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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	12th March 2020	Agenda Item	5.2	
Report Title	Annual Accounts Update			
Report Author	Andrew Biston, Head of Accounting & Governance			
Report Sponsor	Darren Griffiths, Interim Director of Finance			
Presented by	Andrew Biston, Head of Accounting & Governance			
Freedom of Information	Closed			
Purpose of the Report	The purpose of this paper is to update the Audit Committee on the plans in place to close the Annual Accounts for the year ending 31st March 2020.			
Key Issues	<div>a) The timetable, key dates and milestones for the submission of the Annual Accounts for 2019/20;</div> <div>b) the arrangements in place for the review and adoption of the Annual Accounts;</div> <div>c) the approach for accounting for capital issues, including the need for off-site storage of capital equipment;</div> <div>d) the approach for accounting for primary care accruals;</div> <div>e) the approach for accounting for retrospective continuing health care claims;</div> <div>f) the anticipated movements in other key provisions;</div> <div>g) the disclosure requirements in respect of the Bridgend boundary change.</div>			
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance	Approval
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Recommendations	Members are asked to: <div><div>• Note</div>The key issues identified above</div>			

1. INTRODUCTION

- 1.1. The purpose of this paper is to update the Audit Committee on the plans in place to close the Annual Accounts for the year ending 31st March 2020.

2. BACKGROUND

- 2.1. A very detailed and comprehensive closedown timetable with supporting guidance notes has been developed and made available to all staff within the Directorate through the Finance Portal Website, and e-mailed to NHS Wales Shared Services Partnership (NWSSP) and WAO colleagues.
- 2.2. Once the final version of the Manual for Accounts is received, which is expected this month, this will also be placed on the Finance Portal Website for easy access.
- 2.3. The key dates and milestones from the main Annual Accounts Closure Timetable are summarised in the table below:

Annual Accounts Task	Deadline
Issue NHS Debtor Balance Statements to other NHS Wales bodies	3rd April 2020
Sign off date for Agreement of NHS Wales Debtors & Creditors	8th April 2020
Issue Income transactions to NHS Wales bodies	9th April 2020
Sign off date for agreement of NHS Wales Income & Expenditure	16th April 2020
Finalise Health Board Outturn Position	9th April 2020
Close Health Board old year financial ledger	9th April 2020
Submit LMS to Welsh Government	17th April 2020
Preparation of draft Accounts for Senior Finance Team review	21st April 2020
Submission of draft Accounts	28th April 2020
Submission of Audited Accounts	29th May 2020 (Noon)

3. GOVERNANCE AND RISK ISSUES

- 3.1. The Audit Committee meeting already scheduled for Friday 15th May 2020, will receive the draft Annual Accounts, Annual Governance Statement and the Remuneration Report.
- 3.2. A special meeting of the Audit Committee has been arranged for Wednesday, 27th May 2020, to review the full audited statements and reports, with a Board meeting afterwards

to formally adopt them on the same day. The deadline for submission is noon on Friday, 29th May 2020.

- 3.3. In closing the accounts the following key issues are drawn to the attention of the Committee and Wales Audit Office with regards to the technical accounting treatment that will be employed by Swansea Bay University Health Board (SBUHB) in closing the draft annual accounts.

A. CAPITAL ISSUES

i. De-recognition

The approach developed by the All Wales Technical Accounting Group (TAG) Capital Sub Group for use since 2009/10, will again be used by Swansea Bay Health Board in 2019/20. This will require revaluations from the District Valuer where schemes completing in-year have works and fees costs exceeding £0.5m. There are 11 schemes that we anticipate will require revaluation values this year.

ii. Storage of Equipment

The Health Board plans to have 2 items of equipment held in off-site storage on the 31st March 2020. There are also a number of schemes due to complete in March 2020 which involve large equipment items. If there is any delay in the works element of these schemes there may be a need to hold equipment off-site for a short period of time. This equipment will be capitalised in the 2019/20 accounts.

iii. IFRS 16

IFRS 16 Leases supersedes IAS 17 Leases and is effective in the public sector from 1 April 2020. IFRS 16 provides a single lessee accounting model and requires a lessee to recognise right-of-use assets and liabilities for leases with a term more than 12 months unless the underlying value is of low value.

Analysis has been carried out to establish the Statement of Financial Position (balance sheet) impact and the consequent budgetary requirement for Swansea Bay Health Board as at 1 April 2020. This is subject to change as new information becomes available, when new guidance is issued and when new leases are initiated/existing leases renewed. The 2019/20 annual accounts will carry a disclosure note to provide high level information on the estimated impact going forward to the Statement of Financial Position.

