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Bwrdd Iechyd Prifysgol
Abertawe Bro Morgannwg
University Health Board



Meeting Date	31st May 2018		Agenda Item	3i(b)
Report Title	FINANCIAL REPORT – MONTH 1			
Report Author	Samantha Lewis, Assistant Director of Finance			
Report Sponsor	Lynne Hamilton, Director of Finance			
Presented by	Lynne Hamilton, Director of Finance			
Freedom of Information	Open			
Purpose of the Report	The report advises the Board of the Health Board financial position for Period1 (April 2018).			
Key Issues	<p>The report invites the Board to note the detailed analysis of the financial position for Period 1 2018/19.</p> <p>The report also invites the Board to note the capital budget forecast position, cash position and key balance sheet movements.</p>			
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance	Approval
		✓		
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • Consider and comment upon the Board's Period 1 financial performance. 			

FINANCIAL REPORT – MONTH 1

1. INTRODUCTION

The report advises the Board that the Period 1 (April 2018) revenue financial position is an overspend of £2.365m.

The report invites the Board to note the detailed analysis of the revenue financial position and to consider the impact of the Recovery and Sustainability workstreams on the Financial Plan.

The report also invites the Board to note the capital budget forecast position, cash position and key balance sheet movements.

2. BACKGROUND

2.1 The Health Board has two key statutory duties to achieve:

- **To submit an Integrated Medium Term Plan (IMTP) to secure compliance with breakeven over 3 years.**

2016/17 No Approved Plan

2017/18 No Approved Plan

2018/19 No Approved Plan

The Health Board will fail to achieve this Statutory Duty.

- **To achieve financial breakeven over a rolling three year period, which commenced on 1st April 2016 and will end on 31st March 2019.**

2016/17 £39.3m Overspend

2017/18 £32.4m Overspend

2018/19 £25.1m Forecast Overspend

The Health Board will fail to achieve this Statutory Duty.

2.2 Summary of Performance against Key Financial Targets

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
Reported year to date financial position – deficit/(surplus)	2,365
Reported year to date financial position compared to forecast deficit plan	278
Current year-end Forecast – deficit/(surplus)	25,048
Capital KPIs: To ensure that costs do not exceed the	Value

capital resource limit set by Welsh Government	£000
Reported in month financial position – deficit/(surplus)	(41)
PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice	Value %
Cumulative year to date % of invoices paid within 30 days (by number)	94.0

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board has reported an in-month overspend of £2.365m in Period 1 (April 2018).

This in-month overspend is £0.278m above that which should be anticipated based on the £25m planned forecast deficit.

The key reason for the overspend above the planned forecast deficit is the non-delivery of the required level of savings. This non-delivery has been partially offset in-month by the release of slippage on planned commitments held in reserve. **Slide 1**

3.1.2 Income

Income budgets have reported an under-achievement of £0.961m in Period 1. However this is almost wholly related to R&D income which has not been correctly recorded. This correction would result in pay and non-pay positions deteriorating by £0.5m and £0.4m respectively. This will be corrected for Period 2.

3.1.3 Pay

Pay budgets have reported an underspend of £1.107m, this will reduce to £0.607m when the R&D adjustment is made. The most significant areas of underspend are :

- Registered nursing budgets are underspent by £0.7m which has been partially offset by HCSW overspends of £0.4m; and
- Medical staff budgets are underspent by £0.3m.

Slide 5

3.1.4 Non Pay

Non-pay budgets have reported an overspend of £2.5m, which will increase to £2.9m when the R&D adjustment is made.

The non-pay position includes an anticipated £2.1m planned deficit.

Following the budget rebasing undertaken for the start of 2018/19, non-pay budgets and expenditure are better aligned. The non-pay overspend is in the main linked to the savings non-delivery, both in terms of 2018/19 savings requirements and the 2017/18 savings included in the underlying financial position.

3.1.5 Savings Requirement

The Health Board Annual Operating Plan established a savings requirement of £21.2m for 2018/19. The identification and delivery of the savings requirement has been attributed to Executive led workstreams and is being managed through the Recovery and Sustainability Programme.

Slide 4.

To date the Health Board has identified £9.5m of schemes rated as Green and Amber (fully worked up plans) at the end of April, this is around 45% of the savings requirement.

The Health Board is focussed on delivering fully worked up plans for the remaining 55% of the savings requirement by the end of Quarter 1. This is essential if the £25m forecast deficit is to be delivered.

