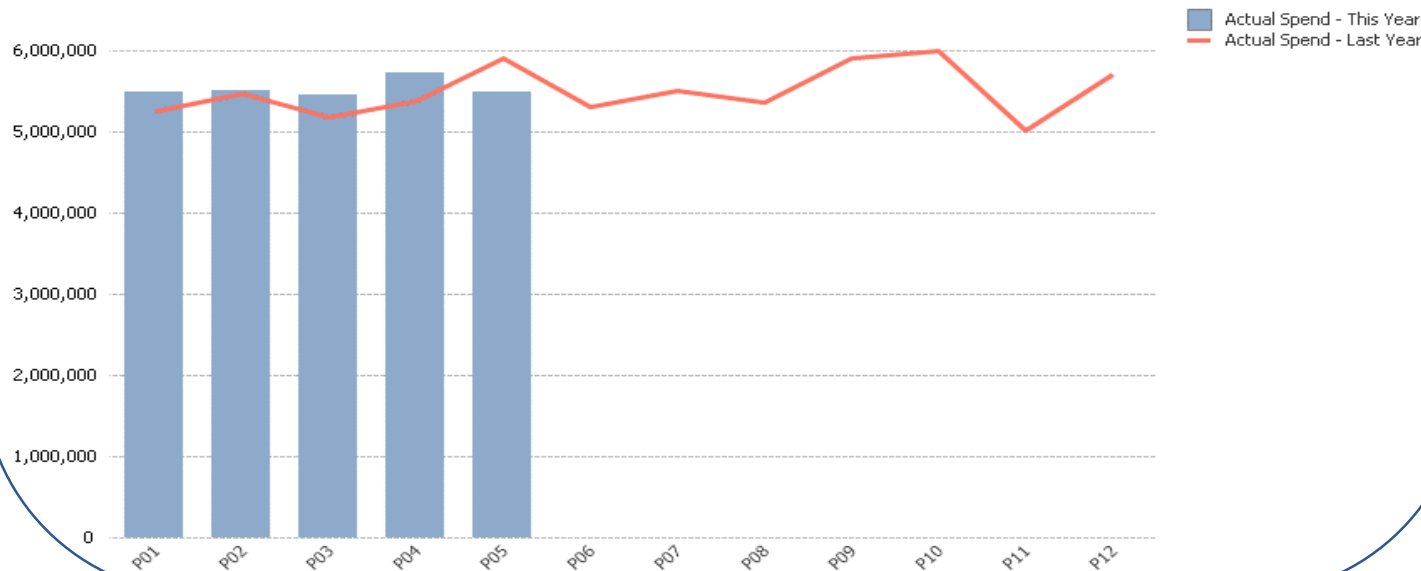


- Overall pay spend has increased by £1m compared with the previous month. Around £0.6m of this reflects the number of weeks enhancements paid to staff due to payroll timetabling. This is reflected in the budget profiling. The remaining increase reflects increases in variable pay.
- Variable Pay spend has increased to £4.25m in Month 5, compared to an average monthly spend in the first 4 months of £3.7m. The main areas of increase are bank costs and both medical and non-medical agency costs.
- Nursing bank and agency hours are 3500 higher than the previous month, with the most significant increases in Morriston (2,237 hours) and MH and LD (1,114 hours).

