

SUMMARY REPORT				ABM University Health Board	
Health Board				Date : 30 th March 2017 Agenda item: 7 (i)	
Subject		FINANCIAL REPORT – MONTH 11			
Prepared by		Samantha Lewis, Assistant Director of Finance Paul Gilchrist, Acting Director of Finance			
Approved & Presented by		Paul Gilchrist, Acting Director of Finance			
Purpose					
To advise Board members of the overall financial position of ABMU Health Board as at 28 th February 2017.				Decision	
				Approval	x
				Information	x
				Other	
Corporate Objectives					
Excellent Population Health	Excellent Population Outcomes	Sustainable & Accessible Service	Strong Partnerships	Excellent People	Effective Governance
					X
Executive Summary					
The report provides the Health Board with the following updates:- i. The financial position of the Health Board, including balance sheet, cash, and Public Sector Payment Policy compliance. ii. 2017/18 Initial Financial Framework Update					
Key Recommendations					
The Health Board is asked to note the Financial Position of the Health Board for the 28 th February 2017 and the actions required to improve financial performance in order to meet the revised year-end forecast.					
Next Steps					
Monitor the outcome actions taken to address the financial overspend against the expected position.					

MAIN REPORT		Date : 30th March 2017 Agenda item: 7 (i)
Subject	FINANCIAL REPORT – MONTH 11	
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1.1 Purpose

The report provides the Health Board with an update on the financial performance for the year to date, highlights the financial risks and provides a forecast for the remainder of the financial year.

1.2 Context

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

To achieve financial breakeven over a rolling three year period, the first of which commenced on 1st April 2014 and will end on 31st March 2017.

The Health Board had an approved IMTP for 2014/15-2016/17 and 2015/16-2017/18, however the 2016/17-2018/19 plan submitted to Welsh Government was not approved and the Health Board is therefore operating under an Annual Operating Plan for 2016/17.

The Health Board delivered financial breakeven in 2014/15 and 2015/16.

1.3 Summary of Key Financial Targets – January 2017

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000	Trend	Forecast Risk
Reported year to date financial position – deficit/(surplus)	30,729	↑	
Movement in year to date financial position from last month – worsening/(improvement)	1,988	↓	
Current reported year end forecast – deficit/(surplus)	36,400	↔	

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	Forecast Risk
Cumulative year to date % of invoices paid within 30 days (by value)	95.0	↓	
Cumulative year to date % of invoices paid within 30 days (by number)	96.1	↓	

2. REVENUE POSITION

2.1 Summary Revenue Position

The Health Board has reported a £30.729m overspend to the end of February, against the £18.425m that could be anticipated given the £20.1m deficit forecast in the 2016/17 Plan. The Health Board expenditure to date is therefore £12.304m above the financial plan of the IMTP.

The in-month overspend of £1.988m compares favourably to previous performance, however £0.933m of this improvement reflects the inclusion of £2.8m additional Welsh Government funding for New Treatment Fund, against which no additional costs are anticipated in this financial year. The in-month overspend excluding this additional funding would be £2.921m which is an improvement of around £0.1m compared to the previous month.

The table below provides a summary of the key variances in month and for the year to date, along with the full year forecast:

	In Month Position			Year to Date Position		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Income	(108,727)	(109,087)	(360)	(1,167,931)	(1,170,899)	(2,968)
Pay	53,848	54,385	537	571,088	579,468	8,380
Non Pay	54,879	56,690	1,811	596,843	622,160	25,317
Total Position	0	1,988	1,988	0	30,729	30,729

2.2 Income

The year to date and monthly income performance is shown in table below:

Income	In Month			Year to Date		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Revenue Resource Limit	(89,314)	(89,314)	0	(957,731)	(957,731)	0
Income from Activities	(17,069)	(17,254)	(185)	(182,864)	(184,158)	(1,294)
Other Operating Income	(2,344)	(2,519)	(175)	(27,336)	(29,010)	(1,674)
Total Income	(108,727)	(109,087)	(360)	(1,167,931)	(1,170,899)	(2,968)

The income over-achievement reflects increasing income from activities undertaken for other Health Boards and increasing levels of income and grants for Research and Development. However income for private patients and Road Traffic Compensation Recovery remains low.

2.3 Pay

Pay Budgets are £8.4m overspent after 11 months, the key areas of overspend are Medical and Dental and Nursing HCSW.

The table below provides an analysis of Pay Expenditure by Staff group.