3.1.6 Recovery & Sustainability Programme

At the Board meeting in January, the Board were briefed on changes to the approach and organisation of the Recovery and Sustainability (R&S) delivery programme. In particular, the Board noted that the Programme delivery work streams have been aligned with the financial plan and Executive Directors (as Senior Responsible Owners) had been tasked with identifying robust and detailed plans in preparation for the start of the financial year. The report in March noted that it was not possible at that point to provide full assurance that the programme will deliver the totality of savings required and that further work was being taken forward to improve delivery confidence across the Programme.

In April, Performance and Finance Committee received a further report summarising the work undertaken and the level of delivery confidence and risk across the Programme. Progress has been made in a number of areas and delivery confidence against a number of work streams has improved. The majority of work streams now have detailed (weekly) milestones for quarter 1 and a monthly financial delivery profile in place. PFC also considered an overall 'Risk and Opportunities' schedule and this will be updated on a monthly basis.

There are a number of elements of the financial plan where delivery confidence remains low including the review of mental health services, reducing waste, harm & variation and workforce redesign. A 'workforce redesign' workshop took place in early May and this was helpful in formulating an outline plan which is now being progressed. Discussions have also

progressed to further develop clinical variation work stream and a workshop on 'Value and Variance' was held on 11th May. There will be scrutiny of the Review of Mental Health Services at the next PFC meeting scheduled for 23rd May.

The Board will also wish to note that the Health Board is currently engaging on a range of proposals linked to the service remodelling work stream which includes a number of service changes initiated in 2017/18 which were supplemented by new proposals aligned with the 2018/19 financial plan. The engagement is scheduled to end on 27th June, and the Board will receive a comprehensive report at the July meeting following consideration of the engagement outcomes by the Community Health Council.

In conclusion, governance around the R&S programme has been strengthened with robust scrutiny on a monthly basis undertaken by the Performance & Finance Committee. However, there are significant risks within the Programme and further work is required by all work streams to strengthen the identification and delivery of plans. The R&S Board will continue to consider what further actions may be required to consider mitigations if the level of savings required to deliver the financial plan remains at risk.

3.1.7 Revenue Risks and Opportunities

Within the Health Board forecast of £25m, a number of risks and opportunities are being mitigated and managed. The key risks and opportunities are shown in **Slide 6**. These risks are updated each month and are reviewed by the Performance and Finance Committee.

3.2 Capital

The approved CRL value for 18/19 is £19.265m. See full details below on the approved schemes under the All Wales Capital Programme.

Abertawe Bro Morgannwg ULHB		
Capital Resource Limit (CRL)	2018/19 Capital Resource Limit (CRL) - 24th April 2018	2018/19 £m
	1) DISCRETIONARY CAPITAL FUNDING [A]	13.000
	2) CAPITAL PROJECTS WITH APPROVED FUNDING [B]	6.265
	Morrison - HVS Phase 1B (S1) Fees & Build Main Scheme	0.180
	Morrison - Renal unit refurbishment	0.614
	National Clinical Systems	0.858
	Wireless Network Singleton Hosp & Community hospital sites	0.620
	Repayment of Land Morrison Land (Plot D)	-1.007

	Neonatal and Post-Natal Capacity at Singleton Hospital	5.000
	TOTAL CRL [C = A+B] (Approved Funding)	19.265

The Discretionary Capital Plan was approved by the Board on the 29th March 2018 and includes a provision for the repayment required for land as detailed in the CRL above.

The spend across all schemes in Month 1 totalled £0.612m. Profiles for discretionary 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.

The estimated spend for Welsh Government funded schemes has been reviewed and the requirement in 2018/19 for National Clinical Systems is estimated at £0.790m compared to the allocation of £0.858m above. The difference of £0.068m will be reported to Welsh Government through the individual monthly Project Progress Reports. This will then be added to the 2018/19 discretionary allocation and will need to be re-provided from discretionary capital in 2019/20.

3.3 Balance Sheet

The movement on the on the balance sheet during April 2018 saw an increase of £2.636m in net assets employed (0.59%). Total assets increased by £1.291m with total liabilities reducing by £1.345m.

The main increase in assets was in cash held which increased by £1.098m from the year-end cash balance of £0.491m. During April there was also an increase in trade receivables of £1.521m which was primarily due to an increase in NHS debtors as NHS invoice payments tend to be slower in April due to organisations focussing on closure of year end accounts.