Secondary Care Drugs Trend Analysis

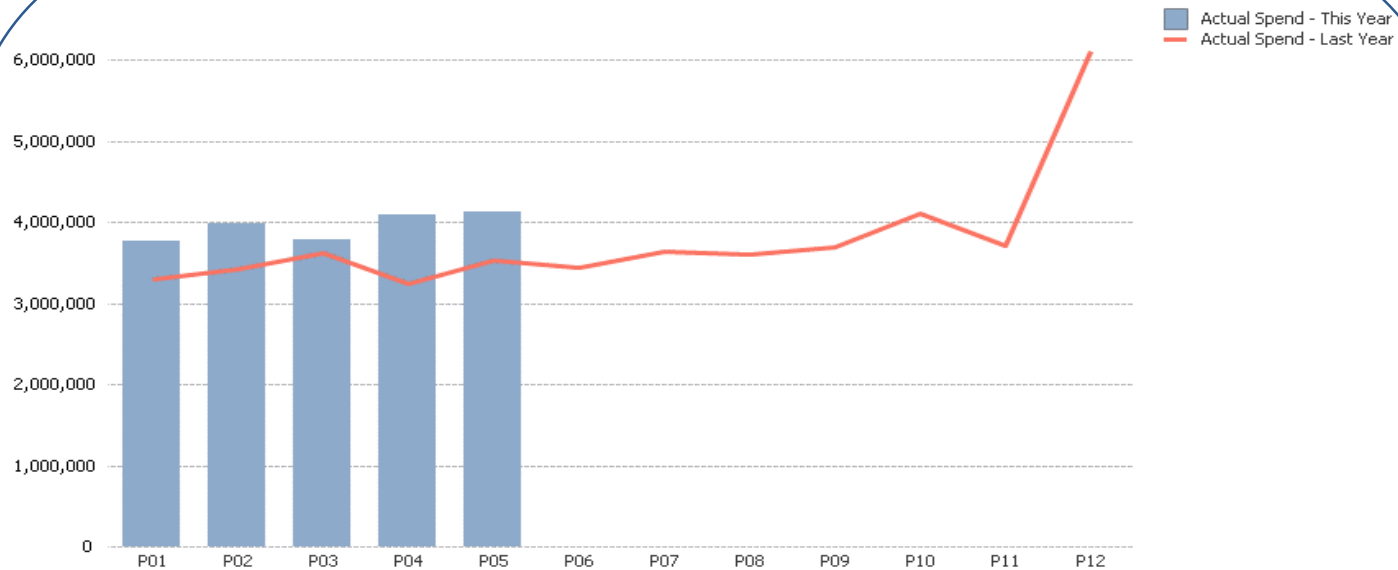


Primary Care Drugs Trend Analysis

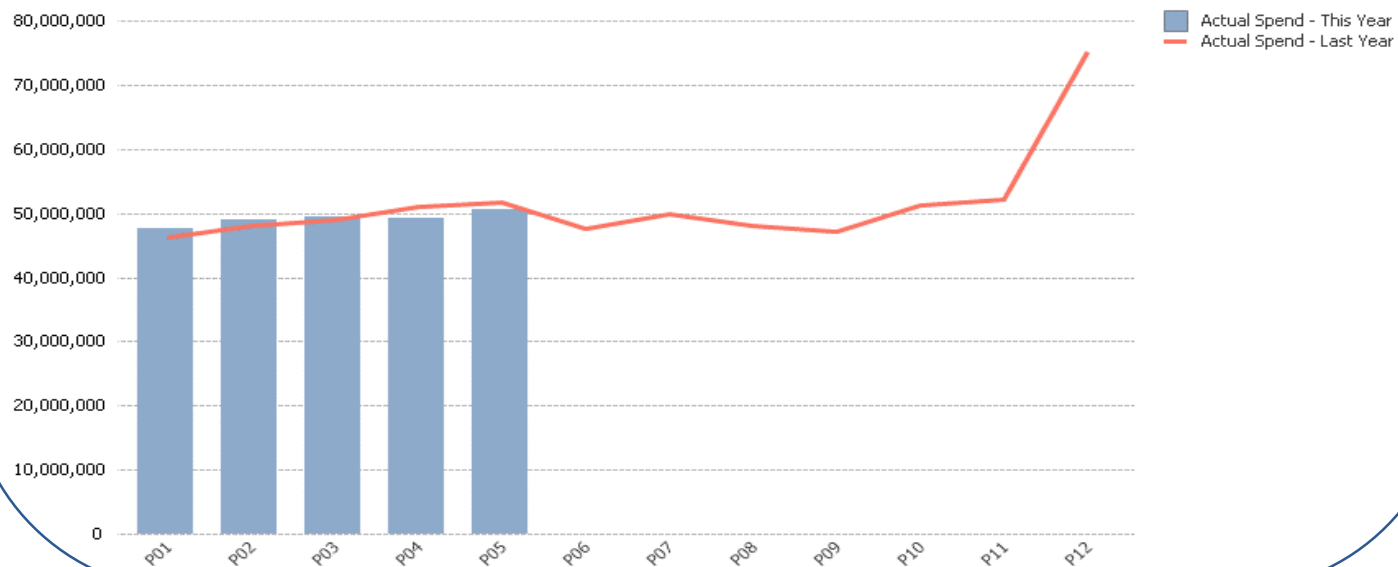


- Secondary drugs were stable in 2018/19, with little or no increase in costs reported compared to previous year.
- This year has seen secondary care drugs running above previous year expenditure levels. This is particularly reflected in NICE/High Cost drugs, with significant new approvals and more rapid implementation of new drugs. This is being closely monitored through the Medicines Management Financial recovery meetings to ensure necessary actions are being taken to enable expenditure to be maintained within plan.
- The in-month reduction reflects the periodic nature of high cost HIV regimes.
- Primary Care drugs were less volatile in 2018/19 than the previous year, due to greater stability of NCSO price concessions.
- There are early indications of increasing pressures on primary care drugs linked to Cat M pricing, however this risk is still being assessed.

