

SUMMARY REPORT		ABM University Health Board		
Health Board Briefing		Date : 25th May 2017 Agenda item: 2 (v)		
Subject	FINANCIAL REPORT – MONTH 1			
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 30 th April 2017.		Decision		
		Approval	x	
		Information	x	
		Other		
Promoting and Enabling Healthier Communities	Delivering Excellent Population Outcomes	Demonstrating Value and Sustainability	Securing a Fully Engaged and Skilled Workforce	Providing Effective Governance and Partnerships
				x
Executive Summary				
The report provides the Health Board with the following updates:- <ul style="list-style-type: none"> i. The financial position of the Health Board, including balance sheet, cash, capital and Public Sector Payment Policy compliance. 				
Key Recommendations				
The Health Board is asked to note the Financial Position of the Health Board for the 30 th April 2017 and the actions required to deliver and improve the forecast financial.				
Next Steps				
Monitor the outcome actions taken to monitor and address the financial performance.				

1. EXECUTIVE SUMMARY

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. 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 has submitted an Annual Operating Plan for 2017/18 for consideration by Welsh Government. The Health Board therefore failed to achieve this Statutory Duty.

To achieve financial breakeven over a rolling three year period, the second of which commenced on 1st April 2015 and will end on 31st March 2018. The Health Board delivered financial breakeven in 2014/15 and 2015/16, however in 2016/17 the Health Board reported an overspend of £39.317m and therefore failed to achieve this Statutory Duty.

Given the scale of the reported overspend in 2016/17, the Health Board would need to underspend by over £39m in 2017/18 to achieve the financial breakeven over the rolling 3 year period to achieve this Statutory Duty in 2017/18.

1.3 Summary of Key Financial Targets

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000	Forecast Risk
Reported year to date financial position – deficit/(surplus)	3,426	
Reported year to date compared to forecast financial plan deficit	426	
Current reported year end forecast – deficit/(surplus)	36,000	
Current projected forecast based on year to date financial performance – deficit/(surplus)	41,112	

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)	95.7	➡	
Cumulative year to date % of invoices paid within 30 days (by number)	96.2	➡	

2. INTERIM RESOURCE PLAN

- 2.1 The Health Board has submitted an Annual Operating Plan to Welsh Government for consideration. The Interim Resource Plan within the Annual Operating Plan currently produces a £36m deficit as set out in the table below:

	Interim Resource Plan £m
Additional Funding :	
General Allocation Uplift	(16.1)
New Treatment Fund	(2.8)
Mental Health/Intermediate Care Fund support/slippage	(2.0)
2017/18 Cost Pressures :	
Pay – Inflation, Apprenticeship Levy, Pension	11.8
Non-Pay inflation	4.9
ChC/Funded Nursing Care Inflation	1.5
NICE/High Cost Drugs	3.8
Primary Care Prescribing	2.5
Specialist Services	3.4
Primary Care – Enhanced Services	1.0
Demand/Demographic Growth	0
Sustaining services	0
Contingency	0
Carried Forward Deficit	53.0
Cost Down Savings Requirement	(25.0)
Plan Deficit	36.0

- 2.2 The 2017/18 Cost pressures have been thoroughly reviewed and wherever possible the mitigating actions have been identified to reduce the cost pressures, however there is a residual pressure of £28.9m, which is partially offset by additional Welsh Government income of £20.9m.
- 2.3 The Health Board's non-delivery of a breakeven position in 2016/17 and the inclusion of non-recurrent opportunities within the 2016/17 financial performance, has resulted in a carry forward deficit of £53m.
- 2.4 The Health Board is therefore facing a financial challenge of £61m for 2017/18 prior to the delivery of any savings.
- 2.5 In 2016/17, the Health Board delivered around £14.6m of cost down savings through operational delegated budgets. It should be noted that around £5m of these savings were considered to be non-recurrent in nature, thereby reducing recurrent delivery to around £10m. In 2017/18, the Health Board is planning to deliver £16m of cost down savings, which equates to around 2.75% of relevant operational budgets. Whilst this represents a marked increase in savings delivery requirement, it will be supported by the Recovery and Sustainability Programme, the baseline benchmarking performance packs produced for each Service Delivery Unit and the outputs from the National Efficiency Framework.