B. PRIMARY CARE ACCRUALS

The format of the working papers for Primary Care Accruals will be the same as that used since 2010/11, and will provide clear linkages and audit trails from the Annual Accounts back to the General Ledger.

The Health Board has reviewed the accounting methodologies used across the primary care accrual areas last year. This review has taken into consideration actual outturn values against accrual values and whether there have been any amendments to primary

care contracts in year to determine whether any changes are required for 2019/20. The outcome of this work has concluded the following: -

i. GMS - PADMs (Personally Administered Drugs & Appliances)

The methodology used for PADMS was amended in 2013/14 to exclude high expenditure trends in the autumn months, which is due to the Vaccination & Immunisation Programmes, particularly influenza. For the past three years, the Health Board excluded three months when calculating the average cost per prescribing day to establish accrual values for the months of February and March. The variances for the past three financial years are as follows:

Year	Accrual Value	Actual Expenditure	Variances	
	£	£	£	%
2016/17	550,243	524,617	-25,626	-5%
2017/18	524,616	460,670	-63,946	-12%
2018/19 *	245,188	287,926	42,738	17%

* Swansea and Neath Port Talbot only – Bridgend element settled by Cwm Taf Health Board.

There is no change proposed for 2019/20. However, noting the under accrual in 2018/19 due to issues with the availability of vaccines a detailed review of the accrual figures will be undertaken by a Senior Finance Manager in case of similar issues at the end of 2019/20.

ii. GMS Enhanced Services

The variances for the past three financial years are as follows:

Year	Accrual Value	Actual Expenditure	Variances	
	£	£	£	%
2016/17	349,575	408,718	59,143	17%
2017/18	1,384,859	798,301	-586,558	-42%
2018/19 *	312,784	459,763	146,979	47%

* Swansea and Neath Port Talbot only

The high variance between the accrual and actual expenditure in 2017/18 was due to Welsh Government introducing a number of direct enhanced services in 2017/18 some from 1st April 2017 and some from 1st October 2017. This made an assessment of the uptake of these direct enhanced services difficult to quantify resulting in an over accrual using the methodologies for accrual agreed in 2017/18. An alternative methodology for the accrual was used in 2018/19 for new enhanced services as set out below.

For the Diabetes direct enhanced service, the approach was to calculate the total liability owing to GP practices as at 31st March 2019 and deduct actual payments made.

The total value owed to GP practices is derived from the number of patients with type 2 diabetes, multiplied by the item of service fee.

For the Anticoagulation direct enhanced service the approach was to recognise the liability owing to GP practices who have delivered services in line with the service specification but who had not submitted claims by 31st March 2019. As the claims process is quarterly the maximum liability owed to GP practices can be calculated and adjusted to reflect claims made to date.

However, as the new enhanced schemes have been active for over a year it is proposed to calculate accruals for these two enhanced services in 2019/20 based on expenditure trends as for other enhanced services.

In line with previous years, it is proposed that all other service lines will be reviewed and accrual values based on the prior year's approach and/or expenditure trends within each local area. In addition, a Senior Finance Manager review will be completed prior to finalisation of the accruals to ensure that no scheme is overlooked.

iii. GMS QOF (Quality and Outcomes Framework)

Under the QOF scheme, GP Practices achieve a certain level of points and these are multiplied by £x value per point to establish the payments due. Since the final achievement value is not known until June, this information is not available in time for the Annual Accounts submission and so estimates are required.

The variances for the past three financial years are as follows:

Year	Accrual Value	Actual Expenditure	Variances	
			£	%
2016/17	2,327,541	2,183,985	-143,556	6%
2017/18	2,299,077	2,184,547	-114,530	5%
2018/19 *	1,769,520	1,514,133	-255,387	-14%

* Swansea and Neath Port Talbot only

Points to note for this year's formula:

- There has been a change in schemes from 1st October 2019 introducing QAIF (Quality Assurance and Improvement Framework) instead of QOF.
- The QAIF rewards contractors for the provision of quality care and helps to embed quality improvement into general practice. Contractor participation in QAIF is voluntary.
- The QAIF consists of three domains; **Quality Assurance (QA)**, **Quality Improvement (QI)** and the new domain of **Access**.
- The points available for QAIF are:

- QA-382, QI – 185 and Access - 125
- The total QA and QI points equal 567 points, equivalent to the previous year QOF. Access points are new to 2019/20. A total of 692 points are therefore available to be paid at a rate of £179 per point.
- The formula used last year, and the one proposed for 2019/20 are set out below:

Accrual Formula for 2018/19

2017/18 points achieved (capped at a maximum of 567 points)	X	2017/18 £ per point Uplifted by 3.05%
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Accrual Formula for 2019/20

2018/19 points achieved (capped at a maximum of 567 points) + Access Points of 125	X	£179 per point
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iv. Pharmacy Contract

For the past 3 years, the run rate for November to January was used to accrue for February and March due to several changes to the fees and allowances within the pharmacy contract from April to October.