CHC Trend Analysis



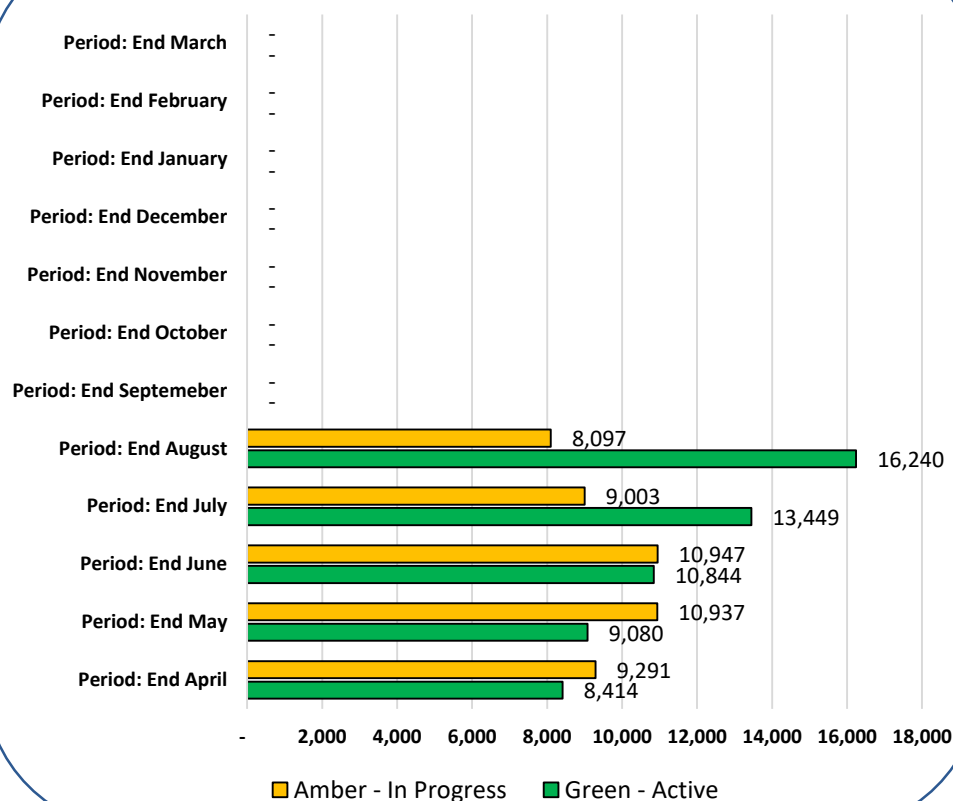
Adhoc Non Pay Trend Analysis



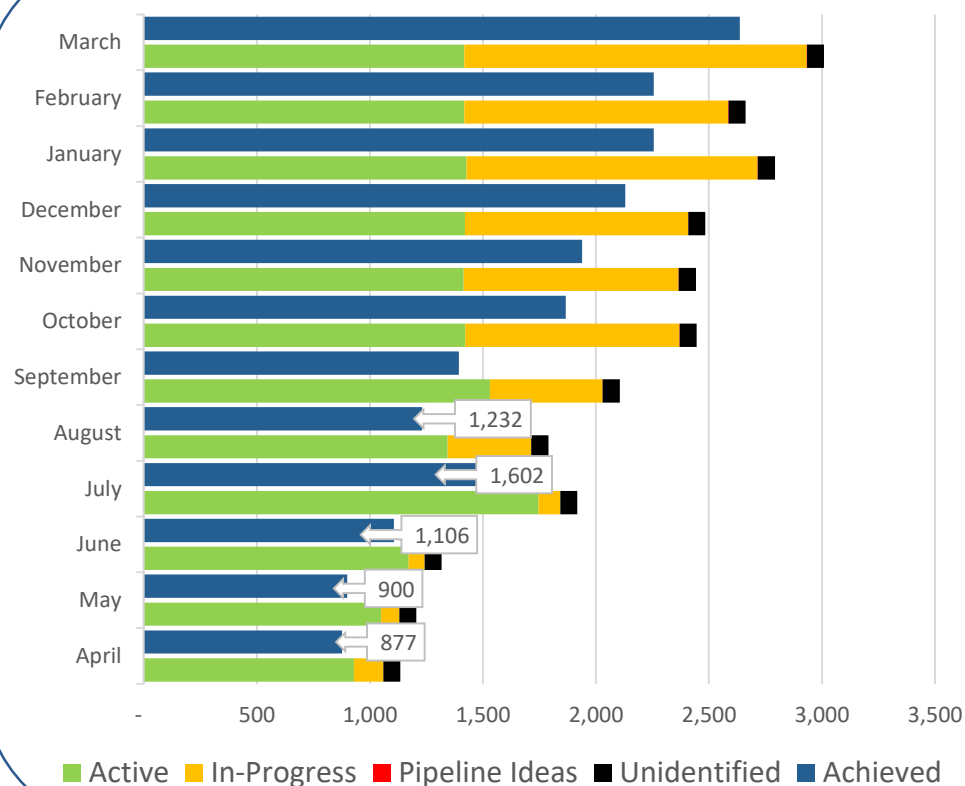
- ChC expenditure saw a steady growth in 2018/19, due to increasing case numbers across all areas.
- The expenditure for 2019/20 is significantly above that of the same period in the previous year and costs are continuing to escalate.
- This area represents a financial risk given the full year impact of 2018/19 case growth and ongoing growth levels, with the financial plan requiring cost control measures of around £2.2m to absorb growth.
- This is an area of significant focus within the Health Board Financial Recovery.
- Other non-pay expenditure including clinical consumables is broadly as anticipated and is running slightly below that of the last year.