- 2.6 In addition, the Health Board is targeting a further £9m of savings through more focussed use of available substantive workforce and service redesign.

3. REVENUE POSITION

3.1 Summary Revenue Position

The Health Board has reported a £3.426m overspend to the end of April 2107, against the £3m that could be anticipated given the £36m deficit forecast in the 2017/18 Annual Operating Plan. The Health Board expenditure to date is therefore £0.426m above the financial plan of the Annual Operating Plan. The table below provides a summary of the key variances in month and for the year to date.

	In Month Position			Year to Date Position		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Income	(103,882)	(104,095)	(213)	(103,882)	(104,095)	(213)
Pay	52,239	51,946	(293)	52,239	51,946	(293)
Non Pay	51,643	55,575	3,932	51,643	55,575	3,932
Total Position	0	3,426	3,426	0	3,426	3,426

3.2 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	(84,588)	(84,588)	0	(84,588)	(84,588)	0
Income from Activities	(16,469)	(16,490)	(21)	(16,469)	(16,490)	(21)
Other Operating Income	(2,825)	(3,017)	(192)	(2,825)	(3,017)	(192)
Total Income	(103,882)	(104,095)	(213)	(103,882)	(104,095)	(213)

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 from the Injury Cost Recovery Scheme remains low.

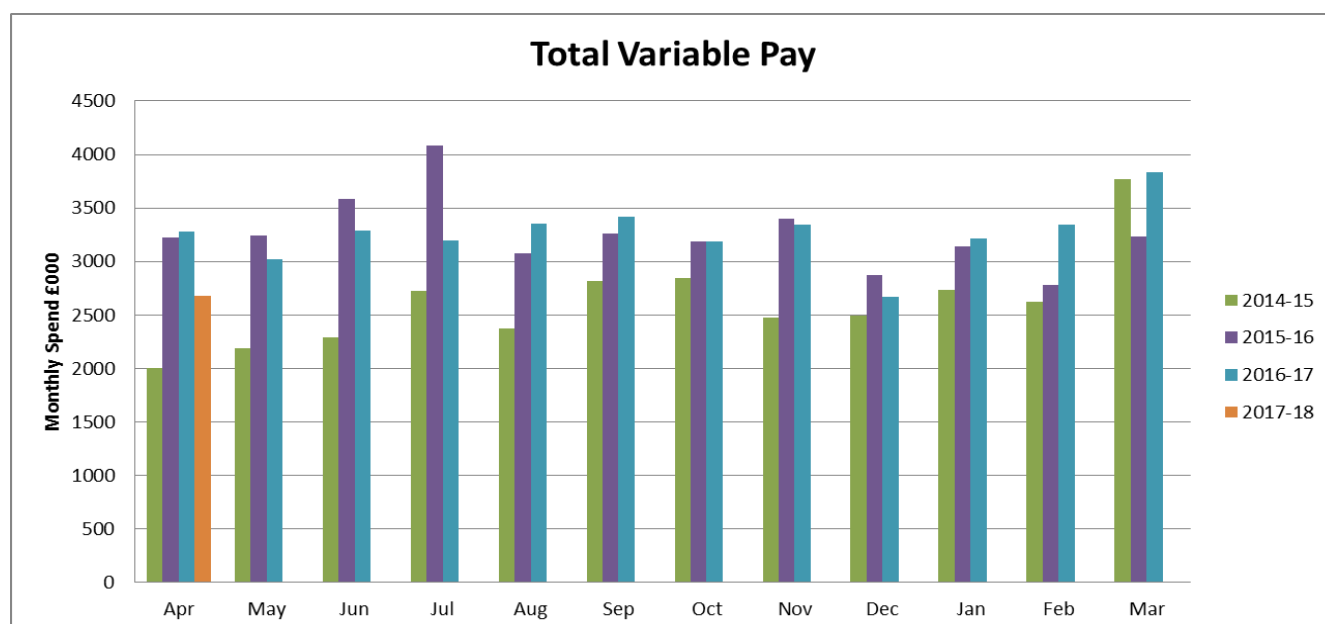
3.3 Pay