The reduction in liabilities was due to a reduction in trade and other payables, primarily in goods received not invoiced as a number of items receipted at year end were cleared by payment in April. This follows the trend of previous years.

3.4 Cash

The closing April cash balance amounted to £1.589m which is in line with the plan to hold between £1m and £2m of cash at the end of the month in accordance with the Welsh Government best practice figure. An initial cash forecast for 2018/19 indicates a cash deficit of £29m for the 2018/19 financial year although the cash forecast will require more detailed work once the audit of the 2017/18 accounts is complete. It must be noted that any cash deficit will again need to be funded by a mix of working balances cash support and strategic cash assistance with any strategic cash

assistance required adding to the £55.292m strategic cash assistance already provided up to 31st March 2018. Repayment of this cash assistance will be required in accordance with the Health Board's future Integrated Medium Term Plan submissions.

3.5 Public Sector Payment Policy (PSPP)

During April the health board did not achieve the 95% PSPP in month target with 93.74% of supplier invoices paid within the 30 day target. The reason for the failure to achieve PSPP compliance in month was primarily due to delays in receipting of Oracle purchase orders (465 invoices) and delays in manual authorisation of non purchase order invoices (386 invoices).

4 RECOMMENDATION

The Board is invited to consider and comment upon the Board's Period 1 financial performance, in particular:

- i. the revenue outturn position; in-month overspend of £2.365m, the revenue forecast position and the revenue risk profile in particular in connection with the Recovery and Sustainability Programme delivery confidence;
- ii. the capital forecast position;
- iii. balance sheet movements;
- iv. cash position; and
- v. performance against the Public Sector Payment Policy compliance.

Governance and Assurance					
Link to corporate objectives <i>(please ✓)</i>	Promoting and enabling healthier communities	Delivering excellent patient outcomes, experience and access	Demonstrating value and sustainability	Securing a fully engaged skilled workforce	Embedding effective governance and partnerships
					✓
Quality, Safety and Patient Experience					
Financial Governance supports quality, safety and patient experience.					
Financial Implications					
No Implications for the Board to be aware of.					
Legal Implications (including equality and diversity assessment)					
No Implications for the Board to be aware of.					
Staffing Implications					
No Implications for the Board to be aware of.					
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)					
No implications for the Board to be aware of.					
Report History	Board receives an update on the financial position at every meeting.				
Appendices	Appendix 1 – Appendix 2 -				