SAVINGS ANALYSIS

Trend over time



Current Profile of Savings



Narrative

- The Health Board financial plan required £22m savings to be delivered.
- To date, £24.4m of Green and Amber savings have been identified, however the forecast delivery against these schemes is £20.2m, 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.
- There are further recovery actions/savings that are not yet able to be rated as Green or Amber as further work is required to assess the impact both financially and on service delivery.
- A review of the Efficiency Framework has also identified areas of opportunity, which are also being developed and linked to Clinical Services Plan, however these are likely to have a greater impact in future years.

Narrative

- The actual savings delivery reduced in P5 as non-recurrent opportunities were high in P4.
- The level of slippage against the identified schemes is disappointing. One of the key areas of slippage is the delivery of increased service income at Morriston which is being stifled by ability to access bed capacity.
- The level of savings delivery is required to step up significantly in future months with only £5.7m of the forecast £20.2m delivered in the first 5 months.
- The Delivery Support Team is focussed on supporting the areas of savings slippage and remaining savings plans to ensure full delivery is achieved.

- The 19/20 Financial Plan required £22m savings to be delivered, this excludes the Bridgend Boundary Change diseconomies of scale.
- To date £24m savings have been identified, with a forecast savings delivery of £20m, based on Green and Amber schemes.
- Operational pressures primarily ChC and Workforce have increased expenditure forecasts by around £8m.
- The Health Board, therefore has forecast savings delivery of £20m against a savings and operational pressures requirement of £30m.
- The Recovery Challenge balance is therefore £10m, excluding Bridgend Boundary Change diseconomies of scale.
- There are further recovery actions have been identified and are being further developed. The delivery confidence on these actions is not yet sufficient to consider green or amber, however they are expected to delivered between £5m-£7m.
- Further actions need to be considered to meet the recovery challenge.
- Operational Pressures must also be contained.

- The Health Board established a Delivery Support Team in June 2019.

- Focus on:

➤ **Savings delivery and assurance:**

- Existing plans
- Recovery Plans
- Procurement
- Medicine Management
- High Value Opportunities

➤ **Grip:**

- Variable spend
- Grip and stretch targets

➤ **Sustainability:**

- Efficiency Framework
- Future pipeline
- Spread of best practice
- Structures

Actions:

- New Financial Recovery packs issued – weekly & monthly
- Strengthened grip & assurance: weekly drumbeat of financial recovery meetings – 1 full cycle completed, started cycle 2:
 - Week 1: Financial Performance
 - Week 2: Savings assurance
 - Week 3: Cross cutting meeting (all units & Executives)
 - Week 4: Workforce
- Monthly Financial Management Group chaired by Chief Executive
- Monthly Assurance & scrutiny through Finance & Performance Committee
- Regular Executive Team Updates
- Deep dive into High Value Opportunities schemes
- Refreshed Spending Controls issued
- Weekly HVO reporting with metrics (traction & impact)

Phase 2 focusses on pipeline opportunities :

- Detailed review of CHKS /Benchmarking and NHS Wales Efficiency Framework distilled into 'Opportunities Compendium' – HB view and Unit view
- Will be owned & driven by Healthcare Value & Efficiency Programme
- Granular assessment of opportunities mapped into Clinical Services Plan priority areas to be driven through Clinical Redesign Groups
- High level areas:
 - Length of Stay Improvements – General Medicine & Surgery (Elective and Emergency)
 - Outpatients
 - Theatres
- FDU analysis
 - Procurement
 - Medicines Management
- Value & Variance
 - Clinical Variation – eg INNU's/DND
 - Population Health and Allocative Efficiency – medium to long term opportunities