Pay Expenditure	In Month			Year to Date		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Admin & Clerical	6,723	6,608	(115)	71,947	70,887	(1,060)
Medical & Dental	13,689	13,849	160	146,065	147,953	1,888
Nursing & Midwifery	18,020	17,360	(660)	188,749	185,059	(3,690)
Add Clinical Services - Nursing	4,723	5,652	929	48,881	59,071	10,190
Add Clinical Services - Non-Nursing	1,290	1,232	(58)	13,631	12,900	(731)
AHPs	3,580	3,373	(207)	38,239	35,853	(2,386)
Add Prof, Tech & Scientific	1,762	1,652	(110)	19,266	17,775	(1,491)
Healthcare Scientists	1,381	1,407	26	14,896	15,318	422
Estates & Ancillary	3,295	3,233	(62)	34,799	34,522	(277)
Students	18	19	1	130	130	0
Vacancy Factor	(633)	0	633	(5,515)	0	5,515
Total Pay Expenditure	53,848	54,385	537	571,088	579,468	8,380

The Medical and Dental budgets have overspent by £1.9m after 11 months. This represents a marked increase from the overspend of £1.7m reported for the same period in 2015/16. The overspend includes £8.6m of agency costs and £6.4m internal cover costs, both of which are materially higher than the costs incurred in the previous year, which were £7.1m agency and £4.4m internal cover. During the financial year, there has been a growth in the numbers of medical staff employed, however agency and internal cover costs have continued to rise.

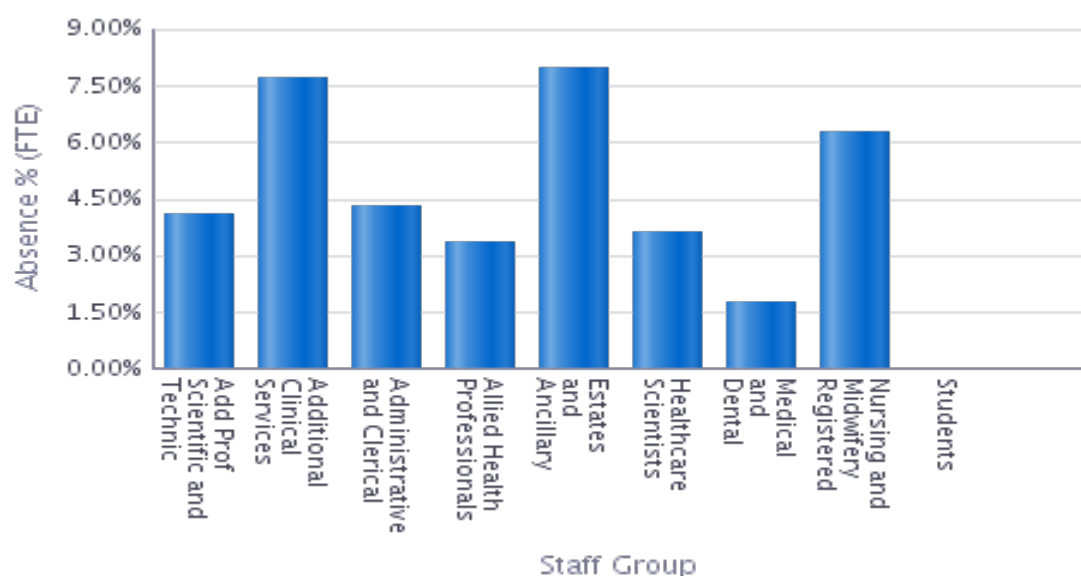
Nursing and HCSW budgets are considered together as due to registered nursing recruitment difficulties additional HCSW resources have been utilised. The Nursing and HCSW budgets are overspent by £7.2m after 11 months, which is an improvement of almost £1.1m from the £8.3m overspend for the same period in 2015/16. The improvement reflects the significant reductions in Agency spend from £12m for the first 11 months of 2015/16 to £7.7m for the same period in 2016/17. During this period the total bank, agency, overtime and additional hours usage has remained fairly constant, but the usage has shifted from premium agency to less expensive cover alternatives. There has been a growth in substantive nursing staff numbers during the last 12 months of around 100 wte, of which 20 wte are registered nurses and 80 wte are HCSW. Despite significant recruitment efforts both locally and overseas, the level of registered nursing vacancies remains at around 300 wte.

The Health Board is experiencing increasing levels of sickness absence, with the reported cumulative sickness absence to the end of November being 5.65%. This will be impacting on variable pay, quality and safety of services to patients and performance.

The graph below provides an analysis of the sickness absence rate by staff group and highlights that Additional Clinical Services (includes HCSW), Estates and

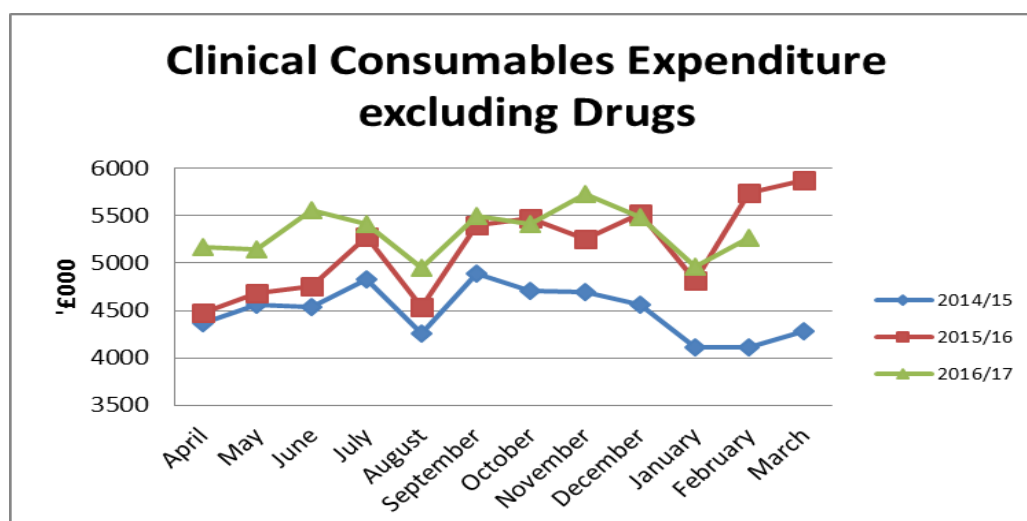
Ancillary and Registered Nurses and Midwives are all significantly above the 5% sickness absence target.