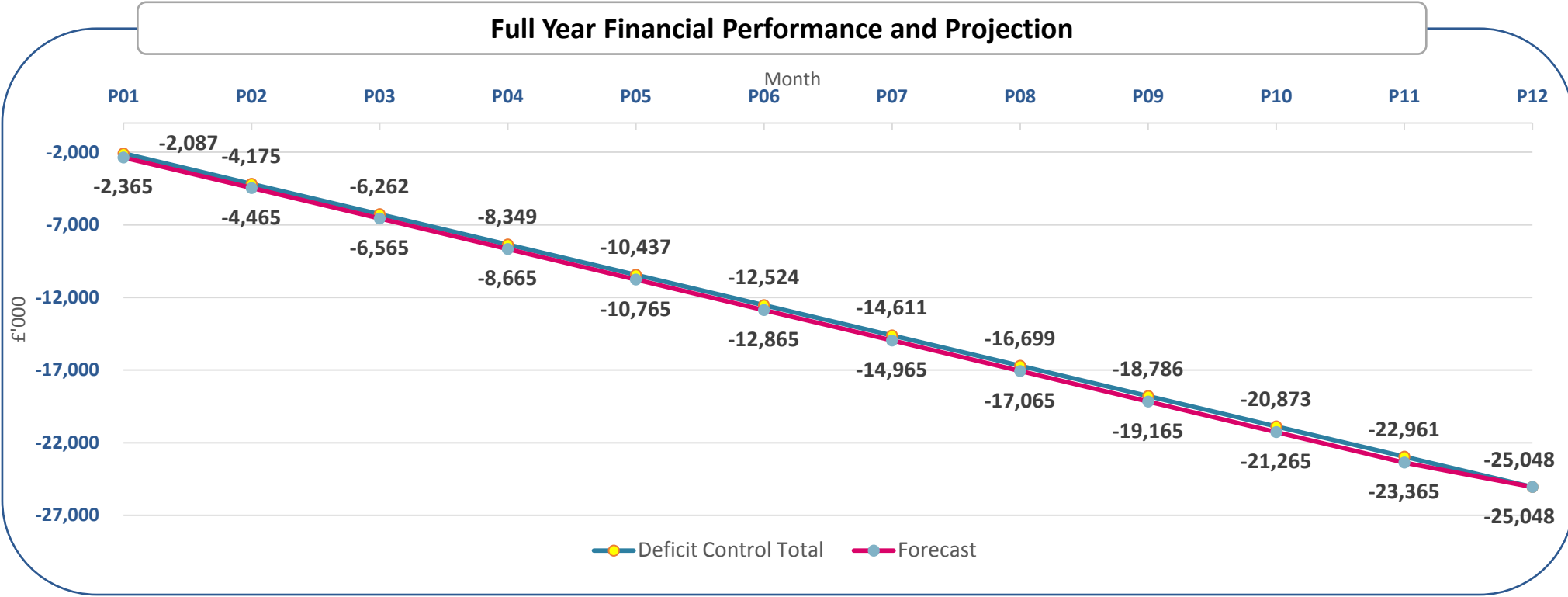


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ABMU FINANCE DEPT. HEALTH BOARD REPORT

Period 01 Data (April 2018)

In Month					Cumulative					Forecast				
£ 2,365,121 overspent					£ 2,365,121 overspent					£25,048,000 overspent				
Type	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance	Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance	Type	Full Year Budget (£'000)	Full Year Forecast (£'000)	Forecast Variance (£'000)	% Variance
Income	(19,458)	(18,497)	961,670	4.94%	Income	(19,458)	(18,497)	961,670	4.94%	Income	(225,779)	(225,779)	-	-
Pay	52,988	51,882	(1,107)	(2.09%)	Pay	52,988	51,882	(1,107)	(2.09%)	Pay	646,245	646,245	-	-
Non Pay	52,670	55,180	2,510	4.77%	Non Pay	52,670	55,180	2,510	4.77%	Non Pay	890,897	915,945	25,048	2.80%
Total	86,200	88,565	2,365	2.74%	Total	86,200	88,565	2,365	2.74%	Total	1,311,363	1,336,411	25,048	1.90%



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) – Forecast Red	2,365	➡
Reported year to date financial position – deficit/(surplus) – Forecast Red	2,365	➡
Reported year to date compared to forecast financial plan deficit – Forecast Amber	278	⬇
Current reported year end forecast – deficit/(surplus) – Forecast Red	25,048	➡

Capital		
Capital KPIs: To ensure that costs do not exceed the Capital resource limit set by Welsh Government	Value £000	Trend
Current reported year end forecast – deficit/(surplus) – Forecast Green	Breakeven	➡

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 Amber	93.74%	⬇

Revenue Narrative

1. The Health Board P1 in month position is an overspend of £2.365m
2. This position is £0.277m above the £2.087m overspend that could be anticipated based on the £25m forecast deficit.
3. The Health Board has reported slippage against savings requirements of £0.421m
4. The Health Board has deployed £0.167m of reserve slippage against planned commitments. This represents 1/12th release at this point.