The Health Board is reporting an underspend against Pay Budgets in April, however it must be noted that much of the savings requirement will need to be delivered through pay budgets which will require a significant reduction in current pay costs. Within the underspend, there are two key areas of overspend: Medical staff and Nursing, including registered nursing and 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	6,747	6,542	(205)	6,747	6,542	(205)
Medical & Dental	13,070	13,227	157	13,070	13,227	157
Nursing & Midwifery	17,110	16,563	(547)	17,110	16,563	(547)
Add Clinical Services - Nursing	4,452	5,126	674	4,452	5,126	674
Add Clinical Services – Non-Nursing	1,277	1,224	(53)	1,277	1,224	(53)
AHPs	3,469	3,193	(276)	3,469	3,193	(276)
Add Prof, Tech & Scientific	1,754	1,606	(148)	1,754	1,606	(148)
Healthcare Scientists	1,327	1,373	46	1,327	1,373	46
Estates & Ancillary	3,008	3,077	69	3,008	3,077	69
Students	17	15	(2)	17	15	(2)
Vacancy Factor	8	0	(8)	8	0	(8)
Total Pay Expenditure	52,239	51,946	(293)	52,239	51,946	(293)

The Variable Pay bill is a key area of focus for the Health Board. The graph below illustrates the reduction in variable pay expenditure.

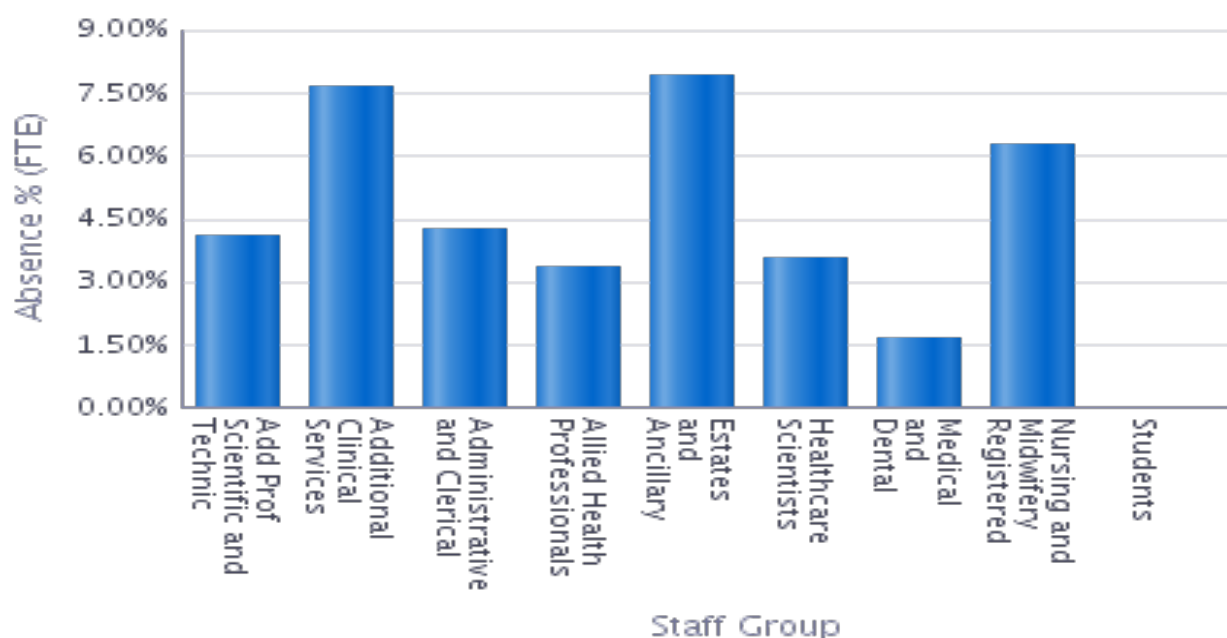


The Health Board is experiencing increasing levels of sickness absence, with the reported cumulative sickness absence to the end of March being 5.7%. This has implications on variable pay.