The Workforce and OD directorate have been focusing on working with the units to ensure absence is managed according to policy; each unit has a sickness absence action plan. Hotspot areas have been identified and they are receiving support from human resources and the occupational health and wellbeing teams.



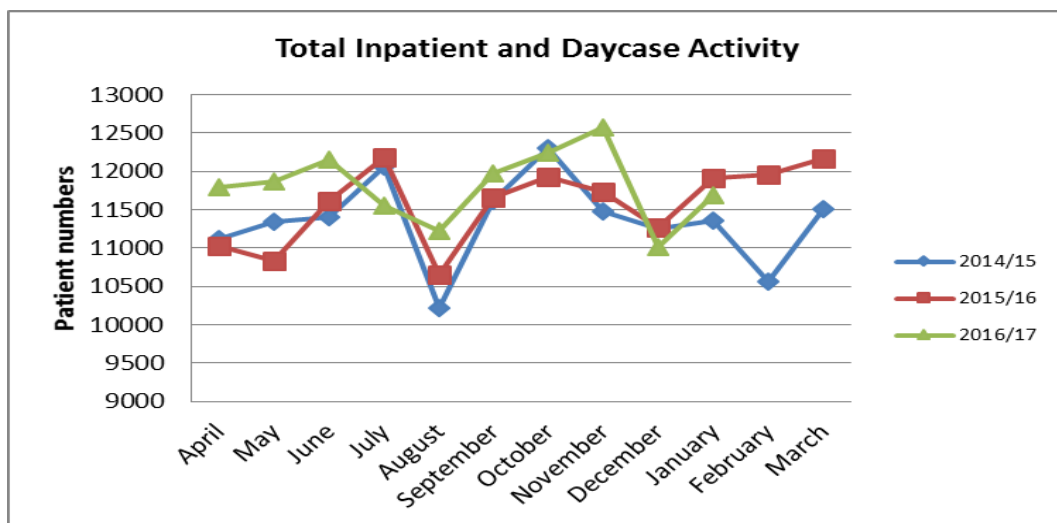
2.4 Non Pay

The most significant non-pay issue is within Clinical Supplies and services. Expenditure in this area grew steadily throughout the previous financial year, from a monthly average of £4.6m in Quarter 1 2015/16 to £5.5m in Quarter 4 of that year. The monthly average for 2015/16 was £5.1m compared with the monthly average expenditure for 2016/17 of £5.3m. The clinical consumables spend for the first eleven months of 2016/17 is shown in the graph below, along with the expenditure levels of the previous two years. It can be seen there was a significant reduction in expenditure in January, which reflects the reduced level of elective activity during the Christmas period and due to increasing winter pressures.



The activity levels within the Health Board have increased and are well above the levels of activity reported in the same period of the previous two years, which will account for some of the clinical consumables cost growth. The inpatient and day-case activity has increased by around 3300 cases compared with the same period in 2015/16.

The activity levels reported in December reduced significantly due to reduced activity through Christmas period and winter pressures restricting elective activity.



2.5 Financial Performance of Service Delivery Units and Directorates

The Budgetary Framework set out in the Interim Resource Plan provided a roll over budget, whilst IMTP approval was being sought. This resulted in underlying carry forward targets being set for each Service Delivery Unit and Directorate based on the Month 1 to 9 2015/16 financial performance.

The expectation therefore is that all Service Delivery Units and Directorates, maintain the level of financial performance reported in Month1-9 2015/16 and identify and deliver CIPs to meet the 2016/17 savings requirement.

The table below sets out the cumulative planned position based on the £20.1m planned deficit, the overall cumulative position for each of the Service Delivery Units and Directorates and the variance against the planned carry forward target set for the year to date. The table highlights that the Delegated Budgets are £15.4m above the required level of performance.