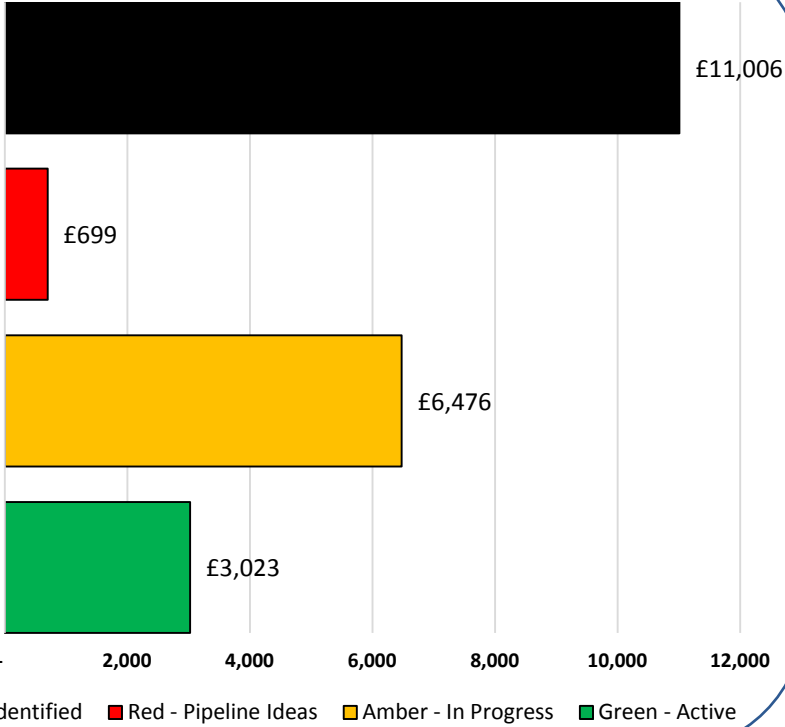
Capital Narrative

1. Approved CRL value for 18/19 is £19.265m which includes Discretionary Capital and the schemes under the All Wales Capital Programme. (See Annex)
2. Spend across all schemes in Month 1 totalled £0.612m.
3. The Discretionary Capital plan was approved by the Health Board on the 29th March 2018. Profiles for discretionary schemes are currently being confirmed and performance against these profiles will be reported in the Month 2 position.
4. Schemes under the All Wales Capital have been reviewed and spend on National Clinical Systems in 2018/19 is estimated at £0.068m less than the allocation, This will be reported to Welsh Government through the individual monthly Project Progress Reports, the slippage will be added to the 2018/19 discretionary allocation and be re-provided from discretionary capital in 2019/20.

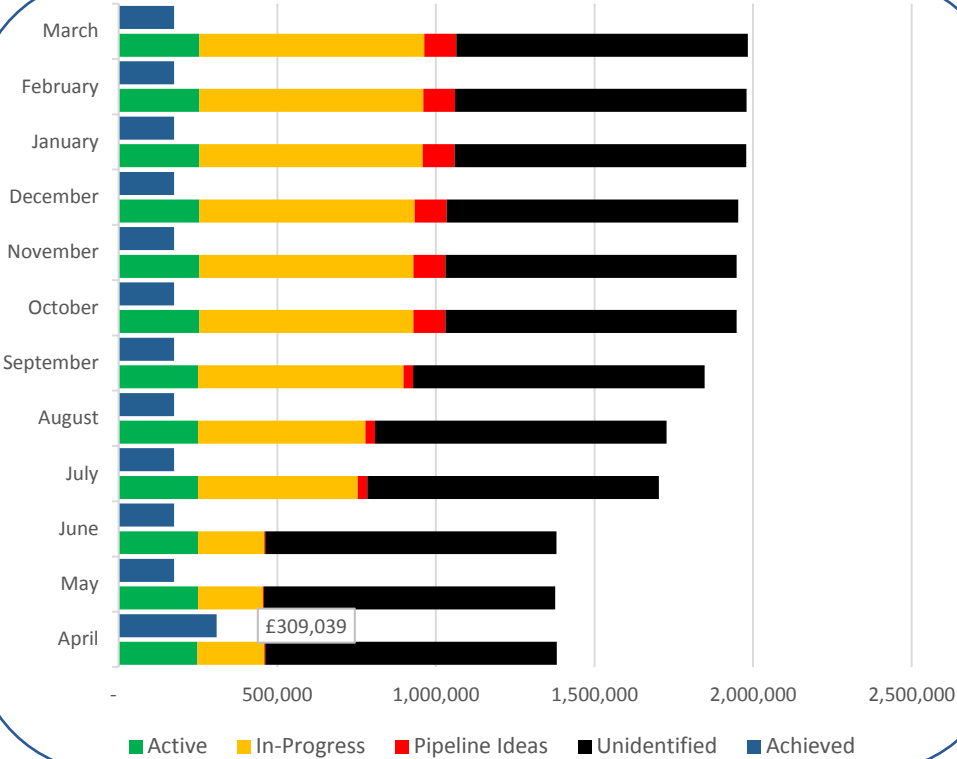
PSPP Narrative

1. The number of invoices paid within 30 days for Month 1 2018/19 was below the 95% target.
2. The majority of invoices paid outside the 30 day target were caused by
 - Delays in receipting of goods
 - Delays in Authorisation of invoices

Trend over time



Current Profile of Savings



Narrative

- The Health Board has £9.5m of fully worked up schemes (45%)
- The Recovery & Sustainability Programme is focused on working up the remaining £11.7m into fully developed schemes by the end of Quarter 1
- The Recovery and Sustainability Board will be considering mitigating actions at its meeting on Monday 21st May.