The variances for the past three financial years are as follows:

Year	Accrual Value	Actual Expenditure	Variances	
	£	£	£	%
2016/17	4,638,140	4,689,285	51,145	1%
2017/18	4,637,591	4,739,377	101,786	2%
2018/19 *	3,291,791	3,393,088	101,297	3%

* Swansea and Neath Port Talbot only

No changes are proposed for the approach to calculating the accruals for 2019/20 for the core contract. Ring-fenced enhanced services, access payment independent prescribing monies and workforce payments will be accrued in full as any unspent monies will need to be returned to Welsh Government in 2020/21.

v. Primary Care Prescribing

Since 2014/15, a methodology which combines both prescribing and calendar days within the month with a 50/50 weighting to both has been set to accrue for February and March.

The variances for the past three financial years are as follows:

Year	Accrual Value	Actual Expenditure	Variances	
	£	£	£	%
2016/17	15,022,506	15,372,822	+350,316	2%
2017/18	15,815,455	14,796,602	-1,018,853	-7%
2018/19 *	10,351,226	10,341,478	-9,748	0%

* Swansea and Neath Port Talbot only

For the 3 years prior to 2017/18 the methodology was based on the average monthly costs for the period October to January (i.e. the most recent 4 months data).

The basis for 2017/18 included an additional assessment of anticipated costs due to the huge fluctuations experienced in No Cheaper Stock Options (NCSO) for a number of drugs during that year. However, this, methodology resulted in an over accrual with prices actually reducing in February and March 2018.

For 2018/19 and 2019/20 there has been little fluctuation in NCSO drugs and so it is proposed to again use the accrual methodology used for the 3 years prior to 2017/18, which was used in 2018/19 resulting in little difference between the accrual and actual costs incurred. However, information published in February and March will again be used as in previous years to assess whether there are any other drugs where the cost and/or associated volumes is likely to have an adverse or favourable material impact. This work cannot be finalised until mid-March, but will be used to consider whether an adjustment will be needed to the overall accrual value. In addition, further adjustments may also need to be made for Category M movements effective from January 2020 which impact in February and March.

C. RETROSPECTIVE CONTINUING HEALTH CARE CLAIMS (OMBUDSMAN PROVISION)

i. Background

At the start of 2011/12, the ABMU Ombudsman Nursing team was disbanded and all cases received prior to 15th August 2010 (Phase 1), were transferred to the Powys

Teaching Health Board (Powys HB), to be managed using a standardised All Wales approach. Cases received after 16th August 2010 (Phase 2) were until the end of 2015/16 managed by ABMU but after that date nearly all of the remaining cases were transferred to Powys HB to assist with progressing them to their conclusion.

During 2014, the Welsh Government launched an advertising campaign to draw the public's attention to the cut-off date for retrospective continuing NHS health care claims relating to the period 1st April 2003 to 31st July 2013 (Phase 3). Claimants needed to register their intent to claim by 31st July 2014, and no later than 31st December 2014 (later extended by Welsh Government to 31st January 2015), to provide evidence of their right to make the claim and proof of fees paid to the care home or domiciliary agency. The intent to claim and the supporting documentation had to be submitted to the All Wales Retrospective Review Team with Powys HB.

Financial responsibility for all post 2003 claims, regardless of when they were received, rests with the Health Board and pre 2003 cases with Welsh Government.

During 2019/20, the Powys HB team were disbanded and any remaining phase 2 and phase 3 claims which had not been settled reverted to the management of the Swansea Bay University Health Board. This included claims lodged relating to the Bridgend population which it was agreed would be maintained and managed to their conclusion by Swansea Bay Health Board as part of the transfer order.

