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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	29th May 2019		Agenda Item	2.1
Report Title	Annual Accounts 2018/19			
Report Author	Andrew Biston, Head of Accounting & Governance			
Report Sponsor	Lynne Hamilton, Director of Finance			
Presented by	Lynne Hamilton, Director of Finance			
Freedom of Information	Closed			
Purpose of the Report	To provide the audited accounts for ABMU Health Board for 2018/19.			
Key Issues	<p>The draft annual accounts were submitted to Welsh Government by midday on 26th April 2019 in accordance with the timetable issued in the 2018/19 Welsh Government Manual for Accounts.</p> <p>Wales Audit Office have completed their audit of the accounts and have issued their “Audit of Financial Statements Report” on the accounts which was discussed by the Audit Committee at its meeting earlier today and is attached as agenda item 3.2.</p> <p>The audited accounts will need to be ratified by the Board and be submitted to Welsh Government by midday on Friday 31st May 2019.</p>			
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance	Approval
				✓
Recommendations	<p>Members are asked to:</p> <p>Approve</p> <p>The audited draft annual accounts for 2018/19.</p>			

1. INTRODUCTION

- 1.1. The draft annual accounts were submitted to Welsh Government by midday on 26th April 2019 in accordance with the timetable issued in the 2018/19 Welsh Government Manual for Accounts. The audit of the accounts has now been completed by Wales Audit Office and the audited accounts attached as **Appendix B** need to be approved by the Board.

2. BACKGROUND

- 2.1. The health board has prepared a set of accounts in line with the Welsh Government Manual for Accounts and relevant International Financial Reporting Standards (IFRS). The draft accounts were reviewed by the Audit Committee at its meeting on 16th May 2019.
- 2.2. Wales Audit Office have completed their audit of the accounts and issued to the Audit Committee and Board their "Audit of Financial Statements (ISA 260) report. This report is attached as agenda item 3.2. The changes to the draft accounts recommended by Wales Audit Office (none of which impacted on the reported position of the health board) have been accepted by the Audit Committee at its meeting earlier today and are reflected in the audited accounts attached as **Appendix B**.

3. GOVERNANCE AND RISK ISSUES

- 3.1. The health board is required by Welsh Government to achieve 3 financial targets and comply with the CBI prompt payment guidance for payment of its non NHS invoices. Performance against each of these areas is described below:

Revenue Resource Limit

The health board is required to remain within its revenue resource limit over a 3 year rolling period. For 2018/19 the health board did not remain within this limit, exceeding it by £9.879m. Over the rolling 3 year period from 2016/17 to 2018/19 the health board exceeded its revenue resource limit by £81.612m as detailed on page 23 of the accounts meaning that this target was not achieved.

Capital Resource Limit

Similarly the health board is required to remain within its capital resource limit over a 3 year rolling period. For 2018/19 the health board achieved this target with an under spend of £0.040m. The target was also achieved over the 3 year period from 2016/17 to 2018/19 with a cumulative under spend of £0.176m as detailed on page 23 of the accounts.

Integrated Medium Term Plan

The health board also has a financial duty to have a 3 year approved Integrated Medium Term Plan. The health board has not achieved this financial target for 2018/19.

Public Sector Prompt Payment (PSPP) Target

The health board is expected to comply with the CBI prompt payment guidance of paying 95% of its non NHS creditor invoices within 30 days of receipt of the goods or a valid invoice whichever is the latter. The health board did not achieve this target in 2018/19 with performance being 94.8%, this being due to a backlog of nurse agency invoices being paid earlier in the financial year. The health board performance with regard to payment of NHS invoices was poor with only 84% of NHS invoices paid within 30 days and action will be taken in 2019/20 to improve this performance.

4. ANALYSIS OF ACCOUNTS

- 4.1. The high level issues to note from the accounts main statements are as follows:

Statement of Comprehensive Net Expenditure (SOCNE) - Page 2

This statement reports the net costs of the health board's operating activities.

Primary care services expenditure totalled £245.546m, an increase of £3.494m or 1.44% against the previous year. The main increases were in General Medical Services (£8.426m) and General Dental Services (£1.523m), offset by reductions in Prescribed Drugs and Appliances of £4.460m and Other Primary Care Expenditure of £1.473m.

Expenditure on healthcare from other providers totalled £250.518m, an increase of 5.05% against the previous year. The main movements saw increases in goods and services from WHSSC (£4.716m), with private providers in respect of outsourcing (£3.887m), continuing healthcare (£2.539m) and expenditure with local authorities (£3.283m) offset by reductions in goods and services from other NHS Wales Health Boards (£1.967m) and NHS funded nursing care (£2.374m).

Expenditure on hospital and community services increased by £10.815m. This included a reduction of £13.627m in fixed asset impairments and reversals which can fluctuate considerably from year to year and a reduction of £1.966m in depreciation both of which are funded based on actual costs by Welsh Government. With the exception of clinical supplies and services which reduced by £3.962m linked to the one off benefit of the write back of the drugs goods received not invoiced reported to Audit Committee in November, non-pay expenditure was broadly in line with 2017/18. The main increase in costs was due to staff costs which increased by £29.988m.

Statement of Financial Position – Balance Sheet - Page 4

This statement provides a summary of the organisation's assets and liabilities.

Assets

The total value of property plant and equipment increased by £8.656m. The increase is primarily due to fixed asset additions resulting from the capital programme of £37.873m and indexation on equipment assets of £3.526m, offset by depreciation of £31.301m.

Trade and other receivables, current and non-current have reduced by £34.673m. The biggest change relates to amounts due/recoverable from Welsh Risk Pool which has reduced by £37.998m, linked to an overall reduction in clinical negligence and personal injury provisions.

Liabilities

Trade and other liabilities current and non-current reduced by £2.447m. This reduction is primarily due to the reduction in the PFI deferred creditor.

Provisions

Provisions, current and non-current reduced by £34.023mm with the bulk of this reduction being in clinical negligence provisions (£32.153m). There was also a reduction in the provision for retrospective CHC claims of £1.301m following the settlement of a number of phase 3 claims

Statement of Changes in Taxpayers Equity - Page 5

This statement reports movements in the general fund and revaluation reserve. The general fund is the cumulative year on year position of cash funding received from Welsh Government less net operating costs. Cash funding in 2018/19 amounted to £1.152m with net operating costs amounting to £1.143m. The revaluation reserve records retained increases in asset values as a result of indexation or previous upward revaluations. The net increase of £2.250m is mainly due indexation of land and building assets.

Statement of Cash Flows –Page 7

This statement provides a summary of the cash transactions for the year. Cash spent on revenue activities amounted to £1,119m with capital activities resulting in a cash outflow of £35.6m. These cash outflows were funded by £1,152m of cash from Welsh Government, £0.384m of capital grants and £3.204m relating to the capital element of payments in respect of the PFI scheme. Of the Welsh Government funding £8.154m of cash was provided for movement in working capital balances and £7.979m in repayable strategic cash assistance to support the revenue deficit position.

5. RECOMMENDATIONS

- 5.1. The Board is asked to ratify the audited annual accounts for 2018/19 in order to enable them to be submitted to Welsh Government by the deadline of midday on 31st May 2019.