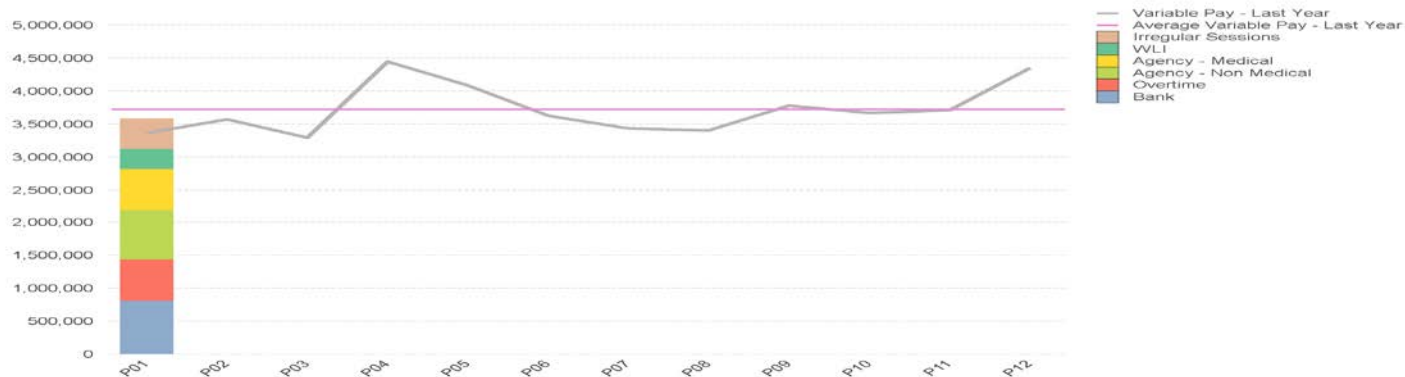
Narrative

- The Health Board is reporting slippage against the Period 1 savings profile for Green and Amber schemes. An element of this may reflect early reporting issues as some units are reporting no delivered savings.
- Given the early stage in the financial year it is expected that this slippage is recoverable.

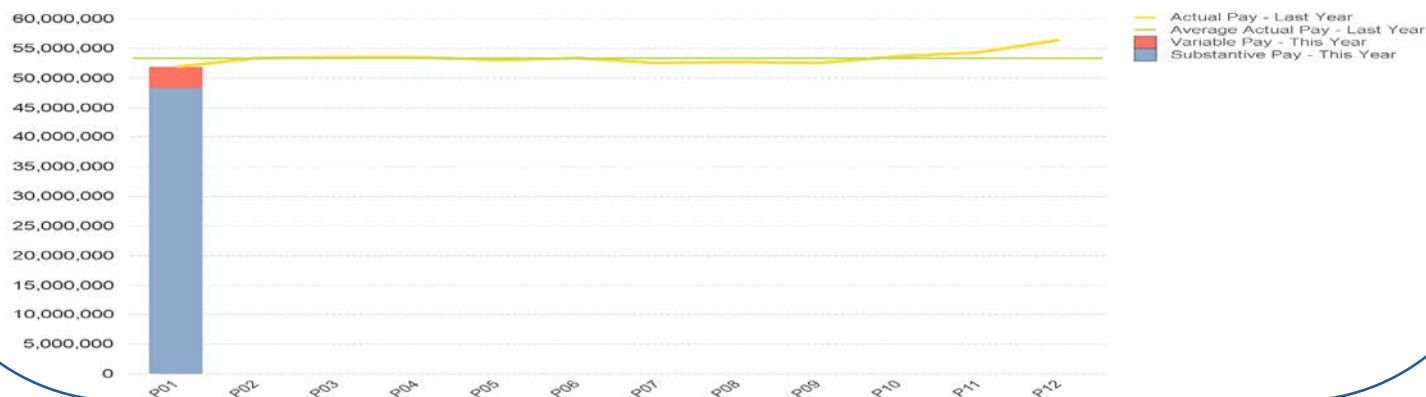
Actual Pay Expenditure This Year and Last Year



Variable Pay Expenditure This Year and Last Year



Substantive & Variable Pay Expenditure This Year and Last Year



- The overall pay expenditure in P01 is below the average for 2017/2018 and in line with the actual P01 in 2017/18.
- The variable pay spend in P01 is lower than the average for 2017/18. The health Board continues to see a reduction in Medical Agency spend, which is currently below the target set based on the Cap Modelling work.