	Planned Position	Total Overspend	Variance from Planned Position
	£000	£000	£000
Nurse Director	0	-3	-3
Medical Director	904	938	34
• Med Director	0	-75	-75
• Informatics	904	1,013	109
Workforce & OD Director	320	671	351
Director of Strategy	1,243	3,665	2,422
• Planning	748	1,553	805
• Hotel Services	495	2,112	1,617
Chief Operating Officer	41,931	54,567	12,636
• Singleton	5,960	8,046	2,086
• POW	4,528	6,619	2,091
• Morriston	13,616	22,150	8,534
• MH & LD	7,872	10,168	2,296
• PCC	3,691	3,323	-368
• NPT	6,264	4,261	-2,003
Other Corporate Directorates	0	-15	-15
• Board Secretary	0	25	25
• Director of Therapies	0	-39	-39
• Finance	0	-1	-1
Delegated Position	44,398	59,823	15,425
Corporate Plan	-25,974	-29,094	-3,120
Health Board Position	18,424	30,729	12,305

2.6 Savings Requirement

The Health Board IMTP established a savings requirement of £45.5m for Year 1 (2016/17). This was made up of:

	Annual Savings Requirement £m	Savings Identified to Date £m	Risk
Delegated Savings Target	25.0	13.8	
Cost Containment/Avoidance	5.0	5.0	
Strategic Improvement in Service Expenditure	5.5	0	
Slippage against new Investment funding	10.0	6.0	
Total Savings	45.5	24.8	

The Delegated Savings Target represents a savings requirement of 3.5% on non ring-fenced delegated budgets. The table below sets out the savings requirements by Service Delivery Unit and Directorate, the savings identified to date and the level of savings yet to be identified.

	Savings Target £000	Budget Releasing £000	Cost Reduction £000	Saving Shortfall %	Savings yet to be identified £000
Singleton Delivery Unit	3,576	158	1,918	42%	1,500
POW Delivery Unit	2,850	632	937	45%	1,281
Morriston Delivery Unit	6,480	935	2,392	49%	3,153
MH & LD Delivery Unit	3,963	231	1,057	67%	2,675
P.C. & Community DU	2,717	300	2,413	-	4
NPT Delivery Unit	1,471	729	566	12%	176
Dir. of Therapies & HS	5	5	0	-	0
Board Secretary	134	0	0	100%	134
Medical Director	99	99	0	-	0
Nursing Director	146	0	146	-	0
Planning	451	11	280	35%	160
Hotel Services	1,126	0	650	42%	476
Workforce & O.D.	150	0	0	100%	150
Informatics	364	0	183	50%	181
Finance	183	183	0	-	0
Corporate Schemes	1,285	0	0	100%	1,285
3.5% Savings Target	25,000	3,283	10,542	45%	11,175

The table shows that schemes equating to around £13.8m have been to identified, through budget releasing savings and cost reduction measures, this equates to around 55%. It should be highlighted that not all of these savings have yet been achieved but plans are in place to target this level of cost reduction. It is essential that efforts are focussed on the delivery of the identified schemes. Whilst some areas have not identified schemes they are meeting the challenge through non-recurrent measures.

The level of identified saving has remained constant in February. It is essential that all Service Delivery Units, are recording their potential schemes to enable support to be given to schemes as required to bring them to fruition. The continued identification and delivery of schemes is essential to the delivery of the financial trajectory.

In addition to the savings identified there are a further £3m of saving schemes identified as Red, which are being worked on. These schemes need to be critically reviewed and actions required to implement and taken forward to support the forthcoming financial year requirements.

The proposed cost avoidance target is considered delivered. The measures include the containment of Specialist Services and Welsh Risk Pool cost growth in 2016/17.

The slippage in funding was assumed to be deliverable within the financial position until month 9. To date the means to deliver around £6m non-recurrently has been identified through slippage and other technical means, however this still needs to be worked through to ensure it is deliverable. This would leave around £4m of planned savings unable to be delivered at year end. This anticipated shortfall has now been factored into the year-end forecast.

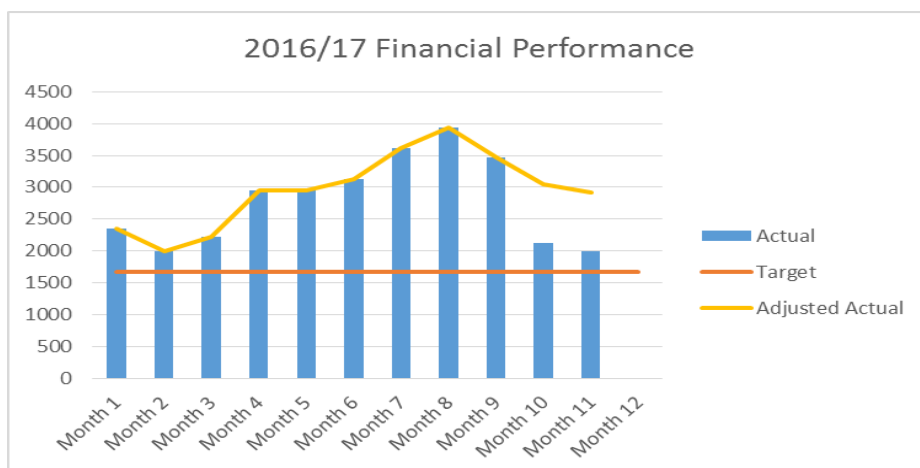
The strategic improvement in service expenditure target expects that most of the expenditure reductions achieved in Quarter 4 2015/16 would continue into 2016/17. The performance to date does not reflect this and given this performance it is highly unlikely that sufficient actions would be taken to meet this savings requirement. The non-delivery of this savings requirement has been factored into the financial position in recent months and is therefore included in the year end forecast.