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

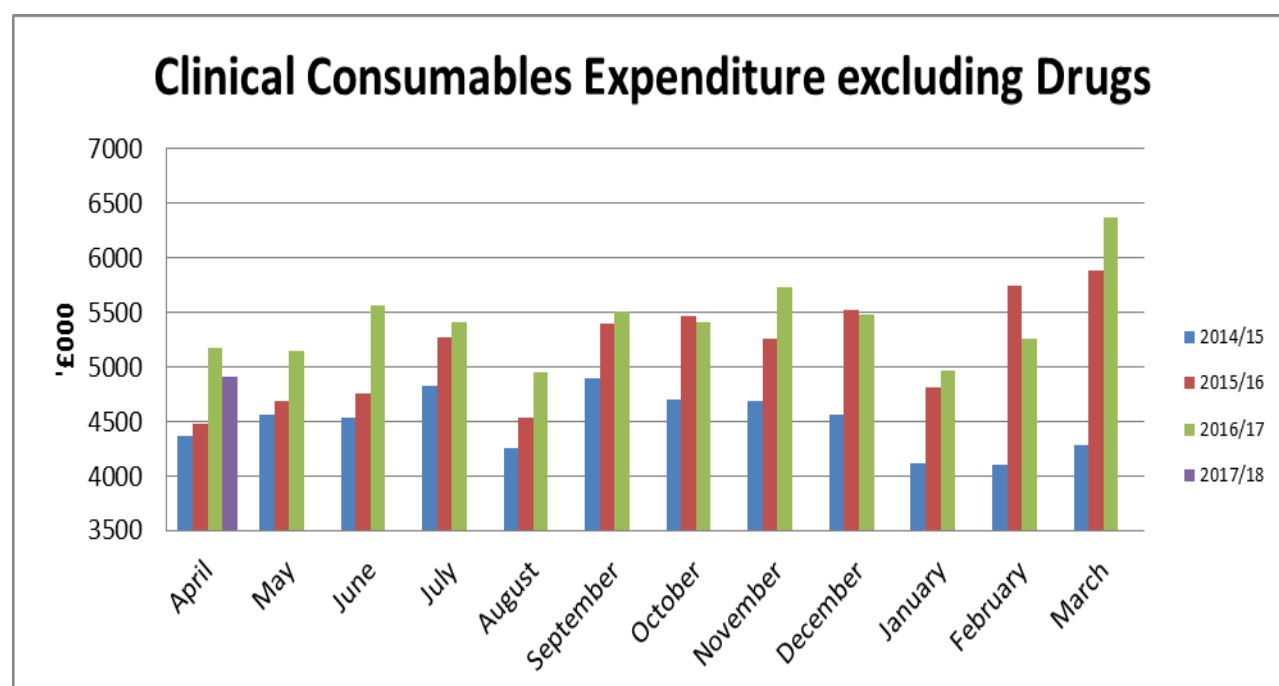
Estates and Ancillary and Registered Nurses and Midwives are all significantly above the 5% sickness absence target.

The Health Board has an Absence project which is reviewing all aspects of sickness absence. One of the key areas of focus is how staff are supported to improve resilience and prevent sickness absence episode occurring.



3.4 Non Pay

The most significant non-pay expenditure is within Clinical Supplies and services. The expenditure in this area has grown steadily throughout recent years. The expenditure in April 2017 has shown a reduction, this may reflect the reduced level of activity in April due to Easter period.



3.5 Financial Performance of Service Delivery Units and Directorates

The Budgetary Framework set out in the Interim Resource Plan has allowed delegated budgets to be initially rebased to reflect the financial performance of 2015/16.

The financial performance deteriorated in 2016/17, much of this deterioration relates to the non-identification and delivery of the 2016/17 Savings requirements, however there are some cost pressures that relate to activity and service changes. Each Service Delivery Unit and Directorate has therefore assessed the underlying carry forward. These are being reviewed and challenged by the Executive Team. Where a pressure is recognised funding will be allocated to meet the pressure. This will provide each Service Delivery Unit and Directorate with a very clear understanding of the scale of the challenge it is required to meet.

The table below sets out the Month 1 financial performance against the assessed underlying carry forward.