#	Issue	Description	Opportunity (Best Case) £000	Risks (Worse Case) £000	Most Likely £000	Key Decision Point and Summary Mitigation	Risk Owner Name
	Annual Plan Deficit		-25100	-25100	-25100		
1	Underlying Position Savings not Delivered	\$117 anticipated income not able to be recovered or offset by counter-charges	-500	-1400	-1400	Review and discussions ongoing with LAs to develop a clear charging protocol and to review existing client arrangements.	David Roberts, Service Director, MH&LD
2	Underlying Position Savings not Delivered	Slippage or no plan to deliver the service changes anticipated within the underlying position	-500	-1100	-1100	Consultation on some schemes has commenced and slippage is being minimised. Where no plan to deliver the service change is in place or service change is no longer considered viable, alternative schemes are being sought.	Sian Harrop-Griffiths, Director of Strategy
3	Operational expenditure reductions are not sustained	Operational expenditure reductions experienced in 2017/18 are not sustained and some increase in operational expenditure is experienced.	0	-2000	-1000	Financial Control measures to be continued, including vacancy control panel.	Chris White, Interim Chief Operating Officer
4	2018/19 Savings not fully delivered	Not all of the £21.273m 2018/19 savings requirement has been fully identified. This therefore increases the risk of non-delivery	-2000	-5000	-5000	The identification and delivery of savings are being closely reviewed by the Recovery & Sustainability Programme Board chaired by the CEO and through the Service Financial Recovery Meetings. Continued non-delivery will be escalated, to enable mitigating actions to be considered.	Lynne Hamilton, Director of Finance
5	ChC Ombudsman	The annual plan includes £1.5m for the settlement of ChC Ombudsman claims. There is a potential that if all claims are fully discharged in 2018/19, the impact could be higher than £1.5m	0	-600	0	Review settlements and closures on a quarterly basis	Lynne Hamilton, Director of Finance
6	Nurse Staffing Act	The HB has reviewed the NSA compliance across the 39 wards included within the NSA. Whilst compliance has been confirmed with the basic principles of the NSA, further work is being undertaken on acuity and professional judgement	-500	-1500	-1000	Initial scrutiny panels have been held. Further benchmarking and peer review to be undertaken prior to a follow up scrutiny panel	Angela Hopkins, Interim Director of Nursing & Patient Experience
7	Non-recurrent Mitigating Benefits	It is anticipated that Non-recurrent mitigating benefits will materialise in 2018/19	5000	3000	4000	Whilst these non-recurrent mitigating benefits are not yet confirmed/planned based on previous years, this range would seem reasonable	Lynne Hamilton, Director of Finance
8	Mitigating Actions - Holding of Commitments	The financial plan includes a range of expenditure commitments to improve service sustainability and efficiency. To enable the identified risks to be managed some of these could be held back.	0	1000	1000	Expenditure commitments reviewed and commitments to be held identified. An assessment of the impact of these actions on performance and service delivery must be undertaken	Lynne Hamilton, Director of Finance
9	Mitigating Actions - Internal Invest to Save Programme	The HB has established an Internal Invest to Save programme. This could be held back if identified risks are not able to be managed	1500	1500	1500	Very few schemes have been identified against this internal Invest to Save Programme currently. Any use of this funding needs to be held until the end of Q1, whilst the risks and mitigations are assessed.	Lynne Hamilton, Director of Finance
10	Mitigating Actions - Further Enhanced Controls	In order to support the management of the identified risks, further enhanced controls could be introduced	4000	4000	3000	At the end of each month, the performance and the management of the identified risks will be assessed and further controls escalation measures taken as required.	Lynne Hamilton, Director of Finance
			18,100	27,200	25,100		

Executive Summary

Targets

Savings

Workforce

Risks & Issues

Action Plan

Actions In Last 30 Days

- Ensure budget rebasing has been appropriately reflected.
- Ensure reporting and monitoring Savings.
- Assess savings delivery confidence
- Identify potential mitigating opportunities.

Actions To Be Taken Next 30 Days

- Focus on savings and recovery actions.
- Agree mitigating opportunities and actions.
- Review Efficiency Framework opportunities