3. YEAR-END FORECAST POSITION & FINANCIAL RISKS

3.1 The expenditure of the first eleven months of 2016/17 has seen the Health Board's financial position adrift of that expected by the financial plan, as seen in the chart below. The Month 11 reported position has shown an improvement, with the in-month reported position at £1.988m against a target of £1.675m.

It must be highlighted that £0.933m of the in-month improvement is attributed to the receipt of an additional £2.8m funding from Welsh Government for New Treatment Fund, for which no additional costs are expected to arise in this financial year.

The graph below shows the distance from the required level of financial performance on a month by month basis. The monthly bars show that the overspend has reduced significantly which relates to the receipt of the New Treatment Fund. The adjusted actual line indicates the movement in performance had the New Treatment Fund allocation not been received.



3.2 During the summer months, concerns were raised regarding the escalating financial position and, monthly financial performance review meetings were put in place. Through these meetings the six Service Delivery Units were tasked with identifying recovery actions to improve financial performance. These expenditure profiles produced a year end position of £33.9m, which is some £13.8m above the £20.1m deficit plan.

At month 7, the table below was produced to provide an assessment of the best, likely, worst case scenario based on financial performance trajectories and the forecast position reported to Welsh Government was increased from £20.1m to £34.6m.

	£m Best	£m Likely	£m Worse
Plan Deficit	20.1	20.1	20.1
Operational Pressures based on SDU profile delivered	13.8		
Operational Pressures based on M8-M12 SDU profile delivered		14.5	
Operational Pressures based on M6&M7 performance			17.0
Forecast Position Prior to funding	33.9	34.6	37.1

The Month 8 position saw financial performance deteriorate further from the forecast trajectory, with the in-month reported overspend being almost £1m above the forecast trajectory.

The Month 9 financial performance on operational budgets improved, however a number of risk have materialised and these along with the distance from trajectory in Month 8 has necessitated the Health Board year-end forecast to be revised further. The following table provides a summary of the movements in the forecast from £34.6m to £39.2m:

	£m
Current Forecast	34.6
Month 8 Adverse Movement from forecast trajectory	1.0
2015/16 RTT Funding Claw Back	1.8
Changes in Pensions Discount Rate notified in December	0.8
2016/17 RTT Performance Funding in excess of plan	(1.1)
Non-achievement of planned £10m slippage	3.75
Impact of In-Year Sustainability Actions:	
• Cessation of Outsourcing	(1.3)
• Investments Deferred	(0.15)
• Study Leave Held	(0.2)
Revised Forecast	39.2

- 3.3** The receipt of the £2.8m additional funding for New Treatment Fund allowed the Health Board forecast to be reduced to £36.4m in Month 10 and every effort is being made to reduce this financial deficit further.
- 3.4** The Health Board forecast has been reduced to £34.6m in month 11 to reflect the improvements in operational financial performance
- 3.5** The Health Board's Resource Plan contained a range of risks and opportunities that needed to be managed or mitigated during the course of the financial year. The majority of these risks and opportunities have been now been managed and reflected within the financial position and year-end forecast. The key risks remaining are:
- The Service Delivery Units and Directorates do not deliver their revised year-end target positions. This is being closely monitored through the regular financial recovery meetings. All Service Delivery Units and Directorates are clear of their responsibility to at least deliver the year-end target and where possible to improve upon these positions. In Month 10 and Month 11, the in-month performance improved upon the forecast position by around £0.6m per month.
 - The revised forecast includes the 2016/17 RTT Performance funding in full, however it should be noted that this funding is predicated on the delivery of the specified RTT target. If this is not delivered, there is a risk that Welsh Government will withdraw some or all of the £9.33m funding provided.
 - The Health Board is currently forecasting an underspend against the Dental allocation due to lower than planned levels of activity. The financial forecast assumes that the full funding will not be recovered by WG but retained by the Health Board.
 - The Health Board forecast includes the retention of some slippage from new funding for Mental Health and Primary Care. There is a risk that Welsh Government will request this slippage to be returned.

3.6 The priority for the Health Board for 2016/17 is for each Service Delivery Unit and Directorate to deliver its plans incorporating the in-year sustainability actions agreed. These include actions on:

- Non-Medical Workforce – this includes specific actions for nursing workforce and the general cessation of agency and overtime for non-nursing areas.
- Cessation of Non-Core RTT expenditure – this will require the cessation of outsourcing of further RTT activity during the final quarter of 2016/17.
- Medicines Management – support the medicines management plan.
- Deferral of Investment Decisions
- Restriction of Study Leave
- Appropriate use of Charitable Funds
- Medical Workforce Review and Service Reconfiguration.