	Assessed Underlying Position £000	Total Overspend £000	Variance from Planned Position £000
Nurse Director	4	0	-4
Medical Director			
• Med Director	0	-14	-14
• Informatics	73	79	6
Workforce & OD Director	36	27	-9
Director of Strategy	275	176	-99
• Planning	122	77	-45
• Hotel Services	153	99	-54
Chief Operating Officer	1,370	1,585	108
• Singleton	213	383	170
• POW	255	401	146
• Morriston	726	964	238
• MH & LD	168	-167	-335
• PCC	4	54	50
• NPT	4	-50	-58
Other Corporate	8	-7	-15
Directorates	8	-6	-14
• Board Secretary	0	1	1
• Director of Therapies	0	-2	-2
• Finance			
Delegated Position	1,765	1,846	81
Corporate Plan	1,235	1,580	345
Health Board Position	3,000	3,426	426

3.6 Savings Requirement

The Health Board Annual Operating Plan established a savings requirement of £25m for 2017/18.

The Delegated Savings Target represents a savings delivery requirement of £16m which equates to around 2.75% on non-ring-fenced delegated budgets. In addition, the Health Board has identified a further £9m of corporate led schemes. The table below sets out the savings requirements by Service Delivery Unit and Directorate, the savings identified to date which are categorised by risk status and the level of savings yet to be identified.

	Savings Target £000	Green/Amber Schemes £000	Red Schemes £000	Savings yet to be identified £000
Singleton Delivery Unit	3,010	2,075	700	235
POW Delivery Unit	2,407	975		1,432
Morrison Delivery Unit	4,685	1,900	1,000	1,785
P.C. & Community DU	2,233	1,646	185	402
NPT Delivery Unit	1,294	461	300	533
Planning	409	330	0	79
Hotel Services	885	463	240	182
Informatics	297	277	0	20
Corporate Directorates	564	110	0	454
Corporate Schemes	9,216	0	9,000	216
Savings Target	25,000	8,237	11,425	5,338

The table shows that schemes equating to almost £20m have been identified, of which £8.2m are risk rated Green or Amber and a further £11.4m are risk rated Red.

The Health Board Recovery and Sustainability Programme is supporting the on-going identification of savings and the monitoring of savings delivery. In addition to the locally identified opportunities there are a range of Health Board wide workstreams to support savings delivery:

- Service Reconfiguration and Rationalisation
- Unwarranted Clinical Service Variation
- Workforce Redesign
- Digital Strategy
- Back Office Functions
- Medicines Optimisation.

4. FINANCIAL RISKS

4.1 The Health Board's Resource Plan contains a range of risks and opportunities that needed to be managed or mitigated during the course of the financial year. The key risks include:

- The financial plan requires the delivery of at £25m of savings, this is above the levels delivered in recent years and will prove challenging. The Health Board focus on Recovery and Sustainability will assist in mitigating the risk of non-delivery.
- The financial plan requires increasing service demands to be managed through efficiency and productivity gains. The identification of these

opportunities have been supported by benchmarking analysis and the delivery will be supported and monitored by the Recovery and Sustainability Programme.

- The Health Board financial plan does not include resource to sustain the current levels of RTT performance. Discussions are on-going with Welsh Government for additional support, however if no support is provided the Health Board will be faced with either worsening RTT performance or worsening financial forecast.
- The NICE drugs cost growth in 2017/18 was assessed to be in the region of £4m. There are a number of new drugs due to be NICE approved and the cost growth will need to be closely monitored.
- There are a number of workforce issues that reflect potential risks to the Health Board. The availability of workforce in some staff groups is resulting in higher levels of variable pay, this is being mitigated through focused recruitment campaigns and the redesign of the current workforce models. There are particular concerns regarding the sustainability of some GP Services.

The risks and opportunities will continue to be managed through the financial year and efforts made to mitigate the risks.

At this early stage is it difficult to provide a robust forecast as the savings are still being worked through and impacts of new costs are being evidenced. The forecast will be reviewed and updated at the end of Quarter 1.