FINANCIAL RISKS & OPPORTUNITIES LOG

#	Issue	Description	Opportunity (Best Case) £000	Risks (Worse Case) £000	Most Likely £000	Risk Rating	Key Decision Point and Summary Mitigation	Risk Owner Name
	Annual Plan Deficit		0	0	0			
1	Savings Requirement not fully delivered	The full £22m savings requirement is not identified or delivered	0	0	0	Low	The savings plans have been re-assessed and slippage identified and included in the HB forecast. There is a high level of confidence on the delivery of the remaining savings. This delivery is expected to be around £17m. Recovery plans have been developed to mitigate this shortfall	Lynne Hamilton, Director of Finance
2	Nurse Staffing Act	Extension of Nurse Staffing Act into other areas increases nurse resource requirement	0	-1000	-500	Low	Nurse Staffing Act must be clearly scrutinised and options considered including reconfiguration of clinical capacity	Gareth Howell, Director of Nursing and Patient Experience
3	WG Additional Funding Support	Financial Plan includes £10m additional funding support provided by WG non-recurrently in 2018/19.	0	-10000	0	Low	Continue to work closely with WG	Lynne Hamilton, Director of Finance
4	Ophthalmology Gold Command	Ophthalmology potential clinical risk related to follow up capacity	0	-500	0	Low	Assess clinical risk and identify options to increase capacity to mitigate clinical risk. This risk has been downgraded following access to some WG funding support. Remaining risk is being managed within Performance funding	Chris White, Chief Operating Officer
5	Performance Sustainability	Health Board Plan provides funding to support performance sustainability across Unscheduled Care, RTT and Cancer. Potentially this could be insufficient	0	-10000	-5000	Medium	Review impact of current operational pressures on sustainability and financial plans. Identify opportunities to increase efficiency and reduce resource requirement. Discussions with WG colleagues to reflect revised profiles and issues for movement from initial profile	Chris White, Chief Operating Officer
6	Bridgend Boundary Change Diseconomies of Scale	The diseconomies of scale associated with the Bridgend Boundary change have been identified. The forecast assumes that these costs are mitigated and managed.	0	-5400	-2500	High	The current forecast assumes that the £5.4m is able to be managed through a combination of actions, mitigations and potential transitional support. To date there is no conformation of transitional support and we are awaiting the outcome of the PWC due diligence work. The engagement on structures and new operating model is underway.	Hannah Evans, Director of Transformation
7	Primary Care Prescribing	Revised Cat M pricing has increased forecast prescribing expenditure	0	-1000	-500	Medium	The impact of Cat M pricing is being reviewed along with savings opportunities	Judith Vincent, Chief Pharmacist
8	Final Pension Charge	Impact of increases in salary during last 3 years prior to retirement or withdrawal from pension scheme being charged to HBs following change in guidance	-1000	-2000	-1000	High	A number of charges have already been received and are being challenged with NHS Pensions. This is also being reviewed on an AllWales basis by NHS Wales Employers Unit	Hazel Robinson, Director of Workforce and OD
9	Further Identified Recovery Actions not delivered in full	The recovery actions identified are not able to be delivered as planned	0	-1500	-500	High	The recovery actions have been assessed, however there is a risk that not all are delivered as planned. The delivery is being supported by the Delivery Support Team	Hannah Evans, Director of Transformation
10	Further Recovery Actions and Opportunities not identified and delivered	Further recovery actions and opportunities to close the deficit gap are not identified	0	-3045	-1500	High	Review of Efficiency framework opportunities and other financial plans to ensure opportunities maximised.	Lynne Hamilton, Director of Finance
			1,000	34,445	11,500			

The Month 5 financial performance has highlighted the key risks to the delivery of the 2019/20 financial position :

- 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 Key Actions for the Health Board are :

- To ensure all planned savings are delivering in full and if not identify further mitigating actions.
- To continue to identify savings schemes and opportunities to exceed the savings requirement.
- To drive the implementation of the detailed High Value opportunities plans.
- To ensure that any local cost pressures are managed within existing resources through mitigations actions, savings and prioritisation of resources.
- To control all non-essential and variable expenditure.

These actions are supported by the Delivery Support Team. This support will be further enhanced by the WG commissioned External Support which is expected to start within the next week.

Performance and Finance Committee are asked to :

- Note the current financial performance
- Consider the actions being taken to further improve financial performance