Further annual publicity campaigns have resulted in the ability to claim for periods post July 2013. As at 31st March 2020, there will therefore be claims in existence for phases 4, 5, 6 and 7.

ii. Accruals Methodology (Phase 2)

All phase 2 claims have now been settled and there will therefore be no provision as at 31st March 2020 for phase 2 claims.

iii. Accruals Methodology (Phase 3)

Up until 2016/17, the number of cases progressed by Powys HB was deemed in agreement with Wales Audit office (WAO) to be an insufficient number to be able to reliably estimate provisions for these cases, and therefore these claims were disclosed in the financial statements as a narrative within the contingent liabilities note.

In 2017/18, however, significant progress was made in settling claims to allow a provision to be reliably estimated for these claims. At that stage ABMU Health Board agreed to follow the same methodology as for phase 2 claims utilising the average weekly rate reimbursed and the local success factors, this methodology being used for both the 2017/18 and 2018/19 accounts. It was further agreed that provisions for phase 3 claims would be funded from AME funding by Welsh Government.

For 2019/20 it is proposed that there are no changes to the methodology of utilising the average weekly rate reimbursed at 31st March 2020 and the local success factors. Whilst the number of phase 3 cases remaining within the provision is now significantly reduced there will still be a requirement for the AME funding provided by WG to be managed to ensure that there is no financial benefit or loss to the health board from movements in the provision for phase 3 cases.

iv. Accruals Methodology (Phases 4 to 7)

For phase 4 and subsequent phases, as for phase 3 it has been agreed with WAO that when 25-30% of cases lodged have been completed that a sufficient evidence base should be available to make a reliable estimate for probable claims. It was further agreed that any provision estimates for phases 4, 5, 6 and 7 should not be presumed to use evidence from phase 3 as different phases reflect different claim periods. It was therefore agreed that local methodologies in determining provisions should be used. For Swansea Bay it is proposed that any provisions made for phase 4, 5, 6 and 7 claims will be based on the same methodology applied for claims in phases 2 and 3. All phase 4 and 5 cases have now been settled and only 1 phase 6 claim remains, which will be provided for as at 31st March 2020 along with the remaining phase 7 claims.

D. MOVEMENT IN OTHER KEY PROVISIONS

I. Early Retirement Pension Provision / Permanent Injury

There has been a further change in the Discount Factors to be applied in line with the draft Manual for Accounts issued by Welsh Government in December 2019. This directs health boards to use -0.50% this year (0.29% 2018/19). This will result in a financial cost of £0.460m this year. In addition, the NHS Pensions Agency has approved 1 new Permanent Injury Benefit Claim, the provision which will be required for this case will be around £0.5m resulting in a further charge against the health board's resource limit.

II. Defence Fee Provision For Probability 3 (possible) Successful Legal Claims

As is the case for previous years, in order to comply with the requirements of IAS 37: Accounting for Provisions, Welsh Government has issued guidance regarding the accounting treatment of defence fees for legal claims where the chance of success is deemed as possible (Probability 3: 6-49%).

For the defence legal costs provision of claims within the possible category, the obligating event is a claim being received in respect of Clinical Negligence or Personal Injury.

It is probable, when considering the possible claims as a cohort, that this obligating event may lead to a future transfer of economic benefit in that the organisation may incur some costs in investigating the alleged claim, and therefore a provision is required for the possible claims as a cohort and for which a reliable estimate can be made based on local information held for similar cases. The estimate cannot be made reliably on a claim by claim basis; rather the analysis of historical information covering a three year period should be used.

The table below shows the prescribed accounting treatment to be applied for all claims based on their probability of success:

Probability of Success of Claim	Accounting Treatment
Certain 95-100% Success	<i>Defence Fee Provision at 100% of cost advised by Welsh Health Legal Services on their quantum reports</i>
Probable 50- 95% Success.	<i>Defence Fee Provision at 100% of cost advised by Welsh Health Legal Services on their quantum reports</i>
Possible 6-49% Success	<i>Defence Fee Provision Required – Provision to be based on the Welsh Health Legal Services quantum reports</i> - Organisations with numerous claims should base the provision on three year's historical cost data. Note there may be different % values for clinical negligence and personal injury cases, and the % values will be calculated using the methodology agreed.
Remote 0- 5% success	<i>No provision or contingent liability required</i>

In 2018/19 the Health Board provided on the basis outlined in the table above with the percentages used to provide for probability 3 cases being 10.01% for Clinical Negligence cases and 43.92% for Personal Injury cases. An exercise has been undertaken to update the percentages to be used provide for probability 3 cases taking into account the most recent 3 years actual payments made, which has resulted in revised percentages to be used of 10.68% for Clinical Negligence cases and 56.30% for Personal Injury cases. Based on the 3rd quarter quantum reports from Welsh Health Legal Services this has resulted in an increase in the provision of £0.060m.