5. BALANCE SHEET

5.1 Balance Sheet

	Balance as at 1 st April 2017 (£000)	Balance as at 30 th April 2017 (£000)
Tangible & Intangible Assets	594,905	594,185
Trade & Other Receivables	85,318	85,318
Total Non-Current Assets	680,223	679,503
Inventories	10,455	10,269
Trade & Other Receivables	64,739	67,119
Cash	725	3,242
Non-Current Assets Held for Sale	1,875	1,875
Total Current Assets	77,794	82,505
Trade & Other Payables	149,419	151,879
Provisions	33,777	33,341
Total Current Liabilities	183,196	185,220
Trade & Other Payables	46,222	46,615
Provisions	92,168	92,168

Total Non-Current Liabilities	138,390	138,783
Total Assets Employed	436,431	438,005
General Fund	408,605	410,179
Revaluation Reserve	27,826	27,826
Total Taxpayers Equity	436,431	438,005

5.1.1 Balance Sheet Assets and Liabilities

The key movements on the balance sheet during April 2017 and December 2016 relate mainly to movements in current trade and other receivables, current trade and other payables and cash.

The increase current trade and other receivables is mainly due to the accrual of LTA income from other LHB's not paid in April.

The increases in trade payables figures is due to an increase in unpaid invoices on the creditors control accounts plus accruals for invoices not yet received for the month of April.

The cash balance at the end of April amounted to £3.242m with the increase in from the year end figure of £0.725m being due to lower payments than anticipated by Accounts Payable.

5.2 Cash

The closing April cash balance for the Health Board amounted to £3.242m which is above the month end cash target set by the Health Board of between £1m and £2m. The higher cash balance arose as a result of lower than forecast cash payments to suppliers by Accounts payable during the month.

The only option available to the Health Board to reduce the cash requirement is to reduce payments to non NHS suppliers.

5.3 Public Sector Payment Policy (PSPP)

During April the Health Board achieved a compliance level of 94.8% of supplier invoices paid within the 30 day target, as compared to the target figure of 95%, Work is ongoing with NWSSP Accounts Payable to understand the reasons for the non-compliance with the target during April. The Health Board is continuing to work with NWSSP Accounts Payable to ensure prompt authorisation of invoices and receipting of goods.

5.4 Capital

The approved Capital Resource Limit (CRL) value for 2017/18 is £34.208m. See full details below on the approved schemes under the All Wales Capital Programme. Following a review of the draft Capital Plan by the Executive Strategy Group (ESG) in April 2017, a further updated Plan is being produced to be presented to Executive Team in May 2017. The draft discretionary plan

includes a provision for the repayments required to Welsh Government as detailed in the CRL below.

Abertawe Bro Morgannwg ULHB		
Capital Resource Limit (CRL)	2017/18 Capital Resource Limit (CRL) - 5th May 2017	2017/18 £m
	1) DISCRETIONARY CAPITAL FUNDING	15.408
	2) CAPITAL PROJECTS WITH APPROVED FUNDING	18.800
	Morrison - HVS Phase 1B (S1) Fees & Build Main Scheme	0.240
	Morrison - Renal unit refurbishment	5.150
	National Programme - Linear Accelerator A	3.549
	Land at Morrison - Plots B&C	0.713
	Wireless Network Singleton Hospital & Community hospital sites	1.962
	Endoscopy - PoW and Singleton	0.400
	Environmental & Estate Infrastructure - Morrison, Singleton & PoW	6.268
	Demolitions	3.284
	Cefn Coed - repayment Tonna	-0.836
	Cefn Coed - repayment Works	-0.896
	Singleton Aseptic development	0.600
	Cath labs - Princess of Wales Hospital	0.300
	WEDCIMS	0.270
	Renal IM&T	0.065
	Cath Lab B (Morrison)	0.081
	Cath Lab A (Morrison)	0.076
	Repayment of Land Morrison Land	-2.426
	TOTAL CRL (Approved Funding)	34.208

The spend 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.

6. CONCLUSION & RECOMMENDATIONS

6.1 The Health Board is asked to:

- (i) **Note** the Health Board overspend to the end of April 2017.
- (ii) **Note** the movement in the Service Delivery Unit financial performance.
- (iii) **Note** the identification of schemes to meet the savings requirement and the monitoring mechanisms in place.

- (iv) **Note** the risks and opportunities within the financial plan, particularly those associated with the RTT performance funding.
- (v) **Note** the balance sheet movements.
- (vi) **Note** the cash position.
- (vii) **Note** the compliance with the Public Sector Payment Policy; and
- (viii) **Note** the capital programme.