3.7 The work being led by the Recovery and Sustainability Director is building on the in-year sustainability actions to formulate and implement actions to improve financial performance in 2017/18.

4. BALANCE SHEET

4.1 Balance Sheet

	Balance as at 1st April 2016 (£000)	Balance as at 28th February 2017 (£000)	Forecast as at 31st March 2017 (£000)
<u>Non-Current Assets</u>			
Tangible & Intangible Assets	587,965	584,020	587,264
Trade & Other Receivables	74,498	98,027	97,594
Total Non-Current Assets	662,463	682,047	684,858
<u>Current Assets</u>			
Inventories	10,859	10,940	10,859
Trade & Other Receivables	46,834	50,587	44,249
Cash	2,190	894	1,160
Non-Current Assets Held for Sale	1,274	1,274	0
Total Current Assets	61,157	63,695	56,268
<u>Current Liabilities</u>			
Trade & Other Payables	125,389	147,405	131,709
Provisions	21,999	11,425	15,980
Total Current Liabilities	147,388	158,830	147,689
<u>Non-Current Liabilities</u>			
Trade & Other Payables	49,123	46,615	46,639

Provisions	80,832	99,173	99,336
Total Non-Current Liabilities	129,955	145,788	145,975
Total Assets Employed	446,277	442,598	448,936
<u>Financed By Taxpayers Equity</u>			
General Fund	416,106	412,427	416,784
Revaluation Reserve	30,171	30,171	32,152
Total Taxpayers Equity	446,277	442,598	448,936

4.1.1 Balance Sheet Assets and Liabilities

The key movements on the balance sheet between April 2016 and February 2017 relate mainly to movements in trade and other receivables, trade and other payables and provisions.

The movement in trade and other receivables and provisions is linked to movements in the value of clinical negligence and personal injury claims against the Health Board as assessed by Legal and Risk Services. The Health Board is responsible for the first £25,000 of any claim with the remainder of the claim being met by the Welsh Risk Pool, with the balance sheet position reporting a provision for the gross amount of the claim, with a corresponding debtor to Welsh Risk Pool in trade and other receivables. The in-year increase relates primarily to 2 claims dating back to 2013 where the assessment of damages has increased as the likely settlement date of next financial year draws closer.

The February trade payables figure is higher than in previous months and is primarily due to two factors. The first is an increase in capital creditors in month, with the second being an increase in trade creditors as payments to non NHS suppliers have been restricted during February due to the availability of cash given the current I&E deficit with the strategic cash assistance requested from Welsh Government not available to the Health Board until March .

The forecast closing balance sheet as at 31st March 2017 reflects the current best estimates of in year movements. The provisions and trade receivables have been amended to reflect the best estimates of provisions including the impact of the change in the discount rate issued in December by HM Treasury. The forecast movement in payables and receivables has been updated to reflect the impact on the payables figure following the receipt of strategic cash assistance from Welsh Government.

4.2 Cash

The closing February cash balance for the Health Board amounted to £0.894m which is in line with the month end cash target set by the Health Board of between £1m and £2m.

In February, the Health Board received working capital balances cash support of £5.297m and strategic cash assistance of £19.664m which will enable the Health Board to have a forecast year-end cash balance of £1.160m.

Due to the forecast increase in capital creditors and the fact that capital cash was drawn down in 2015/16 which was utilised for revenue payments, as the 2015/16 capital creditors were higher than forecast, £10.295m of the CRL will not be drawn down in cash in 2016/17 which will correct the cash position between revenue and capital. .

As the strategic cash assistance funding provided could not be drawn down from Welsh Government until March 2017, the Health Board started restricting cash payments to non NHS suppliers on 1st February by reducing cash payments to non NHS suppliers which has resulted in deterioration in PSPP compliance in February.

4.3 Public Sector Payment Policy (PSPP)

The reduction in PSPP compliance in February saw the compliance level reduce to 96.0% of supplier invoices paid within the 30 day target from 96.1% to the end of January. However, this remains above the target figure of 95%, with an in month performance of 95.08%. In order to ensure that this target has been achieved significant work has been undertaken by the Health Board and NWSSP Accounts Payable to ensure prompt authorisation of invoices and receipting of goods.

CAPITAL

The approved CRL value at Month 11 is £43.845m which includes Discretionary Capital and the schemes under the All Wales Capital Programme. Further details on the planned spend can be seen in **Appendix A**

5.1 Performance to Date

The reported financial performance at Month 11 is a £1.315m under spend against the planned spend to date. This is due to minor delays across a number of schemes, the schemes with the largest underspend against plan are detailed overleaf:

Scheme	Underspend to M11 £'000	Comments
HVS 1B Scheme 1 - Main Entrance	252	An updated final account figure has now been received and the accrual for the final payment has been appropriately reduced to reflect the current position. There is therefore an underspend on this scheme and this has been marked as high risk as per the table below .
Discretionary	838	There is a small value of slippage that has been identified across a number of schemes relating to IT and Estates. The schemes are being monitored closely to ensure the spend is achieved in 16/17 or where necessary re allocated to other priorities.
Total	1,090	