III. Accounting for Redress Provisions

At the end of the 2018/19 financial year responsibility for reimbursement of redress cases moved from Welsh Government to Welsh Risk Pool. At the same time, Welsh Risk Pool changed the accounting requirement for redress cases from a cash basis to an accruals basis therefore requiring provisions to be included in the 2018/19 accounts for redress cases for the first time. This accounting treatment is again in place for 2019/20 with provisions for redress cases being included in the accounts based on estimated claim costs provided locally by the Patient Feedback Team. As all payments made in respect of redress cases with the exception of the claimants legal costs (capped at £1,920) are reimbursable from Welsh Risk Pool, the provision will be offset by a corresponding Welsh Risk Pool debtor.

IV. GP Indemnity Scheme

As of 1st April 2019, Welsh Government introduced a state backed future liabilities scheme for GP's and their staff to reimburse claims for clinical negligence against General Practice. The scheme covers claims relating to treatment post 1st April 2019

and is operated through Welsh Risk Pool. To date the health board has received no claims under this scheme and therefore no provision is anticipated for this scheme in the 2019/20 year end accounts.

E. BRIDGEND BOUNDARY CHANGE

The 2019/20 year end accounts will be the first set of accounts prepared since the Bridgend Boundary Change. The Audit Committee will recall that the balances identified as relating to services transferring to Bridgend were identified using the audited 2018/19 accounts and transfer documentation prepared to transfer these balances to Cwm Taf Morgannwg Health Board. This transfer documentation was audited and signed off by Wales Audit Office during September and then approved by the board at its November 2019 meeting and the documentation subsequently signed by the Chief Executive as Accountable Officer.

As the transfer is made under absorption accounting rules, there is no requirement to change prior year comparators in the 2019/20 accounts. However, there is a requirement to disclose within the other information note to the accounts the impact of the transfer on each of the main accounting notes in order to provide clarity to the reader of the accounts as to the reason for the significant movements in each note.

4. FINANCIAL IMPLICATIONS

- 4.1 As this report details, the major accounting policies and methodologies to be used in calculating significant material estimates, there are significant financial implications for the health board in terms of the year end accounts and financial outturn for the health board.
- 4.2 The process of identifying and getting agreement from WAO of the principles to be applied ensures that in the event that there are variations between the significant estimates and the actual outturn figures when available in May and June that there should not be a requirement to make late amendments to the accounts after the draft accounts have been submitted to WG and the Audit Committee.

5. RECOMMENDATIONS

- 5.1. The Audit Committee is asked to note and approve:
- a) The timetable, key dates and milestones for the submission of the Annual Accounts for 2019/20;
 - b) the arrangements in place for the review and adoption of the Annual Accounts;
 - c) the approach for accounting for capital issues, including the need for off-site storage of capital equipment;
 - d) the approach for accounting for primary care accruals;
 - e) the approach for accounting for retrospective continuing health care claims;
 - f) the anticipated movements in other key provisions;
 - g) the disclosure requirements arising as a result of the Bridgend boundary change.

Governance and Assurance	
Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities	
Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
Co-Production and Health Literacy	<input type="checkbox"/>
Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
Partnerships for Care	<input type="checkbox"/>
Excellent Staff	<input checked="" type="checkbox"/>
Digitally Enabled Care	<input type="checkbox"/>
Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
Health and Care Standards	
Staying Healthy	<input checked="" type="checkbox"/>
Safe Care	<input checked="" type="checkbox"/>
Effective Care	<input checked="" type="checkbox"/>
Dignified Care	<input checked="" type="checkbox"/>
Timely Care	<input checked="" type="checkbox"/>
Individual Care	<input checked="" type="checkbox"/>
Staff and Resources	<input checked="" type="checkbox"/>
Quality, Safety and Patient Experience	
There are no direct quality, safety and patient experience issues associated with this report.	
Financial Implications	
There are no direct financial implications associated with this report.	
Legal Implications (including equality and diversity assessment)	
There are no direct legal implications associated with this report.	
Staffing Implications	
The annual accounts preparation process is an intense period for Finance staff and as in previous years in order to ensure that the accounts are completed in accordance with the deadline there may be a requirement for staff to work overtime and/or over the Easter bank holidays.	
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)	
None	
Report History	This is an annual report to the Audit Committee. The previous report was presented to Audit Committee in March 2019.
Appendices	There are no appendices to this report.