5.2 Risk Assessment

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

Scheme	Risk Profile	Risk Value £'000	Comments
HVS 1B Scheme 1 - Main Entrance	High	£175k underspend	We have now received an estimate on the final account and the spend has therefore been updated to reflect this position. The result is a reduction in spend and hence an underspend on the scheme. As per discussion with WG this will be returned and a proposal for reinvestment submitted
Linear Accelerator A	High	£220k slippage	The main contractor on the scheme is forecasting a lower spend than anticipated. (See note below on discussion with WG 10 th February)
Cath Lab C Morrison	High	£76k slippage	An element of works relating to data migration will not be completed in year. (See note below on discussion with WG 10 th February)
Cath Lab B Morrison	High	£81k Slippage	An element of works relating to data migration will not be completed in year. (See note below on discussion with WG 10 th February)

			February)
Demolitions Morriston	High	£326k overspend	Works are progressing ahead of schedule and it has been identified that further spend is required on this scheme in 16/17.(See note below on discussion with WG 10 th February)
WEDCIMS	Medium	£45 slippage	As previously reported, due to the delayed implementation there is a risk of £45k not being spent in year on the National Programme Management.
Singleton Aseptic Development	Medium	£11k slippage	As per discussion with WG there is a small amount of slippage forecast on the scheme but due to the low value the Health Board proposes to manage this within existing allocations
Renal Morriston	Medium	£31k slippage	As per discussion with WG there is a small amount of slippage forecast on the scheme but due to the low value the Health Board proposes to manage this within existing allocations

Following discussion with WG, the net impact of £51k underspend on Linear Accelerator, Cath Lab C, Cath Lab B and Demolitions will be managed within the Health Board's 16/17 position and re-provided within the Health Board's 17/18 discretionary.

The risk identified above will be managed through regular reporting and discussion with Welsh Government on any changes in the resource requirements due to slippage.

5.3 Forecast Out-turn

The forecast out-turn is for a break even position. This position no longer assumes the disposal of the Lon Masarn plot at Cefn Coed as this will now complete in early 2017/18.

6. 2017/18 FINANCIAL FRAMEWORK UPDATE

6.1 The details of the 2017/18 Revenue Allocation letter were presented in the previous Board paper, along with the cost growth expectations.

6.2 The Health Board continued to review and refine the financial outlook for 2017/18 and has moved from the initial plan deficit of £63m to a projected deficit of £45m, which has been shared with Welsh Government. There is further work underway through the Recovery and Sustainability Programme and the external consultants to identify fully develop the savings opportunities

6.3 The table below sets out the initial financial plan assessment and the current revised plan:-

	Initial Plan Assessment	Revised Plan
	£m	£m
2017/18 New Cost Pressures:		
Pay	12.7	11.8
Non Pay	4.5	4.9
ChC/FNC	2.0	1.5
NICE/HCD	5.9	3.8
Prescribing	2.5	2.5
Specialist Services	3.4	3.4
Primary Care	2.5	1.0
Demand/Demographic growth	0.5	0
Sustaining Services	2.00	0
Local Pressures/Slippage Reprovision	3.00	0
WG Allocation Uplifts:		
General Allocation Uplift	(16.1)	(16.1)
New Treatment Fund	(2.8)	(2.8)
MH/ICF	(2.0)	(2.0)
Cost Down Savings	(8.0)	(16.0)
2017/18 In Year Financial Challenge	10.1	(8.0)
Carry Forward Deficit	53.0	53.0
2017/18 Total Financial Challenge	63.1	45.0

The assessed new costs for 2017/18 have been reviewed and the Health Board through robust management action intend to contain the new inflationary and service cost pressures to £28.9m. The key management actions to highlighted are:

- The inflationary costs of ChC and FNC will be supported, but the Health Board expects ChC and FNC growth to be contained through management action
- The Specialist Services Assessment does not include the Amber service development schemes set out in the WHSSC plan.
- The Demand and Demographic growth assessment will not be seen as an additional cost investment but will be managed through improved internal service productivity and efficiency.
- Sustaining Services will not support further increase in medical staff rota requirements.
- The New Treatment Fund allocation has been anticipated to offset the costs of new drugs and treatments included in the NICE/High Cost Drugs cost growth.
- An element of Mental Health and ICF allocation uplifts have been included to reflect the expectation that services manage their own pressures from additional funding issued.
- The plan currently includes 2.5% of Cost Down savings requirement.
- The plan does not include any of the costs identified to support planned care.

The work of the Recovery and Sustainability Programme supported by the external consultants will focus on the identification of deliverable improvements in 2017/18. The current areas of focus are:

- Ensuring the re-assessed cost containment assumptions in the £45m deficit is supported by clear action plans allocated to accountable officers.
- Utilising our range of benchmarking information to provide baseline analysis at Unit level to inform plans.
- Rolling out the new portal for clinical variation to all clinical specialties.
- Identifying further saving opportunities through local action, PWC review and the national efficiency framework.
- Ensuring that the recovery and sustainability programme delivers cash releasing savings.
- Undertaking a critical review of investments already made and decommission where planned benefits are not realised.

This work will be fundamental in supporting the Health Board in developing a sustainable service model that is supported within the revenue and workforce constraints.

7. CONCLUSION & RECOMMENDATIONS

7.1 The Health Board is asked to:

- (i) **Note** the Health Board overspend to the end of February 2017.
- (ii) **Note** the movement in the Service Delivery Unit target positions and the shortfall in savings delivery
- (iii) **Note** the In-Year Financial Recovery proposals and the monitoring mechanisms
- (iv) **Note** the risk associated with the RTT performance funding
- (v) **Note** the balance sheet movements and forecast
- (vi) **Note** the forecast cash position and the actions necessary to manage the cash position; and
- (vii) **Note** the compliance with the Public Sector Payment Policy
- (viii) **Note** the current Capital Position of the Health Board.
- (ix) **Note** the Financial Framework for 2017/18

Appendix A

	Year To Date			Forecast		
Performance against CRL	Plan	Actual	Variance	Plan	F'cast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
All Wales Capital Programme:						
Schemes:						
HVS 1B Scheme 1 - Main Entrance	2,550	2,298	(252)	2,520	2,606	86
HVS 1B Scheme 2 - Clinical & Diabetic Accommodation	1,369	1,298	(71)	1,310	1,375	65
Modernising Pharmacy - Mobile devices	100	90	(10)	100	100	0
Morrison - Cardiac Centre	1,813	1,675	(138)	1,800	1,834	34
Renal Morrison	314	253	(61)	484	508	24
ARCH	705	838	133	1,100	1,089	(11)
WEDCIMS	118	132	14	144	200	56
Singleton Aseptic development	1,189	1,122	(67)	1,796	1,761	(35)
Modernising Pharmacy - Automated Ward Medicine Cabinets	138	0	(138)	138	142	4
Cath Lab B - Morrison Hospital	1,356	1,333	(23)	2,182	2,226	44
Cath labs - Princess of Wales Hospital	1,254	1,250	(4)	1,359	1,359	0
NP -ICT - Cyber Security	350	308	(42)	350	350	0
DSA (Digital Subtraction Angiography Room)- Morrison	311	232	(79)	1,310	1,310	0
Llansamlet Central Laundry	250	237	(13)	250	800	550
ETTF - Post Partum Haemorrhage Collaboration	36	36	0	36	36	0
Additional Pharmacy Equipment	197	248	51	514	514	0
IT LAN Communication system infrastructure on Morrison site	863	977	115	1,150	1,150	0
Replacement of Catheterisation Lab C	1,041	1,160	119	2,500	2,404	(96)
Linear Accelerator A	447	386	(61)	1,223	1,117	(106)
Endoscopy - POW & Singleton	93	91	(2)	946	946	0
Wireless Network Infrastructure - Singleton & Comm Hospital Sites	100	1	(99)	1,500	1,500	0
Environmental Modernisations and Estate Infrastructure Morrison, Singleton & PoW	406	286	(120)	1,500	1,447	(53)
Additional Capital Allocation - December	553	366	(187)	1,640	1,640	0
Additional Slippage Capital Allocation - January	321	121	(200)	2,000	2,000	0
LIMS (Interface & Peripheral costs)	0	0	0	30	30	0

Demolitions Morriston	305	963	658	1,500	1,409	(91)
DSA reallocation - two camera stacks at Morriston	0	0	0	150	150	0
Modernising Pharmacy - Cold Store	0	0	0	31	31	0
Modernising Pharmacy - Portable Particle Counter	0	0	0	11	11	0
Intermediate Care Funding	55	55	0	55	55	0
Renal IT system	0	0	0	45	45	0
Pharmacy - Mobile Devices (Transfer from C&V UHB)	0	0	0	6	6	0
EMRTS - North Wales	0	0	0	360	360	0
Sub Total	16,234	15,757	(477)	30,040	30,512	472
Discretionary:						
I.T.	2,783	2,375	(408)	3,296	3,135	(161)
Equipment	1,458	1,476	18	2,726	3,018	292
Statutory Compliance	0	0	0		0	0
Estates	5,192	4,744	(448)	8,306	7,703	(603)
Other	0	0	0			0
Sub Total	9,432	8,594	(838)	14,328	13,856	(472)
Total Expenditure	25,666	24,351	(1,315)	44,368	44,368	(0)
Donations:						
Donated	290	290	0	500	500	0
Sub Total	290	290	0	500	500	0
Asset Disposals:						
SMTL Equipment	23	23	0	23	23	0
Sub Total	23	23	0	23	23	0
Technical Adjustments			0			0
CHARGE AGAINST CRL	25,353	24,038	(1,315)	43,845	43,845	(0)
PERFORMANCE AGAINST CRL (Under)/Over		(19,807)			(0)	

